



Common Market Reports

EUROMARKET NEWS

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Issue No. 141

No. 170, September 29, 1971

IMF seeks reform in monetary system

WASHINGTON --The International Monetary Fund meeting opened with calls for comprehensive reform of the free world's monetary system which is now in some disarray following the U.S.'s decision to attack its balance-of-payments crisis by suspending the convertibility of dollars held by foreign governments into gold and imposing a 10% import surcharge. IMF officials have suggested substantial revaluations of foreign currencies. For example, the Japanese yen would be revalued by 15.3%, the West German mark by 12.3%, the Canadian dollar by 11.2%, and the British pound by 7.2%. There would be a 3 to 5% devaluation of the U.S. dollar. On the other hand, a realignment of parities to this extent is not considered to be politically acceptable, and, in any case, not all of the major participants have agreed on the economic merit of such drastic changes in parities.

U.S. Treasury Secretary John B. Connally has said that the upward float of other currencies against the dollar has not been realistic since foreign governments have bought dollars in the exchange markets to limit the downward trend of the dollar against their currencies. The Europeans are worried about an economic recession and "creeping protectionism" triggered by the U.S. moves. They have urged the U.S. to make at least a token devaluation of the dollar, and it appears that the EEC is ready to recommend a revaluation of its members' currencies in return for this.

Meanwhile, the Group of Ten met before the IMF's session and issued a communiqué which stated that the magnitude and method of realignment of currencies is one of the more immediate issues, as is the temporary adoption of somewhat wider margins around par, and the end of the U.S. 10% surcharge and some other measures, outside the exchange rate field, designed to improve the U.S. balance of payments. The Group of Ten ministers said that prompt solutions to these issues should be found. A revaluation of the dollar price of gold was not included in those issues requiring immediate solution.

Six to compensate firms hit by surtax

BRUSSELS--The Six seem certain to compensate those Community exporters who suffer from the United States' 10% surtax on imports. Much of the pressure for such a move has come from Italy, whose exporters are thought to have been hard hit. The Italians would actually like to see the Common Market go much further and take some kind of retaliatory action against the U.S. but its partners are reluctant to go that far at the moment. EEC ministers have given little indication of what form the compensation will take, and which firms will be recipients. However, Ralf Dahrendorf, the Commission member in charge of foreign trade, has indicated that Germany's Volkswagen and several Italian companies producing household goods would be eligible.

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Community ministers still hope that the U.S. will give some indication soon that it is moving away from trade protectionism. In this respect, they tend to view apprehensively a U.S. threat to impose import quotas on man-made textiles if Japan, Taiwan, South Korea, and Hong Kong do not voluntarily agree to limit such exports by October 1.

Germany to oppose further EEC monetary controls

BONN-- West Germany is expected to reject any attempt by the Common Market to introduce further foreign exchange and capital market controls, even if the International Monetary Fund (IMF) fails to agree on a solution to the world financial crisis by the end of this month. A spokesman for the Economics and Finance Ministry has quoted Karl Schiller, the ministry's chief, as telling this to a high level meeting of representatives of German labor and employers. At the meeting, Schiller was trying to commit the two sides to a policy of controlled wage rises to aid Germany in its fight against inflation. Schiller was also reported as saying that Germany would revalue the D-mark by less than the 8.5% at which it is trading on the exchange market.

Commission to release report on effects of U.S. surtax

BRUSSELS-- According to a report by the Common Market Commission, President Nixon's economic program threatens to hit the EEC's trade balance by as much as \$2 billion. In its report, the Commission sketched the likely effects on each member country's economy.

Not only will the surtax on U.S. imports have the effect of doubling the average level of American tariffs, but its relation to a solution of the international currency crisis is likely to cause a drop in the amount of U.S. investment in Europe. The Commission points out that the Common Market recorded a \$2.4 billion trade deficit in its dealings with the U.S. last year. Community shoe, automobile, glass, diamond, and tire producers will be especially hard hit by the surcharge, thus making it very likely that the deficit will increase in 1971.

GATT report asks repeal of surtax

GENEVA -- The GATT Council has adopted a report, prepared by a special committee, which labels the 10% import surtax as "not compatible" with GATT aims, and which calls for early removal of the surtax. The report charged that the surtax had "serious effects" on the trade of other GATT members, and advised the U.S. that it thus was "inappropriate" for remedying the American balance of payments deficit. It also stated that other GATT countries were entitled to use measures to counteract the surcharge, but found no countries who planned to do so as yet. The report was adopted unanimously by the 55 countries represented on the Council. Even the United States approved it. The U.S. move seems to be based upon the assumption that the report provides a basis for U.S. retaliation against any GATT countermeasures to the surcharge.

Heath echoes Pompidou's call for EEC summit meeting

ZURICH -- UK Prime Minister Heath has given his backing to a proposal by French President Pompidou for a summit meeting of the six Common Market countries and the four applicant members once Community enlargement is ensured. Pompidou had intended the meeting to serve to plan the future

course of the EEC. Heath said that leaders of the countries of an expanded Common Market should start with the principle that European institutions will grow and thrive only in response to evident policy needs, and from a practical habit of the countries involved of working together. He discounted the reliability of a "theoretical blueprint" prepared in advance. Both the British and the French think that the summit should be held shortly after the applicants officially join the Community, which is expected to be early next year. Heath also urged the countries of the enlarged Common Market to work out a common foreign policy.

Debate in Parliament on Britain's EEC entry bid and the terms obtained by the Heath Government is expected to start in October. Britain's Liberal party has decided to support entry, but has called on Heath to allow a free vote on the issue in Parliament. Heath has indicated that he will demand firm party loyalty within the governing Conservative party on the entry issue.

EEC no issue in Norwegian elections . . .

OSLO -- Common Market entry has not proved to be an important issue in the Norwegian municipal elections, which are now winding to a close. Part of the reason for this, say observers, is that voters know that a referendum on the entry question is to be held in the spring. The major issues in the current election are taxes, the economy, and worker participation.

... and Danes ignore Common Market entry opponents

COPENHAGEN -- Opponents of the Baunsgaard Government have tried to build Common Market entry into an issue in the Danish legislative elections, but without much success. Their argument is that the Danish bid will not succeed unless Norway's bid for EEC membership and Sweden's bid for a special EEC relationship do too. However, as an agricultural country, Denmark stands to gain much from the Community and anti-entry arguments have, by and large, failed to impress the electorate. Danish voters do not seem to be especially impressed with the Baunsgaard Government's record. Although the Government has managed to maintain nearly full employment, its economic austerity measures and Denmark's steeply rising cost-of-living have caused much dissatisfaction.

World bourse group asks for mutual fund controls

VIENNA -- The Fédération Internationale des Bourses des Valeurs, an organization of world stock exchanges, has urged more comprehensive controls on mutual funds. The group has issued a lengthy memorandum which outlines standards for mutual fund administration. The organization's member exchanges plan to ask their governments to implement the controls. The Fédération proposes that information about the latest annual accounts and quarterly statements of a fund should be made public before any units are sold. Also, quarterly statements of composition, value, and current yield of a fund's portfolio are to be published in at least two leading newspapers. The quarterly statements must list net assets and the earnings position of the company concerned and, in the case of property, a valuation and date by an independent expert. The Fédération says that such statements should also include the details of all transactions in which the managers and associates of the fund have an interest, list management changes, and reveal the proportion of the fund that is liquid. Other actions recommended by the Fédération are the public release of annual accounts (prepared by independent auditors), more independence for trustees of funds, and limitations on and regulation of management and sales charges.

Lufthansa refuses to sign fare pact

FRANKFURT -- Lufthansa, Germany's national airline, has announced that it will not accept the IATA (International Air Transport Association) accord, hammered out in Montreal in June, on passenger fares for transatlantic flights. Lufthansa had expressed its discontent with the agreement at the IATA meeting, and had indicated that it preferred a situation of no rules on rates to the system of rates that had been proposed. However, Lufthansa was granted a delay to discuss its opposition to the agreement with the other 23 IATA airlines who hold transatlantic routes. The Lufthansa decision opens the possibility of a "fare-war" on transatlantic routes. Most observers feel, however, that, although current rates may be lowered, a real "fare-war" will not develop. The fares will be independently set by each carrier but will be almost identical.

Cockerill-Ougree reportedly wants Upper Clyde interest

LONDON -- Cockerill-Ougree has been reported as interested in buying parts of Britain's Upper Clyde shipbuilding facilities. Upper Clyde was placed into receivership when the British Government refused to provide guarantees for needed funds. Since then, reports have persisted that a Belgian group was interested in buying several docks for the purpose of constructing ships for carrying liquid gas. It now appears that Cockerill-Ougree is the interested Belgian firm.

Schlumberger expands

PARIS -- Schlumberger Limited has acquired control of Société Flopetrol, a Paris-based firm which provides technical services to petroleum companies, the specialty of Schlumberger. Flopetrol maintains offices in all countries, and provides services to petroleum groups in 37 countries. Its capital has been held largely by Geopetrol, la Compagnie d'Exploitation Pétrolière, Forex and Services Towell-Schlumberger -- the last two firms previously being Schlumberger Limited subsidiaries.

ICI announces Japanese venture

LONDON -- Britain's giant Imperial Chemical Industries (ICI) and Japan's Teijin are to form a Japanese company to produce "Gramoxone," an ICI-developed weed killer. The firm is to be called Teijin Agro-Chemicals. Production is expected to start at its \$7.2 million plant early in 1973. ICI and Teijin have often cooperated in the past, especially in the area of fibers.

Bourse report

LONDON -- Dull trading due mainly to newspaper strike. PARIS -- Lack of buying interest causes most leader stocks to drop. FRANKFURT -- Trending downward. MILAN -- Mainly irregular. BRUSSELS -- Firmer after big early week losses. AMSTERDAM -- Still no interest in local industrials. Ship-pings and plantations register slight gains.

EUROMARKET NEWS

COMMERCE, CLEARING, HOUSE, INC.



Common Market Reports

EUROMARKET NEWS

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October 5, 1971

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Group of Ten ready to negotiate end to monetary crisis

LONDON -- News from Washington of the International Monetary Fund's (IMF) consensus on the outlines of an agreement for international monetary stability served to strengthen confidence in the dollar on most European money markets. The U.S. currency continues to be under pressure in Frankfurt, however, where it is hovering around the 3.3120 D-mark to dollar level, equivalent to a 10.5% revaluation upward of the D-mark. In Switzerland, Paris, and London, dollar quotes returned to nearly the same levels as those of late August.

IMF managing director Pierre-Paul Schweitzer called on all of the IMF's member countries to cooperate closely for a speedy realignment of the world's currencies, and to help the United States improve its balance of payments deficits. He also urged the U.S. to remove its current 10% surtax on imports. Members of the Group of Ten, the most powerful bloc in the IMF, were reported to have agreed on a three-part agenda to implement Schweitzer's suggestions. Up to now, a major obstacle to cooperation within the Group of Ten, which includes the U.S., Britain, and Japan, as well as the five biggest Common Market countries, has been U.S. unwillingness to accept a devaluation of the dollar against gold.

It now appears that the U.S. is relaxing its stance on this issue, and may accept at least a token dollar devaluation in return for concessions from its Group of Ten partners. The Group of Ten is expected to begin serious discussions shortly on the modalities of a currency realignment, the possibilities of wider ranges of fluctuation between other currencies and the dollar, the abolition of the U.S. import surtax, and a cure for the U.S.'s balance-of-payments deficit.

Italian production drops

ROME -- Italian production dropped in July, with the country's production index registering a fall of 6.8% to 120.6, from June's 129.1. The decline was one of 6.5% over the level registered during the month of July, 1970. Surprisingly, Italy's strike-ridden automotive industry, where output rose by 4.4% in July over June, was the only industry to go against the trend. Chemical output dropped 13.6%, and engineering output was down by 11%. (In the Italian index, 1966 equals 100.)

Economics Ministry says German economy is still slowing

FRANKFURT -- In its latest monthly report, the German Economics Ministry said that industrial demand in Germany was much lower in July than in June, and confirmed a general belief among businessmen that the German economy is still slowing. The Economics Ministry revealed that capacity utilization, however, is returning more to normal levels and is currently running

only slightly behind the levels of the first few months of this year. The views were much more cautious than those of the Federation of German Industry, which reported a definite slowdown, with no real hope of a turnaround in the immediate future, in its latest analysis of the economy. The Economics Ministry's report gave price stability priority over other economic problems. It said that pressure for German price increases showed no sign of easing.

Norway concerned by false oil and gas discovery reports

OSLO -- Norway's Government has taken the unprecedented step of publishing a warning to investors that it is too early to assess the size of reported finds of oil and gas in the Frigg field in the Norwegian sector of the North Sea. The move reflected growing Government concern over false reports of North Sea oil and gas finds, and its determination to curtail them. The Government is especially worried about reports planted by speculators in an effort to drive up oil share prices. Recently, two leading Norwegian newspapers published reports of huge finds of oil and gas in the Frigg field. The Government warning, prepared by the Ministry of Industry, does not deny the possibility of large finds there, but brands the newspaper reports as "planted," and much too premature in view of the work that has actually been accomplished.

Rippon calls for common EEC industrial policy

ROME -- Geoffrey Rippon, Britain's chief Common Market negotiator, has called for the urgent development of a common industrial policy in the EEC. Rippon, who was addressing the Italian Center for International Conciliation, expressed doubts as to the ability of Common Market companies to compete on an equal basis with American and Japanese firms unless they are given the full advantages of an "integrated market" in the EEC. Rippon also proposed the adoption of common policies on the environment and on regional development.

Pirelli's work force reductions

MILAN -- Pirelli, Italy's leading tire maker, revealed that it plans to accept the resignations of only several hundred workers, even though it issued an invitation to some 15,000 workers to quit with higher than normal severance pay. The firm insists that a cutback in its work force is necessary because some lines of production are no longer competitive. A company spokesman said that Pirelli would be forced to rehire many workers, if the entire 15,000 quit.

Italian unions, which oppose the move, have issued a strike call to all of the 20,000 rubber workers in the greater Milan area to protest it. The unions have suggested a number of four-hour walkouts.

OPEC to ask oil firms to share assets and profits

LONDON -- The ingredients for another world oil crisis have been supplied by the Organization of Petroleum Exporting Countries (OPEC), which has called for a greater share for exporting countries in the assets and profits of the companies drilling on their lands. The OPEC, which represents eleven oil-producing nations, intends to make the demand a chief feature of its upcoming talks with international oil companies. Last year, the OPEC

won concessions from oil companies by threatening an embargo. The cutoff, if carried out, would have seriously affected European and Japanese industry. The OPEC recently suggested that the current world monetary crisis has already invalidated much of the revenue gains that it won last year. Some OPEC countries, led by Algeria, have suggested that oil prices--now set in dollars--be readjusted because of a de facto devaluation of the dollar. The OPEC revealed that it would set 20% as the normal amount of participation that each of its member countries should have in companies drilling on their lands.

Belgian discount rate cut

BRUSSELS -- Belgium's National Bank has cut its discount rate by one-half point to 5.5%, the second such move within the last six months. The decrease will put the Belgian rate more in line with the discount rate of both the Netherlands and Britain, which was reduced to 5% recently. The Belgian National Bank decided to take the action because of downward trends on international money markets. The bank said that inflationary pressures on Belgium's economy have lessened recently.

Pechiney, Kaiser project postponed

PARIS -- Pechiney of France and the U.S.'s Kaiser Aluminum have postponed their plans to build a million-ton alumina plant at Dunkirk. Construction of the unit was to have begun at the end of this year, and to have been completed by mid-1974. It was to have cost nearly \$150 million. Pechiney gave no indication of when work would commence on the project. Most of the world's major aluminum producers have been curtailing their production, largely because of a slump in world demand.

Leiding is new VW chairman

FRANKFURT -- Rudolf Leiding has been elected chairman of Volkswagen's supervisory board, and will be the one principally responsible for directing the giant company, following the resignation of Kurt Lotz. Lotz quit Volkswagen following criticism of his leadership, a report that VW was in financial trouble, and a slide in the company's profits to almost zero. Leiding, who 26 years ago was a Volkswagen mechanic, was chairman of the supervisory board of Audi-NSU, a Volkswagen subsidiary.

Klaus Amedick, finance manager of Ford-Werke and regarded as one of Ford's ablest European executives, has joined Volkswagen to become deputy sales manager of Volkswagenwerke. He is expected to replace Carl Hahn as sales manager soon, with Hahn moving up to the post of sales manager of VW's worldwide group.

Alcoa in talks on Greek aluminum plant

ATHENS -- High level talks on the establishment of an aluminum complex in Greece have opened between Alcoa and the Greek Government. Alcoa has been assumed to be the backer of Greek shipping magnate Aristotle Onassis for an aluminum plant to be included in the \$600 million investment package deal that Onassis signed with the Greek Government last year. The Onassis contract, however, has run into legal complications, and is now before arbitration courts in Switzerland. It appears that Alcoa has decided to undertake the project alone.

Italpi shareholders say "yes" to Bastogi merger

MILAN -- Shareholders of Italpi, a holding company that is controlled by Montecatini Edison, have approved the merger of their firm with Bastogi and the two Bastogi subsidiaries, SES Finanziaria and SGES Finanziaria. If the merger is completed, it would result in the formation of Italy's largest private holding company. Under the merger proposal, owners of Italpi stock would double their participation in Bastogi. This would strengthen the position of Montecatini Edison in the combined group. The merged group would be Montecatini Edison's largest shareholder, after the Italian state holding companies.

Lawyers representing Germany's Westdeutsche Landesbank Girozentrale, which has bid to buy some twenty million Bastogi shares for an unnamed client, have told Italpi stockholders that the offer is still open.

Cameroon Airlines formed

PARIS -- Cameroon Airlines, 30% of whose shares are owned by Air France, will begin operations in early October with a route system including three flights weekly in each direction between Paris and Douala. Cameroon Airlines was set up early this year, following a decision by the Cameroon Government to drop its participation in Air Afrique, the multinational West African airline. Air France will be responsible for technical and training assistance in the venture. Cameroon Airlines is also expected to seek assistance from Union de Transports Aériens (UTA), another French carrier.

Austrian bank move

VIENNA -- Girozentrale und Bank der Oesterreichischen Sparkassen, the second largest Austrian bank, has acquired a 10% stake in Schoeller und Co., Austria's leading and oldest private bank. Control of Schoeller will remain largely in the hands of representatives of the Schoeller family.

Bourse report

LONDON -- Most leader stocks suffer slight losses in wake of news from IMF meeting. PARIS -- Firm investor confidence buoyed by IMF developments. FRANKFURT -- Firm, but below the best. MILAN -- Mainly easier in fairly active conditions. BRUSSELS -- Slightly lower in moderate trading. AMSTERDAM -- Local industrials rise on a broad front. Plantations, shippings narrowly mixed.

EUROMARKET NEWS

COMMERCE CLEARING HOUSE, INC.



Common Market Reports

EUROMARKET NEWS

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More use of SDR's favored by Europeans

PARIS -- Support is growing in Europe for a new international monetary system, based on Special Drawing Rights (SDR's), that would eliminate the role of the dollar as the world's principal currency for trade. A plan for such a move was proposed by British Chancellor of the Exchequer Anthony Barber at this year's meeting of the International Monetary Fund. Barber said that use of SDR's would permit countries to adjust their trade surpluses and deficits much more easily. His views have been picked up and given careful backing by the major European countries, including France, which, as a strong backer of gold as the world's principal reserve asset, has demanded that the official price of gold be raised at the onset of any monetary crisis. France, as well as the other EEC countries, is hoping that a new basis for the world monetary system can be set before the beginning of next year.

U.S. economic moves may endanger jobs in EEC

BRUSSELS -- The American economic measures could affect the employment of approximately one percent of the 33 million workers in the Common Market's industrial sector "after a certain period," according to Albert Coppé, a member of the European Community's Executive Commission.

Mr. Coppé said that the U.S. measures will have a double impact on the industrial sectors of its trading partners. He said the job development tax credit plan and the proposed tax deferments for Domestic International Sales Corporations (DISC) combined with the de facto devaluation of most European currencies would effectively double the protection provided to American industry in relation to other sectors of the U.S. economy protected only by the 10-percent surcharge.

He noted that the Common Market industries most affected include the automobile, machinery, coal and steel, textile, shoe, and chemical products industries.

Labour officially against Community entry for Britain

LONDON -- This year's annual conference of the opposition Labour Party ended with a vote overwhelmingly against British entry into the Common Market on the terms negotiated by the UK Government, opening the possibility of some rough going before Britain enters the EEC. The conference called upon all Labour members of the Parliament to oppose entry when the issue comes up for a vote in the House of Commons on October 28. Harold Wilson, who as Prime Minister made the EEC entry application in 1967, supported the negative motion, as did two of his close supporters, James Callaghan and Denis Healey. But Roy Jenkins, Labour's deputy leader, has decided not to change his pro-entry stance. He and some 60 Labour House

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of Commons members are expected to vote for entry, which would enable the Government to win the decisive test with ease. The only way that Labour could keep Britain out of the EEC would be to force a general election, but the chances that they will be able to do this are very slim. The biggest threat posed by Labour to Britain's Common Market relationship is for the future, since the conference has accepted Labour's right to demand changes in the treaty of accession to the EEC if it should regain power.

Germany to keep farm taxes

FRANKFURT -- Germany has told its Common Market partners that will protect its farmers from the effects of a D-mark revaluation--a move that seems certain to put the painstakingly constructed Community farm system in jeopardy. Common farm policies have been part of an understanding between France and Germany since the Community's inception. France has permitted industrial free trade largely because of the agricultural benefits it has gained. The chief beneficiaries of a common industrial market have been the Germans. But German farmers, a small but politically powerful group, have always been dissatisfied with the arrangement. German Farm Minister Joseph Ertl told the EEC at a recent meeting in Brussels that Germany plans to continue taxing farm imports and subsidizing farm exports for an indefinite period, perhaps until 1980. This action, if carried out, would infuriate the French, and perhaps mark the start of another Community crisis.

UK reserves rise again

LONDON -- British reserves rose by \$206 million in September, despite attempts by UK agencies to limit dollar inflows. The increase, the 12th consecutive monthly rise, reflects a strong surplus in Britain's overseas trade, high yields on sterling investment, and uncertainty over the dollar. Dollar troubles in the past few months have given rise to an especially heavy flow of speculative funds into London. UK authorities have sought to keep the pound from floating too high by curbing the inflow of foreign funds through exchange controls. Interest payments on new sterling holdings by nonresidents outside the sterling area have been barred, and the British discount rate has been reduced from 6% to 5%. Nevertheless, the pound has floated upward. It presently stands about 3.7% higher than its old dollar parity. The UK's total reserves are now a record \$4.8 billion, and officials are counting on these reserves to absorb the balance of payments cost of Common Market entry.

EEC Commission proposes three-year Euratom plan

BRUSSELS -- The European Commission has adopted a three-year plan for nuclear and scientific research in an effort to give Euratom, the Common Market's nuclear agreement, new meaning. The plan, if approved by the national governments, will give the Six a comprehensive nuclear research policy for the first time since 1967. For the past four years, Euratom has been kept in existence by extending existing programs on a year-to-year basis. The Commission's three-year plan, covering 1972 through 1974, calls for outlays of \$145 million for work in the Six's four research centers, and asks an additional \$100 million for projects that would be carried out for the Community in national research centers. One casualty under the plan is the ESSOR prototype research reactor at Ispra, Italy, started in 1963. The Commission has made provision for reorienting nuclear research planning if Britain joins the Community in 1973.

French prices continue to rise

PARIS -- French retail prices have risen by 4% during the first eight months of 1971 (equivalent to a 6% increase annually), bringing the Government into conflict with labor unions. Evidence that prices of manufactured goods are rising just as fast as those of foodstuffs is causing particular concern among the unions--and among Government officials. For the time being, France's major producers' organizations seem willing to adhere to a Government-inspired system of limiting the increase in the price of French manufactured goods to 1.5% during the six months from October 1.

VW workers seek 11% pay increase

FRANKFURT -- Metal workers will seek an 11% pay increase at Volkswagen, Germany's biggest car company. The current wage contract expired October 11, and local union chiefs at Wolfsburg have indicated that it would not be renewed. Instead, a new contract will be negotiated. VW raised the wages of its 135,000 workers by 12% last year; the local union had demanded a 15% hike.

Volkswagen's position on the German car market has shown signs of slipping recently. New Government figures show that Adam Opel, General Motors' West German subsidiary, led the list for new car registrations in Germany in August. VW, the leader before, came in second.

Briton named to top EEC post

BRUSSELS -- Christopher Layton, a British technological expert, has been appointed chief executive assistant to Altiero Spinelli, the Commission member responsible for scientific, industrial, and technological affairs in the EEC, marking the first time ever that a non-Community man has been given a top political post. Layton's appointment will become official when Britain decides to enter the EEC. For the moment, he will work in the Commission in an advisory capacity.

CGE to get nuclear contract

PARIS -- France's Compagnie Générale d'Electricité (CGE), which holds a license for the U.S.'s General Electric's boiling water reactor, is to receive the contract for France's second nuclear power station, say French Government officials. CGE has reportedly reached an agreement in principle on the price of the project with Electricité de France, France's electrical authority.

Zanussi announces reduced working schedules . . .

MILAN -- Industrie Zanussi, one of Italy's leading makers of household appliances, has placed a further 9,400 workers in five of its plants on reduced work schedules. All of the workers are involved in appliance production. Zanussi had recently announced reduced work schedules for 6,000 workers in its television division. Zanussi, which employs 30,000, explained that the cut-backs are due to stagnant export and domestic markets and spiraling costs.

. . . and so do German steel producers

FRANKFURT -- Most major German steel firms have announced production cut-backs, opening the possibility of nearly 8,000 steel workers being placed on reduced working schedules in October. The production cuts have been

mainly in formed steels. Hoesch has decided to place 250 workers on short time in its pipe division; Friedrich Krupp Huettenwerke, 870; Stahlwerke Roechling-Burbach, 2,700; August Thyssen Huette, 1,850; and Kloeckner-Werke, 2,100. Mannesmann is the only major German steel producer that will make no reductions in working time.

Liquidation voted for Rolls-Royce

LONDON -- Shareholders have voluntarily agreed to put Rolls-Royce into liquidation, a move that should give them a voice in upcoming negotiations between Rolls and the UK Government over the price to be paid for the firm's aero-engine division. Rupert Nicholson, Rolls' receiver, has revealed that the company owes creditors some \$228 million. He said that Rolls' book value was \$417 million, with the company's prestigious motor division worth \$48 million.

Shell, Royal Dutch merger urged

LONDON -- Sir David Barran, the chairman of Shell Transport and Trading, has called for the merger of Shell Transport and Royal Dutch Petroleum. The two companies are the parent firms of the Royal/Shell group of companies. Barran said that a merger would aid the group's position in many respects, but especially in matters of finance, since it would end the two distinct equity shareholdings that make it difficult for the group to undertake large financial operations. Barran did admit that a merger would not be achieved in the near future, and would have to await a harmonization of corporate laws.

Leading Norwegian firm goes public

OSLO -- Tandbergs Radiofabrikk, Norway's leading producer of radios, tape recorders, and other electronic equipment, will seek a listing on the Oslo stock exchange. Up until now, all of the shares of the firm have been held by a private foundation. A new issue is to be floated some time in late October, with the result that some 50% of the company's shares will then be in hands other than those of the foundation.

Stern Metals expands Swiss interests

GENEVA -- Stern Metals Corporation has revealed that it has acquired the dental products division of Stern Frères of Geneva, in an exchange of stock. The division manufactures and markets dental chairs, dental instrument systems, and X-ray machines.

Rhône Poulenc to consolidate textile holdings

PARIS -- France's giant pharmaceuticals firm Rhône Poulenc is to seek shareholder approval for the consolidation of its textile interests into its subsidiary, Compagnie Industrielle de Textiles Artificiels et Synthétiques (CTA). The concerns to be absorbed by CTA are: Rhodiaceta, Rhovyl, Industrielle de Moy, Norsyntex, Constructions Mécaniques de Stains, Expansion Textile du Nord de la France, and Rhône Poulenc Textiles.

Bourse report

LONDON -- Most issues advance, sparked mainly by rumors of interest rate hikes. PARIS -- Quietly mixed. Chemicals well maintained. FRANKFURT -- Leader stocks mainly lower on continuing monetary uncertainty. BRUSSELS -- Firm. AMSTERDAM -- Shippings rise sharply. Local industrials and plantations mixed.

EUROMARKET NEWS

COMMERCE CLEARING HOUSE, INC.



Common Market Reports

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Germany cuts interest, reserve rates

BONN -- The Bundesbank, West Germany's central bank, reversed its long-standing policy of high lending and minimum reserve rates when it lowered Germany's bank rates and reserve requirements. The discount rate was dropped from 5% to 4.5%, and the Lombard rate was cut from 6.5% to 5.5%. In the same action, the minimum reserve requirements were lowered by 10%, thus releasing some \$350 million as new liquidity.

Both Willy Brandt, the Federal Chancellor, and Economics and Finance Minister Karl Schiller had been urging easier credit conditions because of the adverse effect the high rates had on industrial expansion. Bundesbank president Karl Klasen, the top German banker, stated that credit restrictions had been eased on external and domestic economic grounds. The economic slowdown domestically was considerable, he said, and West Germany's export industry has been subject to heavy pressure following the mark's rise in value against the dollar and the U.S.'s import restrictions.

The action by the German bank was closely followed by similar action in Italy. The bank rate was cut from 5% to 4.5%, and the Lombard rate (for loans backed by government securities) was cut from 5% to 4%. Other European nations, particularly Great Britain and France, are expected to feel similar pressures to lower their interest rates.

Private capital flows discussed by Group of Ten

PARIS-- European members of the Group of Ten rejected some U.S. notions on cures for international money problems at current Group of Ten conferences. The Europeans are especially concerned that U.S. ideas, if put into practice, would force them into trade deficits, while their companies continue to pump money into America. They feel that they should be permitted to limit capital outflows if the process of righting the U.S. balance of payments and balance of trade causes their trade to suffer. The U.S. position is that private capital flows to and from America would nearly balance out, but the Europeans do not agree.

A background paper, prepared for a deputy-level meeting of the Group of Ten on October 18, asserts that the U.S. is demanding both the right to take away European trading surpluses and the freedom of U.S. companies to continue buying up European concerns. Europeans argue that they do not now have the same opportunities for investment in the U.S. that Americans have in Europe, and that the U.S. goal of balance in capital flows cannot be

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achieved. They also say that U.S. deficits are caused in part by private capital outflows, and that the U.S. must act on the capital problem if it wants world monetary talks to succeed. The Europeans are expected to pressure the U.S. for an agreement on limiting outflows of capital from the U.S. at other Group of Ten meetings also. There is one more conference scheduled for October at deputy level, and then one at ministerial level in November.

Italian tax reform approved

ROME -- The Italian parliament has approved the much-debated legislation for a major reform of Italy's tax system, representing a major victory for the Government of Premier Colombo. The reform will ease the Government's job of tax collection, since it will wipe out many of Italy's ancient indirect taxes, substituting easier-to-collect direct taxes. Also, six completely new taxes have been approved. Four of these are aimed at industry, and the other two at consumers. Another new tax is a value-added tax (TVA), which meets Common Market requirements and replaces a cumbersome turnover tax. Provisions that will simplify filing returns for salaries have also been included in the reform. Penalties for tax evasion have not yet been stipulated, but soon will be.

UK sets restrictions on nonresident sterling purchases

LONDON-- Britain has acted to stem a continuing inflow of "hot money" that has been pouring into London in the past few weeks, pushing sterling's dollar quote to the highest levels since August 15. Measures taken by the Government nearly two weeks ago have not stopped the flow. Instead, sterling currently stands at a level representing a 4% revaluation against the dollar, and keeps attracting speculators. New restrictions have now been placed on the holdings of certain types of sterling investments by nonresidents. Foreigners will not be allowed to expand their holdings of British Government securities (including Treasury bills), securities guaranteed by the Government or local authorities, sterling certificates of deposit, sterling acceptances, sterling promissory notes and sterling commercial bills. Nonresidents are already prohibited from buying UK securities with a life of less than five years.

Unemployment up in West Germany

FRANKFURT -- Unemployment in West Germany has risen by 50.7% in the past year. Statistics compiled by the Federal Labor Office show that German unemployment stood at 97,300 at the end of September, 1970. It was 146,700 at the end of September, 1971, which means that 0.7% of Germany's total work force is now unemployed. Officials noted an unusually sharp drop in the official index of vacant jobs reported as "open" in Germany in September. In 1970, during the same month, 811,500 job openings were recorded.

French reserves fall

PARIS -- France's reserves fell by 1.848 billion francs in September, to 36,412 billion francs, the first decrease since December, 1969. Officials at the Bank of France revealed that the decline would have been steeper if commercial banks had not repaid some 1.19 billion francs in loans.

Soviet gas plant starts operations

FRANKFURT -- The first of five proposed Soviet gas processing plants, whose production is to go to Western Europe, has begun operations. It is located in the Orenburg field, where gas reserves are currently estimated at 70,000 billion cubic feet. The USSR has signed contracts for delivery of natural gas to Italy, West Germany, and France, starting some time in the mid-1970's.

CBI says mood of British businessman is optimistic

LONDON -- According to a survey by the Confederation of British Industry (CBI), businessmen are more optimistic about the UK's economic outlook than they were three months ago. The CBI said that UK businessmen report that the level of incoming orders has increased significantly, and that they expect the trend to continue over the next four months. The latest survey showed that at the end of September 55% of British businessmen expected a rise in their average cost per unit of output. Over 77% of the businessmen polled in early June, the time of the last survey, expected such a rise at that time.

Paris metro strike continues

PARIS -- Despite a plea from union leaders to return to work, some 2,000 subway motormen decided to carry on their strike, which has already lasted for nearly two weeks and paralyzed transportation in the city. Paris buses are still in operation, but the shut-down of the subway system has forced many commuters to use personal automobiles, thus clogging the streets. Prime Minister Jacques Chaban-Delmas has termed the strike "unjustifiable and dangerous," and said that it was seriously crimping the city's economy. The disagreement between union leaders and workers will make further negotiations on a return to work difficult. The motormen are striking for more pay and a higher job classification.

Two Italian walkouts cancelled

ROME -- Railroadmen and gasoline distributors have called off their scheduled strikes, sparing Italy two serious blows to its economy. 180,000 employees of the state-run railroad had planned to stage a 24-hour strike, but cancelled it when Government representatives agreed to consider their demands. Gasoline-station workers called off their scheduled 59-hour strike when the Government assured them that they would receive a higher share of the proceeds from gasoline sales.

A number of Italian unions, however, still plan to carry out the strikes that they have called. Unions representing nearly 22,000 employees of such semi-state agencies as the Red Cross, the National Olympic Committee, and the Foreign Trade Institute have advised members to walk off their posts to protest current wage scales. Telephone unions, whose workers are demanding more pay and better working conditions, plan to stage a series of region-by-region strikes.

Investment aids in EEC to be curtailed

BRUSSELS -- The Governments of the Common Market countries have agreed to place a 20% ceiling on official regional aid to private investment. Following a course suggested by the Commission, the Six will now limit their investment aids to areas considered especially disadvantaged. The problem in the past, as the Commission has reported, was that investment incentives were granted much too liberally. Now the aids will be given only in areas

that otherwise would have been bypassed by companies seeking plant sites. The agreement is expected to have an immediate effect in cutting back incentive plans in highly developed areas such as the Ruhr Valley and the greater Antwerp region. Areas where incentives will still be offered are the south of Italy, southwestern France, and the special sectors of West Germany that border on the East.

Capital gains tax to finance Norwegian budget

OSLO -- Norway's record budget for 1972 is to be financed in large part by a new tax on capital gains. Investors will be required to pay a 50% tax on profits from shares sold within five years after acquisition, starting on January 1, 1972. The 1972 budget, in which the biggest single item of expenditure will be social affairs, amounts to nearly \$4 billion, a rise of 14.6% over the budget for 1971.

Renault curtails investment plans

PARIS -- Renault, France's largest firm, will postpone some of its major investment plans, largely because of poor profits in 1971. Renault, which holds 29% of the domestic auto market and is one of France's largest exporters, last year was plagued by an inability to hold down costs. Although sales increased by 29% in 1970, profits slid. Renault has been hard hit in 1971 by a strike which closed down its plants in May, causing a production loss of nearly 60,000 vehicles. The projects to be postponed have not yet been announced. However, only two are likely to remain unaffected. These are the construction of a new plant at Douvrin in northern France, and a cooperation pact with Peugeot and Sweden's Volvo, to produce automobile engines.

Spanish steel firms merge

MADRID -- ENSIDESA and UNINSA, Spain's two state-run steel firms, will merge in 1972. The combined company will be capable of producing 6 million tons of steel per year by 1975. It will be under the direct control of the INI, Spain's state-owned industrial holding concern. Currently, the INI has direct control of 67 Spanish firms and substantial holdings in 83 others.

Bourse report

LONDON -- Market very well maintained. Equities, gilts both in heavy demand. PARIS -- Mixed, in fairly active trading. FRANKFURT -- Slight advance in hesitant trading. MILAN -- Industrials drop sharply in reaction to announced short-time schedules. Financials in demand. BRUSSELS -- Mainly lower. Mining shares firm. AMSTERDAM -- Shippings, plantations narrowly mixed. Most local industrials lower.

EUROMARKET NEWS

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Common Market Reports

EUROMARKET NEWS

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Monetary talks end on note of discord

PARIS -- Talks between representatives of the world's ten richest nations, called to prepare the groundwork that could lead to the end of the world's current monetary disorders, have ended after three days with the parties far from agreement. One of the main issues under discussion was the amount of the adjustment by which the United States can correct its balance-of-payments deficits. The issue is certain to cause all of the European countries grief. They have based their economies on a yearly increase in their share of world trade, and they could be seriously hurt by any shift in current world trade patterns.

Overshadowing the talks were remarks made by U.S. Treasury Secretary John Connally to U.S. businessmen, seemingly according special trading privileges to countries that have permitted their currencies to float to new parities against the dollar. The remark has been taken by Europeans to reflect official American thinking, and it came at a time when the Europeans were all but agreed to demand that the 10% surcharge on imports be lifted. Connally's remark has once more isolated the Germans from the French. The Germans seem to have been offered special concessions because of the monetary moves that they have made thus far. The U.S. appears to have offered special help to the Germans in their bid to assume economic leadership of the EEC. Officials in Bonn say that they will seek a clarification of the Connally remarks before acting. But nothing the Germans do is likely to dampen the wariness that the Connally remarks have aroused among the French.

German bankers ask for more EEC monetary cooperation

FRANKFURT -- West Germany's Bankers Association has asked the Government to cooperate with other Common Market countries and strive for a joint EEC stand against what it termed "U.S. pressure in the current monetary crisis." The bankers told the Government to ignore U.S. Treasury Secretary John Connally's remark that Germany could be exempted from the U.S.'s 10% surcharge. The Association asked the Government to abandon its policy of an independent D-mark float, and reach an understanding on this matter with France. (France has remained opposed to Germany's D-mark moves.)

Big trade surplus for Britain in September

LONDON -- Britain recorded a trade surplus of nearly \$137 million in September, a figure topped this year only by the erratically high surplus of August. The level of exports was at a new high, and merchandise trade was in surplus for the sixth consecutive month. The pound strengthened on the

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news of the surplus. But the trade successes have come to be taken almost for granted on the foreign exchange market -- a complete turnaround from last year -- and no radically large move into sterling was recorded.

Experts have noted that the newly announced British exchange control measures have not had much success in halting the pound's rise on the exchange market. The September trade figures could provide the basis for the introduction of more measures.

German interest rate changes assessed

FRANKFURT -- Foreign exchange markets paid far more attention last week to the easing of German credit restraints than to good UK trade figures. (Both the bank rate and the Lombard rate were cut by 1%, and the Bundesbank's minimum reserve requirements for commercial banks were reduced by 10%, effective November 1.) Bundesbank president Karl Klasen said that an extra 3 billion D-marks would be available for lending once the new minimum reserve requirements were put into effect. The new interest rates and reserve levels are likely to reduce borrowing by German firms on the Eurodollar market -- which is exactly what the Government hoped for. Officials have indicated that the Government may place some form of reserve requirement on the loans made by banks on their Eurodollar borrowings if the borrowings continue at high levels.

The Government also hopes that its new moves will reduce German reserves and push up the dollar against the D-mark on the foreign exchange market. It feels that the current D-mark to dollar rate -- representing a de facto revaluation of nearly 10% -- is much too high, especially since German export prospects have dimmed.

Italy responded to the German interest rate announcement by reducing its bank rate by one-half point, to 4%. In London, the prices for government bonds have been quoted higher in anticipation of a similar cut in the UK bank rate. And in Paris, French bankers feel that France's 6.75% bank rate -- the highest in the EEC -- will also be reduced soon.

Barclays lowers its lending and deposit rates

LONDON -- Barclays Bank, the UK's largest bank, has cut the interest payable on its loans and deposits by 0.5%, a move that could usher in a new era of rate competition in Britain. Barclays' "prime rate" now is 5.5%; its deposit rate is 2.5%. So far, other big British banks have refused to follow the Barclays action. Barclays' rate changes were the first since the Bank of England completed its overhaul of the banking system last month. In order to promote competition, fixed rates on sterling loans and deposits, cartel arrangements on bank charges, and quantitative ceilings on loans were abolished. The relationship between interest rates and the bank rate was also changed. Currently, the bank rate is less important as a reference than the base rate, which banks had agreed would remain at 5% until October 1. The Barclays action is the first taken since individual moves by banks became possible.

OPEC to demand more from oil companies

VIENNA -- High-ranking officials of the Organization of Petroleum Exporting Countries (OPEC) and central bankers from all of the OPEC's 11 member states

have drawn up recommendations to guide members in upcoming talks with oil companies. A proposal to offset revenue losses caused by the dollar's difficulties has also been prepared and is to be presented to the oil concerns. The OPEC is thought to be demanding that the oil companies pay an immediate increase of 5% to 7.5% (in the range of \$500 million) in the "posted price," an arbitrary figure used as a base for computing the taxes paid by the companies to the oil-producing states. The OPEC is to demand a further hike in the posted price once current monetary problems are over and a new dollar relationship to gold and other currencies is fixed. It is possible also that all of the increases will have to be made retroactive to August 15, the day the dollar float started. The OPEC has agreed that the companies be allowed to pass on the added costs to consumers.

U.S. - Swiss tax treaty delayed

GENEVA -- U.S. officials in Berne say that the U.S.'s 10% surcharge on imports is one of the chief factors delaying the conclusion of a new U.S.-Swiss tax treaty under which the Swiss would give more aid in tracking down money hidden in Swiss accounts by criminals. Although the surcharge is not an issue in the discussions, Swiss officials need the backing of the Swiss business community and parliament before agreeing to the unpopular "money-hunt" clause. Another stumbling block in the treaty discussions is the U.S. hope of obtaining more information on antitrust law violations. The treaty, which was to have been ready this year, will probably not be ready until late next year.

Denmark adopts surcharge

COPENHAGEN -- The first economic move made by the new Danish Government -- on its first day in office -- was to adopt a 10% surcharge on about two-thirds of Denmark's imports. The surcharge has not yet been accepted by parliament, so it is not yet law. Government officials say that the tax was adopted in an effort to strengthen Denmark's currency, improve its balance of payments situation, and boost the overall economy before Denmark joins the Common Market. Officials also say that the surcharge will be reduced to 7% within one year, and to 4% soon after.

The action is expected to hit Sweden hardest, although it could also have an effect on the trade of some of Denmark's other EFTA trading partners. Ironically, Denmark's ambassador to Switzerland, Hans Erik Thrane, was one of the sharpest critics of the U.S. surcharge at the recent GATT meeting in Geneva. Now, he will be forced to defend the Danish surcharge at upcoming GATT talks.

Peseta revalued

MADRID -- Spain's Institute of Foreign Exchange has announced a new dollar parity for the peseta. The rate is now 68.455 pesetas to the dollar -- a revaluation upward of about 2%.

Top French businessman asks for new EEC customs barriers

PARIS -- Henri Ziegler, head of France's aerospace company and newly elected president of the USIAS (the French Association of Aerospace Industries), has revealed that France has asked its Common Market partners to erect customs barriers against U.S. goods in retaliation for the U.S. 10% sur-

charge. Ziegler said that there should be an EEC surtax of about 15%. Government officials refused to say if France had demanded a 15% surtax, but did confirm that a retaliatory surtax had been discussed in recent EEC meetings. Ziegler said that USIAS intended to pressure the Government into demanding customs barriers against EEC imports of U.S. aerospace products.

Vredestein battle over

THE HAGUE -- A settlement has finally been reached in the long-standing battle between B. F. Goodrich and Goodyear, the two U.S. tire giants, for control of Vredestein, the Dutch tire and rubber manufacturer. Goodyear is to sell all of its Vredestein shares to Goodrich. No price has been announced. Certain fiscal and financial arrangements still must be agreed to, but officials of both firms say that they expect no difficulties in this area.

The battle for control of Vredestein broke out last April, when Goodyear announced a tender offer for Vredestein shares. Goodrich responded by increasing its investment in the concern. As a result, the majority of Vredestein's stock was controlled by the two U.S. firms, but neither was able to exercise voting control. Court action was threatened, and at certain points in the battle was actually begun. Finally, the two firms thought it easier to reach an agreement between themselves.

Portuguese industrial group expands

LISBON -- Companhia União Fabril (CUF), one of Portugal's leading industrial groups, has announced a major expansion program and envisions spending some \$16.8 million over a three-year period to implement it. The biggest outlays will be for two plants, one of which is to produce sulphuric acid and the other zinc oxide. The sulphuric acid unit is to go into operation in January 1973 with an initial capacity of 228,000 tons per year. The zinc oxide facility will begin operations in July 1973, with a capacity of 10,000 tons per year. Although much of the production from the two plants will be geared initially toward domestic uses, CUF hopes eventually to develop an export capability.

Westinghouse Electric to open research laboratory

PITTSBURGH -- A European research laboratory in Uccle-Brussels, Belgium, is to be opened by Westinghouse Electric Corporation. The new laboratory will complement the activities carried out by the central laboratory in Pittsburgh. These activities will consist of theoretical and practical scientific research in areas in which the corporation is interested. At first, the research will be mainly concentrated in the fields of physical and chemical sciences having a bearing on the electrical industry. At a later stage, these activities may be expanded to cover other scientific fields.

Bourse report

LONDON -- Trade figures plus speculation on bank rate change help boost most stocks to high, firm levels. PARIS -- Firm early-week trend turns mixed on news of monetary developments. FRANKFURT -- Mainly lower in very quiet trading. MILAN -- Firm in very active trading. BRUSSELS -- Quietly firm. AMSTERDAM -- Internationals dull. Local industrials narrowly mixed. Shippings and plantations firm at relatively low levels.

EUROMARKET NEWS



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The passage of time softened French opposition, and the latest British request for membership culminated in successful negotiations for membership terms that the British Parliament has now accepted. The cross-currents of opinion in Britain led to acrimony between Tory and Labourite, Marketeer and Anti-marketeer. The "Mother of Parliaments" rang with debate, but it is as doubtful that the Labour Party is in disarray after its defeat on the issue of joining as it is that the Tories will have clear sailing in future votes on aligning British laws with the rules that have been hammered out among the Six. A small group of Tories in Commons honestly felt that Britain should not go into the EEC, just as a somewhat larger group of Labourites felt that the country should do so. These MPs bolted their parties on the principle of joining Europe. The total vote was 356 to 244 to join, but there will be another full year of voting on separate issues--with divisions expected to be more along party lines--before the British are really in the Common Market.

ROME -- The Italian Government has decided to postpone reform of Italy's tax system, and also the introduction of a TVA (added-value tax). Both moves were to have been made on January 1, 1972, but Italian officials have indicated that the current state of the economy would make their implementation unwise. Introduction of a TVA is especially critical, since it is required by a Common Market directive on tax harmonization. Italy is the only EEC country not to have a TVA, and already has received one reprieve for its introduction. Reportedly, the EEC Commission is sympathetic to Italy's present problems and will grant another reprieve, but only for six months. Italy is to send a representative to Brussels to explain its views, but it is doubtful that the Commission will consent to permit Italy to postpone the TVA beyond July 1, 1972. The Government plans, however, to set back the date of implementation of reforms of the tax system, which currently requires Italians to pay three different income-based taxes, until January 1, 1973.

France lifts restrictions on foreign securities dealings

PARIS -- France has lifted its restrictions on the buying and selling of foreign securities and foreign exchange by residents. The move was made by financial experts here as the first indication of the Government's willingness to adopt changes suggested in the Baumgartner Report on reform of the securities market. French residents may now buy and sell foreign shares freely, and they may acquire foreign exchange on the "floating market" (France uses a two-tier exchange system).

It seems all but certain that some aspects of the Baumgartner Report will be adopted, e.g., further relaxation of exchange controls, streamlining of bourse operations, a legal status for stockbrokers, and increased legal responsibilities for savings institutions and mutual fund managers. No action is expected in the area of tax incentives to permit increased personal investment on the bourse.

Denmark to use surcharge money to finance exports

COPENHAGEN-- Denmark's new Socialist Government is ready to supplement its 10% import surcharge with measures designed to increase the supply of capital to industry. Forty-two per cent of all Danish imports are affected by the surcharge. Now, the Government has indicated that it intends to use the expected \$292.8 million yield from the surcharge to set up a state-operated investment bank, which would provide industry with capital for export growth. A commission that will channel capital to industry may also be set up.

Poor outlook for EEC exports and prices

BRUSSELS -- Continued increases in prices and mounting trade deficits have been predicted for EEC countries by the Common Market Commission. The Commission expects these developments because of higher costs, increased public service charges, and greater consumer demand. Community exports have been hard hit by the de facto revaluation of many EEC currencies and the U.S.'s import surcharge.

Airlines meet again on fares

LAUSANNE-- Senior executives of airlines flying North Atlantic routes have so far not been able to reach an agreement on fares, and thus avoid free-for-all competition, but air transport officials say that some form of accord may be near. They emphasize that no one wants a situation where "open rates" prevail, and that all the North Atlantic carriers will go a long way to prevent this situation. The carriers are also thought to be under strong pressure from their respective governments to find a solution to their problems. European governments think that a rate war would not only hurt their air transport networks, but would also harm tourist trade as well. The airlines recognize this concern, and are worried that rate-making powers may be taken out of their hands. Basically, the discussions here are not so much about lower fares as about the level at which they should finally be pegged. All of the carriers presented plans to lower fares, but not all are agreed on which fare plan should be adopted.

German economists call for permanent money float

BONN -- Four of the five German economic institutes have called for "a world-wide permanent float" to solve the international currency crisis.

The fifth said that a return to fixed exchange rates would provide the cure. The institutes of Hamburg, Kiel, Mannheim, and Essen urged the permanent float, and recommended that an artificial reserve medium (such as Special Drawing Rights) be accepted by all countries in the immediate future. They also decided that the dollar should no longer be used as a reserve currency. The Berlin institute was the only one that dissented. Although the recommendations of the institutes do not constitute policy in Germany, their advice is often followed by government planners.

All five of the German economic institutes agreed that the German economy is slowing, and that it is possible that 330,000 fewer jobs will be available in 1972 than at present.

Fund closes Swiss shop

GENEVA--Investors Capital Trust, a small offshore fund operation organized along the lines of IOS, has announced its move out of Switzerland and halted redemption of its funds. ICT, which had managed to stay out of public view during the IOS crisis, has encountered rough sledding due to strengthened Swiss laws on mutual fund operations. Difficult cash problems have also arisen, due to lack of public confidence in offshore mutual funds. ICT's four funds -- Dollar Fund, Fund of New York, Realstock, and Fund of Nations -- reportedly still control \$25 million. This is a big step down, however, from a claimed total of \$70 million, and represents a 40% drop over the sum the firm controlled one year ago.

IOS sells banking interests

GENEVA-- Investors Overseas Services (IOS) has turned over its banking interests to International Bancorp Ltd., a bank holding company established in the Bahamas. IOS reportedly received a \$1 million note, \$8.6 million of debentures (carrying 7% interest), and 5.7 million IBC shares in return. All of the shares and some \$5.6 million of the debentures are to be distributed to IOS common and preferred stockholders as a dividend. The Overseas Development Bank, Investors Bank Luxembourg, and Orbis Bank were the principal IOS banking properties disposed of.

Britten-Norman in receivership

LONDON -- A receiver has been appointed to take over and direct the operations of Britten-Norman, the British aircraft company which constructed the Islander, one of the most successful post-war civilian aircraft. The future of Britten-Norman, which employs some 470, is anything but clear. The firm has several aircraft in production and has substantial orders for spare parts on its books. The company was forced into bankruptcy when Britain's Exporters Refinance Corporation called for immediate repayment of its loans.

Franco-German bank cooperation

PARIS -- The Banque de l'Union Européenne, France's 13th largest bank, is to exchange 63,000 of its shares for a 33% holding in the Dortmund bank of Burgardt and Bröckelschen in a deal that will link it closely to Germany's Westdeutsche Landesbank Girozentrale. Sixty-eight per cent of Européenne's capital is held by France's Empain-Schneider group, and most of the rest belongs to the U.S.'s Marine Midland Bank. Most of Européenne's business is in investment or short-term business loan operations. The deal is thought to be a prelude to closer coordination of Européenne's and Girozentrale's international projects.

Production off in Sweden...bankruptcies increase

STOCKHOLM -- A new official report reveals that one out of five Swedish companies plans to curtail operations in the coming six months. The biggest problems will be faced by machine and engineering firms. Unemployment in these industries is already high, and will continue to grow as inventories build up. Although most of the firms have already curtailed production, they seem to still be outrunning demand. Many Swedish businessmen are bitter because of the Government's refusal to lift a 2% employer's payroll tax, to cut income taxes, or to give them some sort of tax incentives.

The number of bankruptcies in Sweden has increased by a record 50% this year. So far, most of the failures have been by medium size and small companies. Sources in Stockholm say, however, that some of Sweden's largest firms are in trouble, and that at least one of them may fail before the end of the year.

Ford recalls European-built cars

AMSTERDAM -- Ford has recalled 340,761 cars in Europe and in the U.S. to correct a steering fault. The cars were all built between December 1969 and July 1970, at the company's plants in Amsterdam, Cologne, and Dagenham. Twenty-three cases of disconnected steering columns on various Ford models built at the plants have been reported. The cause in all cases was metal fatigue. The steering systems had been built by a Ford supplier in Germany.

Esso to build giant installation in Sicily

ROME -- Esso Standard Italiana will build a \$64.8 million plant in Sicily to produce lubricants for its European, West African, and Middle Eastern markets. The facility is to be placed next to an existing Esso refinery. It will be capable of producing up to 400,000 tons of lubricant per year, and will be equipped with anti-pollution devices.

Le Nickel -- tops in profitability and growth

PARIS -- Le Nickel-Pennarroya has won the top marks of France's l'Expansion business magazine, for profitability and growth among European firms. After a survey of some 200 European companies, l'Expansion also found that French and British concerns outrank their German counterparts in the quality of "dynamism," defined as faster growth of profits than of turnover.

Pfizer to expand in Europe

FRANKFURT -- Pfizer Inc., the U.S. pharmaceutical concern, plans to exchange its stock for a major holding in Germany's Heinrich Mack. The interest will be over 50%, and the deal could be worth nearly \$53 million.

Bourse report

LONDON -- Lack of buying interest sends most share prices drifting downward. PARIS -- Prices ease, following news of increase in unemployment in September. FRANKFURT -- Leading chemicals were heaviest losers in market plagued by slack demand. MILAN -- Irregular trend. BRUSSELS -- Generally lower. AMSTERDAM -- Local industrials quietly mixed. Plantations, ship-pings firm.

EUROMARKET NEWS

COMMERCE CLEARING HOUSE, INC.



Common Market Reports

EUROMARKET NEWS

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Common Market summit talks for next year

ROME -- A top-level conference on European unity has been scheduled by the six Member States of the Common Market to attempt to turn the Community down the road toward deeper political cooperation. The four applicant countries--Great Britain, Norway, Ireland, and Denmark--will join the conference, which has been planned for the first half of 1972. The role of a vastly expanded European Community would be the general topic of discussion. Attention would be given to the European economic and monetary union, which is now in disarray by the currency float, relations with the U. S., Eastern Europe, and the developing countries, and European security. How the "Ten" would cooperate on major international issues would also be discussed.

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Germany considers new corporate tax

BONN --The German Government is studying the possibility of imposing a 56% corporate tax on German subsidiaries of foreign companies. The measure, along with others that could deprive foreign subsidiaries of some tax "privileges," may be introduced on January 1, 1974, as part of the Economics and Finance Ministry's general tax reform program. Under existing legislation, joint-stock companies are taxed at the rate of 15% on the portion of their profits they pay out as dividends and at the rate of 51% on undistributed profits. Foreign subsidiaries normally transfer their profits to parent firms and thus escape some taxes. (The parent firms retransfer funds to their German subsidiaries for investment.) The new corporate tax would be aimed at preventing such transfers to avoid taxation.

A group of concerns, including Deutsche Shell, Adam Opel (General Motors' German subsidiary), and Philips, are organizing resistance to the changes.

EEC farm head sees Germans back in common system

LUXEMBOURG -- Sicco Mansholt, the EEC Commission's Vice-President in charge of agriculture, said that he believed that Germany would agree to abandon its current border tax system on farm trade once the Six's currencies returned to fixed parities. Previously, the Germans had indicated that they were reluctant to do this, causing consternation in the Community. Mansholt said that he arrived at his view after meeting with German agriculture minister Josef Ertl.

The tax system currently imposed by the Community is designed to correct distortions in EEC farm trade caused by floating currencies. However, it is hampering free trade in farm products and could lead to the breakdown

of the common agricultural system. Mansholt believes that Germany will return to a system of common farm prices within two years after a revaluation of the D-mark.

France asks for EEC approach to money crisis

LUXEMBOURG --France's Finance Minister Valéry Giscard d'Estaing has called upon the other finance ministers of the Community to formulate a common EEC position for upcoming monetary negotiations with the United States. So far, the Common Market has been unable to agree on a common approach to the world's currency difficulties, largely because of a difference of opinion between the France and Germany.

Discount rate cut in France

PARIS -- France has cut its discount rate by one-quarter point, to 6-1/2%. Even with the decrease, however, the French rate remains one of the highest among Western industrialized countries. The reduction was made for psychological reasons, according to officials at the Banque de France. They say that the new rate should emphasize to borrowers that borrowing costs are beginning to come down. It is generally believed that French industrialists need such an indication, since the high cost of borrowing has forced them to cut domestic expansion plans for nearly a year. The rate for loans secured by stocks or bonds was also lowered by one-quarter point. It now stands at 8%.

Although the discount rate remains as the theoretical basic interest rate in France, commercial banks pay much more attention to the rate prevailing in the open money market when fixing their lending rates. The commercial banks finance their needs through the use of money market instruments -- treasury bills and notes -- to borrow money for one day to six months. The open market rate varies from 5-5/8% to 5-7/8% at present.

Recession still worries German business

FRANKFURT -- Franz Ulrich, chief executive officer of the Deutsche Bank, says that the current economic situation in West Germany may be worse than suggested by each of Germany's five economic research institutes. Ulrich said that a survey of 700 of Deutsche Bank's top clients indicated that the corporate profit picture is worsening. Many of the firms interviewed said that they would be forced to reduce sharply or eliminate 1971 dividend payments.

Germany's five economic institutes had reported that growth in Germany's economy would be virtually nil next year. They had also predicted a noticeable rise in unemployment and a fall-off in investment by industry.

Wendel-Sidelor to reduce labor force

PARIS -- Wendel-Sidelor, France's leading steel group, has decided to close five of its steel works and fourteen of its rolling mills, as part of a reorganization plan that calls for a reduction of its 60,000-man labor force by 12,000 over the next four years. In answer to union protests, the company indicated that most of the worker cuts will come through retirements, with the vacancies opened not being filled. The rest of the workers

affected will not lose their jobs but will be transferred to other projects of the company. Wendel-Sidelor spokesmen have insisted that the moves were not being made in connection with the opening of a giant new steel complex on the Mediterranean coast at Fos.

Union leaders, reacting to the Wendel-Sidelor announcement, have called upon the French Government to shape an "industrialization plan" for the Lorraine area -- the region that is to be the hardest hit. The unions want the Government to stop Wendel-Sidelor from carrying out its reorganization plan. The Government, however, is expected only to ensure that jobs in other industries are made available to the Wendel-Sidelor workers who lose their jobs.

VW cancels tool order

WOLFSBURG -- Volkswagenwerk, Germany's leading car maker, has canceled a multi-million dollar machine tool order, as part of a new cost-cutting effort. The firm did not disclose its machine tool order figures, but industry sources said that it probably was on the order of \$100 million, and that the order had been placed for production of a new VW model that had been planned for 1973. The cancelation was taken as an indication that Rudolf Leiding, VW's new chairman, will make good on his promise to cut the firm's expenses. He is expected to announce further spending cuts to the VW supervisory board when it convenes in late November. Spending by the company in 1972 is expected to fall below the 2.3 billion D-mark level predicted early last spring. The cost-cutting is intended as a cure for diminishing VW profits. Profits at VW fell by 190 million D-marks in 1970 -- they were 333 million D-marks in 1969 -- and a profit of only 80 million D-marks is expected for 1971.

Italian maritime workers strike

ROME--Italian maritime workers staged the first of several planned strikes in an effort to obtain legislation for improved pension benefits. Most Italian ports were affected. Altogether, 22,000 maritime workers walked off their jobs, holding up the departures of several passenger liners as well as cargo ships.

Rolls-Royce, Pratt and Whitney to cooperate

LONDON -- Rolls-Royce 1971, the Rolls-Royce successor company, and Pratt and Whitney of the U.S. have signed a cooperation agreement for the joint development of a version of Rolls' Pegasus jet engine, a "swivel nozzle" or "vectored thrust" machine, presently used for powering the vertical take-off Hawker Siddeley Harrier jet fighter. The Harrier is currently in use in the Royal Air Force, and has been tested by the United States Marine Corps. The Marine Corps has announced an intention to buy 140 Harriers. At present, the jet is manufactured exclusively in the UK. Under the new agreement, Pratt and Whitney would receive permission to build the Pegasus engine in the United States under license.

It is believed that Pratt and Whitney will begin development of an advanced Pegasus engine, with the thought of interesting the U.S. Navy in buying it. The deal must still be approved by UK and U.S. authorities. If it does go through, Rolls-Royce 1971 will have gone a long way toward fulfillment of its goal of becoming a viable commercial company through the sale of engine licenses.

Tyndall Fund gets go-ahead from Swiss

GENEVA -- Six months after application, the Swiss Banking Commission has approved the public offering in Switzerland of the accumulation units of Tyndall Overseas Fund, a Bermuda-based subsidiary of the UK's Tyndall. The minimum subscription for the fund will be 20,000 Swiss francs, not including a 3-1/2% initial service charge and a 1% annual management fee.

Hispanmotor expands

MADRID -- Hispanmotor, the Spanish affiliate of Italy's Lombardi Motori, has opened a diesel engine factory to accommodate a predicted increase in demand in Spain over the next five years. The unit is located at Rube in northern Spain.

Algeria asks U.S. firm to conduct pipeline survey

PARIS --Williams Brothers Engineering Company of the U.S. has been awarded a contract by Sonatrach, Algeria's state-run oil group, to study the feasibility of a natural gas pipeline running from Algeria's Hassi R'mel field, across Morocco and the Strait of Gibraltar, to Europe. Reportedly, Williams Brothers will study both the economic and the technical aspects of building such a pipeline, including the possibility of a tunnel under the Strait of Gibraltar. Algeria has already commissioned a similar study of a pipeline route from Algeria to Europe via Sicily and Italy.

Spanish auto workers return to work

BARCELONA -- For the first time in nearly two weeks, the assembly lines at Seat, the Spanish affiliate of Italy's Fiat, are rolling once again. A massive walkout of some 10,000 of the company's 18,000 workers had stopped production. The walkout began after workers demanded the reinstatement of 25 men fired last June for participation in an earlier strike. The recent walkout led to clashes with Spanish police which reportedly resulted in at least one death. It was accompanied by sporadic sympathy work stoppages by workers at other plants and in public offices in Barcelona.

BMW chief resigns

FRANKFURT -- Paul G. Hahnemann has resigned as chairman of BMW, the German auto manufacturer, following a difference of opinion with the BMW board over policy. Directors of most German car companies are under fire because of a drop in profits. Recently Volkswagen, Germany's largest car firm, received the resignation of its director. BMW expects earnings to fall once again this year, after a decline to 34.2 million D-marks last year from 45.7 million D-marks the year before.

Bourse report

LONDON -- Uncertainty on Wall Street spreads. Trading volume in leader issues down sharply, with slight drop in prices. PARIS -- Prices firm in quiet trading. FRANKFURT -- Most leader stocks post slight gains. MILAN -- Irregularly lower in quiet conditions. BRUSSELS -- Internationals firm. Local industrials well maintained. AMSTERDAM -- Internationals gain on news of Britain's EEC vote. Shippings and plantations narrowly mixed.

EUROMARKET NEWS

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Common Market Reports

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Pompidou agrees to confer with Brandt

PARIS -- French President Georges Pompidou has agreed to meet German Chancellor Willy Brandt before the end of 1971 in an effort to end some of the monetary differences existing between their two countries. Franco-German disagreement started with the float of the D-mark, and has spread from money to a whole range of Common Market problems. It is Brandt who issued the call for the meeting, and Pompidou accepted only reluctantly. The French view is that Germany need only peg the D-mark if it really wanted relations with France to improve. Much behind-the-scenes work will still be needed if the conference is to succeed.

EEC entry candidates against new fishing proposals

BRUSSELS -- The four countries seeking Common Market entry (Great Britain, Ireland, Norway, and Denmark) have refused to accept new EEC proposals on fishing regulations. The current Community rules, agreed to under French pressure nine months ago, give each member's fishermen equal access to the waters of any other member. The candidate countries' coastal waters are richer grounds than any of those of the Six. The problem is especially troublesome for Norway, which depends heavily on its exports of fish. Norway has insisted that its exclusive fishing waters extend permanently to a 12-mile limit. The problem is also serious for Denmark, whose Faroe Islands and Greenland possessions may break away and set up their own governments if Denmark accepts EEC entry on current terms.

Gains for federalists in Belgium

BRUSSELS -- Although Belgium's coalition government will stay in power, it probably will be forced to introduce still more legislation granting further autonomy to the country's French and Flemish regions. The coalition government of Social Christians and Socialists did not encounter any serious problems in winning the recent elections. However, two radical parties, which in the past have asked that Belgium be split into a federation of two states, made spectacular gains. The Walloon Rally and the Flemish Federalist party (Volksunie) together gained 11 new seats in Parliament. The two groups are far from a parliamentary majority, but they now have enough strength to push the Government to adopt laws and constitutional reform that will give Belgian regions more autonomy in cultural and economic affairs.

EFTA assails U.S. surcharge

GENEVA -- The ministerial council of the nine-member European Free Trade Association (EFTA) has called upon the United States to remove the ten per

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cent import surcharge before "lasting damage" to free world trade is done. The group also "noted with regret" Denmark's imposition of a surcharge. The council said that the U.S. should end its surcharge before agreement on a new world monetary system is reached.

Schiller defends U.S. economic moves

BERLIN -- German Finance and Economics Minister Karl Schiller has urged European understanding for newly implemented United States economic measures, including the 10% surcharge. Schiller conceded that the measures are hurting German foreign trade. However, he predicted continued growth of German exports. Commenting on a recent meeting of EEC finance ministers, he stated that it was imperative that the Common Market "speak with a common voice" in response to the U.S. economic moves. Schiller said that one important step was agreed to at the EEC meeting--that of a common contribution to support EEC currency rates.

Europa rocket fails again

PARIS -- A second European attempt to launch a satellite, using the four-stage Europa rocket, has failed. Spokesmen for the European Space Vehicle Launcher Organization said that the British-built first stage and the French-built second stage did not separate. The first European launching, in June, 1970, failed because of a faulty German-built third stage. The \$641 million satellite project is financed by Britain, Belgium, France, Germany, Italy, the Netherlands, and Australia. The most recent launching was to have been a test for the building of a European satellite communications network.

European-Japanese steel talks deadlocked

PARIS -- Japan and the EEC, plus Britain, seem to be still very far apart in their talks on limiting Japanese steel exports to Europe. The Six and Britain want the Japanese to limit their steel exports on an item-by-item, country-by-country basis--something that the Japanese do not want to do. The EEC also wants a ceiling placed on Japan's exports of steel to Ireland, Denmark, Norway, Sweden, and Spain, which are all important markets for Community producers.

Japan would like to see the adoption of one overall quota encompassing Britain and the EEC. It also hopes to convince the Europeans to use 1971 as the base year on which quota calculations would be made. Britain and the Community have suggested 1970 as the base year.

Soviets to open bank in Frankfurt

FRANKFURT-- Agreement has been reached between German officials and representatives of the Soviet State Bank on the founding of a Soviet bank in Frankfurt. The bank is to operate under the name of Ost-West Handelsbank, and is to open this month with a basic capital of \$5.9 million. It will be run similar to a joint-stock company. Operations at the facility will be managed by the Soviet State Bank, the Soviet Foreign Trade Bank, and several Soviet foreign trade organizations.

Deutsche Bank joins international unit

FRANKFURT -- Deutsche Bank plans to participate in a multinational bank currently being set up by the Bank of America, the Bank of Brazil, and the Union of Swiss Banks. Deutsche Bank is to have a 15% stake in the operation; Bank of America and Bank of Brazil, each with a 35% interest, are the majority stockholders. Headquarters for the new operation will be in London.

German steel production drops

DUSSELDORF -- Germany's 18 top steel companies have either gone on short hours or are considering doing so in the near future. Some 23,000 of a total 275,000 workers are already working reduced schedules.

According to new figures released by the Government statistics office, German mills turned out only 3.19 million tons of crude steel in October, 4.3% less than in September and 12.7% under the production in October, 1970.

Norsk Hydro hopes to explore Italian coast for oil

ROME -- Norsk Hydro, the Norwegian state-run industrial group, has asked Italian permission to explore Italy's coastal waters for oil. Norsk Hydro, in cooperation with the U.S.'s Continental Oil, is to begin drilling soon in a strip just off the southern coast of Sicily.

Breaksea leads consortium looking for Upper Clyde base

LONDON -- K. G. Arkwright, president of Breaksea Tankships Co., has revealed that it is his company that is heading a consortium being formed in Belgium to lease the Clydebank division of Upper Clyde Shipbuilders Ltd. Upper Clyde was recently declared bankrupt in the wake of a UK Government refusal to provide further financing. Rumors have persisted that a large Belgian concern was seeking to buy out Upper Clyde.

Arkwright said that the consortium is completing a preliminary study of the proposed leasing and would have concrete proposals ready by early 1972. He also revealed that the consortium, which is to include about 15 firms from the United States, South America, Europe, and North Africa, plans to build a shipyard in Belgium. The Clydebank division would be leased for the construction of liquefied natural gas tankers for consortium members. Arkwright said that he would like a lease which would run for about twenty years.

Ford in cooperation with French firm

PARIS -- Ford Motor Co. is to acquire an interest in France's Richier, a producer of construction equipment. Representatives of the two firms have been engaged in talks since the beginning of the year. Reportedly, Ford would like the right to market some Richier products, especially hydraulic shovels. The talks have also covered possible forms of broad industrial cooperation between the two firms.

Norwegian aluminum firm cuts back

OSLO -- Sor Norge Aluminum (Soral), a Norwegian aluminum firm controlled by Swiss Aluminum, has announced a cutback in production to 50,000 tons a year, effective January 1. The company had announced a cut of 12% early in September.

EEC-Argentina trade pact signed

BRUSSELS-- The EEC and Argentina have signed a three-year non-preferential trade agreement. This agreement contains the most-favored-nation clause of the General Agreement on Tariffs and Trade (GATT), and is the first of its kind between the Common Market and a Latin American country.

U.S. objects to EEC's preferential trade agreements

GENEVA -- The United States has objected in GATT to the system of preferential trading agreements being considered by the EEC and the six members of the European Free Trade Association (EFTA) that are not planning to join the Common Market. The U.S. contends that these preferential agreements violate GATT's fair trade rules.

Lex Service may bid for Wheeler's Restaurants

LONDON -- Lex Service Group is preparing a \$3.6 million takeover offer for Wheeler's Restaurants, a UK restaurant chain. The offer is not yet firm and could be changed in coming weeks. News of it was revealed prematurely when the London Stock Exchange demanded an explanation of a recent sharp rise in the price of Wheeler stock.

Lex Service recently completed deals worth some \$18 million, involving the purchase of the Carlton Tower Hotel in London and another hotel in the U.S.

New ENI head named

ROME -- Raffaele Girotti has been named president of ENI, Italy's state-run oil concern. He takes over from Eugenio Cefis, who recently was appointed director of Montecatini Edison, Italy's largest firm.

UK container consortiums near split

LONDON-- Overseas Containers Limited (OCL) and Associated Container Transportation (ACT), the two British consortiums that have run a closely integrated joint container service between Britain and Australia, appear ready to break off their association and compete for the world's container traffic. ACT is reported as having initiated the break. The two consortiums represent nearly the whole of the UK's shipping industry.

Bourse report

LONDON-- Small technical rally toward week's end. Early week trading characterized by sluggish buying interest. PARIS -- Well maintained on strong institutional support. FRANKFURT -- Slightly higher as trading interest revives. MILAN -- Most leaders lose ground, as market continues to ease over a broad front. BRUSSELS -- Decline continues. Trading very dull. AMSTERDAM-- Lackluster trading in local industrials. Plantations and ship-pings firm.

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Bilateral agreements to pave way for end to parity crisis

PARIS -- The parities of the world's leading currencies will be fixed only after extensive bilateral talks and not after one multilateral conference, according to Robert Leclerc, vice president in charge of foreign exchange trading for the Continental Bank, the top U.S. bank in foreign exchange dealings. Leclerc said that bilateral agreements, especially between the U.S. and Japan, and the U.S. and Germany, would pave the way for a settlement of the world's present monetary problems. His remarks came at a Paris luncheon attended by leading American and European businessmen and officials. Interestingly, Leclerc indicated that the dollar would not be devalued in terms of gold, but might be devalued in terms of Special Drawing Rights (SDR's) at a later date. One of the most vexing problems holding up a compromise between the U.S. and Japan on a revaluation of the yen, according to Leclerc, is a reluctance on the part of the Japanese to revalue their currency until they have received sufficient guarantees that the German D-mark would be revalued. The U.S. is hoping for a 15 to 20% revaluation of the yen in terms of the dollar; the U.S. and the Japanese want a revaluation of the D-mark of 10% (again against the dollar). Leclerc indicated that once the Japanese and German revaluations were arranged, other principal currencies would follow suit. He mentioned a revaluation of 7%-8% for the Dutch florin, 3%-4% for the Swiss franc, 2%-3% for the French franc, 3%-4% for the Belgian franc, and 5% for the British pound. Leclerc's remarks tie in closely with much of the comment of European financial circles during the past few weeks.

Commission considers big farm price increase

BRUSSELS -- The European Commission, which had suggested price increases of 2 to 3% for Common Market farm products, now is considering advising an increase of 4 to 6%. The turnabout came largely because of pressures from Community farming groups. One of these organizations, the COPA, has called for farm price increases averaging 8%. Reportedly, one of the reasons behind the Commission suggestion of modest farm price hikes was Britain's Common Market entry. Sicco Mansholt, the EEC Commissioner and farm expert, had argued at earlier meetings that the farm price burden should be made as easy as possible for Britain. Mansholt has now suggested to the Commission that there is no reason to prepare farm price measures quickly, since price levels are extremely hard to maintain in the EEC now because of floating currencies. Mansholt has advised the Commission to ask the Six to return to a fixed parity structure by the beginning of the farm year April 1972 - April 1973, and to agree on farm price levels in March, 1972.

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French improve trade with U.S.

PARIS -- France reduced its traditional deficit in trade with the United States during the first nine months of this year due to a 30% surge in exports and a slight reduction in imports. French exports to the U.S. during the nine-month period totalled \$875 million, compared to \$676 million during the corresponding period of last year. American exports to France fell from \$1.117 billion to \$1.093 billion. French officials were highly satisfied with the figures, largely because they reflected export gains in sales of machinery and steel products, and only to a lesser extent advances in exports of perfumes, wines, and luxury goods. French exports of steel to the U.S. totalled \$185 million during the first nine months of 1971, more than double the amount for the same period of 1970. This advance, however, is not expected to continue during the last three months of 1971, the period during which the U.S. surtax measures began to take real effect.

Leyland buys into its German importer

FRANKFURT -- British Leyland, the UK's leading car producer, has bought a 40% interest in A. Bruggemann, the biggest importer of its cars into Germany. The move was made because Leyland wanted a bigger share of the German car market, an area which up to now has been almost entirely overlooked. Last year, French car firms increased their sales in Germany markedly, Citroën by almost 30%. Leyland plans to help Bruggemann expand its facilities. Nearly \$2.4 million will be spent on doubling the firm's capacity for stocking spare parts and servicing.

ICI develops exhaust-purifying catalyst

LONDON -- Imperial Chemical Industries, Britain's ICI, has announced the development of a relatively cheap catalyst system to purify auto exhaust. Company spokesmen indicated that the catalyst system, which was devised in cooperation with British Leyland, has proved successful in reducing emissions not only of carbon monoxide and hydrocarbon but also those of nitrogen oxides, up to now the most difficult. British Leyland is to undertake durability tests on the system soon. Sources at ICI have indicated that it is still too early to determine the exact price at which the catalyst system would be marketed, but manufacturing costs of the materials are likely to be \$2 to \$3 a pound. Small European autos would need four to five pounds of the material to eliminate exhaust, and larger U.S. autos will need more.

European truck combine announced

FRANKFURT -- Four big European truck manufacturers--Kloeckner-Humboldt-Deutz of Germany, Saviem of France, DAF of the Netherlands, and Volvo of Sweden--plan to form a joint subsidiary as part of a construction and development cooperation effort. No details concerning the operation of the joint subsidiary have been released, but it will probably be a holding firm based in the Netherlands. A unit for development studies may be based in Paris. The four manufacturers have agreed to share all investment costs equally.

According to spokesmen for Kloeckner, the economic independence and current model range of the four manufacturers is to be maintained, but new model lines will be developed through cooperation. The new models are to be

equipped with engines made individually by the four firms and sold under one of the four partners' names. Assembly is to remain decentralized. Spokesmen at Saviem indicated that the four firms produced some 75,056 trucks last year, and that once the cooperation takes form, the new group would be Europe's second largest, smaller only than Germany's Daimler-Benz.

Fiat develops electric car

ROME -- Giovanni Agnelli, president of Fiat, has revealed that Fiat is currently developing an electric car, and expects to have one ready for production in four or five years. Agnelli spoke briefly of the project at a recent anti-pollution conference in Monte Carlo.

Lambert invests in William D. Witter

BRUSSELS -- Cie. Lambert pour l'Industrie et la Finance, a Belgian financial holding company, has invested \$3,155,000 in the U.S.'s William D. Witter, Inc., thus becoming the first foreign institution to hold an interest in a member of the New York Stock Exchange. Lambert and U.S. officials have insisted that the investment is structured in such a way as to prevent institutional access to the Stock Exchange or the recapture of brokerage commissions. The Lambert investment, which is being made through the Lambert Brussels Corporation, a U.S. subsidiary, is in the form of convertible preferred stock which, when converted, would give Lambert a 20% equity interest in Witter.

Elf-Sonatrach accord initialed

PARIS -- France's Elf-Erap oil company and Algeria's Sonatrach have initialed the preliminary agreement reached on September 20 on Elf's Algerian holdings. These were partially nationalized by the Algerian Government early this year, and led to a French boycott of Algerian oil. Officials at Elf have revealed that one of the first consequences of the agreement, which settles all outstanding issues between the two concerns, will be the resumption of loading of Algerian crude by Elf tankers.

Anti-pollution stand gains favor at Le Mans

PARIS -- To underline the efforts of auto manufacturers in combating pollution, the organizers of the Le Mans 24-hour sports car race have announced that at next year's race, a new prize is to be awarded to the most pollution-free car to finish. The pollution prize is to replace the one currently given for performance, an award based on a complicated tally of fuel consumption versus engine capacity over distance covered.

Corfam sold to Poland

BRUSSELS -- E. I. Du Pont de Nemours Co., which last March quit its Corfam shoe material business, has announced that Polimex-Cekop, a Polish concern, has purchased the Corfam technology. Although the value of the transaction has not been revealed, it is believed to be close to the \$20 million which Du Pont had mentioned as a price to other interested European companies. Polish production of the material is to start in 1972, and initial output, which will be marketed under the name Polcorfam, is to be sold in Poland. Later, Polcorfam will be exported, largely to western European countries.

EMI pulls out of UK appliance market

LONDON -- Britain's EMI plans to quit the UK domestic appliance market sometime next year by selling its 25% stake in British Domestic Appliances to GEC (the UK General Electric). The move is being made to relieve EMI of a share in British Domestic Appliances' losses and to gain some \$20 million in cash. After the sale, GEC will have 100% control of British Domestic Appliances.

Denmark asks \$100 million loan

COPENHAGEN -- Denmark is seeking a \$100 million loan from Orion Bank, the international banking consortium set up late last year in London, as part of an effort to raise the level of the country's foreign reserves. The loan would be for eight years. The Danish Parliament recently gave the Government authority to make such loan agreements.

British auto union grows

LONDON -- The National Union of Vehicle Builders, with 85,000 members, has voted to join the Transport and General Workers Union (TGWU). This move will push TGWU membership to nearly 1.75 million, and give Britain the nearest thing possible to one union for the automotive industry. More than two-thirds of Britain's automotive workers will now be represented by the TGWU.

Big second-hand jet sale

COPENHAGEN -- Sterling Airways of Copenhagen, Europe's leading air-charter firm, has purchased thirteen Caravelle jet aircraft from the U.S.'s United Air Lines in what may be the largest sale of used aircraft ever. The Caravelles are to be delivered to Sterling by the end of March, 1972, for a reported \$6.8 million. They will be put into service first on routes in Europe, and then on lanes to the Middle East, the Far East, and Africa.

Alusuisse, Lonza cooperate

ZURICH -- Aluminium Suisse and the Lonza chemical firm of Basel plan to cooperate on a plan to construct a \$25 million, 300 MW hydro-power station in Loetschental. The project is the first following conferences between the two concerns on areas for possible cooperation. The two firms are known to be studying other areas, such as plastics and metals, in which their separate skills could be jointly utilized. Lonza is believed about to start conducting research on aluminum hardening processes for Alusuisse.

Bourse report

LONDON -- Prices of leader stocks up slightly; buyers cautious, but undertone firm, with trading quiet. PARIS -- Very well maintained. FRANKFURT -- Losses high among leaders as Wall Street declines; interest rate rises influence buyers. MILAN -- Mainly lower in quiet trading. BRUSSELS -- Losses predominate in dull trading. AMSTERDAM -- Losses among local industrials exceed gains. Plantations and shippings lower.

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November 30, 1971

Group of Ten meets on monetary crisis

ROME -- Finance Ministers and treasury officials representing the free world's ten richest economic powers are meeting in Rome on November 30-December 1 to try again to resolve a monetary snarl of crisis proportions. The parity of the U.S. dollar, the U.S.'s 10% import surcharge, revaluation of foreign currencies, non-tariff trade barriers--all these issues and others face the conferees.

Meanwhile, the GATT conference closed in Geneva on a discordant note. The EEC was joined by Britain and Ireland in opposition to a call by the U.S. and other industrial countries to seek solutions to world trade problems in 1972. The EEC wants the U.S. to drop its 10% import surcharge before discussing the larger trade issues.

Finland raises import duties

HELSINKI -- In a move to improve its balance of trade, Finland has raised the duties on imports from all non-EFTA countries from 2 to 5%. About one-third of its imports will be affected. Special surtaxes have also been levied on luxury goods. At the end of October, Finland's trade deficit had reached about \$310 million.

Trade surplus for France

PARIS --Thanks mainly to a 15% increase in exports over the September figure, France recorded a trade surplus of 839 million francs in October. This compares with a deficit of 471 million francs in September. Exports reached a record 10.57 billion francs, up from 8.92 billion in September, and 9.08 billion a year ago. French Finance Minister Valéry Giscard d'Estaing said that while exports within the EEC continued to increase substantially, there has been a "substantial drop" in exports to the U.S. "since the August protectionist measures."

Possible link - up for UK stock marts

LONDON -- A plan to bring all the stock exchanges in Britain and Northern Ireland together in a single organization has been proposed by the Federation of Stock Exchanges. The London Stock Exchange would serve as the vehicle for amalgamation. Under the proposed system, all the exchanges would operate as separate units under the general guidance of a parent council based in London. A decision on the plan is expected before next March 31.

EEC Parliament okays farm plan

STRASBOURG -- The EEC Parliament has passed, with reservations, the agricultural reform and modernization plan that was approved last March by the

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EEC's Council of Ministers. However, there are still many details to be hammered out before the plan can be implemented. One of the most important is the question of farm prices for the coming season. The Parliament is calling for an 8% increase in farm prices, while the Council of Ministers recommends a 2 to 3% rise. The main points of the plan are: EEC funds for farm modernization, pensions to encourage farmers to leave the land, and incentives to shift farm land to recreational or other purposes.

European computer link-up

BRUSSELS--A plan to link a number of computers scattered throughout Europe into a communications grid has been proposed to a group of Science Ministers from 19 nations discussing European cooperation in Scientific and Technical Research (COST) projects. The project aims to develop languages, interfaces, and operational procedures that would enable different kinds of computers to "talk" with each other. Several countries will set up "nodal centers" with commercial computers, and begin to develop interfaces and work on other needs of the network. Development is expected by the mid-1970's. Other proposed COST projects are in the fields of satellite communications, metallurgy, and anti-pollution measures.

German auto workers on strike

FRANKFURT -- West Germany's metal workers' union, IG Metal, has called its first official strike in eight years over a disputed wage claim in the Stuttgart area. The walkout could eventually include all 600,000 metal workers in the North Baden-North Württemberg area, seat of two of West Germany's largest auto-works companies, Daimler-Benz and Volkswagen's Audi.

British toolroom workers walk out

COVENTRY -- A strike of toolroom workers in the Coventry area of Britain could spread to include some 100,000 workers all over Britain and eventually cripple the nation's automobile industry. The dispute, over the pay of toolroom workers in Coventry's car and engineering plants, began with a walkout of 7,000 toolroom workers in 80 companies. The trouble erupted when employers decided to scrap a 30-year-old agreement that automatically ties the toolroom workers' wage rates to the average paid to skilled production workers in Coventry.

Crisis in European metal market

LONDON -- The European metal market, especially for stainless steel, is suffering what could be its worst market crisis since World War II. In the 24 nations belonging to the International Iron and Steel Institute, output of steel ingots fell to 30.66 million metric tons in September, a drop of more than 10% from a year earlier. Metal Bulletin, a British trade publication, reports that European steel mills will have substantial carryovers of iron ore going into the new year, and that the price outlook for 1972 is "extremely unpromising." Nickel, which was selling for \$16,800 a ton on the London free market at the beginning of last year, is now down to \$2,640. Copper stocks in London warehouses reached a record level this month.

British Aluminium to cut work force

LONDON -- British Aluminium is planning to dismiss 1,000 workers, almost 10% of its UK work force, over the next eight months. A company spokesman

said that the cuts were part of a drastic cost-reduction program necessitated by low prices in the face of increasing costs, and a decline in the demand for rolled aluminum products from UK mills.

VW to introduce new mini-car electric truck

FRANKFURT -- A new small car with front-wheel drive and a water-cooled engine of less than one liter will be developed by Volkswagen and probably introduced on the market by 1974. The car, which will be sold alongside the old standard "beetle," will be similar in conception to the Fiat 127 or British Leyland's Mini. It replaces the Porsche-designed prototype with an air-cooled engine beneath the rear seats, which was canceled by VW's new chief, Rudolf Leiding.

VW has also announced plans to jointly produce an electric delivery truck with Rheinisch-Westfälisches Elektrizitätswerk (RWE). The truck, based on VW's current pickup truck with a one-ton payload, will have a range of up to 65 miles, with a top speed of up to 50 miles an hour.

Litton shuts Italian plant

POMEZIA -- Litton Italia, an associate of Litton Industries, is closing its electronic equipment factory at Pomezia, which employs 700 workers. A Litton official declined to comment on reasons for the closing, but a spokesman for the Industrial Union of Lazio, which represents companies in the Rome area, said the shutdown was the result of strikes and labor problems that had crippled production and damaged the factory during the last month.

Montedison takes over drug firm

MILAN-- Montecatini Edison, the government-controlled Italian conglomerate, has acquired a majority holding in Carlo Erba, the nation's largest drug company. In a communiqué issued after the takeover, Montedison said it acquired the shares to protect Italian national interests and to keep the company out of the hands of a "foreign competitor." It disclosed that two U.S. companies, Chas. Pfizer and Co. and Merck and Co., had tried to buy the Carlo Erba shares. With its 51% holding of Farmitalia, another drug firm, the Carlo Erba takeover gives Montedison control of 10% of the Italian drug market. The move is expected to draw sharp criticism from opponents of the recent escalation in state ownership of Italian industry.

Montubi wins Suez contract

ROME -- Montubi of Italy says it has been awarded a \$41.6 million contract to supply pipe for the planned Suez-Alexandria pipeline. Total cost of the pipeline is expected to be \$300 million.

U.S. - French computer deal

PARIS -- A new medium-sized computer will be jointly produced by the French computer firm Cie. Internationale pour l'Informatique (CII) and Control Data Corp. CII will undertake the design and manufacture of the computer. Interestingly enough, International Computers Ltd. (ICL) of Britain, the third member of a joint study company, Multinational Data, formed last year to encourage technical cooperation and pursue common projects, was not included in the agreement. CII has also announced that Control Data plans to sell a computer manufactured by CII in the U.S. market.

Westinghouse gets nuclear order

MADRID -- Westinghouse Electric Corporation has won contracts worth \$300 million to supply three large nuclear power plants in Spain, and has an option for a fourth unit. Westinghouse will furnish the supply system, nuclear fuel, and turbine generator for each unit.

Top British battery producers may merge

LONDON -- A proposed merger of two of Britain's largest storage cell manufacturers, Chloride Electrical Storage and Oldham International, would create Europe's largest producer of batteries and storage cells. The new company would control more than 40% of British production of automobile batteries and 70% of industrial storage cells. The merger has the blessing of the Heath Government, but it is currently blocked by Carlton Industries, which owns 25% of the Oldham stock.

British firms to supply MRCA equipment

LONDON -- British companies will be the main contractors for six of the ten major avionics (aviation electronics) equipment items for the European Multi-Role Combat Aircraft (MRCA) now being developed by Britain, West Germany, and Italy. Three of the companies are Marconi-Elliott Avionic Systems (autopilot and TV tabulator), Ferranti (inertial navigation system and combined radar-map display system), and Decca (doppler navigation equipment). Contracts for the other items will include work-sharing for two more British companies yet to be named. The vital attack radar for the MRCA is to be supplied by Texas Instruments, a U.S. company.

North Sea oil find

LONDON -- A joint U.S. - UK oil exploration group has reported a large oil and gas find in the North Sea, some 135 miles east of Aberdeen, Scotland, and 30 miles southeast of British Petroleum's major Forties Field site. Although it is not yet known if the find will prove commercial, tests indicate a flow rate of 4,000 barrels a day and a spread of two million cubic feet of gas. The exploration group is composed of the British Government's Gas Council and three U.S. firms--Amoco, Amerada Hess, and Texas Eastern Transmission.

Spain plans offshore oil drilling

MADRID -- Recent oil reserve discoveries offshore near Spain's northeastern province of Tarragona may amount to between 125 million and 150 million tons. Commercial exploitation will begin in October 1972, at an average rate of 30,000 barrels a day--an amount that would represent 5% of Spain's oil needs. The exploration group includes Royal Dutch Shell, the Spanish Government-controlled National Institute of Industry, Coparex of France, and Compsa, Spain's petroleum monopoly.

Bourse report

LONDON -- Cautious trading influenced by Wall Street setback and continuing labor unrest. PARIS -- Price movements mixed in animated trading following U. S. Congressional proposal to raise the gold price. FRANKFURT -- Market eases amid nervous trading spurred by new currency speculation. MILAN -- Quiet trading; industrials advance. BRUSSELS -- Irregularly lower with renewed bear selling and profit-taking. Equities markedly lower in routine trading. Amsterdam -- Weak market.

EUROMARKET NEWS

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No. 175, December 7, 1971

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Meanwhile, the U.S. dollar hit an all-time low in European currency markets as a dollar devaluation loomed as a real possibility.

MOSCOW -- If the trade winds continue their warming trend, U.S.- Soviet trade could increase tenfold, to about \$2 billion annually, in the not too distant future. So concluded U.S. Secretary of Commerce Maurice Stans and Soviet Premier Alexei Kosygin during a series of discussions aimed at boosting the present low level of trade between the two countries. The Soviets are pressing for most-favored-nation treatment and the extension of normal credits. They are also seeking a relaxation of U.S. export controls on certain strategic and technologically advanced products. The U.S., for its part, is hoping to increase its share of the Soviet market. U.S. businessmen are showing growing interest in establishing Soviet ties. A group of 108 U.S. business executives recently converged on Moscow, intent on cultivating trade contacts. The group, which included representatives from such giants as General Electric, IBM, and Pepsi Cola, engaged in round-table talks with Mr. Kosygin and some 180 other high-ranking Soviet trade officials and industrial leaders.

PARIS -- French Finance Minister Valéry Giscard d'Estaing has announced a number of reforms which it is hoped will modernize and revitalize the Paris stock market. The reforms, which stem from suggestions made by the Baumgartner Commission, include efforts to open up the market to foreign investors and, in particular, institutions. The Government has already proposed a 50% tax rebate to be paid to investment funds and pension funds

based in other Common Market countries and in certain other countries with which France has a reciprocal convention. There has also been some relaxation of exchange control regulations in recent months.

The hoped for increase in dividend tax rebates, which would have encouraged individual share ownership, did not go through. Instead, tax advantages will be granted to certain categories of institutional investors, including insurance companies and mutual funds. Other reforms include an improvement in information given to shareholders and greater protection for them in take-over situations. A relaxation of company law will make it easier for companies to increase their capital by issuing new stock, whereas in recent years companies have preferred the simpler device of issuing bonds.

Japan revs up European auto sales

LONDON -- A growing imbalance in European-Japanese motor vehicle trade is arousing concern in the European motor industry. According to an industry report, Japan's automobile exports to Europe are growing much faster than Western exports to Japan. The Japanese may sell as many as 250,000 to 300,000 cars in Europe within the next four years. And within eight years, sales might climb to 640,000. In comparison, European and American car manufacturers are not expected to sell more than 50,000 cars in Japan in the next four years, and only twice as many in eight years. Toyota and Datsun are currently enjoying a large market in Belgium, Finland, Holland, and Switzerland.

Italian unions may unite

ROME -- Talk of uniting Italy's three trade unions, and eventually the unions of all of western Europe, is stirring the interest of the rank and file and management alike. The three Italian groups, the left-wing CGIL, the Catholic CISL, and the Social Democrat UIL, have set February 1973 as the latest date for a conference to work out the constitution of an Italian federation. One of the conditions on which they all accept unity is that the unions must be independent of all political parties. On the international level, it is proposed that the left-wing union leave the world federation, and the other two withdraw from the international confederation of free trade unions. All three would then found a new west European international.

Soviets plan natural gas expansion

MOSCOW -- The Soviet Union is planning a major expansion of its natural gas industry by adding 35,000 miles of pipeline to the present 40,000 miles. Most of the new pipelines, some with extra-large diameter pipe of up to 56 inches, will connect the vast reserves being developed in northwest Siberia and central Asia with the manufacturing centers of European Russia, and ultimately with western Europe. The Soviet Union, a relative newcomer to the natural gas field, is now second only to the U.S. in natural gas production.

German, Dutch steel firms plan merger

DORTMUND -- Hoesch of West Germany and Hoogovens of the Netherlands, two large steel producers, are seriously contemplating a merger. Under the proposed plan a holding company, jointly owned by the two firms, would be established near the German-Dutch border. They would also form operating companies whose stock would be held by the holding company. The two firms have a combined annual crude steel capacity of nearly 12 million tons, and an annual turnover of more than DM 9 billion.

VW will utilize Wankel engine

WOLFSBURG -- VW has announced plans to produce models equipped with Wankel rotary piston engines. However, it is expected to be four or five years before VW has sufficient production facilities to mass-produce rotary engines. Ford's West German subsidiary has also acquired a license to develop and produce the Wankel engine, but it has no immediate plans to build such motors. The Wankel engine was developed by NSU Motorenwerke before it merged with Auto Union, which now shares licensing rights to the rotary piston with Wankel GmbH, owned by Lonrho Ltd. of Britain.

Wide Renault in the works

PARIS -- Renault will introduce a very short but wide car in the spring. The new vehicle will be 3.50 meters long, and almost as wide as the Renault R-6, which is 1.53 meters. It will have front-wheel drive and will be offered with a choice of two engines.

Ferry for Ford

DAGENHAM -- A new container service, linking Ford's factory in Dagenham, England, with other plants on the Continent, will begin operating between the ports of Tilbury and Zeebrugge in January.

German tire firms go on short time

FRANKFURT -- Two of West Germany's largest rubber tire companies, Continental Gummi (Conti) and Dunlop, have announced production cuts that will put a total of 5,000 workers on short hours over the next five weeks. Both companies give a decline in orders and the move from diagonals to radials within the industry as the reasons for the cutback.

British Steel to jack prices

LONDON -- The British Steel Corporation has announced plans to raise its prices by an average of 5 percent in April 1972. The company suffered a loss of £ 22 million in the six months ended October 2, 1971, compared with net profits of £ 12 million in the first half of the previous fiscal year. However, it is not certain that BSC will be able to implement the increase, since a continuation of the present depressed market for steel in both the British and world markets would limit its chances of selling, especially in the face of competition from foreign steel producers.

Research pact for oil firms

PARIS -- Three of Europe's largest oil companies have agreed to cooperate in technical and scientific research. Involved are the French State-owned Entreprise de Recherches et d'Activités Pétrolières (Elf-Erap), the Italian state-owned Ente Nazionale Idrocarburi (ENI), and Petrofina of Belgium.

French, Algeria sign oil accord

ALGIERS -- Eurafrep, the French private oil company seized by Algeria last February, has agreed to turn over its non-nationalized rights to the Algerian state-owned oil company Sonatrach. Algeria is expected to settle with three other private companies in the next few months.

U.S. firm, Norwegian group in oil exploration agreement

OSLO -- An agreement to cooperate in petroleum exploration has been signed by the Shenandoah Oil Corporation, a U.S. firm, and Nocoto, a group formed by some 80 Norwegian companies to back oil and gas exploration and production. Under the agreement, Shenandoah and Nocoto will cooperate in exploration and will split an interest in any licenses and concessions which may result.

Shell buys Rolls electroforming group

LONDON--Shell Petroleum has purchased control of EHE Ltd., the Rolls-Royce subsidiary that handles electroforming technology. The electroforming process has been utilized mainly in the aerospace industry. EHE patents are used in the Rolls RB-211 turbine for the Lockheed TriStar, in the Olympus 593 engine for the Concorde, and in the Harrier military "jump jet" development program.

Wings for the European Airbus

LONDON -- The British Hawker-Siddeley company has received an order for eight sets of wings for the 300-seat European airbus being developed by the Franco-West German-Anglo-Dutch group Airbus Industrie. The plane is being assembled in Toulouse, France, and the maiden flight is expected by the autumn of 1972. The wings will weigh a total of 14 tons, complete with fuel and hydraulic systems, and each will measure over 70 feet in length.

Abex acquires Italian firms

GENEVA -- Abex International of Geneva, a subsidiary of Illinois Central Industries' affiliate, Abex Corporation of New York, has teamed up with Swiss interests to form a holding company to take over Società Italiana per l'Amianto and Fren-do. L'Amianto is Italy's oldest manufacturer of asbestos products, and Fren-do is the country's leading producer of brake linings and clutches.

Bourse report

LONDON -- Strong and active trading; oils weak. PARIS -- Prices generally lower. FRANKFURT -- Market firmer on hopes of a quick monetary solution. MILAN -- Firmer over a broad front in moderate trading. BRUSSELS -- Generally lower in hesitant trading. AMSTERDAM -- Internationals weak; other sections narrowly mixed.

EUROMARKET NEWS

COMMERCE, CLEARING, HOUSE, INC.



Common Market Reports

EUROMARKET NEWS

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December 14, 1971

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EEC-U.S. trade talks to start soon

BRUSSELS --The Common Market Commission has been authorized to begin trade talks with the United States as soon as they can be arranged. The French have apparently relaxed their opposition in the Council of Ministers to trade talks with the U.S. as a part of the overall economic and monetary arrangements expected to be made shortly in the Group of Ten. The U.S. is interested in getting the EEC to set its farm prices at the world market level and to end practices that tend to discriminate against U.S. agricultural and industrial goods.

Italian presidency vote still deadlocked

ROME --Italy is still without a new president after the Italian Parliament failed to break the deadlock in the selection process in four days and six ballots. The contest is mainly between Christian Democrat Fanfani and Socialist De Martino, neither of whom has so far managed to marshal the 505-vote majority needed to win. Attempts by the majority Christian Democrats to line up support from the splinter groups so far have failed. Now they will try to win over the Communist Party delegates, whose support will probably be the key to victory.

France and Italy move to check speculation

PARIS--In order to crush speculation against their currencies which erupted following the meeting of the Group of Ten and the ensuing drop of the dollar in European markets, France and Italy have taken measures to limit the inflow of speculative currency into their countries. Speculation against the franc brought at least \$600 million into France within the four day period following the Rome meeting. French Minister of Finance Valéry Giscard d'Estaing said there had been serious breaches in the two-tier exchange market and that measures had to be taken to ensure its proper working. After December 10, francs held in nonresident accounts can be used only for payments to French residents and cannot be used to buy foreign currencies. Payments into nonresident accounts which bring these to a level higher than they were on November 30 will automatically be frozen.

Italy's measures aim at restricting capital inflows through both the banking system and direct investment in the share and bond markets. Banks are authorized to refuse to exchange foreign capital for lire unless the reason falls into the category of normal trade exchanges or payments involving residents. The Italian exchange office can examine all other foreign capital movements into Italy and bar those it considers speculative.

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EEC - Britain fisheries deadlock

BRUSSELS -- Britain is having a tough time crossing the final barrier to EEC entry -- the fisheries question. A marathon meeting on the subject between Britain and the EEC ended in a deadlock, with the only agreement being on a new date for discussions. The problem concerns not only Britain but also the other applicants -- Norway, Denmark, and the Republic of Ireland. British fishing interests say they would suffer grave damage if the fishing rules agreed to by the Six within hours of the opening of British negotiations for entry were followed. Most of the discussions revolved around a proposal that Britain, Ireland, and Denmark be given a 10-year stay before being forced to grant other Community countries access to their waters. The talks bogged down on what should be done at the end of this grace period.

Community proposes shipyard aid cut

BRUSSELS -- A proposal for reducing national aids to the shipbuilding industry has been drawn up by the European Commission. In addition to limiting national subsidies, the Commission is calling for steps to harmonize national aids on a Community-wide basis. All OECD member countries have already adopted a resolution limiting subsidized interest rates on export credits for shipbuilders to 7.5%. The Commission is now proposing that other aids be restricted to a maximum of 5% of the sales price in 1972, 4% in 1973, and 3% in 1974. Since the beginning of last year, the average level of aids has been around 5%, except for Italy, where the rate is still as high as 10%.

Concorde price set

PARIS -- A selling price of around £ 12 million for the Concorde has been agreed upon by Mr. Corfield, British Minister for Aerospace, and Mr. Chamant, French Minister of Transport. The figure reflects a policy switch by the British Government, which had previously been shooting for a higher price to enable it to recoup one-third of its expenditures for research and development. France was willing to write off the entire investment. Britain has now moved closer to the French view, hoping that a lower initial cost may encourage the airlines to buy.

France pushes uranium plant

PARIS -- Seeking support for a European uranium enrichment plant based on the French diffusion process, the French Government along with the Atomic Energy Commission recently invited Hans Leussink, the West German Minister of Science, to the diffusion plant at Pierrelatte, in the lower Rhône valley. Up to now Pierrelatte, part of which produces the highly enriched uranium required for French nuclear warheads, has been kept under tight security. The French are urging the West Germans to cooperate in a working group intended to prepare the way for a European enrichment plant that would meet the same needs as the tripartite Anglo-Dutch-West German gas centrifuge process now being developed.

British propose new trademark bill

LONDON -- A Government-supported bill calling for identification of the country of origin on imported goods which could have been made in Britain

has been proposed in the British Parliament. The bill provides that if a UK company's name or trademark or a UK place name appears on imported goods it will have to be accompanied by a statement indicating where the goods were actually made. British trade associations and consumer organizations have been protesting against unfair competition and a lack of consumer information following the recent expiration of the Origin Marking Orders under the 1968 Trade Descriptions Act.

Record loan for Hungary

LONDON -- A loan of \$50 million, the largest ever arranged in the international money market for a Comecon country, was recently extended to Hungary by Lloyds and Bolsa International Bank (LBI), a consortium of 18 international banks. The loan was advanced to the National Bank of Hungary, which says that the money will assist in the country's export development program.

Russian nickel for U.S. equipment

MOSCOW -- Under a metals-for-equipment deal just arranged in Moscow, the U.S. will take nearly 25,000 tons of Soviet nickel over the next three years. In exchange it will supply the Soviets with relatively sophisticated equipment for oil and ore extraction. The agreement was signed by a six-member U.S. group led by the Satra Corporation and the Soviet Ministry of Foreign Trade.

German auto industry crippled

STUTTGART -- The German metal workers' strike, now entering its third week, is quickly crippling the German auto industry. Volkswagen, Adam Opel AG, Daimler-Benz, Audi-NSU, and BMW have either stopped production or are in the process of doing so. Mediation talks are on the verge of collapsing, and the Government has refused to intervene.

France blocks offer for Primagaz

PARIS -- The French Government has refused to allow the State-owned oil group Elf-Erap to bid for a controlling interest in Primagaz, France's second largest liquefied gas distributors. Primagaz is officially an independent company whose largest single shareholder owns around 3.75%.

French oil firms form chemicals pool

PARIS -- The French petroleum groups Total, Aquitaine, and Elf-Erap have pooled their interests in base chemicals, particularly plastics, and set up a firm called Aquitaine Total "ATO." The new group represents the combination of the Total group's Total-Chimie interests and Union Chimique Elf Aquitaine, of which 80% is owned by Ste. Nationale des Pétroles d'Aquitaine and 20% by Elf-Erap.

Austro-German banking alliance

VIENNA -- Intergiro, a new consortium of Austrian and German banks, has been established to finance international investment projects in Austria and abroad. The new company was launched by Gironzentrale, the umbrella institute of the Austrian savings banks, which has a 51% interest, and Westdeutsche Landesbank Girozentrale, Norddeutsche Landesbank Girozentrale, Bayrische Gemeindebank-Girozentrale, and the Deutsche Girozentrale-Kommunalbank.

British Steel cuts prices

LONDON -- In a move to check growing penetration by foreigners of the UK market, British Steel Corporation is cutting the price of its reinforcing steels an average of 4.6%. Purchases of imported reinforcing steel accounted for 31% of the British market between July and September, compared with only 20% in the first three months of 1971. The company also recently announced plans to raise overall steel prices some 5% next April.

Telefunken shuts factory

FRANKFURT -- AEG-Telefunken, the West German electrical concern, is closing its electronics plant near Brunswick. The closing will reduce the company's over-capacity in this sector and is one element of a wider reorganization that has been forced by cost increases and international competition.

Bayer acquires rubber interest

BONN -- The West German chemical concern Bayer has taken full control of Rhein-Chemie Holding, a Heidelberg company dealing in the production of gasoline additives and chemicals for the rubber industry.

U.S.-German atom venture

FRANKFURT -- Babcock and Wilcox of New York is teaming up with two German companies to form a joint subsidiary offering complete nuclear plants. The German partners are Deutsche Babcock and Wilcox and Brown Boveri (BBC), the Mannheim subsidiary of the Swiss engineering group. The new company, called Babcock-Brown Boveri Reaktor, will be based in Mannheim and will concentrate on water-cooled reactors. In the beginning it will limit its operations to West Germany, in direct competition with Kraftwerk Union, the joint AEG and Siemens subsidiary.

Modern British paper mill

PRUDHOE -- Europe's most modern paper mill, operated by Kimberly Clark, recently opened at Prudhoe, Northumberland. The mill employs some 400 persons and houses the world's fastest paper machine, which can produce tissue at the rate of a mile a minute.

Bourse report

LONDON -- Good trading in equities; quiet but firm overall. PARIS -- Active trading; banks firm. FRANKFURT -- Cautious, reflecting increased speculation against the dollar. MILAN -- Firming trend influenced by optimism on settling of world monetary problem. BRUSSELS -- Cautious trading. AMSTERDAM -- Well maintained; internationals higher.

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Common Market Reports

EUROMARKET NEWS

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Group of Ten reach money agreement

WASHINGTON -- The U. S. and nine other powerful trading nations, known as the Group of Ten, have agreed on a new pattern of exchange rate relationships among their currencies. The U. S. agreed to propose to Congress a suitable means for devaluing the dollar in terms of gold to \$38.00 per ounce as soon as various short-term trade issues between the U.S., the EEC, Japan, and Canada have been resolved. The U.S. devaluation would be 7.89%. Major currencies are to be pegged in terms of the dollar as follows: British pound, \$2.6057, up from \$2.40; West German mark, 3.223 to one dollar compared to the previous rate of 3.66; the Japanese yen is fixed at 308 yen per dollar compared to the previous parity of 360. Percentage increases of other currencies against the dollar are: the Italian lira, 7.48%; the Belgian franc and the Dutch guilder, 11.33%. It was agreed that pending agreement on longer-term monetary reforms, provision will be made for a 2.25% margin of fluctuation above and below the new exchange rates. The old rules provided for a 1% margin. Even though the U. S. has now agreed to raise the price of gold, Treasury Secretary Connally said that it does not plan to reopen the gold window that was closed August 15, 1971.

In view of the realignment of currency values, the U. S. agreed to remove the 10% import surcharge and related provisions of the job development credit. Discussions are to begin promptly, particularly in the framework of the IMF, to consider reform of the international monetary system over the longer term.

EEC and Market applicants agree on fishing rights

BRUSSELS -- EEC applicants Britain, Ireland, and Denmark removed the last obstacle to Common Market entry by agreeing with the Six on a new fisheries regulation. Norway, a fourth candidate, will ask for a special protocol for fishing. The agreement calls for suspension of the present EEC rule of free access to one another's coastal waters for a 10-year transitional period. Instead, coastal fishing waters will be protected by a six-mile limit, stretching to 12 miles in regions such as the Orkneys, Shetland, the north and east coasts of Scotland, and other sea-dependent areas. However, the Six have not given any guarantee that these protections will extend beyond the 10-year period, as has been demanded by Britain and Ireland and is still being sought by Norway.

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Bundestag passes currency law

BONN -- The West German Bundestag has empowered the Government to require companies to deposit up to 50% of their foreign currency credits with the central bank in interest-free accounts. The law is designed to control the inflow of foreign currency by making it less attractive to borrow abroad should foreign interest rates sink below domestic rates. Credits under DM 1 million as well as credits required for day-to-day operations and stock transactions will be exempted. About 300 West German and German-based multinational corporations would be affected.

ESRO develops satellite program

PARIS -- The 10 member states of the European Space Research Organization (ESRO) have agreed to develop a program based on application satellites -- those used for air traffic control, telecommunications, and weather forecasting. ESRO will have a budget of \$283.6 million for the three years 1972 to 1974 and will give priority for launch vehicle orders to its sister body, the European Launcher Development Organization.

NYSE data for Europe

LONDON -- Beginning in 1972, key information from the New York Stock Exchange's block automation system (BAS) will be distributed in Europe by the Associated Press - Dow Jones financial wire. BAS information about daily block trading picked up from its domestic network and the NYSE trading floor will be transmitted to European financial institutions -- banks, insurance companies, mutual funds, and stock brokerage offices -- on the AP - Dow Jones wires.

German computer link-up

FRANKFURT -- Two West German computer firms, AEG Telefunken and Nixdorf Computer AG, are setting up a joint subsidiary to be known as Telefunken Computers. The new firm will be established in January to build and sell large computers, starting with the current AEG TR 440 series. It will be capitalized at DM40 million and will begin by concentrating sales efforts in West Germany, Austria, and Switzerland.

The AEG-Nixdorf link-up follows the refusal of Siemens AG to enter into a similar pact with AEG-Telefunken after two years of negotiation. Heinz Nixdorf, head of the new firm, said he hopes that the new cooperation can be expanded to include major French and British computer makers, such as Cie. Internationale pour l'Informatique and International Computers Ltd. He feels that a joint European computer firm, with a product line ranging from the smallest data processing equipment to the largest computers, could reach sales of DM16 billion by 1980, when the U. S. computer industry is expected to report a volume of nearly DM100 billion. Mr. Nixdorf reported current European computer sales of DM4 billion annually, compared with U.S. sales of about DM50 billion.

Go-ahead for French jet engine

PARIS-- The French Government has given the green light to the State-owned aircraft engine builder SNECMA to start work with General Electric on a 10-ton thrust jet engine. Other companies may be asked to take part in the project, known as the M-56, but they will not be included as owners of the

new company. By 1977, the engine should be ready to equip a variety of planes, such as civilian and military transports, vertical takeoff and landing aircraft, and military anti-submarine planes.

New undersea cable links planned

PARIS -- AT&T is proposing to lay a \$145 million, 4,000 circuit, undersea cable between the U. S. and Europe that would provide over four times the capacity of existing transatlantic cables. British and French postal authorities are helping to develop the cable, and eleven other European nations and three U. S. international telegraphic carriers -- ITT World Communications, RCA Global Communications, and Western Union International -- have shown interest in partial ownership.

A second undersea cable linking Israel and Europe is also on the drawing board. Directors of the Israeli, Italian, and French telegraph services have agreed to lay the cable from Israel to Italy, with an extension to France. The cable, which should be in operation by 1975, will have 15 times the capacity of the existing one, which has only 128 circuits. The U. S. reportedly will acquire a one-third interest in the new cable.

Britain writes off BSC debt

LONDON -- The British Government has decided to write off up to £350 million of the State-owned British Steel Corporation's debts and to raise the limit of its borrowings from £650 million to £1,250 million. The Government has also advised BSC that it will be limited to a 5% price increase for most of next year. This is the first indication that British nationalized industries are being warned of continuing price restraint after the Confederation of British Industry's price initiative runs out at the end of July.

Bayer makes second move in rubber industry

FRANKFURT -- Bayer, which recently took over the Rhein-Chemie group, made its second move in the rubber industry by forming a joint company with Degussa for the production of chemicals for the rubber industry. Initially, the new company, called BAYDEG, will base its operations on what Degussa claims are new types of vulcanization accelerators, amino-mercapto-triazines and the derivatives, disulfides, and sulfonamides.

Swedish to build new atom reactors

STOCKHOLM -- Uddcomb, a company formed by Uddeholm, the Swedish Government, and the Combustion Engineering Company, has been awarded a contract to supply two 900-megawatt nuclear power stations to be built at Forsmark on the Swedish east coast and at Ringhals on the west coast. The Forsmark reactor will be developed by the Asea-Aton Company and the Ringhals reactor by the Westinghouse International Corporation of the U. S.

Rhône-Poulenc pulling out of Italy?

ROME -- Rhône-Poulenc, the French textile and chemical group, is reportedly negotiating to sell its Italian subsidiaries to Montedison. The company's Italian textile subsidiary, Rhodiatocce, has been in financial difficulties for some time, but Farmitalia, its pharmaceutical holding, has been showing a profit.

Canada Dry to slake French thirst

PARIS -- Canada Dry products will be produced and marketed in France by Boussois Souchon Neuvesel, one of Europe's leading beverage groups. The latest agreement follows similar deals by Canada Dry in Finland, Holland, and Austria. Canada Dry's total European sales have risen over 40% in the past twelve months.

Uniroyal to switch to radials

LONDON -- Uniroyal plans to switch the entire output of its tire plants in Continental Europe to steel-braced radial tires. Its production of cross-ply tires for all European markets will be concentrated in its Scottish plant, leaving the French, Belgian, and German plants free to concentrate on the 180. According to Uniroyal, the British will be the only Europeans buying significant quantities of cross-ply tires over the next few years. Presently, demand is split almost equally between the two types of tires, with radial sales gradually moving ahead.

Metalworkers' strike settled

STUTTGART-- A three-week strike by West Germany's auto workers, which crippled the country's automobile industry, has ended, and production in most auto plants is expected to resume before Christmas. The new contract gives members of the metalworkers' union in southwest Germany a 7.5% monthly increase in basic wages, plus an annual guaranteed bonus.

North Sea gas find

PARIS -- The French-led Petronord exploration group has announced the discovery of a sizable gas field at Frigg, in the Norwegian sector of the North Sea. The field may run across the Norwegian boundary into the U.K. section, which would put it into a U.K. half-block already awarded to the Total Oil Marine Group. In this case, if the find proves to be commercial, it will raise some interesting problems of national division of royalties and taxes.

U.S. - U.K. gearbox deal

LONDON -- Dana Corporation, one of the largest manufacturers of gearboxes in the U.S., will acquire a 35% stake in Turner Manufacturing, the biggest supplier of gearboxes for Ford and Vauxhall commercial vehicles. This will give Turner a chance to increase its share of the U.S. market and provide Dana with a springboard into Europe.

Dow center for England

KING'S LYNN -- Dow Chemical, Europe, will build an agricultural research center at King's Lynn, Norfolk. It is part of a European development plan reportedly worth \$99 million.

Bourse report

LONDON -- Strong, active trading with a substantial amount of profit-taking, generally well-absorbed. PARIS -- Narrow trading, except in oils, where trade was abnormally active. FRANKFURT -- Steady, reflecting optimism over settlement of metal workers' dispute. MILAN -- Mixed to higher in quiet trading. BRUSSELS-- Narrowly irregular in slightly improved trading. AMSTERDAM -- Internationals very steady. Domestic issues quietly mixed.

EUROMARKET NEWS

COMMERCE CLEARING HOUSE, INC.



Common Market Reports

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December 28, 1971

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New President elected in Italy

ROME -- After 23 ballots in the Italian electoral college, moderate Giovanni Leone was elected the sixth President of Italy on December 24. The new President will have the responsibility of selecting a candidate for Premier to succeed Premier Emilio Colombo. Mr. Leone has been a professor of law and a lawyer in Naples and has also held office as the Italian Premier on two different occasions.

Britain to become major oil producer

LONDON -- Britain, which currently imports nearly all of its oil needs, will soon become a major oil producer and may also begin exporting crude oil. The turnaround results from British Petroleum's (BP's) decision to go ahead with a £160 million development program for the Forties Field in the British sector of the North Sea, which BP describes as a major find. The program includes an initial production of some 250,000 barrels a day--or 12-1/2% of the UK's total present consumption of oil--by late 1975. If BP decides to install further facilities, production could rise to 400,000 barrels a day, making the field one of the most productive in the world. BP also plans to expand its 190,000-barrel-a-day refinery at Grangemouth, Scotland, and will build a terminal in the Firth of Forth capable of handling oil tankers to export any oil above Grangemouth's needs.

Proposed cement cartel rejected

BRUSSELS -- The European Commission has rejected a proposed Dutch cement cartel, Vereniging van Cementhandelaren, on the ground that it would call for exclusive relations between Dutch producers and users of cement and practically close the nation's market to foreign suppliers. The plan had proposed fixed prices for sales in lots of less than 100 metric tons, which account for 24% of total Dutch cement sales. Belgian and West German cement makers presently supply about one-third of these smaller amounts, and the Commission thought they would be harmed if the cartel were implemented.

In another action the Commission approved for the first time an export unit covering sales in the EEC, by okaying plans for a French joint sales unit, SA de Fabricants de Conserves Alimentaires, to export canned foods. Usually the Commission permits such units only for sales outside the Community.

Courtaulds, ICI deny cartel reports

LONDON -- Both Courtaulds and Imperial Chemical Industries (ICI) have denied published reports that they received unofficial overtures to join a cartel of firms in Common Market countries. The reports mentioned Rhône-Poulenc of France, Montecatini Edison of Italy, and AKZO of Holland as being the driving forces behind the initiative, which was said to be aimed

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at a more coordinated expansion of fiber production and a freer exchange of information about prices and investment plans. Both Courtaulds and ICI have manufacturing facilities in the EEC area.

Britain quits space program

PARIS -- Britain has announced that it will pull out of the European Launcher Development Organization (ELDO), Europe's only space rocket program. The British withdrawal from the seven-nation organization follows a major ELDO setback in November when the group's Europa II rocket, designed to launch satellites into space, crashed shortly after blastoff from a rocket base in French Guiana.

German tire firms merge

FRANKFURT -- Continental Gummiwerke and Phoenix Gummiwerke will merge next summer to produce West Germany's largest tire-producing concern, and the third largest firm of its type in Europe after Dunlop-Pirelli and Michelin. The companies will be integrated by stages, but retain company names and individual sales organizations.

French fertilizer giant to be formed

PARIS -- Péchiney-Ugine Kuhlmann and Rhône-Poulenc will jointly own and operate France's largest fertilizer group, La Générale des Engrais. The new company, until now only a joint sales enterprise, will supply about 30% of French production. This will make it the leader of the French fertilizer industry, which has been fragmented between small firms, and enable it to join the ranks of the top European firms. La Générale des Engrais will have nine plants in France and several other factories manufacturing sulphuric acid and phosphoric acid, as well as shareholdings in other fertilizer companies, notably Zuid Chemie of the Netherlands.

Joint venture in synthetic foam formed

ZURICH -- The Swiss plastics concern Gurit has set up a joint venture subsidiary with German synthetic foam producer Metzeler Schaum of Memmingen. The new company will produce and market latex and polyurethane foams.

France to aid electronics industry

PARIS -- Under a new three-year Government aid program, French electronics firms will be able to apply for direct aid to fund research projects. The program is designed to aid companies suffering from cutbacks in French military spending on electronics, estimated to be dropping back by at least 3% a year. The government's decision was prompted by pressure from major manufacturers who were protesting discrimination in Government policy since the recent large cash award to Thomson-CSF. Other companies likely to benefit from the general electronics aid plan include Electronique Marcel Dassault and Cit-Alcatel.

Dassault, Breguet link-up

PARIS -- The full merger of Ste. des Avions Marcel Dassault and Ste. Breguet Aviation into Avions Marcel Dassault-Breguet Aviation has been approved by the shareholders of the two companies. Breguet's absorption of Dassault will enable the aircraft manufacturer to be listed on the Paris Stock Exchange through Breguet's current listing.

German chemical firms in sales agreement

BASEL -- Ciba-Geigy of Basel says its German marketing subsidiary of the same name has entered into a marketing agreement with the British-owned Wilkinson Sword of Solingen for the sale of chemical products at the consumer level. The Solingen company, the market leader in West Germany for razor blades, is said to be seeking diversification.

Record production reported by German auto firms

FRANKFURT -- Daimler-Benz, Volkswagen, and Audi-NSU have all announced record sales figures for the current year, despite severe production losses as a result of the recent metalworkers' strike. All three, however, expect a substantial drop in profits.

Franco-Yugoslav tire venture

PARIS -- The French Kléber-Colombe and Yugoslav Miloje Zakic plan to build a radial tire factory in the latter's home town of Krusevac. An annual output of 3.2 million tires is planned, with production beginning in two years.

Renault steps up bearings production

PARIS -- The Renault group's bearings manufacturing subsidiary, Société Nouvelle de Roulements (SNR), will invest in a new highly automated plant that will manufacture more than the company's current daily production of 177,000 bearings. Production will start toward the end of 1974 and will be channeled to both the French market and export outlets.

French block Euratom plans

BRUSSELS -- The European Community has shelved plans for a three-year, \$256-million research program for Euratom, the Community's nuclear energy organization, because of differences between France and its partners. France, which has an extensive national nuclear research program, wanted to limit its contributions and participation to only half of the joint projects being planned. The three-year plan was aimed at pepping up Euratom through cash and long-term projects.

Spain hops on airbus

MADRID -- The Spanish Government plans to participate in the construction of the European airbus and to purchase several of the craft for the Spanish national airline, Iberia. Although no agreement has yet been signed with the other participating governments--France, West Germany, and the Netherlands--Spain is expected to take a 2% shareholding and to manufacture some 4% of the aircraft parts. The Spanish Government will buy four airbuses during 1972-75 and has an option on an additional eight in the following two years.

New supersonic in the offing?

PARIS -- Sir George Edwards, chairman of the British Aircraft Corporation, which produced the Concorde jointly with the French Aérospatiale Company, has suggested that the United States support a joint American-European program to develop a supersonic airliner twice as large as the Concorde. The invitation follows the news that the Concorde will sell for a record \$31.2 million, with the first six ready for service by October 1974.

Orders for the supersonic airliner are expected to start trickling in soon, as 16 of the world's leading airlines, including BOAC, Air France, and Pan Am, have taken options on 74 planes. China is also reportedly negotiating to buy the Concorde.

Fiat, John Deere to cooperate

LAUSANNE -- Fiat and John Deere will set up a joint service company in Lausanne for research on production, planning, and marketing in the field of agricultural machinery.

Cooks will travel alone

LONDON -- The British Government is selling the 130-year-old Thomas Cook & Son Ltd. travel, banking and shipping company. The company, which has been nationalized since 1947, is one example of the Conservative Government's effort to divest itself of certain State-run activities that it believes would be better operated by private enterprise.

Catering concession granted for Spanish highway

MADRID -- Finresa, a catering company newly formed by Wagon-Lits and Nestle, has been awarded the concession for restaurant and catering services on the new Bilbao-Behovia highway by Europistas Concesionaria Espanola.

Swiss arms firm to go public

GENEVA -- The privately owned Oerlikon-Buehrle, Switzerland's 12th largest industrial combine, with sales of \$250 million a year, plans to go public. Neither the timing nor the size of the projected offering has been announced, but according to Dieter Buehrle, head of the firm, the move is being made because expansion requires additional capital.

French demand new textile program

PARIS -- Demands for action by both the French Government and the Common Market in the form of a new program for the European textile industry are being voiced by French cotton manufacturers. The Association of French Cotton Manufacturers claims that the sharp drop in 1971 sales figures can be pinned on EEC and French aid to the third world and liberalization of trade, especially with Eastern Europe. They are also worried about the effect British entry will have on the EEC textile industry.

Bourse report

LONDON -- Equities in the limelight, with leader stocks edging ahead.
PARIS -- Slow trading pending outcome of Washington monetary talks.
FRANKFURT -- Trading quiet and narrowly irregular.
MILAN -- Firm in moderately active trading.
BRUSSELS -- Firm in increased trading.
AMSTERDAM -- Internationals cautiously firmer; domestic issues narrowly mixed.

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COMMERCE CLEARING HOUSE, INC.



Common Market Reports

EUROMARKET NEWS

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UK to sign Accession Treaty on January 22

LONDON -- It is reported that Britain will sign the Treaty of Accession to the Common Market on January 22. Denmark and the Republic of Ireland will also sign the treaty on that day, but whether Norway will join them is debatable because of the dispute over the fisheries question. Most of the unsettled issues are highly technical and involve detailed points of treaty drafting. An agreement has been reached on the continuation of British weights and measures after entry. Under the settlement, British imperial units, such as yards, gallons, inches, and ells, will continue to be used in the UK at least until August 1976. A decision will then be taken on which measures can be dispensed with by the end of 1979, and which should be maintained.

North Sea gas drilling licenses awarded

LONDON -- The British Government has awarded 35 new blocks in the southern, gas-producing basin of the North Sea to 11 exploration groups, involving a total of 47 companies. In addition to established groups, such as British Petroleum, Shell-Esso, and Gas Council-Amoco, successful applicants included a number of companies new to North Sea exploration, such as Clinton International and several German refining and marketing concerns. The award is part of a much wider fourth round of UK licenses in which 436 blocks have been placed on offer in various parts of the continental shelf around the UK coasts. Further allocations off the southwest coast are expected early in 1972, while the most highly sought after regions around Scotland will probably not be distributed until after Easter.

Britain to raise protection for fisheries

LONDON -- The British Government is planning a 50% increase in its spending on fisheries protection from the present £ 1 million a year to about £ 1.5 million. The move is intended to reassure the inshore fishermen that the Government plans to protect their interests when Britain joins the EEC.

EEC financing sought for airbus

BRUSSELS -- The EEC is being pressured to take on the problem of financing purchases of the A-300B European airbus. The European Investment Bank has granted a \$15 million loan to the Société Nationale Industrielle Aérospatiale, the French contractor on the project, for investment in the equipment needed to put the aircraft into production. This is the first time the European Investment Bank has made a comparable investment in an international industrial project of this type, and also the first time that it has ventured into aeronautical construction. At a signing ceremony at the bank's headquarters, Roger Beteille, general manager of the international

airbus program, referred to the disadvantage European aircraft manufacturers are under compared with their American counterparts, who benefit from the U.S. Export-Import Bank. He said the situation has to be recognized as a European Community problem.

French developer scouts UK

PARIS -- European Enterprises Development (EED), a Paris-based venture-capital group, will set up a company in the UK to ferret out long-term gain properties. Utilizing its \$17.5 million capital--about 75% of it European--EED will purchase minority holdings in high-technology companies and provide management expertise.

UK bank forms holding company

LONDON--Morgan Grenfell, the London merchant bank, has formed a new parent company responsible for overall group policy, called Morgan Grenfell Holdings Ltd.

U.S., Dutch paper firms form tie

AMSTERDAM -- Koninklijke Papierfabriken Van Gelder of Holland says it has agreed in principle for Crown Zellerbach of the United States to acquire a 50% interest in its 67-million guilder share capital.

Olivetti denies takeover rumors

ROME --Olivetti of Italy says rumors on the Paris and Milan stock exchanges that it may be taken over by the Italian state holding company Istituto per la Ricostruzione Industriale (IRI) are without foundation. Olivetti also denied rumors that it is negotiating the takeover of the Swedish company Facit.

U.S. firm to design Russian foundry

MOSCOW --The Swindell-Dressler Co., of Pittsburgh, has contracted to design the foundry for the Soviet Union's Kama River truck factory, expected to be the largest in the world. The agreement marks the first U.S. involvement in the project. Although the contract does not involve the purchase of equipment, it provides for cooperation in the supplying of U.S. equipment for the complex--i.e., Swindell-Dressler engineers will recommend certain equipment to fit their foundry design.

British Steel may curb exports to U.S.

LONDON -- British Steel Corporation is studying the possibility of joining Common Market and Japanese steelmakers in a voluntary three-year agreement to limit exports to the U.S. Although British Steel refused in 1968 to join in a similar agreement, it now is considering limiting exports in light of the lifting of the U.S. import surcharge and a recently announced Japanese agreement to limit steel exports to the EEC and Britain.

UK rejects Norwegian steel bid

LONDON -- Christiania Spigerwerk, the Norwegian steel concern which planned to build an £ 8 million steel mill at Chesterfield, has been refused an industrial development certificate by the Department of Trade and Industry. An official of the Department of Trade and Industry said the decision was

taken because Chesterfield was not classified as a development area. A Christiania spokesman said that since no other suitable location was suggested the company might have to withdraw the application and "take up the project elsewhere in the EEC."

German steel group reorganizes

FRANKFURT -- Korf, a West German steel and engineering group, has undergone a thorough reorganization. The main holding company, Korf Industrie und Handel, has taken majority control of its chief subsidiary, Korf-Midland-Ross, following the decision of the American Midland-Ross corporation to relinquish its 50% stake.

Zanussi plans to reshape

ROME -- Industrie Zanussi, Italy's largest manufacturer of electric household appliances, has decided to regroup and go public. Industrie Zanussi itself will become a holding company, and the manufacturing and marketing activities will be undertaken by separate companies in order to increase their efficiency. The parent company, Industrie Zanussi, intends to go public by offering 49% of its shares to Italian investors.

Cavenham to buy foreign firm

LONDON -- Cavenham, the British food and confectionery company, is planning to acquire an unnamed continental food and pharmaceutical group in a stock-and-cash deal worth £ 12.7 million. Cavenham's French subsidiary, Financière et Industrielle de Pétrole et de Pharmacie, is arranging the purchase of what is said to be a privately-owned manufacturing concern based mainly in France.

Quaker Oats acquires interest in British toy firm

LONDON -- A Quaker Oats subsidiary, Fisher Price Toys, is buying a 9% stake in Mettoy, the British toys firm which makes Corgi model cars and Wembley balls. Mettoy will also be manufacturing Fisher Price toys for the UK and European markets.

BATS enters Europe via German firm

LONDON -- British-American Tobacco Co. (BATS), one of Britain's biggest tobacco and paper groups, has acquired a 25.6% stake in Horten, the West German department store, for £ 34 million. Horten is one of the big four in Germany, operating 53 modern department stores. The stock involved in the purchase was acquired by BATS' wholly-owned subsidiary, Interversa Gesellschaft für Beteiligungen, from Helmut Horten, the founder and chairman. Richard Dobson, chairman of BATS, said the investment is indicative of BATS' desire to widen its Common Market holdings. The BATS move reflects the wishes of many British firms to seek takeovers or links with distributor organizations in the EEC. Burton, the tailoring chain, has entered France and Germany, and recently Tesco Stores said it planned to cross the Channel.

Danish breweries form international companies

COPENHAGEN -- United Breweries, the company formed last year by the merger of Carlsberg Breweries and Tuborg Breweries, has announced the formation of two new companies to take over supervision and control of its international brewing activities. The new companies, Carlsberg International and Tuborg International, will handle activities which to date have been handled directly by Carlsberg and Tuborg.

French shipyard raises capital

PARIS -- Intra-Investment Co. of Lebanon has subscribed to the 25 million franc capital increase of the financially troubled Chantiers Navals de la Ciotat, thus retaining control of the French shipbuilding firm. Intra-Investment will also subscribe to another 25 million franc increase in the form of "advances in current accounts blocked for five years." Earlier this year La Ciotat was forced by French banks to increase its capital by 50 million francs, an amount corresponding to losses accumulated over the past two years.

Schweppes buys German stock

FRANKFURT--Cadbury-Schweppes has bought out Charles Hosie Import, the only domestic shareholder in its German soft drink company. The decision by Charles Hosie Import to sell its 30% interest in Schweppes was apparently made on the German company's own initiative. Hosie took a stake in Schweppes before the Cadbury merger in 1969. Since then the company has begun soft drink production in Germany at a Hamburg factory.

Russian tractor undercuts rivals

LONDON -- Russian medium-sized tractors are being marketed in Britain at prices undercutting similar British models by over one-third. Importers have contracted to bring a minimum quantity of 1,000 of the vehicles, the 75-hp Balarus Super 52, into Britain over the next five years.

Swiss, Austrian airlines may merge

GENEVA -- Prosperous Swissair is reportedly working informally with its poorer neighbor, Austrian Airlines, with an eye to a possible merger at some later date.

Japan to market calculators in Europe

LONDON--Thorn Electrical Industries of Britain, Triumph Adler of West Germany, and Carl Gavazzi of Italy have been negotiating with Omron Taeishi Electronics of Japan, which wants to enter the European market for desk-top calculators by the end of 1972.

Ugine Kuhlmann-Péchiney merger

PARIS--France's largest private company has just been formed by the merger of Péchiney and Ugine Kuhlmann. The two firms have placed their subsidiaries under a new holding company named Péchiney-Ugine-Kuhlmann. The group's industrial subsidiaries will be subdivided into seven sectors comprising steel and titanium production (headed by Ugine Aciers), aluminum production, chemicals, mining and electrometallurgy, nuclear activities, special products sector, and copper smelting under Tréfinmétaux.

Bourse report

LONDON -- Quiet trading due to holiday influence. PARIS -- Steady in light trading. FRANKFURT -- Markets mixed in quiet trading. MILAN -- Firm in rather cautious trading. BRUSSELS -- Generally weaker. AMSTERDAM -- Generally dull, with internationals barely steady.

EUROMARKET NEWS

COMMERCE CLEARING HOUSE, INC.



Common Market Reports

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BASF, Dow end joint activities in Germany

BONN -- BASF, the West German chemical firm, and the Dow Chemical Company of the U.S. have ended joint activities in the Federal Republic of Germany. BASF has purchased for an undisclosed price what remained of the Dow interest in Phrix-Werke of Hamburg. The two firms will continue to work together in other parts of the world, notably in Amsterdam and Williamsburg, Virginia.

Montedison sells subsidiaries

ROME -- Montedison has sold two of its subsidiaries, the Tudor battery facility to the Henseberger Company, and its metals company, Siderurgiche Meccaniche Affini (SISMA) to the State-controlled Ente Gestione Attiva Mineraria (EGAM). Both sales are the result of Montedison's policy of shedding subsidiaries unconnected with its chemical, pharmaceutical, and petrochemical interests.

Italian oil venture started

ROME -- CP oil and gas, a Canadian Pacific affiliate, has formed a joint venture with Società Italiana Resine to explore two million acres of permits held by the Italian company both offshore in the Tyrrhenian and Adriatic Seas and on the mainland.

Danish insurance firms to merge

COPENHAGEN -- Denmark's largest insurance company will be formed by the amalgamation of two leading insurance groups, Assurance Compagniet Baltica and Forsikrings Aktieselskabet Skandinavia. If the merger is approved by stockholders, the new company, Assurance-Compagniet Baltica-Skandinavia, will begin operations shortly.

Carlton wins Oldham bid

LONDON--Carlton Industries has won its battle with Chloride Electric Storage for control of Oldham International. Although Oldham favored Chloride and had rejected two previous Carlton takeover bids, Carlton's final offer of 80 pence a share was not matched.

Colias ends Bastogi block

MILAN-- Legal proceedings against the merger of Bastogi with the SES, SGES, and Italpi holding companies have been withdrawn by Colias Holding, a Luxembourg-based law firm which had initiated proceedings last October for an unnamed international company. The Colias withdrawal removes a major obstacle to completion of the Bastogi merger, although there is still a possibility of government opposition.

Siemens and Philips may link

BONN -- The computer division of Siemens, the West German electrical and electronics firm, may link with Philips of Eindhoven, the Dutch electronics concern. Since RCA, a Siemens associate, has withdrawn from the computer field, Siemens has been looking around for other firms that might be good candidates for cooperation. The German Government has issued a directive calling for a reduction by 1975 of IBM's share of central government business from 80% to 60%, with the majority of the new business going to Siemens. In addition, the German Government is contributing substantial amounts to Siemens' research and development.

New EEC auto standards issued

BRUSSELS-- Vehicles exported from one EEC country to another must now meet common standards in both interior and exterior features. Most of the directives for exterior features, such as exhausts, headlights, turn signals, and rear-view mirrors, are presently in force. But new directives covering the car's interior have just been issued. They include the shape and materials of the coachwork, size of the handbrake grip, placing of controls (steering wheel, gears, clutch, etc.), design of seat backs, and the levels of roof and dashboard.

Audi-NSU slashes British prices

LONDON -- In an effort to increase the competitiveness of its small sedans in the UK market, Audi-NSU has announced price reductions amounting to nearly 14% for a range of four of the German-produced automobiles. In spite of record sales of more than 6,000 cars last year, the company failed to achieve a marked penetration in Britain. It has set a target of 15,000 for 1972. The price cuts are not expected to be followed by other manufacturers.

French to raise car prices

PARIS -- The French Finance Ministry has authorized French automobile manufacturers to increase domestic prices by an average of 1%.

Mercedes-Benz tests gas bus

FRANKFURT -- Seeking to beat the pollution problem, Mercedes-Benz is testing a natural-gas-powered city bus. The advantages of the new vehicle are reportedly a low noise level, soot-free combustion, and an almost odorless exhaust gas emission. Among the disadvantages are a 15% higher fuel consumption than conventional vehicles and the investment necessary to establish a supply network for liquid natural gas that will ensure the smooth running of public transport.

Rolls-Royce sets 6-year record

LONDON-- Rolls-Royce produced more cars in 1971 than in any year since the Silver Shadow was introduced in 1965. The company has bought the Willesden plant, which formerly belonged to Triplex, to raise output of the Corniche, a new model introduced last March, from 350 to 500 a year.

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Alfa Romeo output soars

MILAN -- Alfa Romeo has announced a 1971 output of 123,000 cars, up 14% from the 1970 figure. Exports increased some 29% over the first 11 months of the previous year.

Greek refinery bids

ATHENS-- Seven firms have submitted proposals to build the 7.5 million ton refinery included in the \$600 million investment package deal between the Greek Government and Aristotle Onassis which fell through last month. Those showing interest include Stavros Niarchos, shipowners John Latsis and Nicos Vardinoyannis, a consortium of three oil companies (BP, Shell and Mobil), the CMA Andreades group, and Onassis himself. The original Onassis contract was broken by common consent after Onassis sought arbitration, claiming that a steep rise in crude oil prices and freight rates early this year made it economically unsound. The package centered on the refinery and also included an aluminum smelter, power stations, and petrochemical facilities.

Hungarians raise prices for structural changes

VIENNA -- The Hungarian Government has issued a wide range of producer and consumer price increases aimed at promoting structural changes in industry and agriculture. The producer prices of iron and steel foundry products will go up by 15%, plastic material by 14%, and tin and aluminum by 10%. The cost of building materials will be 32% higher and purchasing costs of tobacco, beer, and sugar beets will be hiked by 20%.

London Chamber to give advice on EEC

LONDON-- The London Chamber of Commerce is setting up an Investment Advice Service to help its members interested in investments or setting up joint ventures in the EEC. British industry has shown concern about the manufacturing and marketing implications of the enlarged Community, and the new service aims to help these companies by making information available on many of the aspects involved in making an investment decision, including fiscal incentives, taxation, company structure, labor conditions, finance, and industrial structure.

EEC raises farm import tariffs

BRUSSELS -- The Common Market has raised fees on imports of farm products from outside the Community in order to make up for the devaluation of the dollar. Italy, which has not been collecting an additional fee, will now levy a charge of 4.9%. France will charge 5.9%, replacing a 6% tax announced Christmas eve. West Germany will collect 10.8%, up from its former 10.7%. The Netherlands, Belgium, and Luxembourg will collect 9.5% instead of the former 8.9%. Subsidies paid on exports of Common Market farm products to outside countries will be increased by the same amount.

U.S. a target for Romanian jeep

BUCHAREST -- The Romanians have manufactured a small jeep-like, four-wheel-drive vehicle, which they are planning to sell on the U.S. market. The vehicle, named the M-461, is manufactured by the Dacia Auto Tractor Company in Bucharest and is powered by a 2.5-liter engine with a maximum speed of about 70 miles an hour. Its retail price is set at \$2,995, which the Romanians emphasize is \$1,000 less than comparable cars now available in the U.S.

VW shut down for lack of demand

FRANKFURT -- Volkswagen has closed all its auto manufacturing plants in West Germany for a week because of a build-up in inventories and a shortage in demand at home and abroad. Although the company blames the currency crisis for its ill fortune, several leading auto industry experts claim that VW's main problem is an outdated model range. Only VW and its subsidiary Audi NSU were unable to increase domestic sales in 1971.

New 3M plant for Italy

ROME-- 3M Italia is planning to build a factory to produce polyester resin films for photographic and computer use. The plant will cost \$33 million, of which about \$22.6 million will be loaned by the State agency for the development of Southern Italy.

Wrigley goes Swiss

ZURICH -- The Wm. Wrigley Jr. Company, the Chicago chewing gum manufacturer, has just opened a Zurich facility for the production and marketing of chewing gum and other confectionery. The new company will also be able to engage in holding and consulting activities.

Hambros Bank closes Milan office

MILAN -- The British Hambros Bank has decided to close its representative office in Milan because it is too large for the bank's requirements. The decision not to maintain an office in Italy closely follows the move made by the bank last November to sell its interest in La Centrale Finanziaria only four months after buying control of the company.

British act to clean up rivers

LONDON -- The British Government has pledged to spend L1.3 billion during the next five years to clean up 1,000 miles of polluted rivers. Because of improved sewage control and other anti-pollution measures, three-fourths of England's 4,500 rivers are clean -- at least along their upper stretches above tidal estuaries, according to a government report.

Airline traffic growth rate declines

GENEVA -- The International Civil Aviation Organization (ICAO) reports that the growth rate in traffic for the world's airline industry was the "lowest ever" in 1971. Excluding the Soviet Union, which did not become a member of ICAO until 1970, total passenger, baggage, freight, and mail traffic on member airlines is expected to show an increase of only 2% from 1970.

Bourse report

LONDON -- Index closed at 1971 peak of 476.5; equities firm, with heavy demand for new bonds. PARIS -- Narrowly irregular in quiet market. FRANKFURT -- Narrowly mixed in quiet trading. MILAN -- Slight firming trend. BRUSSELS -- Slow in holiday trading. AMSTERDAM -- Quiet trading.

EUROMARKET NEWS

COMMERCE CLEARING HOUSE, INC.



Common Market Reports

EUROMARKET NEWS

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Issue No. 157

No. 178, January 18, 1972

France eases franc controls

PARIS -- Nonresidents of France are once again able to borrow francs from residents to cover purchases of Treasury bonds and other short-term Government paper. This right had been suspended since December 3, 1971, along with the free convertibility of nonresident franc accounts.

French economic forecast in dispute

PARIS -- French Finance Minister Valéry Giscard d'Estaing's optimistic forecast that France will maintain the high rate of economic expansion of the past few years and head the western world's growth chart has been strongly challenged by the well-respected economic magazine "L'Expansion." The magazine forecasts that France's 1972 record will be the worst since 1959, except for 1968, the year of the student revolt. It predicts a GNP rise of only 4.7%, compared with the Government forecast of 5.2% and the annual target of 5.9% set in the Sixth Economic Plan. Last year's growth rate was reportedly tagged at between 5.2% and 5.6%. "L'Expansion" expects French industrial production to expand by only 1.7% this year, compared with 6.8% in 1971, and predicts a price rise of 5% -- a 1% drop from last year.

EEC trend to reduce capital investment

BRUSSELS -- Answers to an investment questionnaire sent by the EEC Commission to industrial firms in October and November reveal a planned cutback in the level of capital investments, particularly in the iron, steel, and non-ferrous metals industries, mechanical and electrical engineering, and motor vehicles. In Belgium, managements plan to increase the reductions which began last year. West Germany, which had raised capital expenditure in industry by 2% in 1971, intends to cut back by about 5% this year. France's 1971 increase of 13% will be slashed back to about 5%. No details are available on investment plans in Italy and Luxembourg.

EEC cost of living soars

BRUSSELS -- According to the EEC Commission, the rise in the cost of living last year was the largest in Community history. In November, consumer prices in the Netherlands were 8.3% higher than a year earlier, while the figure for Germany was 5.8% and 5.3% for Belgium and Luxembourg. October figures for France and Italy show that prices rose by 5.8% and 4.5%, respectively.

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Belgians, Dutch, Danes cut discount rates

BRUSSELS-- Following West Germany's December 22 cut in bank discount rates to 4%, Belgium, the Netherlands, and Denmark have announced similar reductions to 5%, 5%, and 7% respectively. The moves are seen as being in line with the lowering of interest rates on foreign money markets, including the Eurodollar market, and also reflect an effort to stimulate new investment.

German unemployment leaps

BONN -- The number of unemployed West Germans soared by 30%, or 61,800 persons, in December, to a total of 269,000. This pushed the number of unemployed to 1.2% of the labor force--the highest end-of-the-year level since 1968.

Ireland raises duty on textile imports

DUBLIN -- Ireland has increased the duties on most imported garments by some 50%, in an effort to protect its domestic textile industry, which has been suffering in the face of imported ready-made goods. British producers receive special attention, despite the Anglo-Irish free trade agreement. The rate of duty on knitted outerwear from all areas, and on both knitted and woven outerwear other than cotton, from Britain, will be increased. Garments are now subject to levies ranging from 16% to 24% as opposed to the previous 9% to 16%.

UK's Japanese imports skyrocket

LONDON -- Japanese exports to Britain in the first 11 months of 1971 rose 48.9% over the same period the previous year, while British exports to Japan showed an increase of only 6.7%. The startling increase is seen as a result of the U.S. 10% import surcharge, which drove Japan to seek other markets. British Government trade officials are reportedly concerned about the trend, but fears of a full-scale Japanese assault on the British market have been alleviated by the new international currency measures.

Soviets complete fast-breeder reactor

MOSCOW -- The Soviet Union has completed the construction of the world's first large commercial fast-breeder reactor, but, since it is a prototype, it might not reach design output for some months. Power production is expected to start at the end of 1972. Fast-breeder reactors are expected to be the mainstay of atomic-power generation by the year 2,000. The 350,000-kilowatt-hour Soviet plant, situated in the new town of Shevchenko on the desert coast of the Caspian Sea, will produce both commercial electricity and the energy needed to convert 30 million gallons of salt water from the Caspian Sea into fresh water. If the Soviet fast-breeder reactor begins to manufacture power shortly, it may win a race with a similar reactor nearing completion in Dounreay, Scotland.

UK miners on strike

LONDON -- Britain's miners, numbering some 280,000, are striking for the first time in 46 years. Their demand is for higher pay -- up to a 47% increase. The National Coal Board, which runs the nationalized coal industry,

has refused to raise wages above 8%. Basic weekly wages of miners now range from \$46.80 for surface workers to \$78 for those underground. In wider terms, the dispute constitutes a challenge to the Government's unofficial policy of limiting pay increases throughout the country to less than 8%.

Banks invest in Aérospatiale

PARIS -- A group of six French banks are buying shares amounting to 7.5% of the total in Société Nationale Industrielle Aérospatiale, the French State-owned airframe builder which is the French partner in the Concorde and A-300-B European Airbus programs. The banks involved are the three State-owned clearing banks -- Crédit Lyonnais, Banque Nationale de Paris, and Société Générale -- and three private banks -- Banque de Paris et des Pays-Bas, Banque Française du Commerce Extérieur, and Banque Worms. This is the first time Aérospatiale has had private shareholders, and the investments indicate a measure of confidence that both the Concorde and the Airbus will be economic successes.

France to aid newspapers

PARIS -- In an effort to bolster the finances of the French daily press, which has lost much advertising revenue in the past few years to the State-owned television system, the French Government plans to give 15 million francs in indirect aid to the press this year. The subsidy will probably take the form of support for the newsprint industry. French paper manufacturers obtained a price increase last September, of which half was subsidized by the Government and the other half by the papers.

Anglo-German nuclear cooperation

LONDON -- British Nuclear Design and Construction (BNDC) has signed an agreement to act as consultants for a nuclear pressure vessel being built by the West German concern Hochttemperatur Reaktorbau. BNDC and one of its shareholding members, Taylor Woodrow Construction, will act as consultants for the design and construction of the prestressed concrete pressure vessel for the 300MW high-temperature reactor being built at Schmehausen, near Dortmund. BNDC calls this cooperation "the first step in tangible association between the UK and the growing European nuclear industry."

Britain's steel production slumps

LONDON -- Crude steel production in the UK fell to almost 24 million tons in 1971--the lowest figure in four years and a drop of 13% from 1970. The decline was greater than in any other non-communist steelmaking country. West German steel production was 40.31 million metric tons last year, 10.5% below the 1970 level. Luxembourg's output fell by 4.1% to a total of 4.83 million tons. Production by the European Coal and Steel Community countries dropped by 5.4% to a total of 103.3 million tons in 1971.

BSC closes three factories

LONDON -- British Steel Corporation (BSC) recently closed three factories in Britain -- a tube works at Newport, a medium mill plant at Scunthorpe, and a rolling mill in Staffordshire.

Royal to switch U.S. production to Europe

LONDON -- Royal typewriters, owned by Litton Industries, plans to transfer to England and the Continent the production of its Hartford, Connecticut, factory. This should raise European output from the current 2,000 machines a week to some 5,000. Royal now has European factories in Leicester and Hull, England, and in the Netherlands.

French paper firm closes

LYON -- Papeteries Navarre, a French paper manufacturer, has closed its factory in Roanne, north of Lyon, one of six in France. The closing reportedly reflects the generally unfavorable trend in the industry.

Britain's first factor merger

LONDON -- Allied Factors is being absorbed by H&H Factors, which is owned mainly by Hambros Bank and the U.S. firm Walter E. Heller. The union will create the second largest factoring group in Britain, with an annual turnover of £ 30 million, and enable the group to compete on equal terms with clearing banks and factors in the UK and also to offer a comprehensive service abroad.

Saint-Gobain joins Certain Teed

PARIS -- Saint-Gobain-Pont-à-Mousson (SGPM), the French glass and construction materials maker, is back on the American market with a controlling interest in Certain Teed Products, the U.S. building materials firm. The British firm Turner and Newell is Certain Teed's second largest shareholder, and there is a chance that the relationship might develop into an international consortium in the building sector. SGPM sold its interest in the unsuccessful glass company American Saint-Gobain in June, 1970.

BEA eliminates first class in UK

LONDON -- In an effort to stimulate traffic on domestic routes, British European Airways recently made several changes, among them the abolition of first class on domestic routes and the substitution of a new class of more comfortable reserved seats for only £ 2 more than the single tourist fare.

Zanussi reorganization delayed

ROME -- Because the Italian Government has postponed implementation of the Value-Added Tax (VAT) until July, the long-planned Zanussi reorganization will be delayed until that time. The reorganization plan is based on the holding company system, which is prohibited under the cascade-type IGE tax now in effect. On July 1, Industrie Zanussi will change into a holding company controlling four subsidiaries specializing in clearly defined product areas: household appliances; larger units for catering, industrial and commercial use; electronic home entertainment products, such as radio, television, and tape recorders; and automatic vending machines.

Bourse report

LONDON -- Tone firm in active trading; leaders easier in heavy profit-taking. PARIS -- Firm trend in active dealings, but many gains cut back by profit-taking. FRANKFURT -- Quiet trading; downward trend. MILAN -- Narrowly mixed in quiet trading. BRUSSELS -- Firm in active trading. AMSTERDAM -- Internationals easier; local issues quiet. Plantations firm.

EUROMARKET NEWS



Common Market Reports

EUROMARKET NEWS

Issue No. 158

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January 25, 1972

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Four nations join Common Market

BRUSSELS -- Denmark, Great Britain, Ireland, and Norway signed an Accession Treaty on January 22, 1972, evidencing their intention to become members of the Common Market. The signing ceremony, held in Egmont Palace in Brussels, marked the culmination of much effort--first, to hold negotiations at all and, ultimately, to reach agreement on terms for joining. Public referenda in Denmark, Ireland, and Norway later this year will determine whether these countries will actually ratify the Accession Treaty and participate as members of the trade bloc. Parliamentary battles are expected in Great Britain over new laws and regulations needed to harmonize British practice with that of the Common Market. January 1, 1973, is the date that operative membership comes into force for those countries that ratify the Accession Treaty.

Taxes unchanged in Swedish budget

STOCKHOLM -- For the first time in many years Sweden's new budget doesn't include any tax increases. According to the terms of the budget, fiscal policy will be kept tightly in check and there will be restrictions on both central and local government spending. One of the few areas which escaped the cutback was foreign aid--in fact, it will be increased some 25%.

Spain's INI seeks expansion funds

MADRID -- Spain's State-controlled industrial holding group, the Instituto Nacional de Industria (INI), will negotiate a \$20 million foreign loan this year to enable it to carry on with its many projects. INI-controlled Iberia Airlines is scheduled to buy 30 passenger planes in the next two years, while an INI subsidiary, the Du Craa phosphate mine in the Spanish Sahara, will become operational this year, and several smaller subsidiaries will merge to build a nuclear fuel plant. INI also plans to finance the modernization of equipment in the Hunosa coal mining company. According to INI President Claudio Boada, INI will eventually control about 50% of total Spanish steel production, and will increase its 25% share in Spanish oil refining capacity by a 60% participation in the new EN Petroleos de Tarragona.

France shows trade surplus

PARIS -- France has reported a total trade surplus for 1971 of 4.5 billion francs, a sharp rise from the 1970 figure of 1.04 billion francs. French Finance Minister Valéry Giscard d'Estaing is forecasting a surplus of the same size in 1972.

British engineering unions leave federation

LONDON -- Nineteen British engineering unions, numbering 1.5 million members in 5,000 firms, have severed all contact with Britain's biggest em-

ployers' organization, the Engineering Employers' Federation. The unions will now negotiate directly with individual employers on all questions of pay and working conditions.

Schiesser acquires German concern

ZURICH -- Schiesser, the Swiss-owned clothing concern based in Radolfzell, Germany, has acquired a majority shareholding in Hudson Textilwerke, West Germany's second largest stocking manufacturer.

BP awards platform contracts

LONDON -- British Petroleum has awarded two contracts, worth £ 10 million each, for the construction of its Forties Field production platforms. One has been given to the Anglo-American partnership of Wimpey Highlands Fabricators and the U.S. contractors Brown and Root; and the other went to the Anglo-French partnership Laing Pipelines, consisting of the British John Laing Construction and the French concern Entrepose GTM pour les Travaux Pétroliers Maritimes. The contracts form the first part of a £ 160 million initial development program aimed at starting production from the Forties Field--the UK's first commercial oilfield in the North Sea--in the autumn of 1974.

Ruhr coal workers on short time

FRANKFURT -- Because of the falling demand for coke and coal and the high level of stocks, about 180,000 Ruhr coal workers will be put on short time in the next few weeks.

Hoesch - Hoogovens merger settled

BONN -- The terms of the European steel merger between the Dutch Hoogovens and German Hoesch concern have finally been agreed to. The merger creates the largest steel group in the Common Market after Thyssen, with an annual crude steel capacity of over 12 million tons.

Rome electrical authority refuses German bid

ROME -- The EEC Commission has informed Italy that it may have to intervene and enforce competition rules if the Rome Electricity Authority refuses to accept a West German company's bid to build a thermal electrical plant for Rome. The German company, Kraftwerk Union, a jointly-owned subsidiary of Siemens and AEF, is reportedly being considered for the contract by the municipally-owned Rome Electricity Authority, ACEA, but there have been protests by both Italian unions and companies against awarding it to a foreign competitor.

U.S. - EEC steel controls agreement put off

PARIS--Jacques Ferry, spokesman for European steelmakers, recently squelched hopes that an agreement on renewal of the voluntary accord limiting European steel shipments to the U.S. would be made at an early date. In fact, with the currency realignment and removal of the 10% surcharge it is doubtful if the pact will be renewed at all. Mr. Ferry said that the steelmakers were not out to create problems for the U.S. steel industry. On the other hand, he said that "we aren't prepared to contribute to solving their problems at the expense of our most legitimate interests and at the expense of the principles of a free economy."

Danes perfect new exhaust control device

COPENHAGEN -- A new exhaust control system which reduces the poisonous contents of car exhausts by 50% to 90% has been announced by Denmark's Technical University. The system, which reportedly more than meets U.S. exhaust control standards, replaces the exhaust manifold and muffler. Test results show that it removes about 90% of unburned hydrocarbons, 80% of nitrogen oxides, 90% of carbon monoxide, and 50% of lead compounds in the exhaust gas. The catalyst is being patented in 30 countries. According to its inventors, the whole system would cost \$70 to \$150 in mass production and could work for two years without being replaced.

Soviets, French to design new turbine

PARIS -- The French company Rateau SA plans to cooperate with a Russian firm in designing steam turbines for atomic power stations generating more than one million kilowatts. The French firm had previously joined with a Russian company in producing and designing a 500,000 kw turbine.

France cuts bank rate

PARIS -- The French bank rate has been reduced from 6.5% to 6% in a move to encourage business investments and economic growth, but the rate is still the highest among the industrialized nations. The rate on loans against collateral has been cut to 7.5% from 8%.

Montedison reorganizes

ROME -- Montecatini Edison has outlined its proposed reorganization plan to the Milan Bourse. Plans include the creation of a financial holding company named Fingest and the establishment of a Swiss-based holding company which will group together Montedison's foreign interests and serve as a base for rumored foreign financing operations.

Montedison has denied a report that it is considering selling its controlling shareholding in Standa, Italy's largest department store chain.

Rash of takeover bids in Britain

LONDON -- A rash of takeover bids has broken out in British firms. One of the most surprising was the Boots chemical retailer's bid for Glaxo, manufacturers of prescription drugs. Glaxo accepted the bid, but Beecham, whose previous bid was turned down by Glaxo, is trying to block the takeover. The Department of Trade and Industry will decide within a few weeks whether the Boots offer should be referred to the Monopolies Commission for study. Through its subsidiary Vestric, Glaxo is the biggest wholesaler in Europe, and Boots is by far the biggest retail druggist in Britain. A manufacturer's estimate put their joint production at between one-third and one-half of all drugs made in Britain.

The Triumph Investment Trust group is extending its metal interests by the acquisition of Rotterdam's Laboratorium voor Speciaallegeringen (Rolab) for over £ 4 million in cash. Rolab is the holding company of an international group trading in metal residues and alloys, especially nickel and tungsten.

Guest, Keen and Nettlefolds (GKN), manufacturers of steel and engineering products, has made a £ 13 million takeover bid for Miles Druce and Co., the second largest steel stockholders in the country after GKN itself. Miles directors are opposing the bid, calling the offer inadequate.

Cavenham Ltd., the food company, is offering £ 82.5 million for Allied Suppliers Ltd., a chain of wholesale and retail grocery stores with 1,700 outlets. The combined turnover of the two, £ 400 million a year, would make it the biggest food firm in Britain. Cavenham has extensive overseas interests and is primarily involved in diet foods, groceries, confectionery, tobacco, liquor, and the sale of foreign, particularly U.S., foods and tobaccos in Britain and Europe. Allied is presently controlled by the Anglo-Dutch giant Unilever.

Tricentrol, the former Trinidad and Canadian Oils concern, has made a surprise bid for AAH, British fuel distributor and shipper. AAH did not receive the bid too warmly and stockholders must now choose whether to stick with a currently depressed share of proven growth or take a chance that gas and oil speculation might boost profits.

Again in the food sector, the Gold Egg Group has made a takeover bid for the successful Wheeler's Restaurant chain, which specializes in seafood dishes.

VW, Daimler Benz strengthen cooperation

BONN -- Germany's two biggest car producers, Volkswagen and Daimler-Benz, are reportedly strengthening their already significant cooperation. They are presently working together in a joint subsidiary, Deutsche Automobil, which is developing the electrocar and possibly other research projects. They have a joint assembly plant for cars and commercial vehicles in Indonesia, and they are working together in their recently merged commercial vehicle operations in Spain.

U.S. medical equipment firm in Geneva

GENEVA -- The U.S. medical and dental equipment firm Stern Weber Corporation (a subsidiary of Stern Metals Corp.) has set up Stern Weber in Geneva. The company will act as a consultant to group members and third parties.

Motor-aluminum link-up

LONDON -- British Racing Motors and the UK fabricating subsidiary of Alcan Aluminium have joined forces to produce a range of products using the resources of both companies. Possible products are a powered invalid chair, a range of alloy car wheels, and a self-propelled golf cart.

Rovers pulled off U.S. market

LONDON -- British Leyland has decided to take its cars, except for the Land Rover, off the U.S. market. A company spokesman said the decision was brought on by the high cost of meeting Federal safety and pollution standards in the U.S.

Bourse report

LONDON -- Renewed interest in public investment and new investors liven market. PARIS -- Indecisive trading influenced by continued weakness of the dollar. FRANKFURT -- Narrowly mixed in quiet trading. MILAN -- Trading cautious due to unstable political situation. BRUSSELS -- Quietly easier. AMSTERDAM -- Generally mixed trend.

EUROMARKET NEWS



Common Market Reports

EUROMARKET NEWS

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No. 179, February 2, 1972

Questions in Bonn: The 1972 Works Council Act grants works councils as well as employees rights that are unsurpassed in any other nation in the world. Management's earlier freedoms have been restricted accordingly in many fields. While these restrictions are clear, the Act is not clear on other matters; in fact, it contains gaps. One of the gaps with financial consequences concerns the remuneration of the neutral chairman if and when his services are required to settle disagreements between management and the works council. The chairman presides over the conciliation board, made up of an equal number of works council and management representatives.

There are 16 instances listed in the Act where the conciliation board may have to decide, but nowhere in the statute is there any reference to the chairman's pay, nor is there any statutory authorization for establishing a remuneration scale.

Does this mean that a company would have to pay any price asked by the chairman? Officials in Bonn's Labor Ministry say no, it still would have to be reasonable. But even the term "reasonable" is subject to interpretation, and even a reasonable amount could be a financial burden for some businesses.

A solution could come about in an amendment to the Act giving the government statutory power to issue a remuneration scale.

Added-Value Tax in Austria: The Austrian government has sent a bill to Parliament calling for the introduction of the added-value turnover tax system plus a temporary investment tax by Jan. 1, 1973. The normal rate of the new turnover tax, destined to replace the present cumulative tax, will be 16%. Many services and certain sales, however, would be subject only to an 8% rate. Services qualifying for the lower rate would be those rendered by the liberal professions, radio and television stations, public utilities and passenger transport services. Sales of food, fuel, books and newspapers also would qualify for the 8% rate.

Businesses argue that from the date the bill passes (at the earliest, mid-summer), there won't be enough time to adapt and make the necessary preparations in bookkeeping. Trade and industry are

equally opposed to the investment tax, to be levied for five years on depreciable fixed assets. This tax would enable the government not only to fill the gap in revenue expected with the introduction of the new turnover tax system, but it could also be used as an instrument to guide the business cycle.

EEC Wage Trends: Development of gross hourly wages and salaries as well as the work week in the EEC over the last reporting period (April 1970-April 1971) again showed variations among the member countries. "Harmonized" figures released by the Statistical Office of the Community (*Social Statistics*, No. 4, 1971) show that increases in nominal earnings amounted to 17% in Italy, 15% in the Netherlands, 14% in Belgium and Germany, 9.8% in France, and 6.6% in Luxembourg. In real terms, adjusted to the cost of living, increases were considerably lower: Italy, 12%; Belgium, 10%; Germany, 9%; Netherlands, 7%; France, 4%, and Luxembourg, 1%. A trend pointed out by the EEC statisticians: in Italy and Luxembourg women's wages are rising faster than those of men. In France and Holland the rates of increase were about even. In Germany and Belgium women's wage hikes lagged behind. The average work week in the EEC as of April 1971 stood at 43.2 hours. The trend is toward shorter work weeks in all EEC countries and nearly all industries. France reported the longest work week with 44.6 hours, followed by Holland with 43.8. Italians and Belgians enjoyed the shortest EEC work week with 42.2 hours, according to the Brussels report.

Aiding the Provinces: Increased financial support, encouragement of administrative and tertiary-sector activities, less red tape in processing investor's applications - these are the newly announced steps by which the French government hopes to attract a greater number of company installations (both French and foreign) to the French regions. Since a special department pushing industrial decentralization was set up eight years ago, some progress has been made in reducing the magic attraction of the Paris region. Priority is given to the West (Aquitaine and Brittany) and the Eastern frontier zone bordering on Germany (Alsace-Lorraine) where new industry is needed to compensate for the ailing coal mining and textile sectors.

Paris this year has set aside FF 350 million (ca. \$68 million) in financial incentives to industry. Local authorities are now empowered to decide on investments of up to FF 5 million (previously only 2 million), which should speed up local permits. Additional incentives will sweeten the bait for companies who decide to set up administrative offices or R&D facilities in the provinces.

Scots on the Move: Lord Clydesmuir, chairman of the Scottish Council (Development and Industry) and head of a team currently lobbying London in an attempt to put through a radically new regional policy approach, has outlined a plan for the country's economic future. It entails essentially the creation of a major basic-industry complex linking North Sea resources to the Hunterston deepwater port on the Clyde. Lord Clydesmuir predicted that this, along with current prospects of new sources of energy and raw materials for oil-based industries, would ensure major international investment and would set the country's economy on a new course. The Hunterston facilities in the West and oil strikes on the East coast are two

factors which recently have made for a noticeable economic advance in Scotland.

Plans for Northern Ireland: In Belfast the Antrim and Ballymena Development Commission has released details of a five-year development program involving total costs of more than £40 million (\$104 million). Twenty factories are to be built in County Antrim, and a 160-acre industrial estate is to be created near Belfast, at Glen-gormly. Work on the latter will begin in a few months' time.

Flocking to Germany: Of approx. 251 foreign-controlled companies newly established in Germany last year, 64 were of American parentage. Thus the United States and Canada again topped the list of foreign investors but fell short of the level set in 1970, when 69 American companies set up German bases. Second most active in '71 were the British with 33 new companies as compared to 24 the previous year, followed by France with 28 (42), the Netherlands with 27 (20), Switzerland with 18 (26) and Japan with 16 (14).

Twenty-three, or more than one third, of the new American companies opted for Frankfurt as a base, and a few more settled in the immediate vicinity. Düsseldorf was picked by 10 companies, Munich by eight, and Hamburg by five. The electronics/electrical and the machinery/machine tool industries - with 19 and 17 newcomers, respectively - figured most prominently among the industries represented. Roughly 14 of the new companies were in services. Chemicals/pharmaceuticals/cosmetics were next with nine.

Jobs for Swedes: The Swedish government hopes that the general reduction of the work week from 42.5 to 40 hours - to take effect within 1972 - should open up some 75,000 new jobs. At least this would have the effect of stabilizing the precarious unemployment situation. Industry sources don't share this optimism: many companies have hired reserve manpower, others have enforced rationalization measures, they say. Another industry reaction is seen in production cutbacks, a step made easier anyway by the widespread lag in order volumes. Although the rise in unemployment has slowed down recently, the number of jobless in mid-January totaled a record 85,600, up 28,000 from a year ago. This does not include ca. 150,000 Swedes currently put through retraining or relief work programs at a public expense of 5 billion kronor. These expenditures continue to take a big bite out of Sweden's new "restrictive" budget for fiscal 1972/73 (beginning July 1) just proposed by the finance ministry. The budget plan anticipates a 3.5% rise in the GNP, and a 4% increase each in private consumption and prices. The government plans to continue stimulative measures and hopes for a 10% rise in investments by the private economy within the current calendar year.

AROUND THE MARKETPLACE

Wrong Timing? The continuing invasion of (mostly smaller) U.S. computer companies into Europe may reflect management ignorance about the relatively bleak outlook for the EDP sector this year. This is the belief of continental industry experts who profess amazement at the blatant confidence of American EDP firms regarding near-term market potentials that may be nonexistent. From a Stateside vantage

point the explanation for much of this optimism is obvious: plagued by a recessive domestic economy until very recently, these companies simply are forced to develop new markets across the Atlantic. In doing so, however, they tend to ignore the fact that the European climate also has cooled off considerably. This goes for Germany in particular, a favorite "first base" for European operations. A considerable number of newly established companies - whether small-scale manufacturers, software specialists or component suppliers - may find they have jumped from the frying pan into the fire, these industry sources believe.

Better Harvest: The larger markets of Europe represent a boon to British agriculture production and offer wide opportunities for U.K. farmers, says Sir Emrys Jones, director general of Britain's Agricultural Development and Advisory Service. In an analysis of the various sectors Sir Emrys pointed to corn and beef as being "well-placed" and predicted that dairy farming might well receive a major stimulus. Sheep producers also would benefit from much firmer meat prices generally. He warned, however, that the technical efficiency of U.K. farmers had been surpassed or was in the process of being surpassed by continental competitors, especially in the cereal production and horticultural sectors. Sir Emrys' optimism echoed that of the Ministry of Agriculture, which consistently has maintained that an expanded Europe will benefit British farmers. Whether this optimism is justified is a moot point. Increased productivity must be preceded by considerable capital outlays, and U.K. farmers are not all in a position to consider heavy capital investment or, alternatively, are unwilling to commit themselves to specific investments before EEC agricultural agreements have been firm ed up. It is also worth noting that the technological lead enjoyed by farmers on the Continent must be attributed to a favorable prices and profit picture. At the moment, British farmers do not enjoy this advantage.

DATEBOOK EUROPE

"Challenges to American Management" is the main theme of a three-week seminar held by the Salzburg (Austria) Seminar in American Studies Feb. 20-March 11 at Leopoldskron Castle. The seminar is open to young middle managers. Faculty members include Seymour L. Wolfbein, Dean of the School of Business Administration, Temple University, Phila.; Robert E. Brooker, chairman of the executive committee, Montgomery Ward and Container Corp. (MACOR), Chicago; Stanley Goodman, chief executive officer of May Department Stores Co., St. Louis, Mo.; Prof. Robert C. Joyner, Faculty of Admin. Studies, York University, Toronto, and Prof. Ronald A. Howard, Graduate School of Business, Stanford University. Guest Lecturer is Eli Goldston, President of Eastern Gas & Fuel Associates. Further details from: Salzburg Seminar, Box 129, A-5010 Salzburg/Austria. In the USA contact: Salzburg Seminar, 17 Dunster St., Cambridge, Mass. 02138.

A series of two-day seminars on "The Multinational Corporation and Labor Relations in Europe" currently is being held in various European locations by Management Counsellors International, Brussels-based consultants. The meetings provide reviews of industrial relations in each respective country and explore trends in European labor relations. The first of these MCI conferences was to be held

Jan. 31-Feb. 1 in Frankfurt. Other dates and locations: Paris, Feb. 7-8; Geneva, Feb. 17-18; Milan, March 16-17; Rotterdam, March 23-24; London, April 27-28, and Brussels, April 20-21. For details contact MCI, Avenue Louise 209, 1050 Brussels (tel. 49 95 05).

EURO COMPANY SCENE

The management of embattled Ruhrkohle AG, Germany's giant coal combine in which 27 mining companies are associated, has prescribed reduced work shifts in an attempt to cut down its stockpile of coal and coke amounting to 8.3 million tons. The move affects the paychecks of some 130,000 miners and other employees. In feverish attempts to seek at least a temporary cure to RAG's liquidity shortage, the state government of North Rhine-Westphalia has proposed to the federal government additional public subsidies of at least DM 2.4 billion (\$750 million) until 1975. These allocations would not include previously approved aid funds of several billion D-marks. Action must come by mid-February to stave off bankruptcy of the RAG. Since 1969, when it was set up to streamline Ruhr production, the combine has lost \$279.3 million, including 1971 losses of \$108.6 million, according to tentative figures. Ruhrkohle's disastrous performance is directly tied to reduced coal needs of the steel industry, which has been hit hard by the economic downturn in Germany.

Britain's Beecham Group, reentering the fight for control of Glaxo, has sent a second bid, worth £385 million, to Glaxo shareholders. This compares with the £290 million bid made by Beecham in early December and with the £339 million bid made by Boots earlier this month. Glaxo welcomed the Boots offer but adamantly opposed both Beecham's bids. Reasons given were that Beecham was "too desperate" to acquire Glaxo and that current anti-trust litigation concerning Beecham in the United States would prove "ruinous." Since the first offer was made, Beecham has been able to collect information suggesting that Glaxo is in an even more healthy position than originally believed. In addition, the Boots' offer had released information which Beecham, under Takeover Panel rules, was now privy to. The Boots' offer had, in short, clarified the position for Beecham. Beecham chairman Sir Ronald Edwards dismissed the anti-trust litigation in the U.S. as irrelevant. Boots are said to be reconsidering.

Since the U.K. government has indicated that the first Beecham offer need not be referred to the Monopolies Commission, there is little likelihood that the second offer, the largest in U.K. history, will encounter difficulties on that score.

After almost year-long negotiations, Deere & Co. of Moline, Ill., and Italy's Fiat SpA, Turin, have announced the cancellation of all plans for cooperation in establishing a joint subsidiary for the sales of agricultural and construction machinery outside the North American market. According to spokesmen for both firms, Deere and Fiat found that such a cooperation would offer fewer advantages than originally hoped for.

The upcoming merger of Hoesch - Germany's second-largest steel maker - with Holland's only steel producer, Hoogovens, will result in an industrial giant with 75,000 employees and an annual output of 11 million tons of crude steel. With more than \$1.9 billion in turnover, Hoesch-Hoogovens would rank third among Western Europe's

steel groups, behind British Steel and Thyssen of Germany. The fusion does not constitute a significant shift on the European market, in particular as both companies have cooperated closely since 1966, though often with considerable strain. The two partners plan to run the binational concern through a central holding essentially organized as a Dutch stock corporation from a base near the German border. The first chairman of the board also will be Dutch.

A "European" solution has at last been found for Etablissements Pompes Guinard, France's leading industrial pump manufacturer with an annual turnover of FF 220 million. The company had been the target of an unsuccessful takeover bid by ITT in 1970. The new majority holders are Creusot-Loire and Jeumont-Schneider, both with existing industrial pump activities and both French. They take the 65% holding of the Guinard family and the 25% interest of St. Gobain-Pont-à-Mousson, the latter having given up all activity in the pump sector. Creusot-Loire already held a 10% interest. The new grouping, named Pompes de Jeumont-Schneider, becomes one of Europe's leading industrial pump manufacturers. The transfer is seen as having prevented a U.S. monopoly in the French pump sector. France's No. 2 in this field, Pompes Salmson (turnover FF150 million) is already part of the ITT group. The French authorities have an active policy of looking for French or European solutions to takeover offers whenever a key sector is threatened by the foreign presence, and this has braked many U.S. investment projects.

France's Sescosem (Thomsen-CSF), AEG-Telefunken of Germany, and the United Kingdom's The Plessey Co. Ltd. have been seeking joint ways and means to combat a declining price situation on the semiconductor market. Under consideration, according to French news reports, is the possible consolidation of their production of electronic components, with the participation of Motorola's European semiconductor division as well. Officials of the U.S. firm said they had dropped talks for the present but might resume them. The three European companies reputedly were considering cooperation with Texas Instruments as well.

The General Electric CF6-50 turbofan engine for the A300B European Airbus should get FAA certification for airline service ahead of the scheduled date, July 1972. In other respects too, Europe's largest aircraft project is running on schedule. The rollout is to take place in July in Toulouse, and the maiden flight of the first prototype is planned for October. By the end of 1973 four more flying prototypes as well as two crash cells are to be ready. Some time ago the Bonn government approved credit lines for the first eight Airbuses in serial production, and approval of financing for 20-25 more is expected soon. This means that airlines may expect to take delivery of at least four units annually beginning in 1974.

Cooperation with European engineering firms has been the key to the recent success of Westinghouse Electric on the continental nuclear reactor market. In the last quarter of 1971, its nuclear energy subsidiary in Brussels won six orders for reactors in France, Spain and Sweden worth FF 5 billion through the concession of licenses to companies in those countries. Westinghouse officials hope that this policy will give them the edge on General Electric for similar orders in Italy and over Germany's Kraftwerk Union in Holland. They also hope it will influence positively the French government regarding Westinghouse's second takeover bid for Jeumont-Schneider, France's third-largest electrical engineering firm. Paris rejected

a first bid in 1969 on the grounds that it would give the Americans too much power in a key industry.

In related news: Westinghouse Telecomputer Systems Corp., established in Belgium since 1970, has set up a French subsidiary, Westinghouse Management Systems.

A miniature nuclear reactor to control a 300-megawatt prototype "pebble bed" reactor now under construction at Schmehausen, near Dortmund, Germany, will be built by Britain's Atomic Energy Authority reactor group. It is not the size of the contract itself (£330,000) which is interesting, but rather the fact that the AEA secured it in international competition in spite of the fact that the Germans themselves already have been engaged on work on a similar system for an experimental reactor near Jülich. The project, financed by Bonn, is headed by a group of six West German utilities. The companies have formed a consortium known as the HKG to operate the station and also have set up - in conjunction with other leading European utilities - a company called Euro-HKG to allow for European-wide collaboration in the development of a novel reactor system. This cooperation agreement is the first of its kind in this sector.

To solidify its position in the German automobile tire market (the world's second largest, next to the United States), B.F. Goodrich soon will expand capacities of its Koblenz plant, which was completed in 1968 and so far has required DM 80 million in investments. Goodrich will invest DM 13 million in 1972 alone to boost daily output from 4,000 to 5,300 units. Last year the company's German subsidiary raised sales by 12% to DM 62 million, two-thirds of which was contributed by the tire business. Goodrich's European sales amounted to DM 400 million in 1971. The acquisition of the Dutch tire manufacturer Vredestein should further benefit the company's expansion in the EEC.

Full government approval is pending on a scheme which promises to result in a rapid expansion of the private steel sector in the United Kingdom. The U.S.-based Lissauer Group currently is negotiating the purchase of the government's shares in Brown and Bayley Steels, subsequent to the latter's imminent acquisition of Rotherham-Tinsley Steels, a subsidiary of Jessel Securities. This move, if successful, would mean that Lissauer would hold a 32% stake in the enlarged company and thereby avoid certain tax disadvantages which result from being the majority shareholder. Jessel would retain 26%. If and when the scheme goes through, Lissauer is expected to finance a rapid expansion program which would more than double Brown and Bayley's current 200,000-ton capacity. Mergers of this kind have failed in the past - notably Spartan Steel/Brown Bayley/Dunford & Elliot and Brown Bayley/Sheffield Rolling Mills, both of which proved abortive last year. Since the present U.K. government has an avowed policy to strengthen the private steel sector, however, this one is more than likely to succeed.

Germany's Grundig-Werke GmbH has started production of color television sets with 110-degree picture tubes, which are said to be far superior technically to any other Europe-made models. Retail sales will begin in February. The sets feature fully electronic program selectors and are designed to be hooked up to video recorders and hi-fi equipment. The retail price for a typical model was quoted at DM 2,100 (ca. \$660), which is about 10% lower than current prices for 110-degree sets.

Growing German consumer interest in color sets comes definitely at

the expense of black-and-white sets, sales of which dropped off 10% last year. By 1974 at the latest, Grundig predicts, the ratio will be 50:50. By 1976 color sets should have 60% of the market, as compared to 20% last year.

A similar trend can be observed in the United Kingdom, where relaxed credit restrictions helped to boost color set sales by 80% over the latest 11-month period to a total of 803,000. At the same time, monochrome sales fell by 3%.

Deutsche Castrol GmbH, Hamburg, subsidiary of the United Kingdom's Castrol Ltd. in London, petrochemicals (mainly lubricants), has taken over a majority holding in Tabbert of Bad Kissingen, one of Germany's leading manufacturers of house and camping trailers. The Castrol takeover occurs in conjunction with Tabbert's plans for expansion into such other areas of the leisure market as camping accessories, tents and possibly boats. The company also intends to invest some DM 50-100 million (¥15.5-31.1 million) in acquiring and developing trailer camp locations on the outskirts of major population centers, including some in Italy and Yugoslavia. Last year Tabbert had net sales of DM 78 million, up 23% from 1970, with a turnover of ca. DM 95 million projected for 1972.

Germany's Henkel group, Düsseldorf, has strengthened its position on the British adhesives market by acquiring Gordon Slater Ltd., Winsford, U.K., subsidiary of the Netherlands' Koninklijke Scholten-Honig N.V., Foxhol. Now renamed Henkel Chemicals Ltd., Gordon Slater has been active in the area of wallpaper glues for the handicrafts and do-it-yourself market.

Sanders S.A., France's leading manufacturer of animal foodstuffs, has been taken over by FIPP, La Financière & Industrielle de Pé-trole & de Pharmacie. Completely new to the animal foodstuffs sector, FIPP is in fact smaller than Sanders, with a 1970 turnover of FF 70 million against Sanders' FF 470 million, but has the backing of its parent company, the British Cavenham Ltd., and of the latter's parent company, French Générale Occidentale. The takeover is in line with the current policy of diversification of GO, which has interests in banking, food-processing and pharmaceuticals. Sanders is trailed on the French animal foodstuffs market by Duquesne-Purina (Ralston) with a most recent turnover of FF 390 million.

Göteborgs Bank and Smaalands Bank, both of Göteborg, Sweden, have announced plans to merge as Götabanken, which will be the country's fourth largest, as of July 1, pending government approval. Göteborgs will acquire Smaalands shares on a one-for-one basis, while Smaalands in turn will receive 175,000 shares in Göteborgs, valued at 125 kronor each.

A contract for 165 million finnmaks (ca. \$41.2 million) for the delivery of paper products from Finland to the Soviet Union has been signed between Converta (Association of Finnish Paper and Cardboard Converters) and the Soviet V/O Exportles. Finland will deliver paper bags, corrugated and kraft board boxes and other paper products starting this year. This is the largest contract for paper products to date between Finland and the USSR.

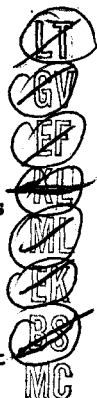
According to press reports in Finland, Philip Morris Co. is interested in buying into AmerTupakka Oy, Finland's leading cigarette manufacturer. Preliminary negotiations are said to have been held.



Common Market Reports

EUROMARKET NEWS

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Issue No. 160

February 8, 1972

CCC vs. EEC - a Test Case to Watch: No other case, except perhaps Grundig-Consten of the mid-sixties, has attracted so much attention in business and legal circles on both sides of the Atlantic as Continental Can Co.'s fight with the EEC Commission over the Europemballage decision. In December 1971, the Commission ruled that Europemballage, CCC's European subsidiary based in Brussels, maintains a dominant position in Northern Europe for fish and meat packaging and bottle caps through its German subsidiary, Schmalbach-Lubeca-Werke AG. Continental Can then abused its dominant position by eliminating practically all competition in these fields by acquiring Thomassen en Drijver, a Dutch concern virtually controlling the Benelux market. The Commission felt that by acquiring a potential major competitor, Continental Can restricted the consumer's choice in a manner incompatible with Article 86 of the Treaty of Rome. CCC has until July 1, 1972, to submit proposals on how to end the infringement. Its attorneys have decided instead to appeal to the Court of Justice. Several arguments seem to favor their winning this test case.

It is obvious that if the purchase of Thomassen improperly exploited the dominant position, the only way Continental could end the violation would be to divest itself of Thomassen.

It is here that Continental Can's attorneys feel they can exert legal leverage. Article 86 does not authorize the Commission to prohibit mergers. Forcing CCC to rid itself of Thomassen would be tantamount to merger control. The attorneys argue that the only step the Commission can take is to prohibit the abuse of a dominant market position; it does not have the power to dissolve a dominant position as such. They contend that the Commission, by reason of the Treaty's Article 173, lacks jurisdiction to do this.

Whatever the Court's ruling (it may take years), it will be another milestone in the Community's judicial and administrative practice, because it will stake out the legal boundaries of Article 86.

Toward the Societas Europaea: With the Hoesch-Hoogovens merger (s. Issue No. 159), two steel giants domiciled in two EEC member states have taken two legal hurdles - one created by international law and the other imbedded in German law. By establishing a 50:50

holding company incorporated in Holland, the partners have mastered the difficulty created by the fact that the European stock corporation still is not a legal reality. They also reached a compromise that restricts the German model of labor representation to Hoesch's German plants.

It is this issue of labor representation on the supervisory board of the future European stock corporation that has been the primary reason for the dragged-out member states' negotiations. The German government, under pressure from the unions, would like to see the German model (50% on supervisory boards in coal and steel enterprises, one-third in all other industries) incorporated to the full extent; the Dutch and Belgian governments oppose it.

Businesses cannot wait, however, until the stock corporation statute becomes effective. This legal form eventually will facilitate certain operations, such as mergers and the formation of holding companies and joint subsidiaries across the borders. Eight years ago, the German Agfa and the Belgian Gevaert were frontrunners in developing the supranational legal form.

The most important aspect of the recent German-Dutch venture, perhaps, is that Hoesch gets cheaper iron ore and Hoogovens will be able to utilize increased steel production capacity.

The Hoesch-Hoogovens move to create a "European" concern is only the fourth since 1964, though the most important by far as shown below. Except for the German-Belgian merger of Agfa-Gevaert, all fusions involved Dutch and German companies.

Company	Industry	Merger Year	Turnover in Mill. \$	1971 Employees
Hoesch-Hoogovens	steel	1971	ca. 2,031.0	75,000
Enka-Glanzstoff	chemicals	1969	ca. 969.0	48,700
VFW-Fokker	aerospace	1969	ca. 312.5	20,000
Agfa-Gevaert	photo	1964	ca. 656.3	34,000

Source: *Wirtschaftswoche*, No. 4/72

Linoleum Makers Floored: Germany's Federal Cartel Office has levied record fines totaling DM 5.6 million (\$1.75 million) against two floor-covering producers, Deutsche Linoleum-Werke AG (DLW) and Rheinische Linoleum-Werke (RLW), charging repeated violations of federal cartel regulations. The two companies are accused of participation in a London-based international linoleum cartel which allegedly manipulated prices, quotas, rebates and exports for linoleum and felt base on the domestic and foreign markets. Both DLW and RLW have filed appeals with the Court of Appeals in Berlin contesting primarily the extent of the fines, which amount to \$1.66 million against DLW alone. For 1970 DLW reported sales of \$111 million, with 9% coming from the linoleum business. Net earnings amounted to \$2.3 million.

Lower U.K. Taxes? The United Kingdom's Institute of Directors has made its traditional "proposals" for the next national budget, now in preparation. The most important is the call for progressive reduction in personal taxation at all levels. The institute maintains that there has been over-taxation for many years, with corresponding detrimental effects to savings and enterprise. A top rate of 50% is proposed. Among other proposals: the capital gains tax should be reduced from 30 to 20%. There should be a 3% reduction for each year an asset is held, with complete exemption

after seven years. In corporation tax, shortfall assessments on close companies should be abolished. The institute also calls for a revision of the Schedule E ruling on expense accounts - to avoid what it terms "injustice" to multiple directors.

Action in Paris: The sharp rise in French unemployment (386,300 jobless, last official report) has given the government enough of a scare to inspire a rash of measures involving FF 4.5 billion of public spending to stimulate industrial activity. The steps include the lowering of the discount rate from 6.5 to 6%, an increase in the amount the construction industry can borrow from state savings banks, and an acceleration of the federal home building program (20,000 new units by mid-year). Paris also approved reimbursement to industry of FF 1.2 billion hoarded by the government in the name of the *butoir*, or buffer, an unpopular element of France's added-value tax (TVA) system.

Suppression of the *butoir*, whereby a company cannot claim more tax rebate on purchases of raw or semi-finished products than it owes to the tax authorities for its own sales, will bring relief to such sectors as agriculture, tourist hotels and food retailing, where only a modest TVA is imposed on sales and services. It also will encourage corporate investment, for the *butoir* also rules out tax rebates on such investment until a company generates an equal amount of taxable sales from subsequent production. Unique to France and in fact contrary to EEC tax statutes, the *butoir* ultimately is to be abolished.

Multinationals and U.K. Labor: Foreign multinational companies in the United Kingdom have demonstrated both a willingness and an ability to adapt to British labor practices, according to an analysis just published (*Multi-national Corporations and British Labour: A Review of Attitudes and Responses*. By John Gennard. British North-American Committee, 12 Upper Belgrave Street, London S.W.1). This will come as a surprise to organized labor here: union leaders have consistently pointed to the threat of the multinationals, above all to their unwillingness in many cases - such as Kodak and IBM - to grant union recognition. The figures show, however, that there have been fewer strikes among multinationals than among domestic companies.

To date the multinationals have accepted the main practices of the British industrial relations system and have been responsible for innovations rather than radical challenges. Principal among these innovations have been the introduction by North American multinationals of productivity bargaining (notably by Esso), the furtherance of company fixed-term wage agreements and the safeguarding against unconstitutional strike action. The unions have clamored for statutory controls on the multinationals. The government must tread warily in this respect, since too many controls might drive the companies elsewhere. The answer for the unions is certainly to develop multinational trade unions with international secretariats. It is generally felt that the unions have overexaggerated the flexibility of the multinationals and the latter's ability to switch production sites when hit by strikes. However, until the unions work out across-the-border principles of action and see the problems in more sophisticated, global terms, their impact will remain slight. It is significant that support for the British miners from their counterparts in Europe has been moral rather than practical. The conflict between national autonomy and international unity has yet to be resolved.

What Price a Dollar: While executive compensation schemes differ considerably among multinational companies, there's a common agreement to keep overseas employees whole in the wake of the international currency alignments, although the term "whole" is subject to wide interpretation. This at least is the objective of seven major corporations with European headquarters in Brussels, represented in a round-table session hosted last month by Towers, Perrin, Forster & Crosby. The problem at issue: The quasi dollar devaluation and other parity changes have left corporate headquarters facing compensation cost increases of 10% and more in dollar terms for expatriate executives. Thus an American \$20,000-a-year manager used to think of his earnings as one million Belgian francs. Now, following the dollar devaluation, he needs a salary of \$22,500 to remain a "millionaire" in Belgium. This does not even take into account rampant inflation resulting in added costs of ca. 10% in countries like, say, the United Kingdom. As Towers, Perrin views the situation: "The cumulative effect on compensation of devaluation, inflation and merit increases (where applicable) can be in excess of 30% in a number of countries."

According to TPF/C, approaches used by the seven companies to prevent major inequities may be grouped in two main categories:

Protect spendable income - Five of the companies planned to protect the income considered as spendable in the country of assignment by applying cost-of-living and housing coefficients updated to take the parity changes into consideration. The spendable income curve applies only to base salaries, not to foreign service premiums or bonuses. No protection of other compensation items and no increase in base salary were anticipated. In the case of these five companies, compensation policies and programs were not really changed and adjustments made were almost automatic.

Protect all income, regardless of purpose and nature - The other two companies believed that the total income received by an expatriate or third-country national prior to devaluation and expressed in the currency of his country of residence should not decrease because of the parity changes.

Nearly all of the companies taking part in the TPF/C session agreed that this is an opportune time to review overseas remuneration as a whole and not just elements of it to cope with the latest currency realignments.

→ Investing Capital in Italy - This is the title of a newly revised brochure, issued by Milan's Credito Italiano bank, which crams into 90 pages much useful information about the Italian economy, regulations governing companies and foreign capital, special facilities relating to investments. Covered are, among other topics, corporate law, the banking system, patents and licensing, employment and personnel questions, the fiscal system and double taxation agreements. The brochure may be obtained from CI establishments in Italy or the bank's European representative offices in Frankfurt, London, Paris and Zurich. In the USA contact: Credito Italiano, 67 Wall St., New York 10005.

DATEBOOK EUROPE

In the wake of the dollar devaluation and the other currency agreements, the U.S. Dept. of Commerce is anticipating renewed European interest in direct investments in the United States. At a Paris meeting of commercial and economic officers in December, plans were formulated for a series of "Invest in the USA" seminars in Germany and Sweden (Stockholm) this spring. Most advanced are the

plans for the German event, tentatively to be held on May 15-16 at Cologne. However, a German co-sponsor has yet to be found. The Cologne event would follow a similar conference held in June '71 in Munich, then sponsored jointly by Germany's rationalization association, RKW, and the American Chamber of Commerce in Germany. "Invest in the USA" promotion meets in Switzerland and France, considered earlier, apparently have been dropped.

The Bank of England, in conjunction with the University of Bradford's Management Centre, is planning a major conference on "Strategic Planning for Financial Institutions" on June 6 in London. The affair is designed for senior managers and directors responsible for policy decisions within their companies, but also will be of considerable interest to manpower and marketing planners. Full details from: The Management Centre, Emm Lane, Bradford 9, Yorkshire, England.

EURO COMPANY SCENE

Germany's Siemens AG and France's Compagnie Internationale pour l'Informatique (CII) have formulated a "basic agreement" for close cooperation in their computer sectors. Both partners regard this agreement only as a first step toward a far broader pact which eventually will include Holland's NV Philips Gloeilampen. Negotiations apparently are quite advanced. A Philips' spokesman said that his company regards the cooperation "as a base on which a vigorous European computer industry could be erected." The three partners apparently do not intend to form a monolithic bloc but will keep the door open for talks with others. Such other parties might include AEG-Telefunken and Nixdorf, which recently signed a cooperative agreement of their own.

While Siemens, CII and Philips will not relinquish their corporate independence, they plan close coordination of their EDP activities in R&D, production and sales. Observers see this new union more as an attempt to form a European front against IBM than as a rationalization effort. The three companies' combined turnover exceeds \$12.5 billion, of which ca. 5% or \$625 million stems from the EDP sector (on a purchase basis).

The EEC Commission has approved a cooperative agreement between Germany's Maschinenfabrik Augsburg-Nürnberg AG (MAN) and France's Saviem for joint manufacture of a new series of trucks. The companies plan to pool efforts in all aspects of research and development, construction, finishing, assembly and distribution. Saviem will supervise design of the middle-weight vehicles (starting at 12 tons) and MAN, the heavy-duty line. The official blessing has its reservations: Commissioners intend to make sure the agreement in no way impinges on consumer choice in the EEC truck market.

Nabisco, Inc., New York, has boosted its shareholding in Germany's B. Sprengel & Co., Hannover-based chocolate and candy manufacturer, to over 75%. Family-founded Sprengel, a leader in its field (net sales for 1971 ran to DM 175 million, or ca. \$54.2 million) employs 2,700 and is investing some DM 10 million in a new, fully automated confectionary plant to be completed in Hannover this May. Nabisco, with sales exceeding \$1 billion in 1971, is the world's No. 1 producer of crackers, cookies and other packaged baked goods. The U.S. company also owns XOX-Nabisco GmbH in Celle, successor to former German biscuit manufacturers XOX and

Harry Trüller. With annual sales of over DM 100 million, XOX-Nabisco is Germany's second-largest producer of packaged baked goods after Bahlsen.

West Germany's Rheinisch-Westfälisches Elektrizitätswerk AG, Essen, NV Samenwerkende Elektriciteits-Productiebedrijven, Arnheim, of the Netherlands, and Belgium's Synatom S.A., Brussels, have co-founded (70:15:15) the Schnell-Brüter-Kernkraftwerksgesellschaft mbH in Essen for the development of a marketable line of fast-breeder, sodium-cooled nuclear reactors. The construction and operation of prototype reactors will require considerable subsidies from the three sponsoring countries. Project costs are estimated at ca. \$340 million, not counting possible price hikes or the risk involved. Target date for initiation of nuclear plant operations has been set for early 1979.

U.S. pharmaceutical manufacturer A.H. Robins Co., Inc., of Richmond, Va., has added a second German drug manufacturer to its family of subsidiaries, after acquiring E. Scheurig Pharmwerke GmbH Appenweiler/Baden, last spring. Georg Brenner Arzneimittel-Fabrik, Alpirsbach (Schwarzwald), is the latest newcomer to the Robins group, which also includes companies in France, England, Mexico, Japan and several South American countries. Brenner had sales of ca. \$3.1 million last year.

Bogged down by rising costs and poor results in 1971, the Wendel-Sidelor steel group will obtain new finance for the proposed steel complex of its subsidiary Solmer, at Fos, near Marseilles, in the form of a \$100-million loan from the Eximbank. A long-term portion will be financed by Eximbank itself, and a medium-term, through the placement of bonds with a group of banks headed by the French American Banking Corp. and the European American Banking Corp. and through a loan from a pool of French banks. The industrial complex at Fos centers on its port, inaugurated in 1969, and the Solmer steel complex, scheduled to be completed at the end of 1973. Other leading industrial firms that have shown confidence in the project by deciding to build plants there include Ugine-Kuhlmann, British ICI, Air Liquide, Société des Ciments Lafarge - in all over 30 companies. The Fos complex is to redress geographical distribution of France's economic activity as a major center for heavy industry on the Mediterranean coast.

Two of Norway's leading metals groups, Elkem and Christiania Spigerverk, are reported to be in the process of merging. Elkem specializes in aluminium production, ferro-alloys, engineering and mining; Christiania's main interests are in iron and steel.

British Petroleum has applied for planning permission to build an island terminal in the Firth of Forth which would be a vital link in its plans to develop its North Sea Forties oilfield. The island terminal development is expected to cost about \$10 million and would be capable of handling tankers of up to 250,000 tons.

Acquisition by France's Générale Sucrière of a further 33% in sugar refiners Lebaudy-Sommier makes it No. 1 in this sector in France, ahead of the Raffinerie Sucrière Say and Beghin S.A. Générale Sucrière now has a 41% holding and will account, with Lebaudy-Sommier, for 45% of France's sugar sales. The company, whose last annual turnover stood at FF 912 million, also is interested in the frozen foods sector, a relatively undeveloped field in France.

The French company Le Nickel has been selected by the Venezuelan government to participate in the exploitation of the nickel deposits at Loma de Hierro. A subsidiary will be set up, 51% of which will be held by the Venezuelan state and 49% by Le Nickel. An industrial complex to be built will have an initial output of 20,000 tons.

Triumph Investment Trust, London, has acquired Rotterdams Laboratorium voor Speciallegeringen NV (Rolab), Rotterdam, holding company for several European metallurgical concerns, including Grondmet N.V., also in Rotterdam, and Germany's Eisenlegierung in Düsseldorf/Duisburg. DM 22.5 million (ca. \$7 million) of the purchase price was to be paid upon takeover; the remainder of up to DM 13.5 million - depending on the Dutch company's earnings - is due by mid-1975.

Beck und Co., Bremen, German export brewers, have concluded their first long-term license agreement, according to which Louis Luyt Breweries (LLB) in Braamfotein/Transvaal, South Africa, becomes the only brewery ever to obtain rights to produce Beck's beer abroad. Beck exports to some 140 markets around the world.

Pan American World Airways and Delta Airways have agreed to an exchange of B747 containers and pallets in order to expedite direct container transport between West Germany and Washington, D.C., Atlanta, Miami, Dallas, Los Angeles, San Francisco and other major U.S. cities. Pan Am's B747 containers (LD-1 and LD-3) and Delta's own freight containers are exchangeable, permitting transfer between aircraft of both carriers.

The fusion of two major German travel organizations - Touristik Union International GmbH KG, Hannover, and Transeuropa-Reisen, joint subsidiary of Karstadt department stores and Quelle mail-order houses - has created Europe's largest travel enterprise, with some 1.8 million tours sold for 1972 and a sales goal of over DM 1 billion (ca. \$300 million). Touristik Union includes Touropa, Scharnow, Hummel, Dr. Tigges and Airtours, all vacation-travel tour companies. The enlarged organization is expected to exploit untapped reserves in the areas of air travel, hotel acquisition, administration and electronics.

Security Pacific National Bank, Los Angeles, second largest branch banking system in the United States, has opened its first Continental office in Frankfurt under vice president and general manager Kurt W. Düll.

Irving Trust Co., New York, also recently announced plans to open a Frankfurt branch next fall, subject to approval by the U.S. Federal Reserve Board and German banking authorities. Witold S. Suliminski, vice president and deputy director general for Irving in London, is to manage the new office.

Investment Co. of America (ICA) is the first SEC-registered U.S. investment fund to have won clearance from German authorities for promotion and sales in the Federal Republic. Deutsche Gesellschaft für Anlageberatung (Degab), Frankfurt, will be ICA's German representative. The American fund reportedly has current assets of ca. \$1.4 billion.

A revealing sidelight: 1971 proved a satisfactory year for the domestic German investment fund industry generally, while foreign funds again took a beating. The BVI, association of German investment fund companies, reported that its nine member firms -

managing a total of 45 funds - sold shares worth more than \$375 million, an 8.4% rise over '70. Foreign funds, on the other hand, recorded more redemptions than sales, reflecting continued loss of investors' confidence.

Austrian financial circles report that France's Société Générale Alsacienne de Banque will be the first West European financial institution to obtain a concession - the first to be granted in Austria since the war - for branch operations in Vienna. Several U.S. banks, namely Chase Manhattan (Österreichische Commercialbank AG), American Express, Bank of America and Continental Illinois (Conill Bank AG), have managed to establish themselves in the Austrian capital by such indirect routes as buying up inactive Austrian bank concessions or by buying into existing Austrian private banks.

Compagnie Luxembourgeoise de Banque S.A. (CLB), four-year-old subsidiary of Germany's Dresdner Bank, has become the first Luxembourg bank to open a representation in Switzerland, with a new branch office in Zurich. CLB handles no local business, but concentrates on international monetary, foreign exchange and investment transactions as well as securities and loans.

McGraw-Hill Book Co. has taken over U.S. publisher Herder & Herder Inc., New York, from its parent company, Herder Verlag, of Freiburg, Basel and Vienna. The ex-subsidiary and its complete list of English-language titles, including those still in preparation, will be incorporated as a separate division of McGraw-Hill, under the management of W.M.Linz, former vice president of Herder & Herder. By mid-1972 Herder Verlag, in turn, will have completed transfer of its N.Y. subsidiary headquarters to Frankfurt, where Frank Schworer, until now chief of Herder's U.S. operations, will take the helm, maintaining a second command post in New York.

Warner Bros. has big plans for the Continental book market: the U.S. entertainment giant soon will release products of its two American paperback subsidiaries - one of them best-selling Paperback Library - in eight languages directly onto the European market, rather than under licensing agreements, as before. Through its Williams Communication Publishing in London, Warner maintains operations in almost every European country, including production facilities in England, Sweden and the Netherlands. In Germany, Bildschriften Verlag and Williams Verlag, both Aachen, already have been developing the paperbound market for Warner; Williams publishes a German-language "Mad" magazine (circulation: 130,000) and will launch a "Tarzan" paperback series in April. Bildschriften, producer of comic books; humor, film and pulp fiction periodicals; toys; coloring books, and other children's publications, will expand its paperback division shortly, leading off with a science fiction series.

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