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A WEEKLY REPORT ON THE ECONOMY OF THE COMMON MARKET

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March 4 - March 10, 1968

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March 14, 1968 No. 452

THE WEEK IN THE COMMUNITY

March 4. - March 10, 1968

THE COMMON MARKET

A Cheerless Week-end

On Saturday March 9, the Common Market foreign ministers held their first-ever week-end Council meeting, as a follow-up to the February 29 session at which Herr Brandt's eight-point scheme for trade links with Britain and the other candidates was presented. The at times acrimonious and generally fruitless debate did nothing to recommend the week-end as a suitable time for such gatherings: warmth, relaxation and give-and-take were never in evidence. Ostensibly, the purpose of the meeting was to clarify and discuss the German proposals, supposedly the expression of the understanding reached in Paris between France and the Federal Republic in mid-February. What in fact happened, as is usually the case when crisis and stalemate loom heavily over the Community, was that yet another procedural wrangle dominated the issue (whether or not the Commission should express an opinion, unless specifically requested to do so), during the course of which French intransigeance became as patent as it has been at any time in recent months, and Dutch and Italian impatience as ill-repressed as ever. Virtually nothing came of the meeting, in fact, and the enlargement question, still on the Council's agenda, must now be put aside until the next session, which will not be held until April 5. In the meantime, it was at least agreed that the Commission should be allowed to prepare one of its "Opinions" on all matters coming within its scope and regarding the bids for entry and the various schemes mooted in the Community for trade and other links with the applicants, pending their entry.

The picture we have now is of France, the immovable object, being met by the Benelux and Italy, in some senses an irresistible force, with Germany in the middle, trying desperately to exert some flexibility, and the Commission caught up in the turmoil, bidden by all to instil some order into what is rapidly becoming an impossible situation. It is much to be feared that Rey and his colleagues, who have already stated that the sort of arrangements invisaged could take at least eighteen months or two years to negotiate, may only be whiling away a stay of execution for any trading pact with Britain and the others, and that, once the Commission has had its say on April 5, there will be nothing for it but schism in the Community or an end to any hope of interim arrangements for the time being. This, at least, is the most gloomy impression that can be drawn from Saturday's meeting. We must, however, look more closely first at what the various stands taken by the Six now signify.

Germany continues to "play it down the middle", and to do this, she had no alternative but to back-peddle on various points, although for the most part, by all accounts, Herr Brandt had little to say at the meeting. It was, for instance, conceded to M. Couve de Murville by Germany that interim trading arrangements should not "automatically" lead to Britain's membership, and that such wording in the German proposals as "the quick abolition of tariff barriers" be amended to "quick lowering". These are but verbal concessions, but they nevertheless add up to victory for France's main proviso about Britain, and a virtual retreat from the idea of a free trade area, to which France is adamantly and openly opposed (as, indeed, is the Commission, which prefers the preferential trade area formula), but which seems to be at the heart of Germany's concept of trade arrangements. Again, Chancellor Kiesinger has once more asserted, in his "State of the Nation" speech to the Bundestag, that his government is determined to avert crisis within the Community, which could lead to the paralysis of its development: he continued to see Franco-German solidarity as the one and only cornerstone of European integration.

Against this, both the Benelux and Italy persist in their demands that trade arrangements be the open beginning of full membership for Britain and the other candidates, and the Netherlands is continuing to block technological co-operation in the Community until an undertaking is obtained from France that work in this field will be pursued multilaterally, with Britain included. France stands fast on this point, insisting that bilateral arrangements have sufficed in the past and can continue as a satisfactory method. In this sector, there are all the makings of complete stalemate.

For the Commission to reconcile such diametrically opposed positions seems an almost impossible challenge, but as always it has its terms of reference to work to, and it could yet manage to evolve some formula. Its work in the next few weeks will for the most part follow Germany's proposals, legislatively, as agreed at the Council meeting, the idea being that it should "state" the various plans - German, Benelux and Italian - put forward in the last few weeks, and offer its "advice" (France vetoed the idea of "proposals" as such) on all matters covered by the Treaty of Rome - i.e. tariff questions, Euratom, and perhaps other issues such as economic and monetary policy. Complementary to this, as suggested by Germany, it will be for the Committee of Permanent Representatives to state their countries' precise views on the various ideas mooted on questions outside the Treaty (technology, patents and the European company), and to present a clearer overall picture for the ministers to consider.

The cloud that hangs over all, however, is the fact that the Benelux and Italy are clamouring for arrangements beyond the scope of the Rome Treaty, and show no sign as yet of settling for anything less, whilst Germany has not only kept her proposals well within its bounds, but has even withdrawn, in deference to France's refusal at this time to discuss membership as such, from relating them to Article 237, the clause covering the acceptance of new members to the Common Market. Germany's plan centres in fact upon Article 110, concerning trading policy, and does not even venture into Article 238, the association clause. As far as Britain is concerned, one can only imagine that at the present time Westminster would find the German proposals too diluted to be swallowed with satisfaction, the undertakings being no more specific than to promise that the arrangements would be:

"a contribution from the Community to the work embarked upon by Britain, in strengthening her economic and monetary situation, by extending the bases of her external trade."

... or ...

"supporting this strengthening process by placing it in the context of Britain's eventual membership of the Community, as welcomed by all concerned."

Indeed, Germany admitted that, "whilst, legally, trading arrangements would not be an integral part of the process of entry into membership, they would nevertheless contribute, de facto, to the idea of enlarging the Community". Could Britain really settle for something as nebulous as this, when M. Couve de Murville is still talking in terms of a "fixed period for the arrangements, after which the Community could consider new negotiations, if the situation still ruled out a reconsideration of full membership"?

Fundamental to the French stand on the issue, moreover, and apart from the points mentioned, are the following observations: multilateral negotiations would not be feasible, as industrial and agricultural concessions could not be balanced, with such an approach (Germany is now suggesting that industrial arrangements should be negotiated multilaterally, and agricultural terms fixed bilaterally). For agriculture, there should be purchase contracts at fixed prices, in accordance with the Rome Treaty, Article 45. The trading arrangements should be open to all European countries wishing to participate.

France's stand on trading arrangements appears to be so restricting as to be totally unacceptable both to the Benelux and Italy and Britain, and it is hard to imagine how the Commission can possibly come up with a formula that can be accepted. There can be no trade talks with the candidates by the Community unless there are first proposals fully agreed by the Six; if any country in the Community had been bluffing or posturing over the issue, one feels, indeed fears, that this would have been revealed long since - but, unfortunately, apart from such a possibility, there seems to be no way now for the Community to avoid a very rough passage indeed, one that could well begin on April 5.

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E.E.C. ECONOMY

Ministers Offer Guidelines for 1968

As reported last week, the economic and finance ministers of the Six have been heavily engaged, in the last two weeks, in assessing the economic prospects for the Community, especially after sterling devaluation and the Johnson plan. We have now a week or so to wait until the ministers have the Commission's recommendations on accelerating the introduction of the undertakings made at the Kennedy Round before them to discuss (see No 451), but we can usefully add, at this stage, a fuller resume of the seven points made in the ministers' recommendation, offered at the end of the Council meeting on March 5, regarding the handling of the EEC economy through 1968:

1) The Community's economy has been recovering now for some months, especially under the effect of the various boost and support measures adopted by most governments in the EEC.

2) During the coming months, this trend should be furthered generally, but the action taken must be tailored to conditions existing in each member state. Since prices are not developing satisfactorily throughout the Community, measures taken concerning both investment and consumption must be both selective and of limited duration, to prevent any sudden or excessive rises.

3) Sterling devaluation and the American restraint measures threaten to starve the Community's markets of capital, although demand will continue to rise. Thus to remain faithful to the objective of expansion (mainly through investment), the member states should endeavour to stabilise interest rates, even if it means balances of payments suffering slightly in the process.

4) If the economic expansion of the Community shows signs of slackening in the second half of the year, under the effects of devaluation and the Johnson Plan, the Six must take remedial action and maintain activity by measures in the sphere of investment policy, and in some countries, by tackling private consumption.

5) If, however, the economy shows signs of getting overheated by the end of the year, the Six must try to anticipate strain on prices and costs. They must in particular "resort to accelerating fiscal returns" in order to reduce budgetary deficits and forestall increases in public expenditure.

6) However things go, such remedial measures as may have to be adopted must never be allowed either to compromise or restrain efforts being made to improve budgetary structure in central authorities and local administrations, as these must proceed uninterrupted.

7) In conclusion, the Council recommends that around the middle of the year the situation should be re-examined, and the economic prospects for the Community re-assessed. This will enable the Six to evolve fresh guidlines for the economic policy of the Community, as regards the impact of economic measures taken in third countries.

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AGRICULTURE

Less Butter and Fewer Cows

Last week's proposals by the Commission for dealing with the Community's surplus milk production were hardly unveiled when howls of protest went up from the farming associations and words like "provocation" and "anti-social measures" were being bandied around freely. It would take nerve for anyone in the Common Market in 1968 to question the advice of five of the agricultural ministers and propose cuts in agricultural prices, yet the Commission's vice-president and founder of the CAP, Dr. Sicco Mansholt, has just done as much for the dairy products sector. The measures he proposes - if they are accepted by the ministers - would probably bring about a drop in butter production, thus cutting FEOGA expenses, also making it possible for the rationalisation of the Community's dairy farms to begin At the same time, Dr. Mansholt may be trying to take the wind out of the sails of the West German government, which has been threatening to make its approval of the dairy regulations - due to come into force on April 1 - dependent on a satisfactory revision of the farm fund's financing rules.

The details of the new proposals are as follows:

1) A reduction as from April 1 of 2.56% in the indicator price for milk. This would then stand at $10.03 per 100 kilos compared with the previously agreed - after a long struggle by the agricultural ministers - $10.30.

2) That the proposed new price should remain at the same level for three seasons. Linked with an increase in the beef price, this should ensure a more realistic reconciliation of Community agricultural prices with consumer demand.

3) That the intervention price for butter should now be fixed at $170 per 100 kilos compared with $176.25, a drop of 3.54%. In 1966, when the indicator price for milk was raised, it was already decided that this rise should not be added on to the butter price.

4) The subsidy for powdered skimmed milk should be cut from $15 per 100 kilos to $13.60. This should result in the farm fund saving some $28 million by reducing its expenditure from $120 million to $98 million.

5) The subsidy for skimmed milk under the Commission's proposals would be cut from the expected $1.375 per 100 kilos to $1.25. As a result of such a cut, the farm fund would be able to save some $10 million with an estimated expenditure of $93 million instead of $103 million. Both of these subsidies are aimed at giving the makers of animal foodstuffs based on milk a reasonable chance of competing with rival products.

6) The introduction of a margarine tax, which, although its low rate would not seriously affect sales, would make a sizeable contribution (around $90 million) to the farm fund's total costs of some $800 million.

7) Payments amounting to some $250 million over three years to farmers with herds of five cows or under, willing to go out of milk production.

8) Payments would also be made to farmers willing to bring calves to maturity, instead of sending them for slaughter, as well as to those farmers willing to raise beef cattle, instead of dairy or mixed herds. Both of these proposals would have the effect of reducing the number of small farmers, cutting milk production, whilst boosting that of beef. The Community has an annual short-fall of some 500,000 tons in beef.

The Commission's suggestions are well-founded, from the purely economic viewpoint, and could save the Community next year from the threat of a huge bill for the CAP. Of all the members, the Dutch, with their well-established export markets and efficient agriculture, seem to be those least worried by the proposals, whilst the French agricultural associations are violently opposed.

That the Council of Ministers during its two day meeting in Brussels concentrated on the Mansholt proposals was hardly unexpected for it is reported that even within the Commission there seems to have been a division of opinion as to whether the proposals should be as drastic as they turned out to be. All of the ministers criticised them, though the Dutch appeared to indicate that they were not averse to some freezing of prices for less than the proposed three seasons. It was decided that the ministers would meet again on March 25, and if they failed to reach agreement, the time-honoured Common Market expedient of a "marathon session and clock-stopping" might well have to be used if they were to meet the official deadline of April 1 for the unified market. Apart from this, it was decided that the European Parliament, which is at present celebrating its tenth anniversary this week in Strasbourg, should be asked to hold an extra session before March 25 to discuss the Commission's proposals and then make known its opinion to the Council of Ministers.

*

Proposals for TVA in Agriculture

The Commission has just submitted to the Council a third directive for the harmonisation of turnover tax provisions within member states. This deals with the common rules on the application of the TVA on turnover in agricultural products, due to come into effect throughout the Six by January 1, 1970. The aim of the proposal is to make it easier:

1) To integrate agriculture with the general economy;
2) To increase intra-Community trade in agricultural products;
3) To avoid differences in the impact of the tax at the levels where agricultural prices are formed.

An important aspect of this proposal is that the introduction of a common rate (see below) will give the Commission the power to assess a common tax level. The control of the right to fix and levy taxation is one of the most important attributes of national sovereignty, and if it is ceded to the Commission without the need for difficult compromises, many observers will be surprised.

The directive is based on the assumption that the TVA must be applied to agriculture, so that it can be subject to the same competitive conditions as other economic sectors and also prevent discrimination between Community producers. Since some farmers do not keep effective accounts and are thereby unable to comply with the normal TVA system, however, they will be allowed to deduct previous taxes at a flat rate, but this does not prevent farmers from opting for the normal TVA system.

Furthermore, agricultural associations, and especially co-operatives and producer organisations, will be exempted from the flat-rate deduction system if their non-agricultural turnover exceeds an amount to be fixed by each of the Six. Special groups of producers and those who can be brought into the system without undue difficulty can also be exempted by each member state.

Deliveries and imports of agricultural products will be made subject to a common reduced rate fixed by the Council, and here comes the controversial factor, acting unanimously on a Commission proposal. To be agreed by July 1, 1969, it will probably be in the region of 5 to 6% (i.e. half the arithmetic mean of the rates applied on January 1, 1970).

For deliveries involving the flat-rate deduction system, the buyer will pay the tax authorities the farmers' taxes, whilst the price to the producer includes the previous taxes paid by him. This flat rate will be fixed by July 1, 1969.

With the completion of the common agricultural market due for January 1, 1970, it will become necessary to relieve intra-Community trade as far as possible of tax formalities and controls between each state, and the common tax rate is a major step towards achieving this aim. Until import taxes and export rebates are done away with, the aim is not to collect taxes when goods cross national frontiers, but from the first buyer after importation. This has the effect of cutting out customs formalities and making trade in agricultural produce easier. Although taxation will continue, its aim will be to maintain the principle of taxation in the importing country.

The common reduced TVA rate for agricultural products can go as far as the wholesale stage, whilst member states are free to increase or reduce the rate at the final stage. But in another move impingeing upon national sovereignty, measures are proposed avoiding as far as possible the discretionary effect of powers remaining to the member states, thus achieving an equitable alignment of the tax burden at the final stage.

* * *

TRADE

Getting Rid of Technical Barriers

The Commission of the European Communities has just adopted an outline plan, to be passed on to the Council, on the elimination of technical barriers to trade resulting from discrepancies between national legislation in the Six. These barriers, which will be stressed by the elimination of all customs barriers within the Community, have the same effect as customs duties proper; they occur quite regularly, and in certain cases are of such a magnitude as to inhibit all trade between members. Moreover, they affect producers in the Community to varying extents, and thus threaten to upset the "natural" pattern of competition. The permanence of such barriers will by their very nature militate against the ultimate formation of a unified common market.

The Commission's programme firstly outlines the case as it now stands. One chapter deals with mutual consultation on controls, a second with modifications to directives on technical progress and the last deals with solutions to the questions of harmonisation. The Commission feels that this report covers all questions concerning the elimination of technical barriers to trade. Whilst the findings of this inquiry are put into effect, the Commission intends to broaden its terms of reference in order to unearth additional barriers and then to isolate their causes and effects. So as to make this survey as thorough-going as possible, the Commission intends to enlist the help, not only of the member states themselves, but also of the various professional organisations involved.

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Belgian Timber Agreement Abandoned

An association of Belgian importers of wood produced in non-member countries decided to apply an exclusive buying and selling agreement between a group of agents in Belgium, representing the producers of this wood, and the Belgian National Federation of Timber Merchants. The parties to these agreements included all importers, producers' representatives and virtually all merchants in Belgium. The strict conditions of admission to the Belgian importers' association, together with the general provisions of the agreements, had aimed at and had in fact succeeded in preventing any Belgian importer who was not a member of the association from obtaining the wood in question and from dealing in it with customers in other member states. The provisions also prevented importers from dealing with agents of producers of the wood other than the Belgian agents. In addition, dealers were not allowed to import directly.

A number of Belgian importers were of the opinion that these agreements were incompatible with the Rome Treaty, and one in particular subsequently filed a complaint with the European Commission. The Commission then investigated the matter and found that, as regards trade between member states in the timber sector, the agreements restricted competition and artificially isolated a sector of the economy. Such a situation was contrary to the ideals of the Rome Treaty, and the Commission was thus obliged to prohibit its continuation. In order to avoid this actually taking place, the three organisations concerned decided to cancel the agreements voluntarily.

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INDUSTRY

Europe Needs Effective Industrial Integration

The member of the Commission with special responsibility for industrial affairs, Signor Guido Colonna di Paliano, last week attended a conference on industrial integration in Europe, organised by the Federal Trust, and during his speech stressed the need for the co-ordination of economic and trading policies throughout the world, so as to achieve balanced growth in the developed countries.

He pointed out the urgent need for the harmonisation of taxation and legal systems within the Community. In many cases the existing system meant that reorganisation and rationalisation tended to occur on a national basis, and this could well result in an imbalance between the various areas of the Community. The solutions to this problem, which could have serious consequences if not dealt with, involve improved regional policies designed to strike an effective balance between the different areas, so as to prevent the position of poor and declining regions from deteriorating. Efforts should be made to speed legal and fiscal harmonisation, so that firms could establish themselves throughout the Six and be able to take advantage of the wider market.thus created for new technologies.

During his speech, Signor Colonna said that he believed the Common Market countries would benefit by making a joint effort to establish a European Technological Institute along the lines of the Massachusetts Institute of Technology. The technological aspect of British co-operation with Europe was taken up by the Minister for Common Market Affairs, Lord Chalfont, who said that his country's technological advantages could not be exploited in full until Britain was a member of the Six or constructive negotiations with that aim had at least started. He also said that co-operation in the technology sector required an effort by "private industrial enterprise", and not just by governments, although the latter, through the judicious use of their purchasing power for technical material, especially in the defence field, could help to foster this objective. Lord Chalfont stated that the British government would welcome the opportunity of signing the mutual recognition of companies convention agreed by the Six at their Council meeting the previous week, in accordance with the expressed statements of five Community members.

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TRANSPORT

CTP: Normalisation of Railway Accounts

With transport, as with all the sectors scheduled for common EEC policies, much of the Commission's and member states' groundwork consists in clarifying conditions existing between the Six, highlighting distorting differences and eliminating these. The Community's transport ministers decided in December 1967 that before January 1, 1969, the accounts of the six state railway systems should be "normalised", and that the Commission should submit its proposals for such a scheme by March 1 of this year. This has now been done.

The object of this exercise is to educe, without physically standardising the accounting systems of the railways, those factors which tend in accounts to distort the position of the railways vis-a-vis other modes of transport. Essentially, this is a matter of government intervention, and the balance between obligations placed on the railways (employment of excess staff, retirement and other pensions in excess of normal rates, maintenance of workshops, expenditure on equipment used jointly with other transport systems, etc.) and advantages accorded to them by the state. The regulation proposed by the Commission gives an exhaustive list of such factors, designed to cover all present contingencies thought likely to distort accounts.

With this single scheme of elements to be normalised in state railway accounts, the aim is firstly, in accountancy as such, to reveal those points at which the railways suffer a higher burden than other media in the form of state obligations, and those at which they enjoy greater priveleges. This, quite simply, should then show either a deficit or a surplus, and as the second objective, this discrepancy can then be adjusted financially, with the state in question compensating for any deficit, or the railway, in a surplus situation, making repayments to restore the balance. This operation should then place the railways on an equal footing with other modes of transport.

Excluded from the scheme are infrastructure costs and taxation, which themselves are scheduled for eventual Community harmonisation, until which time member states will be empowered to apportion their own compensation for burdens suffered by the railways to a greater extent than any other transport medium.

As far as the Community's role in this is concerned, it is left in the first instance to the railways themselves to take action. The states may then adjust proposals from this quarter, and in the final analysis, the Commission will act as arbiter, being apprised of all action taken, and empowered to collate relevant information for the purpose of ensuring that the objectives of the Treaty are carried out. On this score, it will also ensure that member states do not, as a result of the scheme, lapse in their responsibility for eliminating distortion of competition - indeed, normalised accounts should reveal this and stimulate such action. Again, the scheme should never be allowed to have any untoward effects on the on the lot of railwaymen, as this would contravene one of the most basic tenets of the Rome Treaty.

* * *

EURATOM

Planning Ahead for Research

This week sees the Commission presenting to the Council a document on Euratom's future research activities. This is intended to provide the ministers with certain guidelines so that they draw up a common research programme covering several years. It is based on three main factors:

1) A summary of the Community's nuclear research needs, an analysis of priorities and proposals to ensure the most effective use of the means available.

2) A study of research aims in the light of technological and industrial needs, as well as a study of the best means of promoting industrial co-operation.

3) A study and definition of new forms of co-operation within the Community.

The Commission's proposals cover work to be undertaken as regards reactors, developments in those sectors connected closely with reactors (fuel cycles, marine propulsion, desalination) support and other activities (data services, biology and health protection, the control of fissile materials, radioisotopes and education).

Turning to the more specific problem of technological and industrial development within the Community, the document states that there are two main objectives to be aimed at, in view of the nuclear industry's poor organisation at present.

Within the framework of the Common Market, firms must be assured that they will have complete freedom to compete. The opening of restricted national markets is the only way of ensuring that firms can specialise through a rationalisation of their work, and thus corner an effective share of the market. One method of doing this is to have contracts awarded after having called for bids from the whole of the Community's nuclear industries. In this context the rules governing patents and "know-how" agreements are of the utmost importance, since there is a conflict between the need for a wide-spread knowledge of developments and the need for firms who are trying to gain an effective market share to keep their secrets to themselves. To some extent, Euratom has already come up against this problem in its association contracts, and the answer would appear to lie in achieving an acceptable compromise according to the facts of each particular case.

The Commission considers that if the Community is to take effective action in the nuclear sphere, then a number of organisations with certain specific aims must be set up.

These should include:

a) Co-ordination of industrial ideas, especially in the field of advanced reactors, such as fast breeder reactors.

b) Better integration of research and development programmes, especially in prototype design.

c) An effective information system, using printed matter and an exchange of personnel.

d) Ensuring that as far as possible the Community's industries are used in the construction of reactors, by calling for bids throughout the Six.

e) Encouraging the formation of groups comprised of interests from different member states to build prototype reactors.

To begin with, Community action must aim at co-ordinating the different programmes and the ways they are carried out. This means comparing programmes and the exchange of information amongst the Six, to be carried out by committees of experts, liaison working parties, management committees, and especially the C.C.R.N. - Conseil Communautaire de la Recherche Nucleaire. However, co-ordination would not by itself achieve the required objectives, so that all the means created under the Treaty must also be used:

a) Applied research programmes should be linked with the joint programmes carried out by the Community itself, either at the joint research centres or under contract.

b) The Commission should be able to invite member states or firms to take part in financing programmes to which the Community is also making a direct contribution.

c) The Community should be able to finance certain joint projects from its own budget.

d) The granting of loans.

Of the various ways in which the Commission can actively intervene, the "joint enterprise" is one of the best for the promotion of a common industrial policy. If the Commission can encourage the formation of such concerns by firms or member states, there seems to be little reason why it should not be able to use its own funds to take a direct interest in the "joint enterprise". The Commission believes that such a solution is particularly suitable for the construction and testing of prototype reactors. The number of different reactor designs and principles in vogue (heavy water, fast breeder reactors, etc.) seem to indicate that there would be a good case for governments, energy producers - and even manufacturers - linking within "joint enterprises" whose overall co-ordination would be the responsibility of the Commission, so as to test the technical and economic aspects of the various prototypes built in the Community. In its document, the Commission proposes that it should set up "joint enterprises" for the three main reactor types: heavy-water reactors, high temperature gas-cooled reactors and fast breeder reactors.

The suggestions put by the Commission are not intended to be firm proposals for a future research programme, but rather are aimed at providing guidelines for the Council so that the latter can effectively begin to discuss the basis of such a programme.

* * *

RESEARCH

Commission's Test Case on Joint Research Agreements

On March 7 the Commission announced that the objectives of "Eurogypsum", an association of 31 members from 16 countries, including five members from the EEC, do not contravene the Treaty of Rome's rules on competition. Eurogypsum was set up in Paris in order to promote at European level the development of the plaster and allied building materials industries. This was to be achieved by the joint examination of all matters, particularly scientific and technical, relating to these products. The organisation is non-profit-making, and membership is open to all European producers, either directly or through their trade organisations, and to persons or associations in scientific, technical or economic fields likely to assist by their co-operation in the attainment of the objectives of the association. All the members of the organisation may benefit equally from the work organised and financed by the association, and there is no bar to individual research programmes.

The growth of the plaster and gypsum industry within the Common Market has been sporadic, and dogged by numerous difficulties. Amongst these the more prominent have been the scientific and technological difficulties of the industry and to so solve these problems there has grown up the ever-pressing need for costly research programmes and technological studies. It was to meet these problems that Eurogypsum was set up.

The Commission decided to approve the pooling of research facilities by this group of companies since in no way does it conflict with the aims of the Rome Treaty. It was especially glad to give the go-ahead to Eurogypsum, as the joint research agreement did not seem to act in any way as a restraint on competition. It appears, though, that the Commission will also allow the association of companies for research where competition is restricted, but in certain cases only. In the case of research agreements that involved a certain measure of restriction on competition "an equally favourable decision could be reached if, as is very possible, these restrictions were judged indispensable to the achievement of economically desirable results, particularly as far as the improvement of production and technical progress is concerned." This then has proved to be somewhat of a test case in the field of company organisation and competition within the Community. The Commission's new ruling may well now open the sluice gate to an inrush of new associations of a kind never envisaged by the founding fathers of the Community.

* * *

FRANCE

<u>Heads of Industry Polled on Britain</u>

The French daily, "Le Figaro", in its second weekly business section, published on Saturday, March 9, the findings of an opinion poll taken from the heads of the top 1,000 firms in France, as regards their attitudes to the Common Market, its effect upon them, and the enlargement issue.

As far as Britain is concerned, it appears that 23% of these leaders are in favour of her immediate entry, while a further 66% are for British membership, once her financial difficulties have been settled. 11% were opposed to British membership in any circumstances. As far as sectors are concerned, those favouring British membership were, in descending order of enthusiasm: building (77%), food and drink (72%), retail and chemicals (equal at 67%), at the top of the list, and, least in favour, textiles, electrical and engineering, all at 56% in favour. Those in finance and banking were 59% in favour of Britain's entry. All these percentages relate to support for membership after economic and financial rehabilitation.

* * *

LUXEMBOURG

Luxembourg Leaders in London

On Monday and Tuesday of this week, M. Pierre Werner, the Luxembourg Prime Minister, and M. Pierre Gregoire, the Foreign Minister, were over in London for talks with Mr. Wilson and Mr. Brown on Britain's position vis-a-vis the Community, and on any solutions to the problem of Britain's eventual entry. M. Gregoire gavè the Prime Minister a full report of Saturday's meeting of the Common Market Council of Ministers.

During the intergovernmental discussions it became apparent that both the British and the Luxembourg governments favoured the Benelux Plan and the Italian Memorandum more than the Franco-German trade arrangement. Both the British and the Luxembourg governments had reservations as to the effectiveness of the latter, and they had their doubts, too, whether France would accept the kind of trade agreement that Germany evidently had in mind. Furthermore, recent meetings of the Council of Ministers in Brussels had only served to bring into relief the differences between the official French and German views on this matter.

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EUROPEAN DEVELOPMENT FUND

$17 million for Six Projects in Africa

On March 7, the EEC Commission approved an EDF Committee appropriation of a total of $16.83 million for financing six development projects in associated African states, bringing the sum of commitments from the second EDF (see No 446) to about $486.7 million, exclusive of supervision and administration costs.

In brief, the projects and sums involved are:

1) DAHOMEY - $505 million for technical and productivity improvements in palm grove exploitation and palm oil extraction.

2) TOGO - $4.19 million for 119 km road improvement: transition from rail to road transport.

3) RWANDA - $380,000 for hostel construction at Butare agricultural school (130 students), a scheme already backed by the first EDF.

4) CONGO KINSHASA - $3.65 million for building 75 km of road between Sibiti and Jacob in the west, helping to open up developing agricultural and forestry territory.

5) MADAGASCAR - $33,000 for technical assistance to the Industrial Development Office.

6) SENEGAL - $8.07 million for fourth annual instalment of production-aid programme.

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EIRE: EEC Challenge and the Irish Federation of Industry

In a report published at the beginning of this month by the Federation of Irish Industry called, "Challenge: Industry and Free Trade", the Federation points out the key issues involved in Eire's attempt to join the Community. Six study groups have been at work since last summer considering the various aspects of free trade which such a move would entail; the findings do not bode well for Irish industry as a whole, so it seems, for if it does not make a concerted effort, it will certainly lose the major part of the Irish market to competitors from other parts of Europe.

The switch from high protection to free trade will bring about radical changes in the structure of Irish industry. "Free trade will offer virtually unlimited opportunity for the energetic, the enterprising and the imaginative. Correspondingly the weak or ineffectively managed enterprise has little chance of survival." The Federation still hopes for full membership by the mid 1970's in spite of the French moves to block the enlargement of the Community, and if this is the case it will coincide with the coming into force of the Anglo-Irish Free Trade Agreement in 1975. In addition to these institutional changes, there will also be "fundamental changes in the nature of world trade and in the world economy generally, which will require correspondingly radical changes in policy from Irish industry."

The principal effects of these trends will be:

1) Effective protection for most industries against British competition will have largely disappeared by 1971.

2) Full membership of the EEC by 1975 will require drastic cuts in tariffs against the EEC countries during the three to five year period up to 1975.

3) In such conditions, most Irish industries must expect to lose the major part of the Irish market to competition from other parts of Europe.

It must be remembered that tariff protection for many industries is still very high against all countries except Britain - 50% in most cases. This high tariff wall will have to be dismantled fairly rapidly and reduced to 15% or less within a short period of time: disruption of the old system is inevitable, and the Irish government will be powerless to intervene to alter tariff levels. Irish industry will have to face up to new threats such as severe price competition from mass producers, dumping of surplus or sub-standard merchandise, the overwhelming marketing power (through advertising and other promotional activity) of large companies, the inability of some Irish firms now dependent on foreign licences to continue operating, and the changed position of subsidiaries of foreign companies and foreign controlled retail chains acting as major importers. Another important aspect will be the loss of the British market. At present up to three-quarters of Irish exports go to Britain, but as goods begin to come in duty-free from the EEC countries and with lower duties from the non-EEC countries, this market will begin to dwindle.

The report concludes that "the hard fact will have to be faced both in industry and by the Government that there is no painless way of drastically reshaping our economy in the way necessary for success in free trade. Major changes in the structure and outlook of industry are essential. If we are prepared to take courageous decisions now and implement energetically the policies which the situation demands, then industry will emerge in the 1970's more vigorous than ever before."

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Switzerland Shows Interest in EEC Links

The three sets of proposals for commercial and technological links between the Common Market countries and those which have applied for membership have aroused the interest of the Swiss government. Although it has not yet been officially informed of these moves, Berne believes they contain the elements of constructive solutions. This was the gist of the statement made on March 7 by the Swiss ambassador to the Communities, M. Paul-Henry Wurth, to the member of the Commission with special responsibility for external affairs, Signor Eduardo Martino. Berne apparently conceives of two types of possible partners for the Community, those who are involved in any agreements from the very start and those who would become linked at a later date.

Switzerland takes 12% of the Common Market's agricultural exports, and exports to the Six have risen by 72% over six years, but despite this it has a balance of trade deficit with the Community of over $ 1,000 million.

VIEWPOINT

MONETARY FICTION AND ECONOMIC REALITIES

by

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An eminent French minister of finance once said: "Give me a decent political framework, and I will run a viable economy". Monetary problems are complex, even in untroubled times: they are inclined to flare up with alarming intensity whenever financial affairs get drawn into the whirlpool of world politics.

Discussions on international monetary stability have been going on for a number of years now, but the events of the last weeks, such as the devaluation of the sterling, the subsequent gold rush, which has now lost its momentum, and the rumblings within the O.E.C.D. have brought the matter to a head.

Of course it would be naive to say that over the last few years everything in the garden of international finance has been rosy, but every observer must admit that the finance system has been of service in a world of rapid and often difficult development. The structure of the present monetary system, based on fixed parities and a gold price of $35 per ounce, does not work without a hitch, but it has proved itself to be efficient. It is supported by drawing rights and credit facilities under the tutelage of the International Monetary Fund, as well as various swap operations which a number of countries carry out outside the normal framework of international banking. Thus world trade was able to mark up an annual growth rate of 7% in spite of the rapidly falling gold reserves. The relationship of the key currency to gold underwent close scrutiny and the nations concerned were prevailed upon for some time to consolidate their reserves, in other words to reduce the imbalance between the various countries' trade balances.

The American balance of payments difficulties are certainly of prime importance, both for the dollar zone and for the world monetary system. All the measures that have been proposed already by those in the American camp on this issue and have yet to be implemented, include the proviso that the Pool Partners should freeze their dollar holdings. This is because the demands of the states cannot be satisfied in the short or medium term, following the withdrawal of counterdemands. The powerful economic and technological potential of the USA, its ever-increasing gross national product, the income from its industrial and financial ventures in Europe, the interests of the USA in France, which date from the debts incurred by the latter during the First World War, the Equalisation Tax, which might be extended to other countries, the European capital market which is already gaining considerable importance - all these are economic realities of such great import that the development of the balance of payments will in the long run appear in a favourable light. It should be added, moreover, that hopes for a rapid end to the Vietnam War are not without foundation; this conclusion has been drawn following the declaration of Washington at the meeting of the governors of the European reserve banks, where it was stated that the United States was ready to stand by the $35 per ounce gold price under any circumstances.

America's long drawn out balance of payments deficit has provoked a number of complicated questions of discipline. Many years after the Second World War, the United States government put forward a whole gamut of extraordinarily pressing aims of urgent policy as grounds for the deficit, so that no further explanation for it was sought. The increasing growth of this deficit (in recent years deficits reached on an average $3,200 million a year as against an average of $1,300 million for the overall period 1950-1967) demanded reconsideration of the American balance of payments policy.

The above-mentioned corrective measures undertaken by the government, in particular since the beginning of the serious run on gold, when other countries assiduously exchanged their liquid dollar assets into gold, were not sufficient. Capital and trade policy with Europe must be reviewed once again.

At the time of the last meeting of the OECD (18 European countries, the United States, Canada and Japan) the problem of obtaining a balance of payments equilibrium was discussed with great vigour; this was the problem of whether the return to a balance of payments equilibrium should be tackled in the first instance by dealing with the United States and Great Britain, i.e. the debtor countries, or by dealing with France, Germany and the other members of the Common Market - the creditor nations. For the United States, the American deficit is merely an expression of Continental Europe's budget surplus - the other side of the coin. Thus it is incumbent upon the latter to bring this budget imbalance into equilibrium, namely by opening up their markets to American products. This discussion led to a confrontation between Michel Debre and Eugene Rostow. However, we leave the bounds of reality if we see in the creation of the institutions and the market-orientated finance houses an act of perversity of the kind described by Jacques Rueff of the Academie Francaise in a recent number of the French weekly, Paris Match.

Perhaps it would be of value at this stage to point out that the Euro-dollar market was a constant purchaser of dollar funds, an operation which was carried out through the foreign merchant banks, finance houses and private individuals. At this rate, the dollar balances can be assessed at some $10,600 million. Although the balances are of a short term nature, they are not, unlike the official reserves, subject to conversion into American gold.

The continued satisfaction of this official dollar demand, valued at $500 million per annum, will only indirectly worsen the balance of payments deficit. Thus the report of the review Committee for balance of payments statistics had to deal with this sort of problem.

It is not then a question of finding the most perfect solution to the problem, but rather of finding a workable scheme that the U.S. government will accept. Of course, the war in Vietnam is putting a heavy burden on the American balance of payments at a particularly critical time; for this reason, the United States should strive the harder to seek out and exploit more favourable sectors to counterbalance the adverse situation brought about by the war. The measures announced recently to limit American direct investments abroad and the planned increases in taxes are moving in this direction, towards the cutting down of government spending and planned expenditure. The chief precondition for the success of the whole operation is close co-operation between the reserve banks; this co-operation has in fact happily been apparent following the declining gold rush after sterling devaluation. But it will take some time before it is ascertained who in fact was behind the recent gold transactions.

The defence potential of the United States is immense; apart from the measures, the United States could for example dig up the old question of the debts incurred by France to America during the First World War, debts which now amount to some $6,800 million, including interest. In addition, having staked large sums for the defence of the current gold price, America could discontinue buying and selling gold and thereby bring about a "demonetisation" of gold (the severing of the dollar's link with gold) with all the risks that this would entail for the price of gold. The dollar would then be left as the sole reserve medium. Financial techniques must not, however, be confused with economic realities. In theory, a paper currency can fulfil the same functions as a currency backed by gold. The individual currency parities would in such a case derive from the inherent purchasing power of the currencies. In this case the dollar would from then on function as the only medium of reserve by virtue of the gigantic economic potential of America, and the dollar standard would replace the gold standard.

The return to the pure gold standard coupled with a doubling of the price of gold would lead to a serious break-down in the world currency system: world trade doubled between 1956 and 1966, but over the same period gold reserves only increased by 13.6%. If world trade were to follow this trend, then it could only be because the world economy has freed itself from being tied unilaterally to gold under the multilateral control of the International Monetary Fund.

It has already been said, and it cannot be said too often, that a doubling of the price of gold would cause worldwide inflation, for it would be impossible to "sterilise" the gains made from revaluation; and under these conditions governments would be keen to increase their business. Such a measure would have a devastating psychological effect: gold has always been considered as a protection against the excessive power of governments and it was usual to say that it was better to trust inanimate gold than weak flesh. It did not matter what the price of gold was at the time (certainly we do not regard the present price of gold at $35 per ounce as God-given. In the Gold Exchange Standard system, control of the gold price ceases completely and in its place comes protection of gold value. This is what was behind the system that came into prominence a few years ago, the so-called gold pool, which entailed keeping the price (of gold) steady and withdrawing as much as possible from the field of speculation.

The world monetary system has been left behind by the dynamic expansion of world trade in recent times: gold now only acts as a symbol and so new methods of payment have had to be evolved. The creation of new reserve media has been progressive and has taken place under the auspices of the International Monetary Fund. The passionate discussions of the last few years and the wrangles that took place this year at the Rio de Janeiro meeting of the IMF have all gone to show how conscious world financial leaders have become of their responsibilities. So-called "synthetic" gold and the special drawing rights, which are independent of gold production, bear witness to the forethought which has been exercised in tackling this problem. Professor Rueff makes it easy for himself by calling this possible form of special drawing right a perverse creation. For him, S.D.R's, like all the other remedies put up by the Monetary Fund in the past, only achieve one aim, and that is the creation of world inflation; what France should do with her four or five thousand million dollars of gold he does not explain. Should it stay in the Banks to rot, unused, or should it be turned to active use on the European capital market or serve as considerable aid for the emergent and developing nations? Our opinion, however, remains unchanged - in spite of devaluation, sterling remains, next to the dollar, the most important currency in the world. All the world has an interest in the health of the British currency, a currency which is used for a large part of the capital transactions of the world. Britain is still the third greatest trading nation in the world, even if she has been toppled from her leading position in the world trade league.

The unfavourable structure of foreign trade, which is reflected in the imbalance between imports and exports, was one of the sources of the balance of payments difficulties. Now that devaluation promises to bring about a certain correction in the balance of trade and will give a new chance to exports, we must again consider the fact that the deficit in the overall balance of payments is not only the result of an adverse visible trade balance but also of a deteriorating balance in invisibles. The latter cannot, however, be attributed to the overvaluation of the pound.

The Sterling Area includes a quarter of the world's population and is used for a quarter of world trade transactions. Great Britain's capital commitments to foreign countries and the resultant net foreign debt to the Commonwealth countries was one of the big factors behind the worsening balance of payments situation at a time when confidence in the pound was in decline. It is, however, important to note that the balance of payments deficit incurred by the public sector was redressed by the activities of the private sector. A year ago now I remarked that Britain's balance of payments could return to surplus, and with this possibility in mind I was at that time not convinced of the necessity of devaluing the pound. Perhaps Wilson's answer to de Gaulle on this matter should now be recalled.

Casting one eye back on the Second World War, Mr. Wilson explained the significance of the British balance of payments situation for those foreign countries who hold sterling balances: "As to the 'encumbrance of the vast sterling balances', (de Gaulle's words), Britain had no sterling balance problem before the war. It was originally created during the war. It was part of the enduring cost which Britain incurred in the fight to make Europe free. It was in fact part of the price we had to pay for those historic days to which General de Gaulle has frequently, and indeed movingly, referred - the days when Free France and Britain fought together".

Looking at the situation overall, it must be admitted that devaluation was forced upon Britain mainly on account of the failure of the government to gain confidence through its inability to achieve its declared aims; for these reasons the government found itself saddled with an extreme deterioration of the balance of payments, (aggravated by the closure of the Suez Canal and by speculation) and its inevitable results. We can only hope that devaluation will bring new stimuli to the export sector and thereby improve the balance of payments situation. But as I have said, the assumption is that the international currency system should function properly based on the Gold Exchange Standard when there is a reasonable admixture of gold and the leading currencies. It is high time to bring monetary demoralisation to an end!

In his book "L'Age de l'Inflation" published in 1963, Jacques Rueff writes: "If the Gold Exchange Standard bears the burden of responsibility for the adverse balance of payments of the United States, it was not this country that was responsible for its introduction; it was the International Monetary Conference which took place in Genoa in 1922, where the United States was not represented. What an international conference has done, only an international conference can undo". Since then there have been many meetings of the International Monetary Fund.

In a recent lecture given in Genoa, Professor Triffin spoke of the Rio conference as the beginning of a new solution, which entails a decentralisation of the monetary mechanisms within the International Monetary Fund. The monetary system will develop further and in the same as we have passed on from gold to paper money, and then to reserve currencies and fiduciary reserves, so we will in the future make the transition from these to international fiduciary reserves. There can be no objection to such a suggestion, which depends on an increasing interdependence of countries and peoples. It goes without saying that such a move can only be agreed upon with much international consultation. In my opinion, Rio de Janiero played the leading role in this direction. Only international agreements are in the position to strengthen international monetary discipline against a background of gold currency and the generally recognised reserve currencies.

The more I study Rueff's views, the more I am convinced that the Gold Exchange Standard is not a system "that is condemned to failure". The suggestions put forward by Rueff belong to the realms of fantasy. The gods and the economy demand diligence, hard word and mutual trust in order to overcome monetary difficulties. For this reason the problem of maintaining a balance of payments equilibrium is both a financial problem and a problem of political ethics.

<u>Note:</u> This article was written before the latest "gold rush" and last week's OECD meeting.

FIRST ANNUAL REPORT OF THE SINGLE EEC COMMISSION

The single Common Market Commission, under M. Jean Rey, has published its first general report on the activities of the Community, covering both its own affairs since it came into being on July 1, 1967, and those of the three former executives in the time between their last reports (High Authority - January; Euratom - February, and EEC - March, 1967) and July of last year.

The introduction to this document singles out the decision to generalise the TVA in the Community, and the adoption of the Community's first medium-term economic policy programme as the two most significant events of the year. Other major events commented upon are the success of the Kennedy Round, the realisation of certain single agricultural markets (cereals, pigmeat, poultry, etc), the merger of the executives, coping with the November sterling crisis, and the enlargement issue. The report foreswears any pretensions to being an action programme, but nevertheless makes certain declarations of intent upon such matters as the future of Euratom, which it sees as the cornerstone of Europe's technological future (backed by the European Parliament in this), the need for enlargement (where it reiterates its refutation of bilateral action by any of the Six), and the growing necessity of adopting a common economic policy, with the disappearance of customs and (soon) fiscal and technical barriers to trade. Agricultural structures are another feature earmarked for action, as is the vital need to keep social improvements abreast of other developments. Energy policy is a field in which the Commission feels that its unification can now give scope for action, and regional, industrial and research policy are also cited. Hope seems very much alive, despite deep divergencies between the Six, in the field of monetary policy, the Six's solidarity over the devaluation crisis giving encouragement here.

State of the Common Market

The report summarises the Commission's actions on the implementation of various clauses of the Rome Treaty, and goes on to mention the gross GNP and trade ratios for the Community in 1967: for the EEC at large, GNP rose only 2.6%, compared with 4% in 1966, and intra-Community trade also slackened, rising by only 4% in volume and 5% in value, compared with increases of 11% and 12% for the same in 1966. Total trade between member states, however, continues to account for a larger proportion of their overall activities, as shown in the following table:

	1958	1967
Germany	27.5%	36.0%
France	22.0%	41.0%
Italy	23.5%	38.0%
Netherlands	41.5%	55.0%
Benelux	45.0%	62.5%

General Economic Policy

This is dominated by the growing need for greater flexibility in the instruments of short-term economic policy in the Six, and the better co-ordination of action by their national authorities in this field. The main document to appear in the Community Medium-Term Economic Policy Committee was an Opinion, of June 9, which concentrates on the structural adaptation of companies, demanded by technical progress and new market conditions, and commending parallel establishment in several countries, as regards know-how, investment, research and commercial policy. Legal, fiscal and technical harmonisation must all be accelerated to encourage such developments.

A second medium-term economic policy programme is now in hand, and this mainly covers: linking the directives of the first programme with the general economic trend; promoting industrial restructuring to meet wider competition; policy for specific industries (particular problems, plus a special chapter on agriculture) and scientific and technical research policy.

Forecasting and analysis continue to develop, with particular reference to co-ordinating the Six in public finance, savings/investment equilibrium and income policy co-ordination. The increasing economic interpenetration of the Six is demanding greater co-ordination of their monetary and financial policies. Preparatory work on the establishment of a European capital market has been carried out by the Commission, and it stands ready to advise the Community when the time comes. Budgetary policy is the last main field in which further co-ordination work seems also to be indicated, and several member countries are now trying to formulate budgetary programmes covering a number of years; the Budget Policy Committee evaluated and reported on this work in July.

Energy Policy

Consumption rose by 4% over 1966 to 633.5 million tons of coal equivalent. Consumption of coal (still over 50% in 1961) dropped to 31.3%, while oil accounted for over 50% of energy consumption for the first time. The main policy decisions during the year were in the field of support for coal, and catering for the oil and natural gas industry.

As regards coal, three main decisions were reached: 1) $22 million of aid per annum for coking coal for steel (up to the end of this year); 2) avoidance of price conflict stimulated by state subsidies for domestic coal, in the form of extended notification of new prices (10 to 15 days' lapse between announcement and application); 3) aid to the mining industry by member states (Community system under Decision 3/65 extended to the end of 1970 - production/demand rationalisation rather than declaration of manifest crisis - see Nos 413, 416, 427). In 1967, government aid to the coal-mining industry was $1,089 million for social purposes (+ 11.4%) and $371 million for economic purposes (+ 126.6% over 1966). (see No 447).

The increasing importance of natural gas has elicited Community action on policy in this sector, and close examination was made in July of the need for ensuring supplies, maintenance of a sufficient number of companies in fair competition, and the need for fiscal harmonisation in this sector; freedom of establishment in prospecting and drilling for oil and natural gas was covered in a proposed Commission directive (see No 405).

As for nuclear energy, the Community's target for installed capacity by 1980 was re-assessed from 40,000 MWe to 60,000. With 80% of known world reserves in natural uranium spoken for, in terms of the free world's requirements between 1970 and 1980, the Commission feels that a common policy for supplies is needed, the Community's efforts to acquire its own resources not being adequate. The supply problem (for enriched uranium) is also the main force at work behind the project mooted for a $1,300 million isotope separation plant in the Community.

Common Agricultural Policy

The three main events of the year were the July 1 introduction of single markets for cereals, pigmeat, eggs and poultry; the common market organisation and basic regulation for sugar, and the fixing of prices for 1968-9. The report covers harvest results, price conditions and the critical situations that developed in some sectors, and other CAP topics such as common quality standards and the vineyards register. Total expenditure out of FEOGA on compensation for withdrawal operations is estimated to have reached only the modest sum of $220,000.

As regards policy, a summary is given of harmonisation work done on such matters as food and animal feed qualities, veterinary standards, plant health, seed and seedling qualities etc. A vital sector for action is agricultural structures, and the quest for equalising living standards between farm and industrial workers, work which is proceeding under the supervision of Sicco Mansholt. The economic and social objectives have yet to be defined in detail, but these are likely to reach well into the political sphere, covering not only consolidation of holdings, but such matters as size and type of farm, the kind of commodity produced and even the rationalisation of production and cultivation. The operation will be expensive, and long-term forecasts and objectives will be needed.

Industrial Policy

The formulation of this is a priority objective of the Commission, mainly because of the abolition of intra-Community tariffs on July 1, and the 20% common external tariff cut agreed at the Kennedy Round, further challenges being posed by sterling devaluation and the Johnson Plan. Special responsibilities for various aspects of the CIP have been given to units under the Commission, and these will cover: legal, fiscal and competition policy harmonisation, to boost concentration and remove obstacles thereto; the establishment of the capital market for the Community, to avoid takeover of EEC groups by more powerful outsiders, by dint of providing greater financial resources; greater appropriations for R & D work, and improved administration.

Key industries will be studied in the light of these objectives, and a number of ailing industries (textiles, machine tools, shipbuilding etc) have already been scrutinised with regard to their delay in adaptation to new conditions. Other fields in which action is to be taken are the matter of small - and medium-sized firms in the Community, where national action is to be co-ordinated, and the question of technical standards, on which the Commission has already submitted one set of proposals, with another three sets to come, the aim again being Community standardisation.

Steel Industry: Output rose from 85.1 million tons in 1966 to 89.6 million tons, but the world supply surplus continued to exert pressure on prices, and this meant further action by the Community, such that measures dating from 1963-4 were extended for a further period, the external tariffs being aligned on the Italian duty of 9%, quotas being imposed on imports from state-trading countries, and a veto placed on aligning prices with those charged by the latter.

Structural policy advanced, with a recommendation that firms should pursue rationalisation and specialisation agreements, that autonomous decision-making bodies be reduced in number, that some closures be effected and that reconversion and reorganisation also be encouraged.

Coal and Steel Investment Policy: Compared with $ 1.102 million invested in 1966 (see No 418), some $ 1, 110 was estimated to have been spent in 1967. The main problem is that modernisation is still going ahead faster than expected demand would justify: coal production capacity for 1970 is still reckoned at 198 million tons, much more than expected demand, and steel production capacity by then could reach 121 million tons. The report goes on to summarise ECSC borrowings and aid appropriations (see No 451).

Common Transport Policy: On December 14 the Council decided to adopt a series of measures by July 1, 1968 which can be regarded as marking the real beginning of the CTP. However, because of the delay in introducing the CTP, some member states decided to press ahead with their own plans, in particular the so-called Leber Plan in West Germany. Proposals were laid before the Council dealing with road haulage and inland waterways (see No 439) whilst the Commission continued its work on competition.

As regards transport of coal and steel under the ECSC Treaty, both the High Authority and then the single Commission continued action under the established rules.

Social Policy: Work continued on establishing job descriptions applicable throughout the Community for most areas of economic activity. ECSC experiments with programmed training are likely to be extended in the near future. The European Social Fund enabled some 47, 586 workers to find new jobs, whilst during the last eleven months of 1967 $ 18, 986, 744 was spent on ECSC readaptation of 55, 307 workers.

Industrial conversion programmes continued with the same vigour as in 1966 and concentrated on the principal mining, iron and steel centres (Ruhr, Saar, Lorraine, Belgian and Dutch Limburg). This accounted for some $20 million from mid-February to December 31, making a total of $104 million since 1961.

The Commission has proposed that there be freedom of movement for workers on July 1, 1968, although during 1967 some countries have strengthened preferences for their own nationals in certain jobs.

Studies of further directives on dangerous substances have been speeded up, whilst work has continued on industrial hygiene and safety in the coal and steel industry as well as in other economic sectors. The preparation of legislation for protection against radioactivity, which concerns many government departments in member states, has called for the implementation of a genuine Community policy and special efforts by both national authorities and the Commission.

Research and Technological Policy: A number of Community bodies have been active in studying how this can be promoted and at the Luxembourg meeting of the Science Ministers on October 31 (see No 433) the Six decided that a special committee should be set to study and report on co-operation over telecommunications, meteorology, oceanography, metallurgy, pollution and data-processing. (However, this report has been delayed by the problem of Community enlargement). The ECSC spent considerable sums on research, especially into the wider uses of coal, smoke and gas pollution (see No 438).

Nuclear Research

The Second 5 Year Programme came to an end in 1967. Out of the $458.7 m. available, $224.8 m. went on the Commission's own work, $199.4 on major associations, and $34.5 m. on research contracts. Research staff rose from 1,270 to 2,750. The report says that due to difficulties over association agreements covering fast reactors it became necessary to introduce an interim programme covering direct Community action for one year only. Indirect actions and future guidelines for the development of Euratom will be the subject of discussions during 1968 (see No 444).

A draft design for the prototype 250 Mwe Orgel reactor will be submitted by August 1968 (see No 413). As regards nuclear propulsion for ships, a study has shown that it could be a paying proposition for fast container ships. The report says that under present plans the Six will have installed some 60,000 Mwe of nuclear energy by 1980.

External Relations

Membership: Dealing with the request for membership by the Four and Sweden's request for negotiations, the report states that the Commission's opinion to the Council of Ministers on September 29 said "the conclusion drawn is that while enlargement of the Community would entail big changes, this would not alter its basic aims". It also repeats the Commission's regret that the Council was unable to agree over the procedure to be followed towards the applicant countries on December 19.

African Associates: Since April 1, 1967 some $18 million has been granted in the form of production aids, whilst the European Development Fund has made available another $138 million.

Commercial Treaties: Negotiations for trade agreements have begun with Spain (see No 435), Morocco and Tunisia (see No 437). The trade agreement with Israel was extended until June 30, 1968, whilst its request for association is awaiting further moves (see No 394). The agreement with the Lebanon has now been ratified by all of the Six and will shortly be completed in the Lebanon. The trade agreement with Iran has been amended and extended until November 30, 1968, at the request of Iran.

External Trade Policy

The Council adopted the engagements undertaken during the Kennedy Round negotiations on behalf of the Community. The report says that "the political will to succeed proved stronger than the difficulties. More significant perhaps than the figures was the fact that the Community negotiated as a body". However, the results in the agricultural sector were less satisfactory than those for industrial products and there was still the problem of the developing countries. The Commission welcomed the present GATT programme and the desire to contain "inevitable protectionist tendencies".

Community Law

This is becoming increasingly interwoven with the domestic law of the Six. The number of disputes connected with the foundations of Community law is diminishing. Nearly half the requests for a preliminary ruling referred to the Court since the entry into force of the EEC Treaty were made during the first ten months of 1967, and although several supreme courts have referred to the Court of Justice on questions of Community law, neither the higher Italian courts nor the French Conseil d'Etat have yet done so.

The report says that whilst at first sight the ECSC Treaty and the EEC Treaty are different, since the former contains most of the ECSC law whilst the latter is an outline treaty, the difference between the two is diminishing, as ECSC practice is tending to align itself on the EEC.

On the subject of the nuclear non-proliferation treaty, both Euratom and the single Commission have suggested solutions that should allow member states - if they so wish - to renounce all atomic weapons, without affecting the Community system.

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ADVERTISING

** Two Amsterdam agencies RECLA NV (see No 341) and NV ADVIESBUREAU VOOR RECLAME JANSSENS & CO have decided to merge and form a new company called RECLA-JANSSENS ADVERTISING (R.J.A.) NV, which will begin operations on July 1, 1968.

With Messrs. J. A. Van den Houten (Recla) and E. A. Ph. Wessing (Janssens) as directors, this will employ 100 staff and have a turnover of around Fl 20 million.

Recla already has a Swiss subsidiary, Recla International (Montreux), which in turn controls a number of European agencies, Recla-Int (Great Britain) Ltd, Recla Int (Deutschland) Werbe GmbH, Cologne, and Recla-International Belgium NV, Antwerp, as well as others in France, Italy and Finland.

CHEMICALS

** The Dutch company SIKKENS-GROEP NV, Sassenheim (a member of the KON. ZOUT-ORGANON NV, Deventer, group - see No 433), has rationalised its French interests and now has only the Paris subsidiary SIKKENS FRANCE SA. It has wound up DIWAG FRANCE Sarl, Romainville, Seine-St-Denis (capital F 475,000), which it recently acquired, in association with the German firm Sanapol-Werke GmbH, Bendorf, Rheinland, from the Berlin chemical and pharmaceutical company Diwag Chemische Fabriken GmbH, which was recently acquired by the Godecke AG, Berlin, group.

** The Belgian company F. N. - FABRIQUE NATIONALE D'ARMES DE GUERRE SA, Herstal (see No 444), has strengthened its links with the French company CARTOUCHERIE FRANCAISE SA, Paris (see No 395), in which it has a minority shareholding, by making a close technical and sales co-operation agreement. This will cover their munitions production as well as joint use of their foreign sales networks.

F.N. also makes arms to the specifications of Browning Arms Co, Moran, Utah, which the latter distributes throughout the world; it has a 3.8% interest in the American firm which is controlled 66% by the Browning family.

** The German manufacturer of offset plates, developers and chemical products for the printing industry, WILLY KRAUSE oHG, Theesen, Bielefeld, has formed a manufacturing subsidiary in Paris; this is called BIO FRANCE Sarl (capital F 30,000), and it has Herr Willy Krause as managing director, production facilities being at Clermont, Oise.

The parent company, which also has a manufacturing subsidiary in West Germany called Bio-Bielefeld Offset Druckplatten GmbH, Bielefeld, already had a sales company in Paris, Eidesco France Sarl (formed in 1958). Its other sales subsidiaries in Europe are British Eidesco Ltd, London (see No 413), Eidesco Italiana Srl, Milan (see No 425), Eidesco Belgium Sprl, St-Gilles, Brussels (see No 433), and Eidesco Svenska A/B, Stockholm, and the company is planning to set up new ones in the near future in the United States and in South Africa.

** Set up in Zurich in September 1966 (see No 378) by eight chemical groups wanting to harmonise their foreign sales network for ethylene-glycols, GLYCOLEX AG (capital Sf 100,000) has been broken up. The parent companies were: in West Germany B.A.S.F. - Badische-Anilin- & Soda- Fabrik AG, Ludwigshafen; Farbenfabriken Bayer AG, Leverkusen; Farbwerke Hoechst AG, Frankfurt; and Chemische Werke Hüls AG, Marl: in France, Progil SA, Ugine-Kuhlmann SA and Naphta-Chemie SA (in which the British group British Petroleum Co Ltd of London has a 42.8% holding): in Belgium, Petrochim SA, Antwerp, a 50-50 subsidiary of Petrofina SA of Brussels and Phillips Petroleum Co of Barteswille, Oklahoma.

ENGINEERING & METAL

** British interests represented by Messrs. Isidore Stelzer of Bushey Heath, Herts, and Gerlad Kaye of Edgeware have backed the formation in Auderghem, Belgium, of POLARON EQUIPMENT BELGIUM Sprl. This has Bf 250,000 capital, and it is to market, promote, import, export and manufacture scientific instruments, apparatus and machines, especially control and measuring equipment.

** In the French farm machinery industry, S.M.A.T.P. - STE DE MATERIELS AGRICOLES & DE TRAVAUX PUBLICS SA, Boulogne-Billancourt, Hauts-de-Seine, a subsidiary of the group R.N.U.R. - REGIE NATIONALE DES USINES RENAULT SA (see No 446), has formed close links with SA DES ETS FENET, Bergueneuse, Pas de Calais (see No 305), which also include the acquisition by Renault of a minority interest in the latter.

S.M.A.T.P. makes tractors and civil engineering plant in its works at Le Mans, Sarthe, employing over 3,000 workers. Fenet manufactures ploughs, disc harrows, storage and handling equipment, metal buildings and liquid fertiliser distributors, for an annual turnover, employing about 450, of F 20 million. It is also majority shareholder in the Ouve-Wisquin, Pas de Calais liquid fertilisers concern, l'Ammoniac Agricole SA (annual turnover close on F 10 m.).

** The German DINGLERWERKE AG, Zweibrücken, Saar, and KLAUS-GERD HOES, BAUMASCHINEN oHG, Oldenburg, have decided to co-operate closely in the manufacture of road-laying plant, in particular asphalt surfacing machines.

With about 200 on its payroll, Klaus-Gerd Hoes has an annual turnover of around Dm 18 million. Dinglerwerke, in which the Demag AG group of Duisburg (see No 450) has a large majority holding, employs about 2,500 people in the production of civil engineering equipment, air conditioning plant, furnaces, nuclear engineering, etc. In 1966 its turnover was close on Dm 85 million. It has a subsidiary in Paris, Dingler France Sarl (capital F 100,000).

ENGINEERING & METAL

** An agreement signed in France between the French aluminium processing concern INDUSTRIA SEMILAVORATI ALLUMINIO-I.S.A. SpA, Milan, and the Paris company STE D'EQUIPEMENT & DE RECONDITIONNEMENT-SOCIREC, Paris, has resulted in the formation of DIFFUSALU-CIE EUROPEENNE DE DIFFUSION DE L'ALUMINIUM SA (capital F 200,000) with M. Rene Boutboul as president. The new company will sell all types of product based on aluminium or aluminium alloys.

The Italian shareholding (49%) is shared between the Milan concern (30%) and Sigs F.A. Sfondrini, Bergamo, and G. Simonelli, Milan.

Industria Semilavorati Alluminio-I.S.A. SpA (capital Lire 400 m. since 1963), which is headed by Sig. Fausto Zamboni, makes aluminium beams, pipes and tubes in its Milan and Rho factories.

** The Dutch tool manufacturer PEJA PRODUCTEN N.V., Arnhem, has set up a West German subsidiary PEJA VERTRIEBSGESELLSCHAFT FÜR INDUSTRIELLE ERZEUGNISSE mbH, Duisburg (capital Dm 50,000) with Herr Karl Fabisch, Mülheim, as manager.

The founder is run by Mr. A. Bienemann, and there is a Belgian sister company, Peja Machines N.V.

** The West German firm ADOLF MOHR POLAR-WERKE oHG, Holheim, Taunus (lead ochres) which has around 700 people on its payroll, has formed a Swiss manufacturing subsidiary POLAR GRAPHIK GmbH, Lachen, whose capital of Sf 200,000 is shared equally between the founder's owners Herren Rudolph and Karl Mohr.

** The New York company ALLIED IMPEX CORP. has formed a Stuttgart subsidiary AIC FOTOTECHNIK GmbH, to sell in Europe the whole range of photographic and cinematographic equipment (especially reflex cameras) made in Japan by MIRANDA CO (its 99% subsidiary). "Miranda" cameras will be sold with a three year guarantee.

FINANCE

** Further to the agreements made a few months ago (see No 428) between CIE FINANCIERE DE SUEZ & DE L'UNION PARISIENNE SA (see No 450), STE LYONNAISE DES EAUX & DE L'ECLAIRAGE SA (see this issue) and CIE DE PONT-A-MOUSSON SA, Nancy (see No 433), with regard to pooling certain of their activities, aligning policy and concentrating complementary interests (see No 431), Pont-a-Mousson is preparing to absorb one of its investment subsidiaries, L'INDUSTRIE LORRAINE SA, Nancy (see No 376).

This operation, allied with those in hand regarding Suez (absorption of S.I.M. - Ste d'Investissements Mobiliers SA - see No 450) and Lyonnaise des Eaux (assets from Ufiner SA - see this issue) will give Pont-a-Mousson an interest of some 7% - equal to that of Suez - in Lyonnaise des Eaux (capital now being increased to F 216.9 m.) which for its part will hold interests of 5% in the Nancy group, and 2% in Suez.

** Under the majority control of an international group headed by the HAMBROS BANK LTD of London since 1963 (see No 447), the Amsterdam holding company, ALGEMENE COMMERCIELE ASSOCIATIE (A.C.A.) NV (see No 447) has increased its authorised capital from Fl 10 to Fl 50 million, and its issued capital from Fl 3.5 to Fl 11 million, changing its name to HAMBRO INTERNATIONAL NV. Hambro International is under the joint direction of the London bank and the Nederlandse Oversee Bank, Amsterdam, the minority shareholder.

A.C.A. administers a portfolio valued at about Fl 13 million, composed of a 25% interest in Investeringbank Amsterdam NV of Amsterdam (in association for the balance with Netherlandse Oversee Bank), as well as holdings in Locana Corp. Ltd. (specialists in Mining investments in Canada and one of whose numerous shareholders is the Hambros Bank), Mij. Tot Verhuur & Financiering Van Bedrijfsmiddelen "Lease Plan Nederland" NV, Amsterdam, Internationale Dienstverlening Buitengaats NV, Rotterdam, the suppliers of provisions to offshore oil rigs etc.

** The London brokers JOSEPH SEBAG CO. have taken part - through their United States subsidiary called JOSEPH SEBAG INC - in the formation of the Luxembourg investment fund FRONTIER TRUST SA (authorised capital $ 10 m.) along with its management company FRONTIER TRUST HOLDING CO SA (capital $ 100,000).

The Banque Generale Du Luxembourg SA, part of the Ste Generale de Belgique group, has also taken part in the formation of thirteen companies. In recent months it has also backed two other investment trusts, Aldringer Trust SA (see No 445), and International Securities Fund SA (see No 439), which were established as a result of moves by the London brokers Cazenove & Co Ltd, and the New York brokers Kidder, Peabody & Co.

** The French group STE LYONNAISE DES EAUX & DE L'ECLAIRAGE SA (see No 447) is to strengthen its financial links with the investment company UFINER-UNION FINANCIERE POUR L'INDUSTRIE & L'ENERGIE SA (see No 439), itself formed by the acquisition in 1967 of U.F.I.E. SA by Sudener (see No 437).

Ufiner-Union Financiere Pour L'Industrie & L'Energie SA will make over to Ste Lyonnaise Des Eaux & De L'Eclairage SA - in return for an additional shareholding of 2.8% - various interests including shares in Ste Des Maisons Phenix SA, Paris and Ugine Kuhlmann SA, Paris.

** A reorganisation of the Italian banking industry will result in the Milan group CREDITO ARTIGIANO SpA taking over the regional bank BANCA GUISEPPE FLORIDIA SpA, Florence.

Credito Artigiano, whose president is Sig. Antonio Vismara, doubled its capital in 1965 to Lire 1,000 million; at the end of 1967 it controlled deposits worth Lire 50,000 million, with reserves amounting to Lire 744 million.

FOOD & DRINK

** The French coffee roasting and tea concern LES CAFES JACQUES VABRE SA, Montpellier, Herault (formerly Le Cafe Mexico, Denamiel, Vabre & Co SA - around 1% of the coffee market with its "Mexico" brand coffee and "Pickwick" tea), has signed an agreement with the leading Dutch coffee roasting firm DOUWE EGBERTS KONINKLIJKE TABAKSFABRIEK & KOFFIEBRANDERIJEN-THEE HANDEL NV, Utrecht (see No 450). Formed in 1896 by M. Marcel Denamiel, the French firm will now make four different grades of coffee ("Regal", "Tradition", "Dessert" and "Degustation"), involving special blends adapted to the taste of customers in north and eastern France, as well as a wide range of instant accelerated freeze-dried, instant and decaffeinated coffee.

** The Amsterdam brewery group HEINEKEN'S BIERBROUWERIJ NV (see No 404) has decided to acquire complete control of the Buunik concern VRUMONA, in which it is already an important shareholder. Until 1966, Vrumona was a 50% interest of NV Bedrijscentrale voor Het Koolzuŕhoudende- & Alchololbrije Dranken Bedrijf (which has since been wound up), with which it linked to form NV Verkoopmij Vrumona-Producten, responsible for marketing its soft drinks, "Polar, Sunkist, Fosco, Royal Club Tonic, Si-Si, B-3 and Pepsi-Cola" (the latter under franchise from the New York Pepsico Inc).

Heineken has numerous foreign interests, including Mobiliare Industriale Cisalpina SpA, Milan, the Belgian Mouterij. Albert NV, Wijnegen (in association with the Breda brewery group Bierbrouwerij. de Drie Hoefijzers NV), the Spanish Cia Hispano- Holandesa de Cervezas SA, Burgos.

** In Italy S.M.A.I.M. - STA MIGLIORAMENTO AGRICOLO INDUSTRIALE DEL MEZZOGIORNO SpA, Naples (see No 302), has been absorbed by STA GENERALE DELLE CONSERVE ALIMENTARE CIRIO SpA, Rome, which had previously gained outright control of it (capital Lire 50 million). CIRIO (capital Lire 3,000 million) is an affiliate of the group Sta Generale delle Conserve Alimentare Cirio (see No 441), and produces canned foods, pasta, coffee and milk products. It has about 15 factories, the main ones being in the provinces of Salerno, Caserta, Modena, Naples and Verona.

GLASS

** OWENS-CORNING FIBERGLAS DEUTSCHLAND GmbH has now been formally established at Wiesbaden (see No 449) with Dm 20,000 capital as a subsidiary of the American fibreglass and plastics concern OWENS CORNING FIBER-GLASS CORP, Toledo, Ohio. Messrs. Hubertus Wriedt and Richard Muzzi have been appointed managers of the new company.

INSURANCE

** TRANSATLANTISCHE VERSICHERUNGS AG, Hamburg (capital Dm 4.8 m.), the insurance company (transport, fire, theft and liability), has been taken over by the London group ROYAL EXCHANGE ASSURANCE; for a price of about £1.5 million, Royal Exchange gained majority control of the German firm. The latter, whose annual income from premiums is more than Dm 71 million a year, also carries out work outside Germany, in France (with its branch in Paris), Belgium and the Netherlands.

The British group, which already had a subsidiary in the Common Market called Amsterdam-London Verzekering Mij. NV, Amsterdam, has a network of overseas interests which covers the main countries of the Commonwealth and the United States. At the moment it is holding merger talks with Guardian Assurance Co Ltd, London (see No 439), a company which also has interests in West Germany, Albingia Versicherungs AG and Albingia Levensversicherungs AG, both at Hamburg.

PAPER & PACKAGING

** The Tacoma, Washington, paper and forestry group WEYERHAEUSER CO has strengthened its French interests by taking over PAPETERIES DU FOREZ SA, Feurs, Loire, and its subsidiaries DROPSY SA and STE REMOISE DE PAPETERIE SA (both of Rheims - see No 399).

Papeteries du Forez (president M. Jean Astic - capital F 1.26 million) produces wrapping and writing paper in its factory at Montverdun, Loire.

** The American paper and packaging concern EURPAC SERVICE INC, Greenwich, has formed a subsidiary in West Germany, EURPAC SERVICE GmbH, Frankfurt, with Dm 20,000 capital and Mr. Richard Rist as manager.

PHARMACEUTICALS

** The Swedish pharmaceutical company CEDERROTH TEKNISKA FABRIK A/B, Vällingby, Stockholm (see No 404), has strengthened its Common Market interests with the formation of a West German subsidiary, CEDERROTH MARKETING GmbH, Wiesbaden (capital Dm 20,000). The manager of the new concern is Mr. Björn J. Hansson.

The founder (Salvekwick & Saip adhesive plaster and Samarin fruit salts) co-ordinates the operations of its companies through the Geneva companies Cederroth Marketing SA (capital Sf 2.318 m.) and Cederroth International SA (capital Sf 280,000). It also controls the Dutch Cederroth NV, Alkmaar (acquired from the American group Kendall Co, Boston, Massachusetts), and in Austria, Cederroth AG, Vienna.

** LABORATOIRES SOPHARGA SA, Puteaux, Hauts-de-Seine, which carries out research and development, manufactures and trades in primary products for special pharmaceutical preparations, has had its capital increased from F 1 to 1.5 million; the increase was underwritten entirely by SAPIEM-STE DE PARTICIPATIONS DANS D'INDUSTRIE ALIMENTAIRE SA (see No 418), which as a result is now on an equal footing with the two other shareholders which formed the company in 1964, namely: 1) LABORATOIRES DIAMANT SA (formerly Laboratoires Diamant, Ste des Antibiotiques de France - S.A.F. SA - see No 422), wholly-owned subsidiary of S.I.F.A. - Ste Industrielle pour la Fabrication des Antibiotiques SA, Paris, which is itself a member of the Ste Centrale de Dynamite SA, Puteaux, Hauts-de-Seine, through Ste Francaise des Glycerines SA; and 2) STE LAITIERE GALLIA SA, Paris, a subsidiary of the dairy group Gervais-Danone SA, Levallois-Perret, Hauts-de-Seine.

Sapiem has been negotiating for some time with the dairy group Genvrain SA (see No 418) with the intention of merging their manufacturing and sales activities sometime in the future.

** NV PHILIPS-DUPHAR, Amsterdam, which groups the main chemicals and pharmaceuticals business in the Netherlands of the group NV PHILIPS' GLOEILAMPENFABRIEKEN, Eindhoven, has, in association with the American industrialist Stanley J. Sarnoff, Bethesda, Massachusetts, formed a company called DUPHAR-CARTRIX NV in Amsterdam to make and sell medical instruments (especially single-use syringes). Mr. Sarnoff heads the two American companies Cartrix Corp and Rodana Research Corp.

Philips-Duphar was already working in close co-operation with these two companies for the manufacture and sale of these syringes in several countries.

** The Italian group LEPETIT SpA, Milan (formerly Ledoga SpA), which in 1967 came under the control of the American group DOW CHEMICAL CO, Midland, Michigan (which had held a large interest in it since 1964 - see No 418), has strengthened its foreign sales network by opening direct branches in Britain and Greece. The first is at Slough, Bucks, and is directed by Mr. William S. Hunt, whilst the second is at Athens, under M. P. N. Gerolymatos.

The Milan group, which since June 1967 has had a subsidiary in London, Lepetit Pharmaceuticals Ltd, will in 1968 invest some Lire 2,500 million (out of a total investment schedule of Lire 4,500 million) in increasing the production capacity of its pharmaceuticals plants at Milano-Bovisa, Torre Annunziata and Garessio, Cuneo.

PLASTICS

** A technical and sales agreement has been concluded in the plastic containers field between the British company THERMO-PLASTICS LTD, Dunstable (see No 364), the German companies, PRESS & STANZWERK PAUL CRAEMER KG (Herzebrock, Gütersloh) and FRIEDRICH STUCKENBROEKER KG (Lockhausen), and the Norwegian company SVEIN STROMBERG & CO A/S, Oslo.

The first-named company, a member of the English Sewing Cotton Ltd group of Manchester (in which Imperial Chemical Industries Ltd and Courtaulds Ltd each have a 12.5% holding), has, amongst its foreign interests, a 33% holding in the Belgian firm Aspect SA of Auderghem, Brussels. Paul Craemer (capital Dm 1 m.) has a turnover of some Dm 15 million and a payroll of about 300.

** The Danish plastics processing concern DARMO A/S, Hojvangen, has formed a sales subsidiary in West Germany, CARMO HANDELS- & INDUSTRIE GmbH, Hanover, with Dm 20,000 capital and Mr. Jörn Christiansen as manager.

PRINTING & PUBLISHING

** The editorial agreement linking numerous Dutch dailies within REGIONALE DAGBLAD- R.D.P. has not been renewed, but most of the papers concerned have joined to found COOPERATIEVE VERENIGING ADVERTENTIECOMBINATIE R.D.P.U.A. to act as an overall advertising agency for its backers.

The members of the co-operative - representing some twenty papers - are Verenigde Noordhollandse Dagbladen, Alkmaar (200 employees); Wegener's Couranten Concern NV, Apeldoorn (see No 439); NV Friese Pers, Leeuwarden; Uitgeversmij de Grondewet NV, Roosendaal; Uitgeversmij C. Misset, Doetinchen (see No 424); Kluwer's Couranten Bedrijf NV, Deventer; Hilarius Couranten Bedrijf NV, Almelo; and C. V. Provinciale Zeeuwse Courant, Middelburg (150 employees).

** The American publishing group RODALE INTERNATIONAL INC, Emmans, Pennsylvania, has formed a wholly-owned subsidiary in Paris, RODALE PRESSE Sarl. This has F 20,000 capital, and, managed by Mlle N. Yvelin de Beville, it will print and distribute books, periodicals and publications concerned with health, and also works published by the parent company.

SHIPBUILDING

** The Japanese and West German shipyards KAWASAKI DOCKYARD CO LTD, Kobe (see No 344), and BLOHM & VOSS AG, Hamburg (see No 440), which have been linked since 1965 by technical co-operation agreements covering travelling cranes, have decided to work more closely together. They will co-ordinate on a world-wide scale their repair and maintenance activities, as well as extending their technical co-operation to marine engines.

The Japanese company has a dock at Sakaide large enough to construct a 500,000 ton ship in, although it is centred on Kobe. The West German company (annual turnover exceeding Dm 400 m.) has as its main shareholders August Thyssen Hütte AG, Duisburg-Hamborn (33%), Blohm (represented by Verwaltungsgesellschaft Elbe (33%) and Siemens AG, Berlin (25%) and the von Dietlein family (8%).

TEXTILES

** ERNST PIETSCH GARDINEN-INDUSTRIE GmbH, Deggendorf (furnishing fabrics and polyester fibre curtains), which employs 250 people for an annual turnover of around Dm 20 million, has become established on the Austrian market by forming a subsidiary in Vienna called ERPI-GARDINEN ERNST PIETSCH GmbH (capital Sch 100,000 - manager Herr Hans Röseler, Deggendorf).

** The German carpet manufacturer VORWERK & CO KG, Wuppertal-Barmen (see No 389), has considerably increased its production capacity by gaining control of the Hamlin company OKA TEPPICHWERKE GmbH. With a capital of Dm 2.5 million, the latter, with a payroll of some 850, has a turnover in the order of Dm 50 million per annum, mainly in tufted carpets; the company has a sales subsidiary in Belgium, Oka Tapijtfabriek NV, Hamme, a joint subsidiary in West Germany with T. F. Firth & Sons Ltd, Brighouse, Yorkshire, Oka-Firth & Sons GmbH, Hamlin.

Under the ownership of the Scheid family, Vorwerk, which employs more than 9,000 people and now has an annual turnover in excess of Dm 300 million, also has activities outside the textile sector - electric and electronic engineering; in the latter sector, the company has a number of subsidiaries abroad, in France, Belgium Italy, Denmark, etc. As regards carpets, it is associated (60-40) with the New York company Bigelow-Sanford Inc in Nadelflor Teppichfabrik Vorwerk Bigelow-Sanford GmbH of Wuppertal-Barmen; it also has technical links in France with Lorthiois, Leurent & Fils SA, Tourcoing (see No 443), and has interests in Afghanistan in Afghan Wool Industry Ltd at Kabul (see No 370).

** LUREX NV, Amsterdam (see No 387), subsidiary of DOW CHEMICAL CO, Midland, Michigan (see No 444), has gained control of the Brazilian company JAMESON SA INDUSTRIAL COMMERCIO, Sao Paulo, and renamed it Lurex Ltda. Lurex NV took over the business of Dow Chemical's subsidiary in 1966 (see No 367). Lurex Ltda (directed by M. J. Michelson, its former owner) will make and distribute in Brazil "Lurex" plastic and magnesium metalised threads.

This thread is produced in Britain in the London subsidiary Lurex Co Ltd, and is marketed in France by Lurex-France Sarl, Paris, which is controlled by the Amsterdam subsidiary.

** The two Dutch textiles concerns NV ZEEUWSCHE CONFECTIE-FABRIEKEN, Middelburg, and NV CONFECTIEFABRIEK HEKA v/h VAN HEEK, Rijssen (more than 200 on payroll), are strengthening their links.

The first, which has a subsidiary called Necolan NV, has factories at Middelburg and Aardenburg, and in Belgium at Langemarkt, Ieres. In order to form the latter it linked in 1960 with a similar firm, Schellekens' Confectiebedrijf NV, Aalst, Eindhoven, which it recently bought out of the venture. In return, it recently sold its factory at Bergen-op-Zoom to Gebr. Van Gils Confectie-Ateliers NV.

** The French felt concern ETS. BRICQ & CIE SA, Paris and Montbron, Charente (factory at Marthon, Charente), which employs over 300 workers, has taken a 50% interest in forming TEXTIL GUISSONA SA at Lerida in Spain with Ptas 20 million capital.

TOURISM

** After the failure last year of the $16.8 million bid by GRAND METROPOLITAN HOTELS LTD, London (headed by Mr. Maxwell Joseph) to take over STE DES GRANDS HOTELS ASSOCIES SA, Paris (see No 417), FORTE'S (HOLDINGS) LTD, London (see No 386), has now had an offer of $24 million accepted by the group, and is awaiting the approval of the Bank of England and the French Ministry of Finance. Grands Hotels Associes is owned 51% by Mme F. Dupre, and 49% by STE DECAZE (heirs of Francois Dupre), and the three Paris hotels in question are the Plaza Athenee, the George V and La Tremoille..

Forte's, which is conducting the operation through AIRPORT CATERING SERVICES LTD (its 60-40 subsidiary with B.E.A. - British European Airways Ltd), controls about 100 companies in Britain - running hotels, restaurants, resorts, camping sites, etc. One of its most recent moves was to form Forte's International Hotels Ltd, to purchase interests on behalf of the group in foreign hotels.

TRADE

** The German mail order group FRIEDRICH SCHWAB AG UBER-LANDVERSAND, a member of the New York group THE SINGER CO (turnover Dm 450 million), has formed a subsidiary in Frankfurt to run department stores, MEHRWERT GmbH & CO KG (share capital of Dm 2 million). This company's first move will be to open a department store at Dörnigheim.

** An agreement between the French ETS. HAERINGER MIGROS AGAM SA, Haguenau, Bas-Rhin, and the West German J. LATSCHA FRANKFURT KG, Frankfurt, chain stores will result in the formation of LATSCHA-HAERINGER. This will have the task of opening 10 self-service shops in Eastern France.

Headed by Herr J. B. Felten, the Frankfurt firm is mainly involved in the food sector. The French company (president M. Pierre Haeringer - capital F 9.2 m.) controls a subsidiary called Ste Europeenne de Supermarches, Haguenau.

** The French chain store PRIMISTERES SA, Paris, and the wine company ETS NICOLAS SA, Charenton-le-Pont, Val-de-Marne (see No 404), having entered into close co-operation in 1967, as regards prices and distribution (see Nos 382 and 391), and formed the 50-50 subsidiary Niprim Sarl (capital F 500,000), the first has now made over to Nicolas its wine stores at Charenton, in exchange for a 12.5% shareholding. This will enable Nicolas to handle distribution of wine to all Primisteres branches and supermarkets, leaving the latter free to develop its sales network.

TRANSPORT

** A 50-50 link-up between the West German shipping firm FENDEL SCHIFFAHRTS AG, Mannheim (see No 406) - a member of the VEBA group, Berlin and Bonn, through its subsidiary Bergwerksgesellschaft Hibernia AG, Herne - and the Belgian shipping and port transportation holding company HAVEN- & SCHEEP-VAARTBELEGGINGSMIJ. NV, Antwerp, has resulted in the formation of the transport concern RHENUS BELGIE NV (capital Bf 35 m.).

The Belgian partner (capital Bf 40 m.) was formed by a recent 50-50 agreement between Ste Nationale d'Investissement - S.N.I. SA, Brussels (see No 448) and the Antwerp group AHLERS NV (see No 416), represented by its subsidiaries Scheepvaart-Kantoor H. G. Ahlers NV, Delta Algemene Scheepvaartonderneming NV, Belgian Baltic Lines NV and Expeditiekantoor H. G. Ahlers NV (all based in Antwerp). The latter group (again through the same subsidiaries) has also become its token partner in Immobilien Noorderlaan NV (capital Bf 2.5 m.), recently formed in Antwerp to carry out all types of property deals.

VARIOUS

** CALIFORNIA LAND AG, Zurich (capital Sf 50,000), which specialises in property investments in California, has become a majority shareholder in the Munich film-hire concern NORA FILMVERLEIN GmbH & CO KG (see No 394). This is one of the three largest German firms of this kind, and in 1967 (see No 388), came under the control of the firm belonging to the city of Vienna, Wiener Stadthalle, Stadion Betriebs- & Produktions GmbH, after which the German publishing group C. Bertelsmann Verlag, Gütersloh, sold the shares it held.

LATE FLASHES

ELECTRICAL ENGINEERING: The Japanese electrical group MATSUSHITA ELECTRIC INDUSTRIAL CO LTD, Osaka (see No 265), has formed a sales company in Levallois-Perret, Hauts-de-Seine, called Matsushita Electric (France) Sarl, with F 500,000 capital, held directly by its commercial division, Matsushita Electric Trading Co Ltd, with a token holding retained by the German subsidiary Matsushita Electric (Hamburg) GmbH.

The new company is managed by Mr. Sokichi Fujiwara, who was until now the group's agent in Paris, in which capacity he operated from the "Unamec" electro-technical department of CIE DU NIGER FRANCAIS SA, Paris (a member of the Unilever group - see No 366).

Matsushita's French interests have long been represented by The National Trading Co (France) SA, Paris, which in 1967 was renamed Ste Parisienne de Promotion & d'Accession a la Propriete Immobiliere & Fonciere SA.

** M.T.I. - LE MATERIEL TECHNIQUE INDUSTRIEL SA, Paris (automation, electric relays, remote controls, indicators, etc.), has opened a branch in Düsseldorf under M. Jean Deneuville.

M.T.I. has F 6 million capital, and has a factory at Meaux, Seine-et-Marne (employing 650), plus depots at Nancy, Rouen, Roubaix and Toulouse.

ENGINEERING & METAL: The German light engineering group GUTBROD WERKE GmbH, Bübingen, Saxony (see No 364), has backed a concentration move in France, involving three companies at Macon, Seine-et-Loire: MOTOSTANDARD SA (capital F 3 million); UNIMECA - UNION INDUSTRIELLE POUR LA MECANIQUE SA (F 5.88 m.) and MONET & GOYON SA.

Monet & Goyon is the centre of this move, and, absorbing the other two, it has been renamed Gutbrod SA. It will now distribute a whole range of motors and such farm machines as cultivators, reapers, balers, etc., under the marques "Star", "Gutbrod" and "Motostandard".

** An agreement reached between the civil engineering division of the Duisburg group KLOECKNER & CO KG (see No 444) and the manufacturer of roller-presses and lifting hoists HUBERT ZETTELMEYER MASCHINENFABRIK & BAUMTERNEHMUNG, Konz über Trier (see No 378), means that the Duisburg group will now control Zettelmeyer's sales network for materials handling equipment.

The latter (1,800 workforce) has as managing partner Herr Wolfgang Corsten, also manager of the French firm Sablieres d'Alsace Sarl, Ottmarsheim, Haut-Rhin (see No 322).

** A 50-50 association in the Netherlands between LIPS NV of Drunen (see No 438) and NV MACHINEFABRIEK & REPARATIENBEDRIJF J. H. KELLER, Rotterdam (see No 414), has led to the formation of a new company for repairing and trading in ships' propellers; the firm is called LIPS KELLER NV, Rotterdam, and the capital is Fl 250,000.

The first named of the parent companies, which employs some 1,200 people, specialises in the manufacture of propellers, hydraulic pumps and motors, as well as various copper and aluminium bars, strips and mouldings, etc. The company has a number of subsidiaries, including Lips-Bodart-Metaalverwerking (L.B.M.) NV of Drunen, in which it is associated 50-50 with the Belgian company Jean & Francois Bodart SA, Anderlecht-Brussels (see No 358); the company's foreign interests include those in Paris - Lipsudest SA, Genoa-Ansaldo-Lips SA (50-50 with Anslado SpA), Tirlemont, Belgium - Socolips-Ste Belge d'Afficage SA, Madrid - Navalips SA (50-50 with Sociedad Espanola de Construccion Naval SA), etc. The second of the parent companies became associated recently (50-50) with NV Bedumer Machinefabriek, Bedüm, in order to set up a firm in Rotterdam, Hydro-Holland West NV, for the maintenance of hydraulic plant and equipment.

** The German producer of roller chains, ARNOLD & STOLZENBERG GmbH ROLLKETTENFABRIK EINBECK, Juliusmühle über Kreiensen, has just formed a manufacturing and sales subsidiary in Austria, ARNOLD & STOLZENBERG, Vienna, with a capital of Sch 100,000 and Herr Karl Schulte as managing director.

The parent company, one of the leading companies in the sector in Germany, with an annual turnover in the region of Dm 18 million, employs some 600 people. Since 1963, it has been under the control of the British group Renold Ltd (formerly Renold Chains), Manchester, which has important interests in the Common Market - Ketten GmbH of Düsseldorf, Manufacture Lilloise de Chaines SA, La Madeleine, Nord, and Brampton-Renold SA, Neuilly, Hauts-de-Seine.

** A French licensee and affiliate of the American group STAMCO INC, New Cremen, Ohio (see No 400), STE DE CONSTRUCTIONS MECANIQUES DE CREIL SA - COMEC, Creil, Oise, has formed, in association with the latter (the minority shareholder), a sales subsidiary in Paris called Stamco Comec Engineering Sarl (capital F 50,000). With M. Paul Bap, the president and founder of Comec, as managing director, the new company is concerned with the building of installations for the processing and finishing of sheet materials, and in particular metals (cutting jigs and formers, mechanical and chemical processing of thin sheet and strip metal).

Comec was already associated with Stamco in its subsidiaries in Madrid, Düsseldorf and Milan (see No 300).

FINANCE: BRAUNSCHWEIGISCHE STAATSBANK, Brunswick (capital Dm 100 m. - see No 443), which is owned by the Land of Lower Saxony, has become the majority shareholder in I.H.B. - INVESTITIONS- & HANDELSBANK AG (see No 421). This has been made possible through the withdrawal of the Paris company UNION FINANCIERE DE PARIS SA (in liquidation for several months now - see No 445) and the acquisition of shares from the trade union bank BfG - BANK FUER GEMEINWIRTSCHAFT AG, Frankfurt (see No 445), until now the majority shareholder with over 50%. The latter move had been under consideration for a number of years (see No 299).

I.H.B. (capital Dm 50 m.) has interests in the manufacturing sector, including Rigips Baustoffwerke GmbH, Bodenwerden (insulating materials) and Sieg-Rheinische Germana Brauerei AG, Hersel (brewing). It also has shareholdings in Assecuranzia Gesellschaft für Versicherungs Vermittlung mbH, Fides Verwaltungs GmbH and Wirtschaft Finanz AG (all three in Frankfurt). In Switzerland it has a 10% interest in Conver AG für Fondsverwaltung, Zurich (capital Sf 1 m.).

I.H.B.'s most recent move has been the formation in late 1967 - along with Gesellschaft für Finanzberatung mbH, Düsseldorf - of the company SACHWERT LEASING GmbH & Co KG (share capital of Dm 6.5 m.), which will take part in building a shopping centre in Mannheim. The latter project is the work of Europa Markt GmbH, Mannheim, a subsidiary of the Swiss holding company Immobfin, Zug.

FOOD & DRINK: The German biscuit group H. BAHLSEN KEKSFABRIK KG, Hanover, has bought up GUBOR SCHOKOLADENFABRIK GmbH, Untermünstertal, Schwarzwald (capital Dm 2.25 m.; payroll 350), the second German subsidiary to come under its control of the Swiss KAMBLY AG, BISCUITS & CONFISERIE, Trubschachen, Berne, the first having been Kambly GmbH, formed at Untermünstertal in 1965.

Bahlsen, which employs more than 6,000 people in Hanover alone, recently doubled to F 3 million the capital of its Rueil, Hauts-de-Seine subsidiary, Bahlsen-France Sarl.

** The Paris dairy products group FROMAGERIES BEL - LA VACHE QUI RIT SA (see No 448) has acquired a minority interest in another French firm in the sector, FROMAGERIES PICON SA, St-Felix, Haute Savoie, which produces fondu cheeses (about 10% national market coverage), and has a turnover of around F 70 million.

In 1963, the New York group National Dairy Products Corp (see No 393) made a takeover bid for the St-Felix concern, through a subsidiary formed for the purpose in Paris, Kraft SA, but had to abandon the attempt, having failed to obtain the requisite authorisations.

** ITALVINO GmbH has been formed in Wiesbaden to be the exclusive German agency for vermouths, aperitifs and asti wines produced by the Italian PERLINO & CO SpA (capital Lire 150 m. - president Sig. Euzo Giachero).

INSURANCE: Formed as a result of the reorganisation of the Amsterdam insurance group NV NEDERLANDSCHE LLOYD (see No 450), SCHADEVERZEKERINGSGROEP NEDLLOYD NV has opened a Liverpool branch under Messrs. A. Bath, R. Chesham, R. Dickinson and D. Cassidy.

PAPER & PACKAGING: The French sugar and paper group STE F. BEGHIN SA (see No 450) will extend its interests in the cellulose wadding and tissue sector with its forthcoming absorption of PAPETERIES DE L'EURE SA, Paris (factory at Autheuil, Eure).

The latter is directed by M. G. Rullier, has F 1.5 million capital, and, using the brand-names "Eve", "Ovaty" and "Watermatic", produces papers of the same quality as those made in Eastern France by a near-60% subsidiary of the Beghin group, Cie de Kayserberg SA (see No 418), the "Lotus", "Vania", "Rami" and "Jonquille" lines of which are distributed by the subsidiary Ste de Distribution Beghin-Sodibe Sarl, Paris (see No 382).

PLASTICS: BANQUE DE PARIS & DES PAYS-BAS SA, Paris and SOFIREM-STE FINANCIERE POUR FAVORISER L'INDUSTRIALISATION DES REGIONS MINIERES SA (a new subsidiary of the State group C.D.F. - CHARBONNAGES DE FRANCE, under M. Pierre Pouquet) have taken a minority shareholding in STE QUILLERY SA, La Garenne-Colombes, Hauts-de-Seine (see No 369), one of the leading French makers of plastic mouldings for the motor industry. The Colombes firm will remain under the control of its president and founder M. Henri Quillery. Quillery employs some 1,100 people in its head office plant and that at Argenteuil (which belonged to the former Lagache & Glaszman SA, taken over in 1964). It will invest some F 17 million in a new factory at Henin-Lietard, Pas-de-Calais; this is due to have a workforce of 300, most of whom will be former miners.

RUBBER: The Hamburg-Harburg rubber and plastics group PHOENIX GUMMIWERKE AG (see No 443), an affiliate at more than 25% of the American FIRESTONE TYRE & RUBBER CO, Akron, Ohio, has increased production capacity appreciably by gaining 76+% control of the rubber products concern, WETZELL GUMMIWERKE AG, Hildesheim (mainly supplying industry). This company, with Dm 1.38 million capital, was until now a family business, employing about 300 people for an annual turnover in excess of Dm 20 million. Phoenix is the second largest German rubber firm, after Continental Gummiwerke of Hanover.

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