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A WEEKLY REPORT ON THE ECONOMY OF THE COMMON MARKET

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July 10 - July 16, 1967

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## THE WEEK IN THE COMMUNITY

July 10. - July 16, 1967

From our Correspondents in Brussels and Luxembourg

## THE COMMON MARKET

"Enlargement": The Pros and Cons

The question about the relative advantages or disadvantages of enlarging the Community came up for discussion on July 10 in Brussels, when all the Foreign Ministers of the Six were present at the Council meeting. It was not the objective arguments expressed for or against Britain's bid that made the debate worthwhile, for these arguments are already well-known, and lend themselves readily to mere theorising: one can discuss them interminably and get nowhere. The meeting was, in fact more interesting from the procedural point of view, and one can now say that another stage in the long haul which will one day lead Britain into the Community has been accomplished. Now the problem of allowing Britain to state her case has been overcome, the discussion of the theoretical aspects of enlarging the Community has, in its turn, been dealt with. The new Commission under M. Rey has been put in the picture, and it will now be able to prepare its report on the applications for membership by Britain, Denmark and Ireland, as well as that of Norway, even though the latter has not yet made a formal bid. This document should be ready by the end of September, and available for discussion by the Council when it meets again on October 2. This will be but a preliminary discussion, such that talks are unlikely to start in earnest until the middle of October, and will necessitate several sessions. Thus the moment of truth as to whether to give the go-ahead for negotiations with Britain will not arrive until the end of the year.

A decision is unlikely to be delayed any longer, however, now that the wheels of procedure have started to turn, and this begs the question: is the Community going to be faced with another crisis before the next six months are up? Paris may delay such a situation by changing tactics, and rather than object to the opening of negotiations, call in question the feasibility of enlargement as such. If she does not, there may well be an outbreak of real tension amongst the Six, especially if the economic recession some countries are at present suffering starts to fade. For the Five have virtually committed themselves to starting negotiations, whilst M. Couve de Murville has hardened his position. In fact both sides have burnt a few more of their boats, and this is by no means the best way of effecting a compromise.

The French argument, that enlarging the Community would change its nature, reinforce American domination of Western Europe, and intensify rather than eliminate cold war fears was opposed by the Five, but not always with the same vehemence. Nevertheless, in theory, their respective positions over the opening of negotiations are much the same:

- 1) It is impossible to reject out of hand the idea of enlarging the Community, since this would be directly contrary to one of the essential principles of the European Treaties, that the Community is basically open in character.
- 2) That no one intends to open the doors of "Little Europe" to states who are unable to accept the letter, spirit and political purpose of the Community. This does not demand mere satisfaction with statements made by candidates. It is a question of finding out whether such candidates are able to carry out their obligations, and ensuring that this is made clear in any agreements made.
- 3) The French Minister's description of an "avalanche of bids" should not be taken too seriously. Only four countries seem to want to become full members of the Community: Britain, Denmark, Ireland and Norway. As their admission would take some time to be completed in full, it would be all the easier to adapt to the new situation.
- 4) The new single Commission already has fourteen members, but once the Treaties have been merged there will only be nine. If the four above-mentioned countries join after this merger, then the members of the Commission will rise once again to fourteen (two from Britain, an Irishman, a Dane and a Norwegian). To say that this would be unable to function effectively would mean that their agreement to merge the executives has already led the Six to set up an ineffective Commission. Admittedly the Council of Ministers would then have ten instead of six members, but there is an extremely simple way of ensuring that it works effectively: the introduction of a majority voting system.
- 5) It is not possible to compare a wider European Community with the former OEEC (Organisation for European Economic Co-operation), since the aims of the latter were in no way similar to those set out by the European treaties. Again, while some matters might be harder to solve within the framework of a larger Common Market, there are others which would equally be very much easier to solve. These include patents, technological co-operation and transport. An enlarged market, moreover, would have many advantages: it would strengthen general economic stability; it would ensure a better geographical balance of the Community, faced with difficult responsibilities towards Mediterranean countries. It would also encourage mergers, one of the main aims of economic development, and would promote agricultural trade within the new Community, thus cutting its financial costs. By opening new export markets for British goods, it would help to improve Britain's balance of payments position.
- 6) A number of the ministers aired their views on the political aspect of the problem. Dr. Joseph Luns thought it better to enlarge the Community, than to maintain a divided Western Europe, whilst M. Pierre Harmel for Belgium thought that it would increase the Community's responsibilities and at the same time its resources, as well as reducing the dissipation of effort. Herr Willy Brandt thought that Europe would be able to play a more important role, and that the chance to do so should not be missed.

The stand taken by France's partners shows the extent of the gulf between Paris and the Five. Some commentators - more optimistic than most - think that M. Couve de Murville painted as black a picture as he could, whilst his counterparts used rather too cheerful colours. They think that when the time comes for concrete discussions, the so-called differences between the Six will be smaller than was imagined. According to the same sources, several of France's partners were impressed by some of the political arguments set out by the French minister, and in particular his fear of an unforeseen move by American diplomats to infiltrate and then dominate an enlarged Europe. It is also true that the old fear of seeing the Community watered-down into a free-trade area still has a hold on the Continent. In this connection, it is worth recalling that Pierre Harmel stressed that any widening of the Community should remain confined to European territorial states - so much for Washington - and that new members should accept concrete and binding measures, which would guarantee conversions to the European idea. This remark was obviously destined for London. Such considerations lead the optimists to believe that France might be prepared for the opening of negotiations, provided the Six's mandate is extremely limited, as regards concessions by the Community. If this is so, then Paris's present tactics must be aimed at ensuring that the Five are not in any way over-generous to Britain, and the optimistic minority is right, but if it is wrong, France's aim can only be, quite simply, to prevent the opening even of preliminary talks.

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#### Jean Rey's Press Conference

On July 13, the day on which the new single EEC Commission was sworn in, its president, Jean Rey, held his first press conference. This was an occasion for a "declaration of intent" on his part, as to the role he wants the new-look executive to play in the future running of the Community. This, in the context of the present impasse over Britain's bid for membership, he summed up in the two words "honest broker" - he sees his Commission now as an arbitrator, one of the main functions of which will be to redeem such situations as that now existing between the Six.

A Political Institution: In stressing this active role that the Commission is to play, M. Rey reminded those present that the executive is not "a mere body of economic administrators", but a political institution, not only in composition (by virtue of the political origins of most of its members) but by force of circumstance. It is this same political status that qualifies it to intervene effectively, and resolve "the serious differences over major problems" currently existing between the Six. In M. Rey's opinion, most of these differences stem from misunderstandings, and the Commission can help to resolve them by putting forward universally acceptable compromises.

The Community's Mentor: This, of course, was a restatement of the fundamental role of the Commission, and it will certainly have to go on supervising the smooth and effective running of the institutional machinery (he frequently alluded to the part played by the European Parliament). Its role as the moving force behind the Communities

must also continue, but in addition, it should have a "permanent role" as an arbitrator, reconciling the views of the member states. From 1954 to 1958, M. Rey had been, as it were, "on the other side of the fence", serving on the ECSC Council, and had learned this practical lesson first hand - that is, that however good the institutional machinery might be, the Community has only ever been able to go forward when a spirit of co-operation existed between the Ministers and the community executives. The CAP and the Kennedy Round are the prime examples of this, and show just how vital to the cause is this confident and abiding spirit of personal collaboration: "nothing is more important," said M. Rey.

Development and Enlargement: The president was quite clear that his Commission, like the EEC Commission before it, looked upon the internal development of the EEC and the enlargement of it as parallel issues, such that the one should never be pursued to the detriment of the other. As far as the first was concerned, he felt that the merger of the executives would make it possible for fresh action to be taken, or a new impetus to be given to work already undertaken: specifically, he mentioned:

- 1) Industrial problems, which have become a vital preoccupation since the inception of the CAP.
- 2) Co-operation in research and technology, possibly including the science-based industries.
- 3) Regional policies, a vital aspect in the balanced development of the Community, and one on which only scant progress has been achieved to date.
- 4) Social problems, on which the High Authority gave a lead, but where the time has come to tackle the issues with renewed vigour.

When we recall the ministerial inertia that regional and social policy have encountered so far, the indications are that the Commission is all for taking the bull by the horns.

Britain: A Cautious Approach: On this score, and on enlarging the Community in general, M. Rey trod softly, saying only that any move towards admitting new members should at no time compromise the internal development of the Community. Both operations posed "great and difficult problems", and both would take years to resolve, though substantial progress could be expected in either case. At the same time, it would be doing M. Rey a disservice to suggest that he might be tending to stall, to keep certain parties happy: true, haste is no end in itself for him, but this is because he is conscious of the possible consequences of trying to bring as important and complex a negotiation as that of Britain's membership to a rushed conclusion. He has often been heard to remark: "What are two or three years in the history of nations?" Thus his make-haste-slowly approach in no way belies his determination and will to persevere and bring matters to a successful conclusion when the time is ripe.

The Commission Itself: For the Commission to shoulder its responsibilities fully - both economic and political - and for M. Rey himself to crown an already outstanding career with a constructive contribution to the European cause, he must enlist the wholehearted support of all his colleagues, and thus make the unified Commission an effective body. This is no easy task, in view of the host of interests and ambitions that come into play, but M. Rey has already demonstrated such a talent for combining authority with a profound sense of human relations that he is well on the way to achieving it. This very week we shall probably see each commissioner delegated to a specific sphere of activity, and there is every hope that by the end of this month a decision will be taken in principle on the general directorates as well, the three former administrations now being merged into one.

Getting Down to Work: If all these aims are achieved, then the Commission will have had an auspicious beginning, and indeed the administrative problems have not prevented it from getting to grips immediately with the most pressing problems facing the three Communities. Both the Commission and the Council are to deal with the coal crisis this month, and the former has already had "intensive talks" on the problem of enlarging the EEC. Finally, after months of empty discussion, agreement has been reached on the many minor points of dissention that were preventing the adoption of the 1967 Euratom research budget. It is only fair to say that the old Chatenet Commission was largely responsible for the achievement of this compromise, and that a helping hand from the Belgian president of the Euratom Council proved timely, but this may also show that the Rey Commission, too, is "on the alert".

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## INTERNAL BUSINESS

### First Legislation on Co-Operation Agreements

The EEC Commission has made its first decision on a co-operation agreement under the competition rules of the Rome Treaty. This involved the Trans-ocean Marine Paint Association, grouping 18 medium-sized producers from European and other countries, including five Community States.

The Association's members had agreed to pool their technical knowledge with the aim of developing certain toxic marine paints, to manufacture them by standard formulae, and to sell them under the same trademarks. The objective was to increase the share of the world market for marine paints held by the Association. It therefore excluded competition between members in different countries, by measures involving territorial protection - to the detriment of the buyers. However, these measures were also to involve other marine paints made by the companies concerned, which at that time accounted for most of their turnover. It was this aspect which the Commission challenged, as it did not deem it essential to the agreement, and as a result, the clauses in question were deleted.

However, the agreement still contains provisions restricting competition under Article 85, but it also seeks improved marine paint production. This should benefit customers in the long run, and in view of the small share of the market held by the Association, and the keen competition offered by other manufacturers, the Commission decided to waive the ban on the agreement for five years. The position is subject to review.

The case was a test for co-operation between small and medium-sized concerns. It indicates that although the Commission welcomes rationalisation and agreements between such firms, it does not automatically approve of measures which go beyond what might be considered essential under market conditions. Market-sharing, which affects the economic merging of the national markets into a single Common Market, will not be approved.

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#### Tax Harmonisation: Average Rates (see Viewpoint)

The EEC Commission has just submitted a draft directive to the Council on the creation of a uniform system of compensation duties on imports and drawback on exports under the single turnover taxation system that is scheduled to come into force in the Common Market on January 1, 1970.

The directive is issued under the terms of Article 97 of the Rome Treaty, which empowers member states levying a "turnover tax calculated by a cumulative, multi-stage system" (i.e. a TVA) to establish average rates for specific products or groups of products. Current divergencies between methods of imposition of such compensation taxes in the EEC are such that supervision is extremely difficult. The common method proposed unifies the pattern of calculation and defines ways of assessing the various components of the cost price. Three possible methods are offered, ranging from detailed calculation to a simple estimate.

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#### Trade and Tariffs

Protection for Dutch Carded Wool Fabrics: The EEC Commission has allowed the Dutch government to invoke Article 226 of the Treaty so that imports of these fabrics can be limited to the 1966 figure. Similar measures must be taken by the Dutch towards non-member states. The decision to comply with the application was taken because of constant pressure from low-cost Italian imports.

A study group has been set up by the Dutch government and wool industry to plan the reconversion of the sector to the new conditions existing in the Common Market, and this will mean the production of better quality cloth. Dutch output of carded wool fabrics fell from 11,400 tons in 1958 to 5,950 tons in 1966, whilst the number of firms declined from 32 in 1953 to 12 in 1967.

Benelux Tobacco: The EEC Commission has agreed that the Benelux countries should be allowed to delay until June 30 1968 increases in their external tariff towards the CET (Common External Tariff) for manufactured tobaccos, as this might have meant increases in the retail price. It is also possible that the harmonisation of the Community's internal taxes may eliminate the difficulties that these increases might have produced.

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## EXTERNAL AFFAIRS

### Spain and the Common Market: 1962 - 1967

Nearly five and a half years after Spain formally applied for association with the Common Market, the Council of Ministers has given the go-ahead for the Commission to negotiate a trade agreement. The mandate covers a first period of six years, which will be commercial in character, whilst the next stage, involving Spanish entry into the customs union, will depend upon both sides giving their consent.

Manufactured Goods: The EEC's proposals involve the Six cutting their tariff on Spanish manufactured exports by 60% (20% every three years), whilst Spain in return must cut her tariffs on Community manufactured goods by 40%, or 10% for four years. At the same time, she will have to lift her quantitative import restrictions on manufactured Community goods: although quotas cover only 6% of Spanish imports, they affect products ranging from cars to domestic appliances.

Agriculture: Spanish agriculture does not benefit greatly by the proposals, as the Community is unwilling to lower its tariffs for citrus fruits, apricots, plums, table grapes, early potatoes and tinned produce, all of which are of special interest to Spain. Tomatoes will benefit by a 50% reduction in the Community tariff during the short period of the year when there is no Community reference price, and a similar cut throughout the year for dried vegetables, sherry and Malaga wine is proposed. In fact, France, Italy and West Germany are willing to increase their quota for the latter products, provided reciprocal advantages are granted to their own wines.

The further changes required of Spain by the Six involve reshaping some aspects of its transport policy, as well as of its anti-dumping measures, especially in relation to steel imports from the EEC.

The reaction in Madrid has been one of disappointment, since half of Spanish trade still involves agriculture. Furthermore, it is thought that the basis on which the tariff cuts are to be worked out will hit Spanish industry, even harder than one might at first imagine. There can be little doubt that Madrid will do everything she can to improve her position in future negotiations.

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Austria, Italy and the ECSC

The continuing terrorism in the Alto Adige by supporters of the region's return to Austria has resulted in the development of a serious threat to Vienna's bid to become an associate member of the Common Market and the ECSC.

The Italians have stated that they will oppose the Austrian bid until the latter has shown that its territory is not being used as a base for the terrorists. Herr Fritz Bock, the Austrian Vice-Chancellor and Minister for Trade, said he "regretted that criminal acts of terrorism had been connected with the efforts being made by Vienna to set up links with the Communities through a treaty". He also expressed his hope that the support, previously given to Austria and her bid, would continue in the future.

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Norway Joins the Queue

A three-day debate was held last week by the Norwegian Parliament (the Storting) as to whether the country should apply for full membership of the Common Market. Although some aspects of Norway's economy may be faced with difficulties if her bid is successful, in particular agriculture and fisheries, the vote was 136 members in favour with 13 against. The formal application for membership of the Communities is expected to be made on July 21.

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E.C.S.C.A Decline in Investment

Although investment expenditure by all ECSC industries remained at the fairly high level of \$1,102 million during 1966, it is still declining, and no real change is expected in coming years. This is the picture given by the report on investments in the Community's coal and steel industries at January 1, 1967.

Sector	1954 - 1959 annual average	Actual Expenditure					Forecast		
		1960	1961	1962	1963	1964	1965	1966	1967
Coal	439	377	384	372	334	299	286	249	255
Iron	39	43	52	47	28	24	25	16	17
Steel	581	775	1,132	1,230	1,480	1,315	932	837	838
<b>Total</b>	<b>1,059</b>	<b>1,195</b>	<b>1,559</b>	<b>1,649</b>	<b>1,842</b>	<b>1,638</b>	<b>1,243</b>	<b>1,102</b>	<b>1,110</b>

This trend towards lower investments by the coal and steel industry is confirmed by the new investment programmes submitted by the various concerns to the High Authority in accordance with the Treaty. These proposed investments enable a picture to be established of expenditure for the next two or three years.

During the first six months of 1967, the High Authority received programmes for a total of \$265 million, or slightly above the six-monthly average for last year, but a good deal lower than the six-monthly average for 1959 - 1961, which reached the figure of \$700 million. In fact, it was the proposals made during the period 1959 - 1961 which resulted in the considerable increase in actual investment expenditure during 1961 - 1963, since industries normally take two or three years before they put their investment programmes into action.

The figure of \$265 million for the first six months of this year includes \$52 million for the coal industry and \$213 for steel. Furthermore, most of this last sum is destined for a major French investment programme, for a new plant at Hagondrange.

Sector	Investment Proposals (in \$ million)						
	1st half six months 1967	1966	1965	Monthly Average			1956/1958
				1964	1963	1959/1961	
Coal	52	56	61	22	36	81	105
Iron	-	-	-	-	-	4	8
Steel	213	168	294	250	65	610	216
<b>Total</b>	<b>265</b>	<b>224</b>	<b>355</b>	<b>272</b>	<b>101</b>	<b>695</b>	<b>329</b>

For several years now the High Authority has stressed the need for ECSC industries to concentrate investment expenditure on modernising and rationalising firms, so that the competitive position of enterprises on the world market can be maintained and strengthened. In fact for some years, productive capacity has greatly exceeded demand, and this position looks as if it will continue for some time to come.

Coal: Between now and 1970, Community coal mines expect available productive capacity to fall by 31 million tons to 198 million, even though this figure will still be slightly higher than the demand forecast by the High Authority (190 million tons).

Iron Mines: Between 1952 and 1960 iron ore extractions rose by an annual average of 4.9%. Since then it has fallen at such a rate that the annual average growth for the period 1952-1966 has been only 0.8%. In every single area, an annual decrease of 2.2% between 1966 and 1970 is expected.

Steel: Despite financial difficulties, the steel industry expects to maintain a fairly rapid growth rate, although slightly lower for pig-iron and steel production than during the period 1952-1966. Steel production capacity reached 100 million tons by 1966, but by 1970 this may well have risen to 12 million tons. This means that the Community will then have considerable excess steel production capacity, for the latest "General Objectives for Steel" estimate that internal steel demand in 1970 will be between 95 million tons and 100 million tons.

TABLE III

## Production Capacity Trends of the ECSC Industries

<u>Products</u>	<u>Actual Production</u>			<u>Production Capacity</u>		
	1952	Cumulative	1966	1966	Cumulative	1970
	in millions of tons	growth rate % per year	in millions of tons	in millions of tons	growth rate % per year	in millions of tons
Coal	237.4	-1.1	204.1	229.5	-3.7	198.2
Iron Ore	65.3	+0.8	73.0	90.5	-2.2	82.9
Pig-Iron	34.7	+4.2	61.8	80.3	+2.6	89.0
Crude Steel	41.8	+5.2	85.0	108.0	+3.1	121.7

As far as the quantitative development of investments in the ECSC is concerned, the High Authority stresses the inherent danger of the growth of excess production capacity. The utilisation rate of existing production capacity - and thus break-even levels - are likely to worsen during coming years. For the replacement of out-dated equipment by modern machinery leads automatically to increased capacity, ill-adapted to changes in demand, as modern production units have a much greater capacity than previous equipment. All this means that firms are forced either to delay necessary modernisation or to try and find other ways of avoiding excess capacity. In many cases, this can only be done when firms decide to carry out joint investment schemes, and this approach is becoming more and more frequent within the Community, when it is authorised by the High Authority. Three noteworthy examples of this trend can be given: the four German steel sales cartels (whose agreements require the firms forming the cartels to co-ordinate their investments), the French steel rationalisation plan, and the investment co-ordination committee, which groups a number of Belgian steel firms.

Crude steel production has been characterised during the last few years by the priority given to plans for pure-oxygen plants. By 1970 these should be producing over one-third of the Community's crude steel, but their distribution throughout the Common Market will remain extremely uneven. Nearly all coastal and semi-coastal plants hope to be making over half their crude steel by this method by 1970, whilst Luxembourg and the Ruhr hope to make about a third and the Saar and Lorraine a sixth. The other steel producing areas of the Community do not expect to go over to

to this process to any appreciable extent. This does not mean that these regional differences should be taken as an indication of the competitive position of the various steel industries, since production methods are largely a reflection of available raw materials and demand.

TABLE IV

## Steel Production by Process - 1952, 1966, 1970

	<u>Production</u>		<u>Production Capacity</u>	
	1952	1966	1966	1970
Thomas	55.0	35.4	34.2	28.3
Martin	36.4	28.6	30.4	24.9
Electric	7.9	12.5	12.6	12.7
LD, Kaldo and others	0.7	23.5	22.8	34.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

The modernisation of rolling mills again implies that this sector is following the trend towards bigger and better units, able to work on a continuous basis. The installation of hot and cold wide-strip rolling mills entails heavy expenditure, but their full operation seems to require restraint, according to the High Authority. Intensive efforts must continue to be made to modernise the rolling of sections, if the Community's steel industry wants to maintain the favourable position it has long held on the international market.

## VIEWPOINT

## THE TAX-BARRIER PROBLEM

by

Franz-Josef Strauss  
West German Finance Minister  
Part III

Although much remains to be done, the approval by the Council of Ministers of the two directives scheduling more than a quarter of the EEC's tax receipts for harmonisation on February 9 of this year was a major step towards the unification of the six national markets. It is worth taking a look at this development, and assessing what lessons it holds for the future. Firstly, all of the Six except France are now going over from the cascade indirect taxation system to the more modern TVA, a major advantage of which is that, even within national markets, it completely obviates distortions of competition. For its part, Germany has never looked upon this change as a concession to the Community, and the fact that the Bundestag is to vote on it stems from the conviction that it would be in the best interests of the German economy: it will serve both national and community development. On this score, there has been no dispute between member states and the Community at large, and Germany seems to have been the most striking example of this. Moreover, it would seem fair to say that the fact that the Community settled for the TVA system has done much to persuade member states to set about reforming their own indirect taxation systems. This works both ways, in fact, and individual efforts to achieve equitable turnover tax systems have probably in their turn favoured and accelerated the process of harmonisation inside the Community; indeed, there are probably few better examples of how national and Community spirit can reciprocate.

Another thing worth noting is that this achievement would never have come about if the Six had not concentrated their efforts almost solely on the harmonisation of turnover tax. True, this was what the Treaty had demanded, but it was also a departure from the ideal of harmonising all taxation at one fell swoop. It is sometimes difficult to decide where the ideal ends and Utopia begins: who, after all, could fail to approve of the abstract - and all-too-easy - idea of having the Community seek overall tax harmonisation, and thus the complete removal of unfair effects on competition? but what matters - and what is less straightforward - is that this idea should be given substance, and that practical measures should be adopted, that can be implemented without too many untoward side-effects on the working principles of the fiscal system in any country. These solutions must be both equitable and realistic, and, every bit as important, they must be politically acceptable to all the parties concerned. Once all this is borne in mind, it becomes clear that one must proceed with caution, for nothing at all will be achieved unless the Six actually begin by adopting a mood of reconciliation. Thus each new phase must follow from a key problem based on hard facts, not selected arbitrarily, but stemming from the integrational process itself.

First and foremost, each nation must be tackling the same problems at the same time; for the need for co-ordination and synthesis will logically follow from this: the more the operation develops, the stronger this need will become .

Apart from taxes on turnover in EEC countries, which account for about a quarter of fiscal revenue, however, there are two other main sources, consumption taxes and direct tax on income, profits or capital, to which we can also add various others, the amount of which is not high, but which can have a pronounced effect on free circulation of goods in the Community, these being taxes on movements of capital, insurance policies, motor vehicles and so on. Thus there is quite a far-ranging field of choice, as to which sector will be incorporated in the next phase of harmonisation .

Direct taxes, especially on income and companies, undoubtedly have a marked effect in most cases on the play of competition in the Common Market. The extent to which companies are able to plough profits back into the development of the business, and thus strengthen their competitive position is directly dependent on the rate at which they are directly taxed. The Rome Treaty offers no specific provisions about fiscal harmonisation in this sector, but as it charges member countries to align their legislation, when the building and the smooth running of the Common Market demand this, direct taxation obviously falls within its scope. The problems arising here are often very different to those posed by the task of harmonising turnover taxes. The ways in which member countries impose direct taxes are fairly similar on the whole, but when it comes down to detail, there are a great many differences, the effect of which on competition can be severe. Thus, while harmonisation does not demand the complete reform of the various systems, there are, nonetheless, considerable difficulties involved in the close connection that exists between direct taxation and the economic and social conditions obtaining in the member states. Again, unless harmonisation is effected smoothly, there are dangers of breakdowns, or at the very least distortions, in one or more of the national systems .

In practice, however, things are unlikely to be so complicated: the very fact that the economy is always on the move compels the state to modify its fiscal legislation frequently, and when a common purpose is set for direct taxation in the EEC, member states should be able to orientate these inevitable modifications towards the uniform system. In this, as in other fields, however, the precise objectives can only be outlined through continuous discussion, as far removed from theorising as possible. Again, this sort of tacit harmonisation, which by definition must be a slow process, offers no solution to those pressing problems which demand rapid action at Community level. Thus in addition to the exploitation of circumstances arising in the normal pattern of the economy, measures must also be evolved in the light of what is dictated by sound economic sense, and there are various examples of this . . .

The optimum size of companies is a case in point: this is closely linked with the extent of the home market, as is illustrated by the fact that companies in Europe - the largest, that is - are markedly smaller than in the USA. Indeed, one of the main virtues of the Common Market is that it will tend to promote the formation of

much larger companies and combines, and this is why we are already witnessing efforts to further the creation of European companies, by the merger of firms from different member states. This demands not only the reform of existing company law - and perhaps the introduction of further legislation - but also the application of tax systems favouring multi-national concentration and co-operation moves, or if not this, taxes at least which make such operations no more difficult at this level than within the national framework. This brings to the fore a host of technical considerations, such as taxes on the reserves of any companies that might be taken over, and ones on profits transferred from a subsidiary to its parent company, etc. . . .

Another example of the need for new, sound legislation to back fiscal harmonisation is furnished by the capital market: to promote the development of business penetration across the Community, it is vital that double taxation should be eliminated, and that legislation tending to affect the flow of capital in any direction should disappear. Thus sound fiscal protection must be established for those forms of investment deemed to be particularly useful, such as investment trusts. As for the movement of capital as such, the aim should be to remove all discriminatory effect from the tax imposed upon it. The EEC Commission has thus been constrained to issue a directive on the harmonisation of company taxation, the aim of which, through making the point where tax is levied constant, is to eliminate twice-over payments. The Commission is also working on the harmonisation of tax rates, and it is to be hoped that it will get the unanimous backing of the Six in all of these fields.

Similar problems arise in connection with taxes on insurance policies (unless this is incorporated into the TVA), road fund licences or their equivalent, and so on. The problem almost always is to get rid of double payments, and to eliminate tax-based distortions of competition. It is one thing to cry out for European integration, and quite another to work towards this democratically, while respecting the rights of all concerned. Rome was not built in a day, and it is unlikely that Europe, even a Europe of the Six alone, will be built in less than a generation, even if she puts her heart and soul into it - and as we know, it has often been difficult to see the wood for the trees, already. But it is the first step that counts, and this has already been taken, with the dismantling of customs barriers now leading us on to the elimination of tax-barriers.

We should never forget, however, that the coming of an economically unified Europe, which must eventually extend beyond the Six, is the vital first step - but only a first step - towards the ultimate goal of a politically united Europe. Indeed, it is only a truly united Europe of this sort, that will be fully capable of mustering all her economic potential, and thus take full advantage of technical progress: only then will Europe also be able to muster all her spiritual potential, and enjoy the certainty of living in security, peace and prosperity.

July 20, 1967

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ADVERTISING

\*\* A close co-operation agreement has been signed between two West German advertising agencies, CARL GABLER WERBE GmbH, Munich, and WERBE-AGENTUR R. W. GEUTEBRUECK oHG, Düsseldorf. The first result of this move has been the opening of a joint Stuttgart office.

In March 1967, Carl Gabler signed a similar agreement with another Düsseldorf agency, Werbeagentur Wienholt oHG (see No 401). It also has interests in Geneva and Vienna, where it is linked with Agence Yves Alexandre Publicite SA, Paris, and Osborne-Peacock Ltd (see No 383).

AUTOMOBILES

\*\* INDUSTRIAL TRACK Srl has just been formed in Milan (capital Lire 800,000) to import and market spare parts for cars in Italy. Most of these are for American vehicles. Control of the new firm is shared equally between Sig. I. Mevorah, manager, and Mr. Maurice Dana, New York.

BUILDING & CIVIL ENGINEERING

\*\* French and Italian interests represented respectively by M. D. Biegun, Paris, and A. Morgenstern, Rome, have formed a Luxembourg investment and property development company called INTERNATIONAL LAND & DEVELOPMENT HOLDING CO SA. With Lux F 35 million as capital, its president is M. D. Biegun, and its directors are Signori Luigi Landini and A. Misurale of Rome.

\*\* An Anglo-Dutch link-up has resulted in the formation of UNIFORM SHUTTERING SYSTEMS LTD, Andoversford, Cheltenham (capital £20,000), to produce and market materials for house and factory building. The president of the Dutch group BATAAFSCHE AANNEMINGMIJ v/h FIRMA VAN DER WAL & ZOON NV, The Hague, M. J. C. Buiting, represents the Dutch interests on the board, along with M. T. J. de Gier, Rotterdam, whilst the British representatives are Messrs Masek and Wm. G. Francis, both of Cheltenham.

\*\* Seven West German banking establishments have linked to form a Canadian management and property development company FIVE OAKS HOLDINGS LTD, Toronto. They are BERLINER BANK AG, Berlin (see No 390), MARTENS AND WEY-HAUSEN KG, Bremen (see No 351), VEREINSBANK IN HAMBURG, Hamburg (see No 356), BANKHAUS FRIEDRICH SIMON KGgA (see No 411), and BANKHAUS WALDTHAUSEN & CO (see No 364), both of Düsseldorf, BANKHAUS HERMANN LAMPE KG, Bielefeld (see No 333), and NICOLAI-BANK AG, Hanover.

## CHEMICALS

\*\* The West German chemical and metallurgical group TH. GOLD-SCHMIDT AG, Essen (see No 379), has made its Belgian sales office - opened at Ghent in late 1965, and headed by M. G. Lippens (see No 324) - into a subsidiary called NV TH. GOLDSCHMIDT, Schaerbeek, Brussels (capital Bf 1 million), with Herr B. K. Vosswinkel as managing director.

The German group (consolidated 1966 sales of DM 299.9 million) has factories in Essen, Mannheim-Rheinau, Hamburg and Schoppenstedt, where it makes stannous chemicals, "Thermit" welding powders, anti-friction materials (Tego and Teco-Tex), and silicone and metal coating products (Unichrome and Prodorit). It has sales representatives in most countries of Western Europe, and a Swiss holding company, Th. Goldschmidt GmbH, Zug; a 50% shareholding in the Danish tin-plate concern A/S Metalvaerk Eltin, Stib, as well as direct (Tego Italiana Srl, Milan) and indirect foreign interests (mainly in Britain and Austria through its Essen subsidiary Elektro-Thermit GmbH).

\*\* The French chemical cleansing products LES SPECIALITES P.P.Z. - ETS PIERRE P. ZECCHINI SA, Paris, has signed an agreement with PRODUITS D'ENTRETIEN FRANCAIS-PRODEF SA, Levallois, Hauts-de-Seine (see No 360). The latter will take over the manufacturing and marketing business of P.P.Z. (turnover of Ff 8 million in 1966, with works based at Bagnolet), which with a capital of Ff 4.18, will be changed into an investment company called PLACEMENTS & PARTICIPATIONS SELECTIONNES-P.P.S.

Since 1962, P.P.Z. has been a member of the wine and champagne group Taittinger-Cie Commerciale & Viticole Champenoise SA, itself a result of the merger of Cie Commerciale & Viticole Champenoise SA, with its subsidiary Consortium Industriel & Financier SA.

\*\* The Frankfurt chemical group FARBWERKE HOECHST AG (see No 417) has decided to supply some of its energy requirements by using nuclear power. It has therefore signed a co-operation agreement with R. W. E. -RHEINISCHE -WEST-FAELISCHE ELEKTRIZITAETSWERK AG, Essen (see No 354).

\*\* As the West German chemical group FARBENFABRIKEN BAYER AG, Leverkusen (see No 414), now has its own lithophone production unit (pigments for paints), it has sold off the shareholding it held jointly in this sector with SACHTLEBEN AG FUER BERGBAU- & CHEMISCHE INDUSTRIE, Cologne (see No 415), itself a 64.74% subsidiary of Metallgesellschaft AG, Frankfurt.

The latter has now acquired complete control of CLARASHALL GmbH, Ruschberg (capital DM 600,000), in which it already held a 50% interest, as well as an 81.34% majority (increased from 45.03%) in AG FUER CHEMISCHE INDUSTRIE, Gelsenkirchen-Schalke (capital DM 35 million). In the same sector, Sachtleben's other direct interests include 38.7% in Lithophone-Kontor GmbH, Cologne, and 20% in NV Internationale Lithophone Associatie, Amsterdam.

**COSMETICS**

\*\* UNIVERSAL OIL PRODUCTS CO, Des Plaines, Illinois, which is mainly known as a chemical engineering concern and a catalytic products manufacturer, has strengthened its European cosmetic and essential oil interests by forming UOP FRAGRANCES REICHSTOFFE GmbH (capital DM 20,000) in Hamburg with Herren Werner Harlan and Frederic Jacobson as managers and Ernst Brüggenmann as director.

The American group (1966 turnover of \$87 million) recently made similar moves in this sector in Italy, when it acquired control of E.M.A. Essenze Materie Aromatiche SpA, Imperia (see No 406). In West Germany it was already indirectly interested in Universal Matthey Products (Deutschland) GmbH, Cologne (see No 307), through Universal Matthey Products Co Ltd, Enfield, Middlesex (a 50-50 subsidiary with Johnson Matthey & Co Ltd, London).

**ELECTRICAL ENGINEERING**

\*\* The American controlled Dutch connectors and switchgear concern ELECTRISCHE APPARATENFABRIEK v/h VAN WIJK & VISSER, Geldermassen (see No 397), has extended its Belgian trading interests by forming BUREAU TECHNIQUE DANIEL SA in Anderlecht, Brussels (capital Bf 1 million), control of which it shares with its Amsterdam subsidiary Technisch Handelsbureau Daniel NV (see No 365).

The group, which was taken over by Cutler Hammer in 1966 (see No 414), first became established in Belgium late in 1965, when it formed a subsidiary in Anderlecht, called Van Wijk & Visser NV (see No 335), control of which is again shared with the Amsterdam subsidiary, and another affiliated company, Electro-Watt NV, Hilversum.

\*\* The Frankfurt and Berlin group ALLGEMEINE ELEKTRIZITATS-GESELLSCHAFT-AEG-TELEFUNKEN AG (see No 411) has bought up shares in the Luxembourg marketing company A.E.M. APPAREILLAGE ELECTRO-MECANIQUE Sarl (capital Fl 1 million), and now has a 75.5% control. The Luxembourg firm is run by M. R. Frauenberg, who holds the remaining shares. The German group, in fact, controls the Luxembourg company directly and through AEG International AG, Zurich.

**ENGINEERING & METAL**

\*\* FAHRZEUGWERKE NORD oHG, Flensburg (300 employees), has been formed as joint venture following an agreement in principle reached during 1966 by the Flensburg shipyard, FLENSBURGER SCHIFFSBAU-GESELLSCHAFT AG, and the engineering company M.A.N.-Maschinenfabrik Augsburg-Nurnberg AG, Augsburg (a 64.84% subsidiary of Gutehoffnungshütte Aktienverein, Nuremberg). The new venture will be mainly concerned with carrying out repair work on armoured vehicles of the Bundeswehr.

\*\* The New York manufacturer of ironmongery, stapling and binding machinery SWIN & LINE INC has signed an agreement with the French wire-drawing group headed by M. Herni Telemaire, TELEM-LEMAIRE SA, Fontaine-les-Luxeuil, Haute Saone. The agreement covers the production of joints and connection parts for industrial purposes, and will be made by a jointly formed subsidiary, to which the American group will make available its equipment and know-how.

The French firm has a factory employing some 160 people and making high resistance steel wire: it was formed through the merger of Lemaire & Cie Sarl-Trefileries du Beuchot and Telem Sarl, Hauteville. The latter was formed at the end of 1962 to make nails, following an agreement with Speedfast & Co, New York, which itself was bought up late in 1965 by Spotnails Inc, Rolling Meadows, Illinois. Since May 1965, the latter has been a subsidiary of Swingline.

The American firm also makes office equipment and connections. The licence for the manufacture of these in France is held by Anc Ets J. M. Paillard SA, Paris (factories at Mouy and Bury, Oise). In West Germany it is represented by Paradiso GmbH, Frankfurt, Maschinen-Kaul H. Kaul & Sohn, Düsseldorf, and Central-kontor Für Bürobedarfsvertretungen GmbH, Lahr, Schwarzwald. The French licensee has had a subsidiary in the same town since late 1965, Deutsche J. M. Paillard GmbH, with M. D. Moreau as manager.

\*\* The American AEROQUIP CORP., Jackson, Michigan (flexible hoses and hydraulic transmission equipment), has opened a Belgian branch (at St-Josse-ten-Noode) to its subsidiary Aeroquip International Corp, which is headed by M. Jean E. Laurent, the group's technical representative for Europe.

Since 1959 the Michigan concern has had a West German manufacturing subsidiary, Aeroquip GmbH, Haan-Münden (factory at Baden-Baden, Oss), control of which it shares with its subsidiary AQP Realty Co, Cranbury, New Jersey. In Britain it is represented by the "Aircraft Components" division of the H. K. Porter Co (Great Britain) Ltd, Glasgow. A few months ago it increased to 45% its shareholding in Edward Yates & Sons Ltd, Marple, Cheshire, which makes "Barco" joints and connections for piping under licence. The American group also has licensees in Italy and France.

\*\* The London group TRIEFUS & CO LTD (see No 253) has extended its indirect Common Market interests by forming DIAMOND APPLICATIONS (CARRARA) SpA, Milan (authorised capital of Lire 10 million - 30% paid up by the French subsidiary Applications Industrielles du Diamant - S.T.I. SA, Paris). The president of the new venture is Mr. Robin D. P. Triefus, and it will make at Oxtonova in Dogana and market in Italy diamond-headed saw blades, abrasive and diamond-headed tools, and diamond powder for use in marble cutting and industry in general.

The French subsidiary was formerly Sodiam Triefus Industries SA and is headed by the managing director of the Italian venture M. P. P. Lorodan. It was formed in 1964 through the merger of Applications Industrielles du Diamant-A.I.D. SA, Paris. The British group had another subsidiary at Boulogne-Billancourt, Triefus Industries (France) SA, which was taken over in 1961 by the Noisy-le-Sec firm.

\*\* The West German manufacturer of machinery and injection presses for thermoplastic materials and rubber compounds ALBERT STUEBBE MASCHINEN-FABRIK, Vlotho, Wesle (see No 357), has formed a French subsidiary, STUEBBE-FRANCE Sarl, Ivry, Val-de-Marne (capital Ff 100,000), with M. Pierre Langa as manager. The new company will represent and co-ordinate the sales activities of the group towards its local agents. Until now, Stübbe was represented in France by R. S. Stokvis & Fils SA, Paris.

It also has two subsidiaries in Zug: Stübbe AG, responsible for sales, and in direct control of the new French company, and Stübbe & Co, which is responsible for administration and management. A few months ago it established a manufacturing subsidiary in Northern Ireland - in association with the Charterhouse Group Ltd of London. Based at Craigavon, County Armagh, this will supply the EFTA and USA markets.

\*\* The Dutch sanitary ware and heating firm KONINKLIJKE FABRIEKEN DIEPENBROCK & RIEGERS NV, Ulft, has established its wholly-owned sales subsidiary (see No 412) in Brussels with Mr. A. Plugge as president. Up till now its products were marketed by Ets. H. Vyvermanz & Co Pvb, Brussels, whose chairman, M. Henri Vyvermanz, will manage the new company, DRU NV (capital Bf 1 million).

FINANCE
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\*\* Headed by Mr. C. Berry Savory, the London finance house JOHN BERRY, BRIAN & CO LTD has formed an Amsterdam investment company, JOHN BERRY, BRIAN HOLDINGS (EUROPA) NV (capital F1 100,000), which is headed by Messrs C. B. Savory, A. J. Hines (London), and J. J. Caron (Amsterdam).

\*\* The Belgian-Canadian group STE HYPOTHECAIRE & DE GESTION FINANCIA SA; Antwerp (see No 392), has formed Fiduciaire Financia NV in Antwerp, with M. Albert A. Tiberghien as president, to offer financial, fiduciary, securities, management and tax consultancy services. The new firm has Bf 4 million capital, and apart from the parent company, which holds 10%, its main shareholders are, again with 10% each, Spaarkas Financia-Caisse d'Epargne Financia NV, Immofinancia NV and Caisse d'Assurances Financia SA, as well as Mij Voor Beheer Invordering-Mabi Pvb, Antwerp, whose manager, Mr. Paul M. L. Arts, himself holds a 10% interest.

\*\* The largest West German property leasing concern, LEASING GESELLSCHAFT FUER VERMIETUNGSPROJEKTE mbH, Mainz, has acquired a majority interest in the Frankfurt machine tool and office equipment renting concern, MASCHINEN MIETE GmbH (capital DM 1 million). The latter was formed in 1962 50-50 by the German Wolfgang Schöller KG, Düsseldorf, and the Canadian Hamilton Cotton Co Ltd, Hamilton, Ontario, of which it remains an affiliate: the latter holds its shares both directly and through North American Business Equipment Ltd, Hamilton.

The Mainz company has DM 2 million capital, and is a 75-25 subsidiary of Landesbank & Girozentrale Rheinland-Pfalz, Mainz, and Verwaltungsgesellschaft für Vermietungs & Exportfinanzierung mbH, Mainz.

\*\* The BAYERISCHE GEMEINDEBANK, Munich (see No 329), a public establishment banking for local institutions, has acquired a 25% interest in LUK-BANK GmbH, Munich (capital DM 2 million). The Munich bank had these shares made over to it by the electricity generating and distributing concern, LUK-AG FUER LICHT & KRAFT-VERSORGUNG, Munich (see No 316), whose interest has consequently dropped to 25%. The two other parties holding shares in Luk-Bank, each again with 25%, are Bayerische Staatsbank (see No 394) and Bayerische Hypotheken- & Wechselbank AG (see No 407, both in Munich).

\*\* The London issuing house LONDON & YORKSHIRE TRUST LTD (formed in 1923 - chairman Mr. John A. B. Keeling), which also supplies industrial financing and general financial advice, has made an agreement with BANQUE DE PARIS & DES PAYS BAS LTD, London (see No 392), to form a joint company under the name of the former. The new venture will have £100,000 paid-up share capital, and it will cover all aspects of banking in Britain and Europe. The chairman will be Mr. Keeling, who will also join the board of Banque de Paris & des Pays Bas Ltd. The London concern's former subsidiaries, Manchester & Liverpool Industrial Securities Ltd, Northern Ireland Industrial Development & Finance Corp. Ltd, and L. & Y. (Registrars) Ltd, as well as the associate company Safeguard Industrial Investments Ltd, will be taken over.

Banque de Paris & des Pays Bas Ltd (capital £1 million) was formed three years ago, and is the 63% subsidiary of Europe's leading merchant bank BANQUE DE PARIS & DES PAYS-BAS SA, Paris (see No 415). The remainder is held by 19 British and American banking and financial establishments, including S. G. Warburg & Co Ltd (5%), Samuel Montagu & Co, and Hill Samuel & Co (all of London,) and Lehmann Bros, New York (5%).

\*\* The FIRST NATIONAL CITY BANK, New York (see No 416), has backed the formation of a Brussels banking services firm (mainly issuing) FNCEB EUROSECURITIES SA. With Mr. Andrew Choa, New York, as president, the new venture has a capital of Bf 100,000, almost all of which is held by the First National City Bank Overseas Investment Corp, New York.

The American bank already has a Brussels branch, formed in 1962, as well as an Antwerp agency.

\*\* The Panamanian finance group I.O.S.-INVESTORS OVERSEAS SERVICES LTD (see No 407 - headed by Mr. Bernard Cornfeld), is about to set up a company in Munich under the name of IOS-BANK AG. The new bank will have DM 10 million capital, and its governors should include Messrs James Roosevelt and Vactor Preusker, part-owner of the Bonn Bankhaus Preusker & Thelen (see No 324).

IOS is the largest investment trust in the world, with a 1966 turnover of around \$1,000 million. It already has one West German establishment, Investors Overseas Services in Deutschland, Düsseldorf, the capital of which was raised to DM 100,000 a year ago (see No 371). Its banking activities proper have hitherto been handled by three special subsidiaries, Investors Bank - Luxembourg SA, Luxembourg (see No 301), Overseas Development Bank SA, Geneva, and Investors Overseas Bank Ltd, Nassau, Bahamas.

FOOD & DRINK
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\*\* The Chicago beer group, PETER HAND BREWERY CO (see No 400) has extended its organisation in Italy, where a few months ago it formed Peter Hand Europa SpA at Comminnuovo, Bergamo (see No 398) to make vitamin and dietary feeds for animals. This company (directed by Sig. Gene di Raimonda) has now formed a subsidiary of its own in Milan, and raised its capital to Lire 100 million from 1 million (shared 95-5 between the parent company and the Waukegan, Illinois, subsidiary, Peter Hand Foundation Inc).

The Peter Hand Europa brewery supplies the whole of the Common Market, Africa and the Middle East. The group's first European brewery was built in 1966 by Peter Hand Iberica SA in Segovia, Spain, to supply the Iberian markets. This was a joint venture with the Madrid firm of Pan Quimica & Farmaceutica SA.

OFFICE EQUIPMENT
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\*\* The office equipment firm GRUNDIG-BUROTECHNIK GmbH, Nuremberg (a member of the German group Grundig-Werke GmbH, Fürth - see No 412), has formed a subsidiary at Courbevoie, Hauts-de-Seine, on the premises of its direct subsidiary Grundig-France SA (formerly Ste Consten SA - see No 397). The new venture is a 90% direct subsidiary, and called Grundig-Bureau-Equipement Sarl, and it will market typewriters, calculating machines and similar equipment bearing the "Grundig", "Adler" and "Triumph" brand names.

The new firm has a capital of Ff 100,000 (10% held by Grundig-Bank GmbH, Frankfurt), with M. Claude Goutal and Herr Werner Nietsch as managers. The machines sold in France are mainly made by two of the group's West German subsidiaries Triumph Nürnberg AG, Nuremberg (a 97% interest of Grundig-Bank) and its own 80% Adlerwerke Vorm. Heinrich Kleyer AG, Frankfurt.

OIL, GAS & PETROCHEMICALS
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\*\* Following a series of agreements signed between the State-owned petroleum group OMV-OESTERREICHISCHE MINERALOEL VERWALTUNG AG, Vienna, and the international oil companies involved in running the "TAL" Trieste-Ingoldstadt pipeline, the share of the former in AWP-ADRIA WIEN PIPELINE GmbH, Vienna (see No 374), has now been fixed at 51%, with a 26% shareholding in the refinery (still to be opened) at Graz in Styria; this installation will have an initial capacity of 2 million tons, and represents an investment of some Sch 1,200 million. The State concern will hold a 26% share in all other refineries built in Austria between now and 1980.

The foreign companies involved in AWP are Royal Dutch Shell (14.5%), Mobil Oil Co Inc (12.5%), Standard Oil Co of New Jersey (7.5%), British Petroleum Co Ltd (6.5%), Cie Francaise des Petroles SA (4%), and AGIP SpA (4%).

\*\* The Dutch petroleum products distribution firm GEBR. DEN HARTOG NV (headed by Messrs Gerrit den Hartog and Dirk den Hartog - capital Fl 500,000) has made a joint agreement with a similar firm, BRANDSTOFFENHANDEL SMITS NV (headed by M. van Gulp), to run service stations. An investment company, BENZINE BELANGEN NV (capital Fl 200,000), has been formed in The Hague with M. W. Timmerman, Utrecht, and J. F. F. Helmig, The Hague, as directors.

\*\* CHEVRON OIL ITALIANA SpA (formerly Caltex Italiana SpA - see No 403), a member of the STANDARD OIL CO OF CALIFORNIA group, San Francisco (see No 416), which is headed by Mr. J. Piliers, has gained a 51% controlling interest in two Turin firms, NOVATHERM SpA and CAPO SpA. Both are run by Signori Lorenzo and Franco Capo, and the first makes under licence from Gilbarco, oil-burners and heaters, whilst the latter ensures the storage and distribution of heating fuels and equipment, which will now be sold under the "Caltex" brand name.

\*\* PHILLIPS PETROLEUM INTERNATIONAL CORP, Panama (subsidiary of PHILLIPS PETROLEUM CO, Bartlesville, Oklahoma - see No 417), has invested Bf 14 million in equipment for the thermoplastic research and development laboratories of one of the group's Belgian subsidiaries, PHILLIPS PETROLEUM INTERNATIONAL BELGIUM-P.P.I.B. SA, St-Gilles, Brussels, whose capital has been increased as a result to Bf 29 million. The latter, which was formed in late 1965, increased its capital less than a year ago to Bf 15 million.

In 1966, the American group sold its shareholding in Atlantic Polymers NV, Antwerp, to National Distillers & Chemical Corp, Richmond, Virginia (see No 390), which now has complete control. However, Phillips still has considerable Belgian interests: Petrochim NV, Antwerp (in association with the Belgian Petrofina SA - see No 411), Badische-Phillips Petroleum - Badiphill NV, Zanduliet, Antwerp (with the German B.A.S.F. AG group - see No 362), and Polyolefins NV, Scheldelaan, Antwerp (with the French Rhone-Poulenc SA group and Petrofina SA - see No 355).

OPTICAL & PHOTOGRAPHIC
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\*\* The French camera optics group ETS PIERRE ANGENIEUX, OPTIQUE & MECANIQUE DE PRECISION SA, Paris, has made a technical co-operation agreement with the British EVERSHED POWER-OPTICS LTD, Brentford, Middlesex (of the Luton GEORGE KENT LTD group, through Evershed & Vignoles Ltd, London - see No 380). This covers the development of three Zoom-lens systems, mainly for professional photography and TV studios. The new equipment is designed for rapid changes from manual to powered operation, by the incorporation of a servo-mechanism developed by the British partner.

PAPER & PACKAGING
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\*\* STE F. BEGHIN SA, Thumeries, Nord (see No 415), has made an agreement with PAPETERIES DE FRANCE SA (see No 367) with a view to making over



to it the paper-making activities (fine, superfine and special varieties) of PAPETERIES DE LA ROBERTSAU, Strasbourg-Robertsau, Bas Rhin, which, after this partial division of its assets, will be absorbed by its parent company. This move follows Beghin's takeover of Robertsau (see No 296) in February of this year when it was decided that Robertsau's wadding manufacturing activities (15% of overall production) should be transferred to Kunheim, thus doubling the group's turnover.

In February 1966, Beghin made its subsidiary, Cie de Kayserberg, responsible for launching a whole range of wadding-based hygienic products (Lotus and Vania trade-marks) from its factory at Biesheim-Kunheim, Haut-Rhin, which had an initial capacity of 10,000 tons p.a., soon to be doubled. Last year, Papeteries de France absorbed Cartonneries & Papeteries de l'Hermitage SA, Blendecques, Pas-de-Calais (net assets of Ff 24.5 million), having previously gained control of it.

\*\* The German TITAN GmbH, Schwelm (metal bands and wrapping materials, mainly for the textiles industry), has formed an administration company in Luxembourg called Titaninterlux SA (capital \$15,000).

The parent company is managed by Herr E. Timmerbeil, and it exports the majority of what it produces, mainly outside the EEC. In Paris, it is represented by H. Brenneisen & Co Sarl (capital Ff 3,630,000).

\*\* The Dutch paper products firm (paper tissues, disposable nappies, etc.) PAPIERWARENFABREK GENNAP NV, Gennap, Nymegen, has formed a French subsidiary, PAGE SA, Paris (capital Ff 100,000), to wholesale its products, as well as allied textile or plastic goods. M. Robertus C.J.M. Rijssenbeek is president of the new company, which is run by M. D. F. J. Gysen (head of the Belgian subsidiary Page NV, Schaerbeek, Brussels).

\*\* The second American paper and wood-processing firm U.S. PLYWOOD CHAMPION PAPERS INC, New York (see No 415), is going to strengthen its Belgian interests by raising its shareholding in the Malmedy paper group INTERMILLS SA (see No 408) from 35% to 53%. Intermills is raising its capital to Bf 575 million with the aim of financing its expansion.

With M. O. Steisel as president, Intermills (1966 sales of Bf 1,900 million) has factories in Malmedy, Warche, Steinbach, Rhode-St-Genese, La Hulpe, Andenne and Saint-Servais. The group, whose payroll is around 2,650, holds shares in Interwarche SA, a holding company which has interests in Weyerhaeuser Belgium SA, Ghlin, and Scaldia Papiers SA, Wilrijk, which in turn has shares in the Belgian Envelco SA, Soignies and the Dutch Gimmanex NV. Intermills also has an interest in the Brussels sales company I.C.N. SA (see No 403), which in turn has branches in Amsterdam, Cologne, London and Paris.

#### PHARMACEUTICALS

\*\* The Turin chemicals and pharmaceuticals group PIERREL SpA (see No 367) has decided to reduce to Lux F 500,000 the capital of its Luxembourg subsidiary

PIERREL INTERNATIONAL SA, which it formed early in 1964 (see No 244). The capital had already been reduced from Lux F 24 to 16 million during 1965.

The Italian group is an affiliate of the Banca Commerciale Italiana SpA group, and was previously a 25% affiliate of the Ledoga-Lepetit group. Its payroll includes over 1,200 people (new factory at Capua, Caserta), and the annual turnover exceeds Lire 9,500 million. In Milan there is a laboratory for toilet products, such as creams, toothpaste and talc, whilst its Milan subsidiary Pierrel Associate SpA (factory at Cornaredo) comprises three divisions: Piermetron and Pierhospital (for medical and hospital equipment) and Pierragenti (chemical products for control laboratories). Its other subsidiaries are Pierrel Internazionale SpA and Fermentzoo SpA, both in Milan, AVIM-Antibiotici & Vitamine Per l'Industria Manginistica SpA (formed in Naples late in 1966 with Lire 500 as capital), whose factory at Capua will begin production in 1968, and the mineral water firm Fiuggi SpA (capital Lire 300 million), which was acquired recently. The group is also the Italian representative for numerous foreign groups, including Zwanenberg Organon, the Netherlands, R.I.T., Belgium, Syntetic A/S Denmark, Lindor International and Mann Research, USA, and Senko, Japan.

\*\* LEPETIT SpA-GRUPPO PER LA RICERCA SCIENTIFICA & PER LA PRODUZIONE CHIMICA & FARMACEUTICA, Milan (an affiliate of the American DOW CHEMICAL CO group of Midland, Michigan - see No 417), has formed a manufacturing and marketing subsidiary in London, LEPETIT PHARMACEUTICALS LTD. Headed by Messrs S. W. Hunt and K. Nordon, the new venture has £10,000 capital.

The group's main manufacturing subsidiaries in Europe are Lepetit Belgica SA, Brussels, Lepetit SA, Paris (factory at Seclin, Nord), Chimifarm SA, Paris, Soc. Quimica Lepetit Ltd Venda Nova, Lisbon and Llofar SA, Madrid (factories at Lornella, Barcelona, Carabuchel, Madrid and Teijeiro, Corunna). Outside Europe, Lepetit has a network in many countries, including Australia, South Africa, Morocco, Algeria, Nigeria, Argentina, Brazil, Mexico, Uruguay, Chile, Thailand, India, Turkey and Iran.

\*\* In association with the Luxembourg firm BRACHIN GmbH, Diekirch, German interests, headed by Herr Herbert Cläsges, Bonn, have formed a Luxembourg company, D'ACTIVATOR GmbH, Diekirch (capital Lux F 100,000). The new company, which is managed by Herren Cläsges, E. Horn, Illigen-Saar, and K. J. Küpper, Rheinbach, will produce and market chemical and pharmaceutical products, especially stimulants for micro-organisms.

PLASTICS
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\*\* An agreement has been signed between the British PLASTIC CONSTRUCTIONS LTD, London and Birmingham, and the West German manufacturer of plastic building materials, CARL SIMON SOEHNE GmbH, Kirn (see No 405), under which the British firm will become the exclusive representative for Simon's polyethylene and polypropylene sheets.

The latter also makes PVC tubing and synthetic leather goods. It recently opened a Basle sales subsidiary, Plasmet AG.

\*\* The French plastics processing firm ETS GERGONNE SA, Oyonnax, Ain has opened a West German branch at Kehl-am-Rhein. The founder was formed in 1962 with M. Pierre Gergonne as president and has Ff 210,000 capital.

PRINTING & PUBLISHING

\*\* Mr. Aaron Schroeder of New York is the founder and main shareholder in the newly established Paris firm EDITIONS MUSICALES A. SCHROEDER Sarl (capital Ff 20,000) whose manager is M. Gerard Tournier. This will publish artistic, literary and musical works.

M. Tournier holds a similar post in numerous other Paris companies of the same type (see No 354): Ste d'Editions Bourne France Sarl (see No 336), Editions & Productions Musicales Gerard Tournier Sarl (formerly Marks France Sarl), Editions & Productions Musicales Nouvelles Sarl. He is president of Agence Musicale Internationale SA, Paris (formed in 1963) and was going to be manager of Editions Musicales Belgravia France Sarl. The latter venture was an idea of Mr. P.R. Salamon of London, which has not yet come to fruition.

RUBBER

\*\* The French company KENT RUBBER CO LTD SA, Anglet, Basses-Pyrenees (rubber goods; hot-water bottles, bathing-caps, underwater swimming gear) has formed a West German sales subsidiary KENT RUBBER DEUTSCHLAND GmbH, Hofheim, Taunus (capital Dm 50,000) with Mr. Martin Harriague as manager.

The latter holds 50% of the founder's capital of Ff 600,000, with the other half held by the British businessman William W. Haffenden, Sandwich, Kent.

TEXTILES

\*\* The American manufacturer of ready-mades and trousers for work and play (mainly of jean-type) LEVI STRAUSS & CO, Los Angeles and Menlo Park, California (see No 403) has made its recently-opened Amsterdam sales branch a subsidiary called LEVI STRAUSS NEDERLAND NV (authorised capital of Fl 100,000). 20% of the capital has come from two subsidiaries, Levi Strauss International, San Francisco and Levi Strauss & Co-Europa SA, Antwerp.

The founder is headed by Mr. Walter Haas Jr. and up till now it was represented in the Netherlands by an exclusive agent, the B.I. De Vries & Textiel NV group of Amsterdam (see No 391). Apart from its Belgian subsidiary formed in early 1962, it has had a British subsidiary since late 1966 called Levi Strauss (UK) Ltd, where it was previously represented by F.J. Gertler & Co, London. In West Germany it is represented by Paterson Clothing Export Co, Neu Isemburg and in France by Ets Frenkel of Paris.

\*\* The Belgian textile firm MANTA SA (owned by the de Lovinfosse family), based in Waasmunster, has formed a West German sales subsidiary, MANTA GmbH, Aix-la-Chapelle. With a capital of DM 70,000, the manager of the new venture is M. Luc de Lovinfosse, and the director is M. Klaus Bellnitz of Leverkusen.

\*\* Because it has suffered financially as a result of the stagnation of the West German synthetic textiles industry, SUDDEUTSCHE CHEMIEFASER AG, Kelheim, has begun talks with the Frankfurt group FARBWERKE HOECHST AG (see No 417) with the aim of strengthening the links between the two concerns.

The Kelheim company (capital DM 12 million - 1965 turnover exceeded DM 165 million) has over 2,000 employees on its payroll. Its main shareholders are Bayerische Vereinsbank AG (around 30%) and Bayerische Versicherungsbank AG, Munich (10%).

#### TOBACCO

\*\* The American group LIGGETT & MYERS TOBACCO CO, New York, (known in Europe for its cigarettes and pipe tobacco brands: "Chesterfield", L. & M., "Velvet" and "Duke/s") has formed an Antwerp sales subsidiary, LIGGETT & MYERS TOBACCO CO NV (capital Bf 1 million). The members of the board are Messrs J. W. Old Jr., J. C. Huckabee and E. J. Parrish.

Liggett & Myers are represented in West Germany by Heinrich Alpen, Hamburg, and in Britain by Tobacconists Supply Syndicate Ltd, London. At the end of 1965, it signed an agreement with S.A. Ed. Laurens of Geneva (part of the Union Financiere Belge des Tabacs - Tabacofina SA, Brussels - see No 258), giving it the licence to manufacture Chesterfield cigarettes in Switzerland.

\*\* The South African group REMBRANDT TOBACCO CORP. (SA) LTD, Stellenbosch (president Mr. A. E. Rupert - see No 406), has backed the formation of a new Luxembourg investment and marketing company INTERNATIONAL TOBACCO ADVISORY SERVICES LTD SA (capital Sf 120,000). The directors of the new company include Mr. J. C. L. Oberholster, Stellenbosch, M. Ehrbar of Zurich, and M. C. Andina of Baar.

The group's Luxembourg interests include a large number of investment companies: International Tobacco Investments Ltd (capital raised in late 1966 to Sf 700,000), International Tobacco Ltd, SA, Tobacco Holdings Ltd SA, Partnership in Industry Ltd, Rembrandt Tobacco Corp (Overseas) SA, Rothmans of Pall Mall Ltd SA, St. Regis Tobacco Co Ltd, American Cigarette Co (Overseas) Ltd SA.

#### TOURISM

\*\* The American travel and transport agency, F.N.C.B. SERVICES CORP, New York, has extended its coverage of the EEC (see No 410) by opening a Brussels branch, to be run by M. Willy de Hert. A similar move was made recently in Frankfurt, West Germany.

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TRADE

\*\* COMMERCE ANGLO-EUROPEEN Sarl has been formed in Luxembourg with Lux F 100,000 capital, and Mr. E. D. Kayton of London as managing director, to promote trade between the United Kingdom and the Continent. The other main partners in the new company are Messrs A. C. P. Stauber and P. C. Papantoniou, both of London.

TRANSPORT

\*\* An international transport and shipping concern has been formed in the United Kingdom, under the name of DE TOMASO SHIPPING CO LTD, Winton, Bournemouth, with an initial capital of £100. The backers of this venture are Italian, and are represented by Sig. A. de Tomaso, Oderna, who will run the company.

\*\* An agreement has been signed between the Paris international transport firm SA LES ANC. ETS M. DE BROUSSE and the Rome company SORVEGLIANZA-SOC. ITALIANA PER ASSISTENZA AGLI SBARCHI & IMBARCHI SpA (branch at Milan), appointing the latter as the French company's Italian agent.

VARIOUS

\*\* The West German concern ROBERT ZASSENHAUS KG, Schwelm, has made a 50% subsidiary responsible for its representation in France. L. THIBAUT & ZASSENHAUS-FRANCE Sarl has therefore been formed in Paris with Ff 40,000 capital, to wholesale household and office products, as well as gift wares. The remainder of the shares in the new venture are held by (25% each) Mme L. Thibault-Leveque - manageress - and G. Dezelus.

\*\* The British engineering group E. GREEN & SON LTD, Wakefield, Yorkshire, is going to close down its sole Common Market manufacturing subsidiary, L'ECONOMISEUR GREEN SA, Paris (factory at Haubordin, Nord), which made fuel economisers and heat exchangers. This decision has been taken as the result of a licensing agreement signed in Paris with AMELIORAIR SA (see No 406). The latter will make over the subsidiary's activities to its "Eco-France" heat-exchange division, whose turnover in 1966 increased by 13%.

Ameliorair (capital Ff 14.05 million) belongs to the Pont-a-Mousson SA group (direct 10% shareholding and 15% indirectly through Ste Miniere & Metallurgique du Perigord SA). Its other main shareholders are Cie Financiere de Suez & de l'Union Parisienne SA (14.7%) and Ste Lyonnaise des Eaux & de l'Eclairage SA (see No 388).

\*\* The German KATHMANN oHG, Calveslage ub Vechta, Oldenburg (poultry feeds), has formed an international promotion company in Switzerland. The new firm is called Kathmann International AG, Chur, has Sf 50,000 capital, and is run by Herr Richard Allemann.

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