

14 MAY 1971

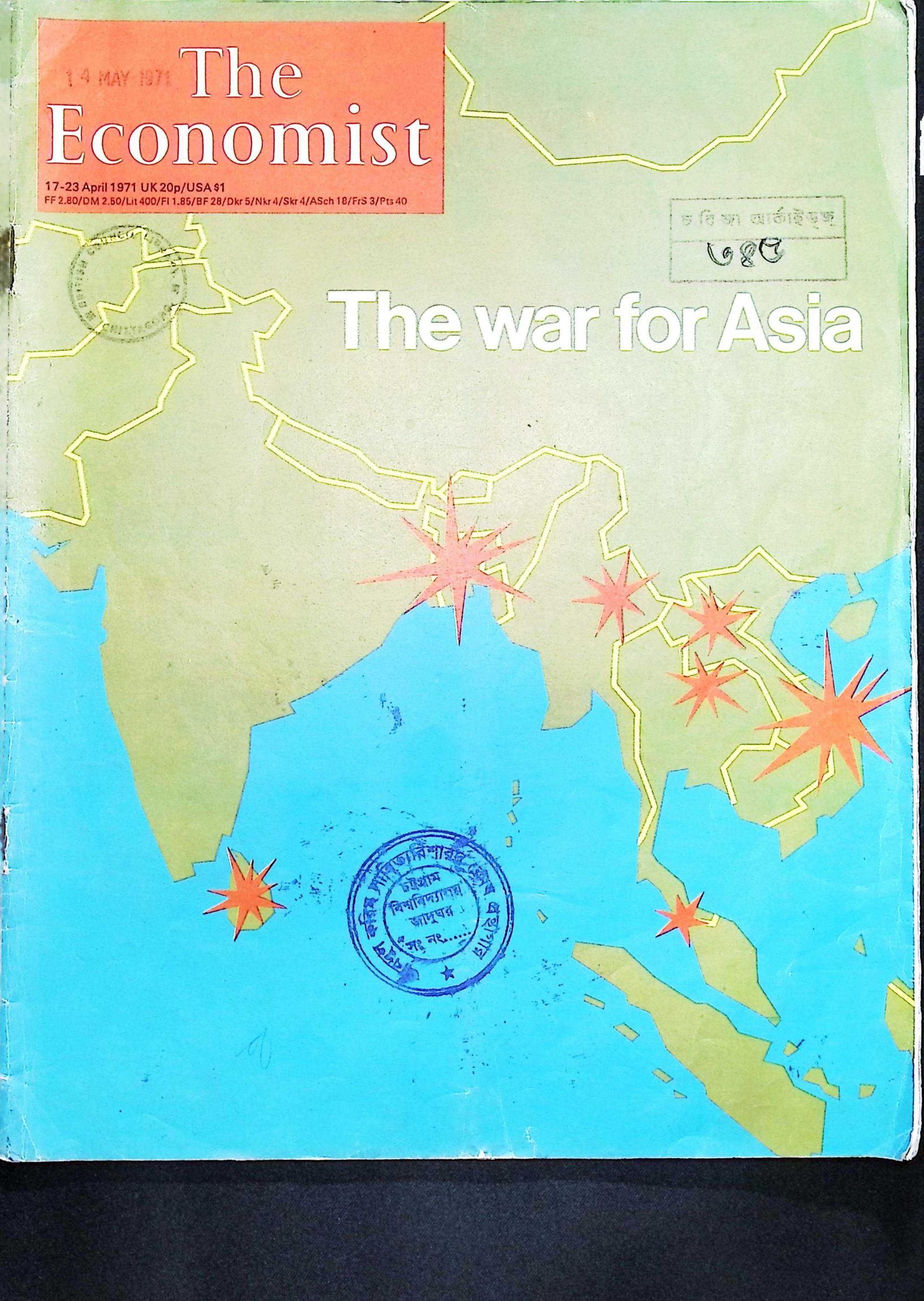
The Economist

17-23 April 1971 UK 20p/USA \$1
FF 2.80/DM 2.50/Lit 400/FI 1.85/BF 28/Dkr 5/Nkr 4/ASch 18/FrS 3/Pts 40

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The war for Asia



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The two-handed player

By welcoming that ping-pong team to China, Chou En-lai has shown he wants to play it the friendly way with the United States—though there could be a spin on the ball, page 19. But what China has done about Pakistan, and may have done in Ceylon, is a different game altogether, page 17. Who seems to be behind Ceylon's rebellion, page 31. The dying hopes of East Bengal, page 32.



If they begin again

The likely way the fight will go if the peace talks in the Middle East fail, page 21.



£75 to New York?

BOAC wants to halve its fares to fill its jumbo 747s, page 68.

Off the track?

The railwaymen have been very unhappy at how little British Rail offered them, page 72. And, talking of wages, Britain's electricity supply industry has lost money for the first time but not the last—unless efficiency helps to fight rising costs, page 65.



Still there

The Labour party is going to get much more public attention again when it wins in the local elections and joins battle on the common market. But what future has Labour really got?, page 20.



Fish fry

Anti-marketeers say the EEC's fishing policy would put British fishermen out of business. It wouldn't, but the policy will be changed anyway if the Six become Ten, page 66.



Kiwi fears

New Zealand isn't happy, either, but it's learning fast, page 42.

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SIR—"Perhaps some of your readers with a specialised knowledge of Northern Ireland would like to state reasons for or against abandoning the people of Northern Ireland to their own fate." Thus Mr E. R. F. Southgate of Teignmouth in your issue of April 10th.

In present circumstances, such near-hysteria is understandable—even forgivable—but the deadly combination of callousness and terrifying ignorance displayed in such letters is not. I write as a Northern Irishman who knows his religion to be so irrelevant in this context that it would distract from the argument to mention it. I also write not merely as an individual but as one of the principal officials of the only organised political party in Northern Ireland which is actually gaining in both membership and registered grass-roots support, and which is already the second-largest party in the province, composed of Protestants and Catholics working as complete equals.

The single most important fact which should be realised by those of my fellow United Kingdom citizens sincerely interested in the solution to the Northern Ireland problem is this: the proportion of Northern Ireland citizens who "wish to kill one another" or to "abuse and kill our troops" is so minute that were they in any other part of the United Kingdom, or indeed of western Europe, they would be regarded as no more and no less than political gangsters. Yet because they divide themselves naturally into factions which capitalise on relatively mild community divisions, a few thousand hot-heads of various shades are allowed to appear representative of 1½ million more or less ordinary, peaceable people.

There is, however, one possible development which could give these assorted men of violence something approaching substantial support, and that is anything resembling the facile expedient suggested by your correspondent—in this case "pulling out" of Northern Ireland. Only slightly less potentially disastrous, for the same reason, is the currently fashionable concept of imposed direct rule. The Stormont Parliament is, of course, little short of farcical—as at present composed. Were there no possibility of changing radically the party representation within it, politically-sophisticated observers might be justified in concluding that it should be abolished. But such is far from the case. At the next Stormont general election it will be clear, even to those who cannot yet appreciate what is happening to the socio-political structure of this province,

that the overwhelming majority of the candidates selected by the Unionist party will be indistinguishable from those who are now called "Paisleyite" or "Protestant Unionist." These candidates will attract the votes of—at the very most—substantially less than half the electorate. Most of them can therefore be very easily defeated, by a trans-sectarian force capable of securing the election of the 27 or more candidates necessary to form a stable and respected government of Northern Ireland.

The very violence from which we are now suffering is itself accidentally speeding up this political realignment. One of its chief and demonstrable effects on the vast non-violent majority is massive and accelerating grass-roots defection from the traditional political parties still on display at Stormont. Although some of this defection is towards extremist Republicanism or Protestant Unionism, a very much larger proportion, among Protestants and Catholics alike, is towards a new, home-grown political allegiance with the potential strength to offer a peaceful solution.

The existence of such an organised force is well recognised by the press and television media here. Commenting on the first Alliance annual conference held on March 27th—the largest party conference ever seen in Northern Ireland—the Dublin-based *Irish Times* remarked that the feat of filling the Ulster Hall in Belfast had previously been achievable only by boxing matches and Rev. Ian Paisley.

The fact that this new factor remains as yet largely unexamined by the London-based press—with notable exceptions such as *The Economist*—must be attributed either to lethargy or, more probably, to the sort of tragically ill-informed cynicism which could lead Westminster into one of the worst acts of misjudgment ever made by a British government.

By all means let Westminster eventually allow the people of Northern Ireland to solve their own problems (with obvious exceptions such as security, which will remain a continuing, but diminishing United Kingdom responsibility). But not, sir, by subjecting part of the domestic population, of whom the overwhelming majority understand and respect British standards of democracy, to the kind of Pontius Pilatism so far only committed by the Belgians in the Congo.—Yours faithfully,
Belfast, 7

ANTHONY COWDY
Joint Party Secretary,
Alliance Headquarters

Europe

SIR—The vital matter of sovereignty in the common market seems still to be unclear. I have not ignored the decrees of the Commission or decisions of the Court of Justice as Mr K. T. Moore says (Letters, April 10th). But in the examples he gives Mr Moore does seem to ignore the more important fact that Brussels has little actual power to enforce its decisions. Only the national governments can enforce central common market decisions.

In signing the treaty, member countries commit themselves to abide by the rules because they know them to be limited and because as members they have control over any future rules which may be made. This is what is meant by a reciprocal power system. The Brussels institutions fight shy of provoking member governments by going too far—for they know that in a struggle a member government will usually win.

Vague cries that we are somehow losing our sovereignty do not bear examination.—Yours faithfully,
London, SE10

DAVID GREEN

SIR—In your leading article about the common market (April 10th) you stated that "opinion at home lacks much enthusiasm for or against entry." It is certainly true that there is little enthusiasm for entry. But, as one who has spoken at many meetings on the subject, I can assure you there are very strong feelings up and down the country against entry.

This is confirmed by the last month's National Opinion Poll. In its full version it states that the clear majority of the voters disapprove of joining the common market and when compared with this time last year there is apparently little change. The figures are—approve 22 per cent, disapprove 66 per cent.

In this breakdown it is interesting to note that the younger generation are not much different from the rest—in the 18-24 age group 63 per cent disapprove and in the 25-34 age group 61 per cent disapprove. In the class group only the upper middle class show some more enthusiasm, with 45 per cent approving and 45 per cent disapproving. But the rest of the classes hover around the average of 66 per cent. In terms of party politics disapproval among Conservatives is 62 per cent, Liberal 67 per cent and Labour 70 per cent.

In fact, nowhere is there any enthusiasm, let alone any signs of the necessary full-hearted consent of the people which is a prerequisite of entry. These polls are no freak; most polls have revealed roughly the same consistent trend.

You also referred to the political aspect and the need for a united Europe. This, as we are so frequently reminded, is the real purpose behind our entry. We know it is the aim of the Six. Is it not, therefore, extremely odd that the one thing which is not discussed during the negotiations is this political aspect?

The technical explanation is that it is not part of the Treaty of Rome. This is a dubious argument because, as the EEC itself says, "the process of economic and political unity are two sides of the same coin." But either way it is inconceivable that the Government, which attaches so much importance to the political purpose, should attempt to take the British people into the common market without first seeking a clear statement from the Six about their political intentions. The Six have been working together for 13 years or more; they must surely by now have

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a very good idea of their political aims and how to achieve them.

One is forced to the obvious conclusion that, if the political implications of federalism (to which the Six say they aspire) were spelled out, an even higher percentage would be against entry. And so the whole embarrassing subject is swept under the carpet. To treat the nation in this way is to treat them as children. No wonder the people are becoming more and more suspicious of the whole affair.

How can an enlarged community become a great European power to rival America and the Soviet Union without having a European government? This whole matter should now be brought out into the open—and become part of the negotiations.

You suggest that our offer on our financial contribution might be modified—this can only mean increasing it to meet the demands of the Six. But the Prime Minister and other Government spokesmen have called it a "reasonable and equitable" offer. How would an already allergic public react to an increased offer which had clearly been raised under pressure from the Six? Any increase would seem like weakness and would surely only swell the already large opposition to entry.—Yours faithfully, NEIL MARTEN
House of Commons, London, SW1

Vat

SIR—My accountant tells me he has never yet seen a sensible tax produced by a politician. I am therefore relieved by your comment that everybody who is anybody except Parliament will be consulted about Vat before it is forced upon us in 1973 (April 10th). If you are right, there is some hope of someone, somewhere, sometime, taking the sensible decision to tax all goods and services at the same rate with no exceptions or exemptions.

Nearly every shop in the country sells a complete hodge-podge of products and most of them sell some food. To have exemptions and differential rates means that every shop in the country must keep accurate records of sales and purchases in every tax category, and many manufacturers will spend time and energy proving their product is not quite what it seems, or that since their shirts are made of rice paper they should be classified as food not clothing. However, if Vat is universal and at uniform rates, everyone's tax liability is easily calculated at no extra expense whatever from their normal trading accounts.

The proof of the pudding is in the eating. The French have a multirate system and 12,000 civil servants to administer it, and legions of shopkeepers who from time to time riot in rage about the complications. The Germans also have a multirate system and, being a well-disciplined, phlegmatic nation, only some 8,000 to 9,000 civil servants administering it. The Danes, by contrast, have a uniform rate system, the only exemptions from

Vat being ships, aircraft and newspapers. As a consequence they only need 100 civil servants to administer their system. Danish business people find administration of the system costs them nothing and, since the Danish government had the good sense to adjust all social welfare benefits at the same time as Vat was introduced, they avoided the political and social difficulties inherent in any tax on food.

You may remember the present Government led us to believe they would prune the civil service. Their proposals on Vat, in which they already estimate they will need an extra 6,000 civil servants on administration, can only make sense to a keen gardener, who will appreciate that judicious pruning stimulates vigorous growth.—Yours faithfully, C. J. FELL
Newport, Essex

Without an incomes policy

SIR—Under the above heading (April 10th) you write: "If there had been a secret ballot, the post office strike would not have started." May one ask how you know—how, indeed, could anybody know—anything of the kind?—Yours faithfully,
London, NW MARGARET COLE

Nigeria

SIR—Your comments on the recent wave of strikes and lockouts in Nigeria (March 27th) give a subtle analysis of the background and repercussions of labour unrest generally in Nigeria. But, true to type, you spoil your story by precipitating another split between the two partners in our government, by your preposterous insinuation that Chief Awolowo is another much-discussed candidate as the man behind the labour unrest. This conclusion no doubt gives credit to those who always maintained that your journal is an imperialist forerunner when it comes to events affecting developing countries in Africa. Your role during the Nigerian civil war comes to mind. It is tragic that an academic journal will always degenerate to witch-hunting.

One wonders why, at this stage of the decline of Britain as an imperial power, your journal cannot stop to think that you should avoid deceiving yourselves and your people that you can influence events in African countries. By the way, what is wrong if Chief Awolowo dabbles in the present labour unrest? On this point, however, you got your facts upside down. He did in fact intervene to persuade the doctors on go-slow to return to work.

You loathe the presence of Chief Awolowo in the present administration because he is a socialist? We know, however, that if he were an Englishman in your administration he would be praised for his integrity and dedication to his people. There are hundreds of left-wing Members of Parliament more socialist-inclined than Chief Awolowo. These are nice fellows as far as you and your imperialist masters are concerned. But when a man like Chief Awolowo (long may he live) holds a key

position in Nigeria, you frown at this, because he refused to fraternise with your local agents by being a member of your "social clubs," whereby you will dictate or even draft our budget speech or know what budgetary measures our government intends to take before the public knows.

It is never too late to change. So let us hope you will analyse events of African countries in the same way you do those of your country, Europe and America and stop your divide-and-rule tactics which have resulted in increasing anti-British feelings by British-trained Africans. This situation makes for lower interest in anything British in this country.—Yours faithfully,
LADIPPO DADA
Lagos

Lake Michigan

SIR—As a Canadian, I feel we should not permit Mr T. F. Coen's letter on Lake Michigan (April 10th) to reopen a long-standing wound between ourselves and the Americans. Let us forget that over the past 40 years Chicago has been taking water from Lake Michigan, adding its own effluents and dumping into the Mississippi, probably to the annoyance of the cities downstream, but certainly to the detriment of Canadians who live on Lakes Huron, Erie and Ontario.

This subject has been discussed so many times that it might be better if we left them to sort out their own irritations.—Yours faithfully, ROBERT C. PECK
Shenstone, Staffs

Women's Lib

SIR—Shame on you! There are, no doubt, arguments in favour of Women's Lib, but the caricature of those that you presented (April 3rd) is unchivalrous.—Yours faithfully, N. B. CAREY JONES
University of Leeds

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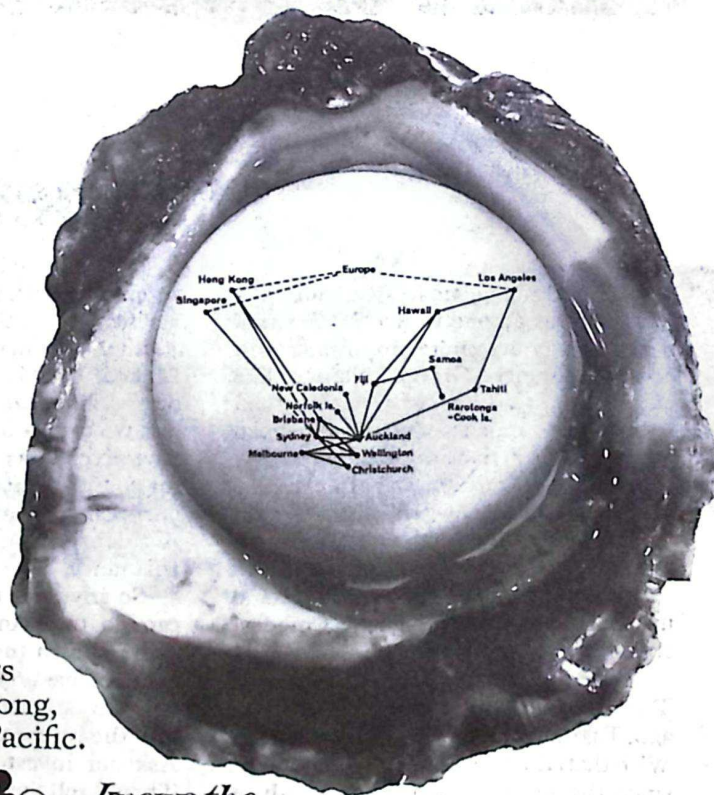
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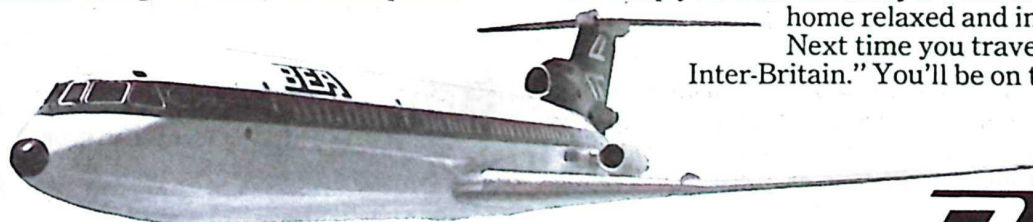
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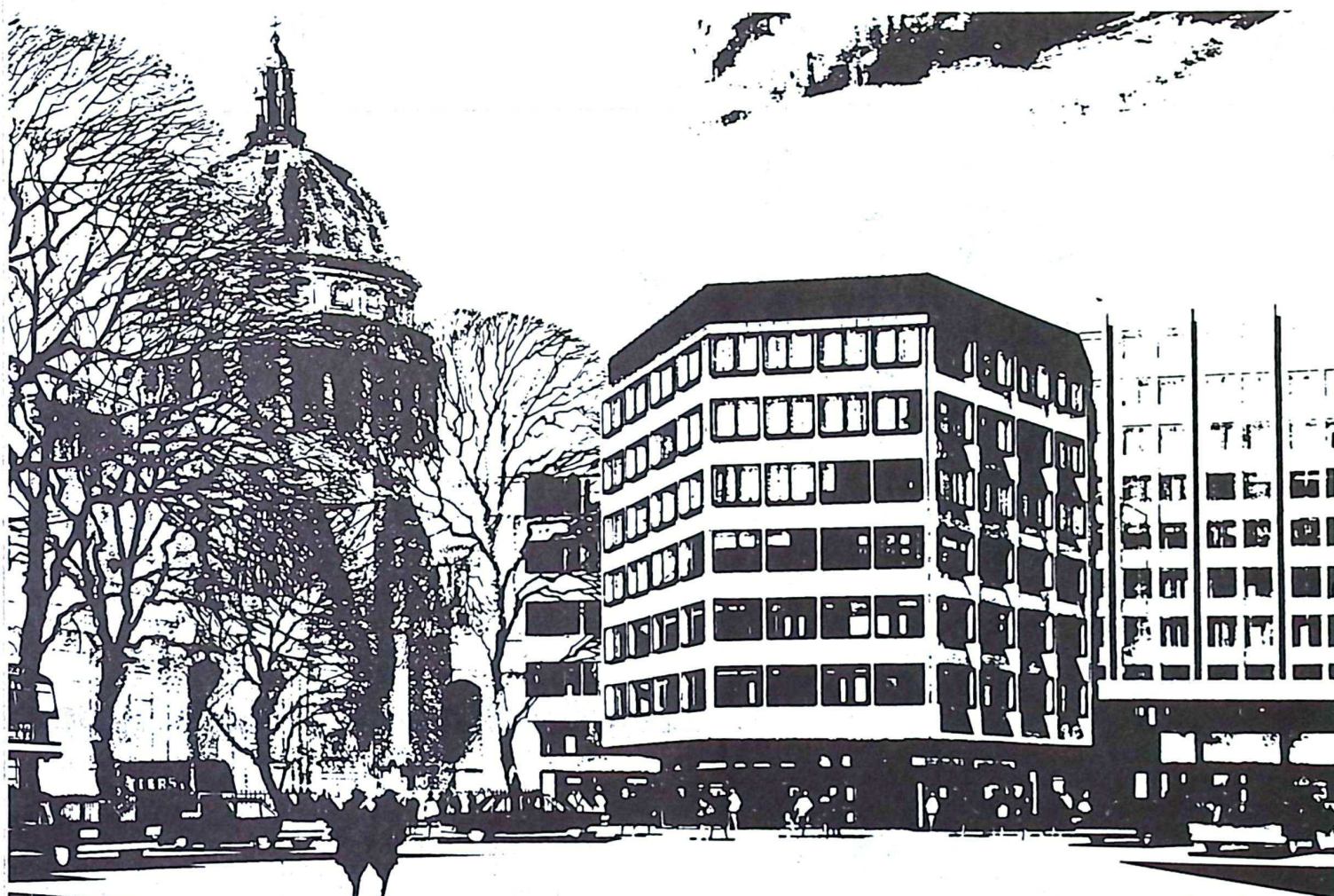


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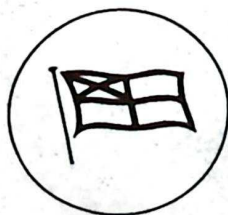
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The war for Asia

It is the ideological crossroads of the world, and of course the ideologies have collided there. The great stretch of land which runs from the Sind desert to the Mekong rice-fields has to be seen as a whole. It has never made much sense to think of the Indian sub-continent as something quite separate from south-east Asia; after all, Indochina is called Indochina because that is where the Indian and Chinese cultures met, and they met long before the colonial administrators from Europe started drawing their lines on the map. It makes even less sense to compartmentalise southern Asia in the light of what is now happening in Ceylon and Pakistan.

Of the 12 non-communist countries, with getting on for 800 million people living in them, which lie around a line drawn from Rawalpindi to Saigon, no fewer than eight now have fighting going on in their territory. There is the war in South Vietnam, Cambodia and Laos. There are insurrections in Thailand, Burma and Malaysia which receive help from China, or North Vietnam, or both. And now the civil wars in Pakistan and Ceylon have got the great powers and the ideologies circling above them. Of those 12 countries only four—Nepal, Singapore and Bhutan, and India if you do not count what has been happening in West Bengal for the past four years—are in the state we used to call peace. Of course, it would be nonsense to pretend that each of these conflicts does not have its own local causes. But it would be just as wrong to ignore the fact that these local problems are overlaid by the rivalries of the powers whose claims to influence collide in southern Asia.

This week's news from Ceylon and Pakistan shows that the western part of the region is no more immune to these pressures than the area farther east. It is hard to know what is going on in Ceylon, because Mrs Bandaranaike's government has imposed a very effective censorship (see page 31); but if the estimates of the size of the rebellion are anything like accurate it must be assumed that the rebels have been getting some of their

guns, as well as their political ideas, from abroad. There is no apparent reason why the Russians should risk their friendship with India by supporting an attempt to overthrow Mrs Bandaranaike when the Indians are helping to protect her. The most probable providers of arms for the rebels in Ceylon are the Chinese, or the North Koreans; and if it was the North Koreans who sent them the Chinese almost certainly knew about it. And certainly China has made no attempt to conceal its ideas about the crisis in Pakistan. The remarkable thing about the message that Chou En-lai sent to the Pakistani government this week (see page 32) is not that it took a different line about the fighting in East Bengal from the line the Russians had taken the week before; China likes to show it is different from Russia. What is remarkable is that, when it had to choose between joining in the general sympathy for the Bengali rebels and polishing its friendship with President Yahya's military government, China chose the course of *realpolitik*. It is evidence that China is willing to subordinate everything—even, for the moment, the claims of ideology—to the business of establishing itself as a power to be reckoned with in southern Asia. The contest for influence in the region is fairly on.

There are two questions which need to be asked about what is happening in Asia. The first is why this particular area should have become the cockpit of the powers; and the answer to that is fairly easy. The dozen countries between West Pakistan and South Vietnam contain nearly a quarter of the world's population, and a quarter which includes most of the world's very poorest people; and they happen to lie at the only place where the border between the Soviet Union and China touches the non-communist part of the world. For governments that want to propagate their political ideas—as the government of every great power does, but as relatively young great powers like Russia and China do more than most—the temptation is pretty well irresistible. The arguments of

ideology and the arguments of power unite to pull them into a policy of intervention. For Russia and China alike, southern Asia is a rich field for making converts; it is also a place where neither can afford to let the other get the advantage in winning friends and influencing people. If Russia became the dominant power in the area, the Chinese would find themselves hemmed in by Soviet influence on both their north and their south. If China got the best of it, the Russians would have suffered a major defeat in the battle for the third world, and they would be cut off from a region they have had their eye on for the past century. This is the place where they both have to be afraid of being politically outflanked. That does not mean that either of them is thinking of using its army in southern Asia. They can see the dangers of that; and anyway it is political supremacy they are after, not military control. But the stakes are high, and it is not impossible that Russia and China may yet find themselves fighting a proxy war with each other through their respective friends on their southern flank.

The other reason why this area is particularly vulnerable is that it lies in the vacuum left by the collapse of British power after 1945. The end of the second world war found the United States occupying positions in central Europe and the western Pacific which, with a couple of crises over Berlin and Korea, have formed a stable dividing line to the west of Russia and the east of China ever since. There has been no equivalent line of demarcation on the southern side of the two great communist powers. The Americans sent their army into Vietnam in 1965 to try to establish such a line at the south-eastern corner of this no-man's land, and six years later they still do not know whether they are going to succeed. The south-western corner of the same void—the Middle East—has seen the Americans and Russians move into the space left by the British retreat. But between those two corners of Asia there is now no centre of power capable of striking a balance with either the Soviet Union or China. India might have been one, but it has not become one yet. That is why this area is so fundamentally fragile. It is also why the competition for influence within it looks increasingly as if it is going to be largely a competition between the two great communist countries to the north.

And it is why the second question has to be asked. Should it be left to them? It is tempting to say that this is a part of the world where the west cannot expect to do very much: no more, perhaps, than can be done by foreign ministries performing their tightrope act, and a steadily declining real flow of aid. It is an area which the Chinese can get into overland—they did in 1962—and which lies within fairly easy range of the airfields of Soviet central Asia. But for western traffic it means a long haul by ship or aircraft along routes where the west can no longer be sure of naval or air superiority; there are no western bases between Cyprus and Singapore except the staging posts on Gan and the Gulf. And this is Asia, and everyone knows what it means to get involved in Asia. For the Americans it would be an intolerable addition to a weight of international responsibilities they are already finding too heavy. For most west Europeans the prospect is still almost as intellectually remote as the moon. The

arguments for sitting this one out as a spectator are plain enough.

But something does pull the other way. There is the fact that these dozen countries include five members of the Commonwealth; and that still counts for something, even if the voices which were calling for a Commonwealth policy on South Africa in January have had very little to say about what is happening in Pakistan and Ceylon. There is also the fact that five of the 12 countries—India, Ceylon, Singapore and still, if only just, Malaysia and South Vietnam—are places where a genuine electoral process does exist and where the population is offered some choice about who should govern it. These things are just as important as the connections of trade, the rubber and tin, the jute and the tea. It is not going to be easy to push aside the fact that the western political idea seems to have a better prospect of surviving in southern Asia—if it gets the chance—than in most other parts of the underdeveloped world. It is not only the Russians and Chinese who have obligations of ideology there.

No doubt somebody in Whitehall was saying this to himself when Britain agreed to send small arms and ammunition to Mrs Bandaranaike, and to buy some American helicopters for her. No doubt it explains why the British and American governments have decided not to say what they both presumably feel about President Yahya's suppression of East Pakistan; a policy of denunciation is the last resort of people who are otherwise impotent. This is how governments act when they want to stay in the game but do not happen to have much of a hand to play with. But there is no evidence that there exists anything which could be called a western policy for southern Asia. The United States has been occupied with Vietnam, Britain with Singapore and the Gulf, France with Africa and Germany with the navel of Europe, and all of them with the Middle East. None of them has had enough intellectual energy to spare for wondering what it would do if the cracks started showing in the region between the Middle East and Singapore. They are showing now.

Something that deserved to be called a policy for southern Asia would have to begin with the recognition that the liberal democracies of the west have a common interest in keeping the multi-party system of government alive on the continent of Asia; which is much the same as saying that they do not want to see the region fall under the influence of either China or Russia. It would mean keeping the friendship of India, as the centre-piece of Asia. And it would mean maintaining enough military strength available for use in the Indian Ocean to ensure that the sort of help that has been sent to Ceylon this week could be sent to other countries that might need it. This is now a three-superpower world. The exchange of concessions between China and America this week (see the next article) seems to mark the opening of a new period of manoeuvre among the three great powers. It would be a strange abandonment of what the west says it stands for if it left southern Asia to a two-sided competition between Russia and China.



The way the ball bounces

Chou has put a spin on it in Asia. He seems to have decided to play it straight with the United States

The world's future is not going to be decided by the bounce of a ping-pong ball, though some of this week's headlines have made it sound like that. Yet it is quite a spectacle. Two great nations, locked in hostile immobility for over 20 years, are suddenly falling over each other with rival offers of friendship. So far the Chinese have beaten the Americans in public relations, as well as ping-pong, because they have the dramatic flair. Last week they surprised the world—even the communists in Hongkong were reported to be "shell-shocked"—by inviting a 15-member American table tennis team for a week's tour of China with visas for American journalists thrown in. And this Wednesday Chou En-lai told the American players that, "with you having made a start, the people of China and America will be able to have constant contacts."

This was heady stuff, and there was nothing so dramatic in President Nixon's instantaneous reply: a complicated five-part programme which knocked a few more bricks off the wall of American protectionism against China. But for all his bureaucratic style Mr Nixon deserves a fair share of the credit for bringing Chinese-American relations to their present improvement. It was he who started the ping-pong ball rolling in July, 1969, with the first initiative either side had taken since Chou En-lai proposed ambassadorial talks in 1955. And it was he who had the persistence to follow through with four subsequent relaxations of trade and travel restrictions before there was any hint of reciprocity from Peking.

The Nixon initiatives undoubtedly had something to do with China's ping-pong offer—probably more because they demonstrated the Americans' willingness to move than because of any specific concession they granted. And the immediate timing of the ping-pong invitation was undoubtedly determined by the fortuitous scheduling of the Tokyo tournament just after Mr Nixon had removed the last ban on American travel to China. But there are several good reasons why China might have decided this was the time to seek better relations with America anyway.

Ever since it emerged from the isolation of its cultural revolution two years ago, China has been conducting a campaign of relentless sociability—sending smiling ambassadors back to empty embassies, and seeking new friends wherever it could find them. In this new mood, it might simply have seemed logical for the Chinese to extend a friendly hand to the United States as well as to the monarchies, sheikhdoms and right-wing dictatorships it was already dealing with. Logic was reinforced by tactics; one of the immediate aims of China's new diplomacy is to gain admission to the United Nations, and clearly the Americans will be a key factor in next autumn's vote on the China seat. And a still more important incentive for seeking a rapprochement with the Americans is China's vital interest in avoiding a confrontation with either of the superpowers. While China is still a vulnerable nuclear

infant the Chinese need to defuse their smouldering hostilities with both America and Russia. They have spent the past 18 months negotiating away from the brink of war with the Russians. Now they can turn to establishing an equivalent low-keyed normality with the Americans.

The immediate results of this week's breakthrough could be an explosion of unofficial Chinese-American contacts of all sorts. Chou En-lai has endorsed them, Mr Nixon has welcomed them and there remains only the stamping of visas. (China will have a chance to show just how open its door is when the applications from professional China-watchers start flooding in.) There will probably also be a modest expansion of trade beyond the trickle of indirect American exports to China worth \$2 million-\$3 million since the restrictions were lifted a year ago. With continued encouragement from both governments this process could carry America's relations with China to roughly the level of trade and unofficial contacts that Japan now has. But then it would come up abruptly against the obstacle that has prevented the Japanese from normalising their official relations with Peking: Taiwan.

There is a remote possibility that the Chinese might help in the resolution of the Taiwan dispute by making some concessions themselves. One pointer in this direction is the notable omission of any reference to Taiwan in the last two announcements of new diplomatic relationships, in spite of the fact that both Kuwait and Cameroon had previously recognised the Chinese Nationalists. But it is much more likely that Peking will not agree to inter-governmental relations with the United States unless the Americans disavow the Nationalists' claim to be the government of China and accept the argument that the island is an integral part of a single Chinese nation.

The United Nations vote on the China seat this autumn will probably be the first test of the limits of the Chinese-American detente. The most desirable solution is one which would bring China into the Security Council without depriving Taiwan of a place in the General Assembly, perhaps under the sort of formula that gives the Ukraine an assembly seat. But at any rate it will be necessary to find a formula which tacitly allows the Peking government to replace Taiwan in the Assembly without appearing to give Taiwan an unceremonious boot. One way of doing this might be to amend the standard Albanian resolution so as to advocate the admission of the People's Republic of China without any reference to the status of Taiwan.

Once the UN succeeds in settling the China question, the Americans should find it easier to move towards the opening of diplomatic links with Peking. But if the American or Chinese government, or both, are not ready for such a radical move, there is an alternative, slower but to the same end, which has been proposed by two

American government officials in a study of China policy. They call it "One China but not now." These proposals foresee a gradual disengagement of the Americans from Taiwan paralleled by reciprocal Chinese moves in south-east Asia—an improvement of relations with Burma and Thailand, and a reduction of Chinese support for the insurgencies in both countries. At the same time America and China might explore other areas of shared interest, like their presumed mutual concern to keep Japan non-nuclear. Who knows, it might even lead to a time when China would be willing to talk about limiting the size of its nuclear armoury, or about its policy towards "wars of national liberation." That is where the ball could bounce to.

Now that China has smiled to some small purpose, it is tempting to think of such possibilities, so that overnight

the prospect is accepted on all sides that peace is about to break out in Asia after all. To the many querulous and puzzled people in the United States, prepared to believe the worst of what their intervention in South Vietnam has done, and encouraged to believe by their news media that they are even more divorced than ever from President Nixon, the Chinese action is guaranteed to be as welcome as the Chinese intended it to be. For if it is not the China of maoist frenzy that confronts America and its friends and clients but the bland, cultivated China of Chou, the real China that must have been there all along if the Americans had only been smart enough to spot it, then what (it will be said time and again) can possibly remain of United States policy in south-east Asia? Which may be as good a reason as any for Chou's pleasing new interest in a little sport.



There's a Labour party, too

As the country will be reminded when the local elections start—and Labour starts reviving. But where does the party go from there?

Since the present parliamentary session began last July it has been the Government which has made all the political running and attracted all the political limelight. That is not surprising. It is, indeed, the natural order of events, for the party in opposition rarely attracts public attention unless it is fighting about its leadership or threatening to destroy itself over doctrine; that is as much the fault of recent journalism as it is of party politics. But as Labour has not sought self-inflicted sensation since losing the general election, its mere existence has rarely intruded itself on the public consciousness. It is the trade unions which have done that, and for all its recent years in power, or perhaps because of those years, the Labour party remains a curiously unknown opposition.

Some of that should now be about to change. With the local elections early next month the Labour party should begin to come alive again. Because of its disastrous local losses in recent years, it should make fairly sweeping gains this time. If it does do well, it will get immediate publicity, and a rather longer-lasting boost in morale; if it does surprisingly badly it will get even more publicity. But from then on it will be the common market issue which will keep Labour plumb in the spotlight until the party conference season in the autumn.

Whichever way the common market decision falls out, Labour is bound to play a vital and possibly a decisive role. It is absurd to say, as even some of the most ardent pro-marketeters in the Labour party are now arguing, that Mr Heath cannot put a resolution for entry before the Commons unless he is certain that it would be carried by the Conservative majority alone. On such an historic issue, and one which cuts across party divisions, he is not only entitled but it would be his duty to rely on the pro-market forces inside the Labour party to supply the country, not him, with a majority. If, therefore, the Brussels terms prove acceptable to a British government,

which means they would prove acceptable to a government of either party, then attention is going to be concentrated pretty equally on head-counting in both the Labour and Tory parties.

The Economist still believes that if a resolution to join is put before the Commons it will be passed by a comfortable majority, largely because Mr Wilson will act in the national interest as far as any leader of a party in opposition could be expected to go, and because the pro-marketeters in the Labour party will vote in the pro-market lobby. That is what will really count for the country. But equally important for Labour will be the way the debate is conducted and whether the inevitable party inquest on the vote leads to another fratricidal spasm. But even if the Labour party comes through that ordeal in a sensible and relaxed way, or, worse still, if the negotiations fail and the Opposition is forced willynilly into a continuous if forlorn attempt to harry the Government out of office, it will not resolve Labour's central dilemma: can it gamble on being allowed to fight the next election on the basis of the old political system?

The left has been too busy whining about Mr Heath breaking down the political consensus which was built up between 1951 and 1970 to consider the implications for the politics of the Labour party if its fears are only partially realised. The hardline left sees no great problem in that: the policies that were good enough for its grandfathers will be good enough for the grandsons. But if the serious men of the Labour party do not start considering these problems very soon they could well find themselves caught disastrously short—even if the next election is not held until the autumn of 1974. Mr Tony Crosland, it is true, has started the thinking process, but the Labour party is absurdly suspicious of too many of his ideas, and alone he stands little prospect of being heard above the clamour for opportunist opposition.

The temptation for Labour to maximise opportunism and minimise thinking over the next few years is very powerful indeed; many in the party leadership would consider them the only tactics worth pursuing, and there is some conventional truth in that. The margin by which the Tories won the last election, and thus the margin by which they could lose the next, is described by the latest Nuffield survey (see page 57) as "almost like scraping through to a football title on goal average." If only Mr Heath would do the decent thing and fight the next election on the conventional, consensus basis of the past 20 years, Labour must believe that there is a more than reasonable chance of winning again without bothering much about politics, which only creates divisions within the party anyway.

Of course, in one important sense the next election is bound to be a conventional one in that it will be decided largely on the electorate's view of the Government's economic record. If that record is disastrous, then the Government will lose whether the consensus has been broken or not. That is a gamble which every government takes with its economic policies. But what if the Tories' economic policies are not judged a disaster in 1974 (and who can say now that they will be?), and Mr Heath has succeeded in chipping great chunks out of the consensus by then, as Labour claims he is trying hard to do? It will not be nearly enough for the Labour party to fight the election on the economic management issue; in those circumstances the election would have to be fought far more on the political differences between the parties than Labour has found it necessary or desirable to do in the past four general elections.

That could only be for the better health of British politics. Only those who do not care whether they win power on goal average as long as they win can be other than deeply concerned about the decline in mass democracy which has accompanied the years of political consensus. The alleged public demand for "participation" seems even more ironic when it is set against the figures of the massive decline in both the Labour and

Tory parties' membership, which are so starkly tabulated in the Nuffield survey. Tory party membership has dropped by over a million since the 1950s, but it is still four or five times greater than the voluntary, individual membership of the Labour party, which may not be much over 300,000. Any politician, particularly any Labour politician, who says that does not matter because organisation does not win elections has feeble claims to be regarded as a true democrat. Even now, there are many Labour strongholds where the MP is selected, and thereby elected, by a local party of a few dozen at most. If this trend is not reversed the condition of local democracy in many Labour seats will come to resemble conditions before the passing of the Reform Acts; and the Tories could well follow a few years later.

There is very little chance that the Labour party will devote any time or energy to the painful task of changing all that in this Parliament; its leaders seem too ready to believe that if they shout hard and long enough at the Government their traditional supporters will return to the fold and win the next election for them. They may well wait in vain, for they may discover that, far from merely breaking down the old consensus, Mr Heath has succeeded in building a new one—a consensus of those who judge their own and the country's prosperity primarily by their take-home pay. Such a consensus would embrace a fair proportion of Labour's traditional supporters. A few Labour MPs are prepared to face up to the basic political problems that this would create, but even Mr Crosland has no ready answer to them. The rest are still too content to put their trust in the attractiveness of the "social wage," a concept which barely exists outside meetings of the parliamentary Labour party. If they continue in that vein all they are likely to prove is that they are more in touch with the electorate of 1951 than with the voters of 1974. The trouble is that for most of them it is with that earlier electorate that their hearts really lie, for in those good old days Labour actually understood the aspirations of its own voters. It is their own fault that they no longer appear to do so.



If they begin again

All is still quiet along the Suez canal. But both sides are weighing up what could happen if the war of attrition started again

The guns have been silent along the Suez canal for more than seven months; it is negotiating proposals that have been getting shot to bits, not people. But despite the anxiety of both Egypt and Israel to avoid fighting again there is no sign that the ceasefire will lead with any certainty to a political settlement. The present calm may be sustained for weeks, even months, yet. But no one can be quite sure. If reports from the United States are to be believed, the Russians have recently sent still more aircraft (and probably the men to fly them) to Egypt.

That may be the Russian way of jogging the Americans' elbows to get them to get the Israelis to make

further concessions. If so, it is a clumsy way of going about things, for any increase in Egypt's air strength, however defensive the deployment of the aircraft and missiles looks, makes Egypt just that much more able to sustain a war if the fighting breaks out again. It also deepens the possibility of direct Russian involvement in such fighting. Another round may not begin, but it is very much a possibility, and the calculations about how it might happen will certainly influence how the peace negotiations themselves are handled in the weeks ahead.

If the fighting were to start again, it would have a different political and military complexion from any of

the battles, bombardments and scuffles of the past. This is true not because the Israelis hold a strong defensive line along the bank of the Suez canal (for they have had that since June, 1967) but because of the aircraft, Sams and military advisers the Russians poured into Egypt in the six months before the ceasefire last August and in the months afterwards. The scale of their involvement is unprecedented: the Russians are closer to a shooting war than at any time since Hungary in 1956.

The Institute for Strategic Studies estimates that, at the end of last December, there were between 75 and 85 Soviet-manned Sam-3 sites in Egypt and 150 Soviet-manned Mig-21 aircraft, possibly involving the use of between 16,000 and 20,000 Soviet military personnel. It further estimated that between 500 and 600 surface-to-air missile launchers covered the western approaches to the canal, with about 200 of them within 20 miles of its banks, providing overlapping coverage along its full length. Usually sites for the high-altitude Sam-2 contain six launchers apiece and the low-altitude Sam-3 sites four. Together with the new radar and aircraft, this provides Egypt with a formidable air defence system: at the very least it would put in doubt any Israeli attempt to achieve air superiority across the canal.

If the Washington reports have substance, the Russians are strengthening the air forces in Egypt still more. The statistics are suspect, and confusing. But it looks as if recently the Russians have sent more Mig-21s and SU-7 fighter-bombers to Egypt (adding, according to the most alarmist interpretation, 40 per cent or so to the number the Egyptians already had) and have deployed a small number of more modern aircraft. These could be Mig-23s, which are better suited to high-altitude interception than to low-level strike missions. But it is plain that over the past 12 months the increase in the number of combat aircraft with Soviet or Egyptian pilots has well outstripped the build-up of Israeli Phantoms (to about 70) and Israeli Skyhawks (to about 85). And there are the Sam-3s for the Israelis to worry about as well.

At first many of the Sam-3 sites were manned by Soviet personnel. Since the new year the lower-ranking jobs on these sites have been taken over by Egyptians, but there are still Russian officers and technicians around helping them out. There are Russian pilots, too, in some of the Migs. By their ability to threaten to withhold or withdraw these men and the equipment the Russians clearly believe they hold the Egyptian politicians on a leash. Certainly, even now, the Egyptians could not hope to conduct an air offensive across the canal without active Soviet assistance. But it is not just as simple as that. If the guns were ever to rumble again, the Russians might find that they could not withdraw their men except at the price of a political humiliation.

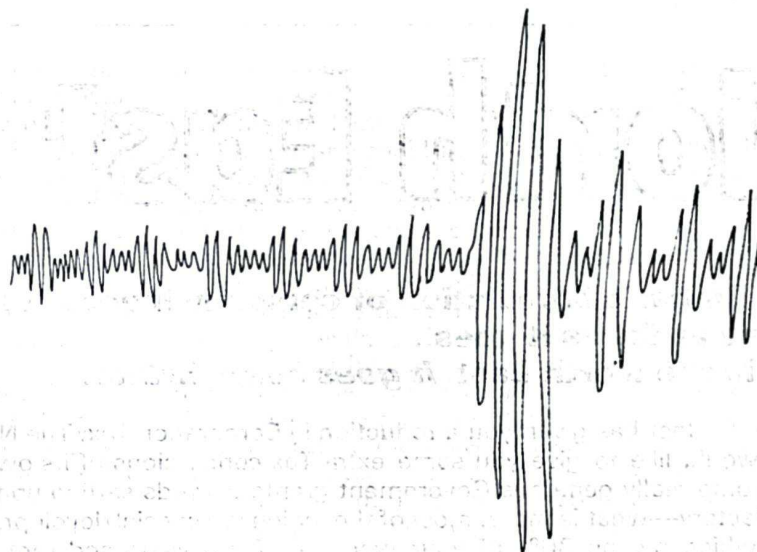
By nudging themselves so far forward, the Russians know that they have no choice but to be politically wary. But they also know that, by doing so, they have changed the military prospects as well. Just as the seizure of the Sinai desert has given the Israelis the radar warning time they needed to make Egyptian pre-emptive air strikes against their airfields much more difficult, so the Russian air defence system along the canal and farther back

appears to rule out any idea of a pre-emptive strike by the Israelis. If either side wanted to achieve air superiority, it would have to fight hard in ding-dong air battles for it. Yet, without achieving air supremacy, it is difficult to see either the Israelis or the Egyptians daring to cross the canal in sufficiently large numbers to bring about a decisive land battle. If the Egyptians attempted to do so they would run up against the much-strengthened Bar-Lev line, backed by a second line of defences farther east in Sinai. There is occasional talk from the Israeli side of making a crossing well to the south of the big cluster of Sam sites around Ismailia. But the Sam sites stretch to Suez, protecting the obvious line of advance along the road from it to Cairo. South of the canal, the Israelis would have both the Gulf of Suez and a roadless desert to cross.

Since the six-day war, in fact, it has become progressively more difficult for either the Israelis or the Egyptians to contemplate a decisive thrust across the canal with ground forces. But a war could be fought, initially at least, in a lower key than that, just as it was up to the ceasefire last August. And there the Sam missiles along the canal have given the Egyptians an advantage they did not have before. In the past they used their superiority in artillery to bombard the Israeli positions, but their guns were exposed to Israeli air attacks. Now, protected by the Sam umbrella, they might be tempted to start the bombardments again, accompanying them, as before, with a few commando raids across the canal. If they did, the Israelis would find it much more difficult to reply from the air, or even to mount punitive counter-raids across the canal.

In strengthening the Bar-Lev line, the Israelis have shown themselves to be fully alive to the possibility of a renewed Egyptian bombardment in greater strength and for longer periods than before. The Israelis might simply take it, hoping to keep their casualties tolerably low and accepting, as they did before, the strain on their manpower and economic resources. But they might feel that could not go on for ever. They might have to think of going for air superiority on the western side of the canal once more. They would then have to make use of the more sophisticated missiles and radar-baffling devices which the Americans have provided them with, and their aircraft would have to go in really low, hugging the ground, to get at the Sam-3s. Even so the military risks would be high. So too would the political ones be, for unless the Russians backed out some of their pilots and technicians would get involved.

So a renewal of the fighting does not appear to offer either the Egyptians or the Israelis the prospect of a really decisive military advantage. That, in itself, is one of the best hopes that they will continue to observe the ceasefire and to negotiate. But, at or near war, men do not always weigh the military risks rationally. In the Middle East there could still be a blunder back into the maze of low-key, attritional warfare. And this time, because of the new weapons Russia has supplied to Egypt, the Israelis would be faced with a problem they have never encountered before.



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BRITAIN

The Queen is not the only one embarrassed by her bills

The Government, the Opposition and the royal family are in for an embarrassing few weeks. For over two years the palace has been pressing for a review of the civil list; now there is going to be one, but the price will probably be a rather painful ordeal at the hands of a select committee of the Commons, which will be set up shortly after Parliament returns from the Easter recess next Monday.

There is clearly a reasonable case for the review. Since Parliament fixed its annual grant to the Queen at £475,000 soon after her accession in 1952, the £70,000 provided within it as a hedge against inflation has proved to be not nearly enough. There have been cuts in the royal household of around 15 per cent, but even so the civil list no longer covers the Queen's expenses. For some time now the deficit has been covered only by the revenues of the Duchy of Lancaster estates—52,000 acres of the Queen's own land in Yorkshire, Lancashire and Cheshire—which

bring in over £200,000 a year into the royal accounts.

Although there is a case for a royal increase, its size could prove embarrassing for the Government. A large increase in the Queen's apparently already massive tax-free income would undoubtedly be used as propaganda by some of the union militants in their campaign for still higher pay settlements, particularly if it were to be recommended by a committee presided over by the Chancellor of the Exchequer. Their argument is all too predictable: if the Queen deserves a huge pay increase from the Government because of inflation, so do our members, particularly the lowest paid.

The problem for the Opposition is not any easier. A large number of Labour backbenchers, by no means all of them on the left, see little reason to increase the civil list. As the palace's most formidable parliamentary critic, Mr William Hamilton, puts it, there is a belief that too much of it is used to pay salaries to superfluous hangers-on. They also consider that as the Queen's private fortune may amount to well over £70 million, a sum built up over many generations because of the exclusion of the sovereign from estate duties, some of the income from this should be used to buttress the civil list.

In 1952 the select committee's terms of reference were drawn up carefully to avoid the officials of the royal household being cross-examined on this highly sensitive area. The same device will no doubt be attempted on this occasion, and Mr Hamilton and his friends are determined to resist it. That does not exactly help the Labour leaders. They are just as committed as the present Government to set up the select committee, and they know that some of the royal family's most uncriti-

cal admirers are among the wives of unskilled workers who form the bedrock of Labour support in many industrial constituencies. They are the people least likely to be amused by the neo-republican noises of some of Mr Hamilton's more extreme friends.

On the other hand the shadow cabinet will come under strong party pressure to take a firm line; all the more so as a number of Labour MPs have become increasingly irritated in recent weeks by what they regard as the excessive socialising between Mr Heath and some members of the royal family; although they forget that quite a number of Tories made the same sort of noises about Mr Wilson in 1964. At the very least they will be bound to put Mr Hamilton on the select committee, and very possibly one other hardliner; and they may not be unduly anxious to oppose rather wide terms of reference. If Mr Wilson follows the precedent of 1952 he will serve on the committee, and so will Mr Jenkins. But the then shadow chancellor, Mr Gaitskell, was not also deputy leader of the opposition, so it is possible that one of them will stand aside for another backbencher.

Whatever the precise membership of the committee may be, the choice before it is essentially a simple one. The Government already pays for the heating and lighting of the royal palaces, the telephone and postal bills, the cost of the royal yacht, the royal trains and the Queen's flight. It is presumably not past the ingenuity of the committee to discover some other areas of expenditure which could be transferred from the Queen to the taxpayer; a Treasury contribution of 25 per cent towards staff salaries would be one possibility—although the Queen, like every other employer, will benefit from the cut in selective employment tax. The other possibility is a straightforward increase in the civil list, excluding any new anti-inflation element (which is probably too hot a political potato) and a recommendation that it be reviewed again automatically in ten years' time. At the moment the second course seems by far the more probable.



Hamilton: Scrooge to the royals

Census

Too censorious

Mr Michael Reed, the registrar-general, is one of those luckless civil servants without a government minister to carry the can—or at least receive the abuse. The Department of Health and Social Security handles publicity for his office in a rather vague way, but there has been little sign this week of its secretary of state, Sir Keith Joseph, stepping into the line of fire to defend the census.

Mr Reed has been very nearly butchered to make a Liberal politicians' Easter holiday. Much of the furore made by, for instance, Mr Jeremy Thorpe and Mr John Pardoe is thoroughly silly—particularly that directed against the use of computers, which is neither new nor in itself a threat to anybody. On Wednesday the unfortunate Mr Reed was cornered into making the blindingly obvious statement that yes, the census was an invasion of privacy, but a necessary one. The National Council for Civil Liberties had by then scrambled rather late on to the bandwagon with a request that the census should be voluntary; it was left to the chairman of the Community Relations Commission, Mr Mark Bonham Carter, to pour cold water on everybody by stating on Wednesday night that he could think of no more futile martyrdom than to go to prison in defiance of the census. He, by then, was probably rightly worried that the worst excesses of Liberalism would have convinced immigrants that the census was nothing more than a preparatory survey for compulsory repatriation, and that they would respond accordingly, setting up a vicious circle of inaccurate census returns leading to wilder guesses about their numbers. Inaccuracies in the 1966 census—somewhat inevitably, since it was only partial, and because it was reckoned to be 1.5 per cent out in its totals—have caused similar troubles over the past five years.

The particular questions to which the inflamed Mr Thorpe took such exception are not all new. In 1966 a question was asked about residence five years earlier. All that has happened now is that it has been supplemented by another question for which the period is only one year. Probably two such questions in one census is straining everyone's patience a bit far, and the registrar-general's staff have had



Reed: who said intrusion?

signs enough that the public is beginning to kick against their pricks—a pilot survey in Nottingham, which included questions on income, was received with sufficient irritation to make sure that it was not included in the full British census, although other countries have many more searching questions in theirs. Mr Reed's consolation must be that this time most people will know the date of the census—Sunday week.

Social security

The reluctant claimant

The increase in health service charges and the abolition of cheap milk came into force this month, and at the same time the income level of exemption from the charges and of entitlement to free milk has been raised. The number of mothers and children entitled to free milk is thus expected to rise from about 590,000 to about 754,000. But at the moment the take-up of free milk and welfare foods like orange juice by those entitled is very low indeed, and the Government is now launching a campaign to persuade these reluctant claimants to apply for their rights. The campaign, costing £340,000, will be directed at all potential clients of social security: for instance, pensioners who do not apply for supplementary benefits; local authority tenants who do not claim rate or rent rebates; mothers whose children do not claim free dinners. Later, similar efforts will be made to

persuade low earning families to apply for the family income supplement, which will be introduced in August.

The cost of this, and of the free foods and exemption from charges, is put at over £300 million a year altogether if 80 per cent of the eligible take up their entitlements. To achieve this target the Government is relying largely on personal contact. Recognising that many of the old and the poor cannot understand the regulations, the Department of Health and Social Security is sending out the necessary information to people like clergymen, voluntary workers and local authority workers, and asking them to persuade likely people to apply. Some feedback on why people are reluctant to apply should emerge from the campaign. But it would have been wiser to have found out the reasons first, for the Government is staking a lot of political capital on concentrating help where it is needed, which will be dissipated if the needy still fail to declare themselves.

Teachers

NUTty but not NASTy

It is a very moot point whether the publicity the teachers get from their Easter union conference marathons does them any good. Certainly the debates of the National Union of Teachers on a wages policy for 1972—when it has not settled its claim for 1971—and confirming a tough policy on class sizes—which was supposed to be effective last year—can hardly enhance its reputation much. Mrs Thatcher's assurances that entry into the common market would not affect the education system hardly sounded particularly relevant, either. The noises that the NUT has been making about the Industrial Relations Bill do little to make it sound like the eminent professional body that it would like to be (curiously enough, it now has a president who shares his christian and surnames with Mr Jack Jones of the Transport and General Workers Union, too).

The National Association of Schoolmasters, whose conference started after Easter and whose pay policy is basically far more acceptable than the NUT's, all too often sounds like a small dog yapping at the heels of its giant fellow-union. Their scrapping over the proposal for a teachers' council, underwritten by Mr Short but treated with rather less enthusiasm by the present

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education secretary, Mrs Thatcher, is really over whether the NUT should have the same sort of overall majority as it does on the teachers' panel of the Burnham committee.

But it is all too easy and unkind to mock the teachers' unions, whose members are suffering from what they see as an erosion of their professional position by the rapid rise in industrial wages. The NUT has given up its comparison with lorry drivers (who, it was pointed out, work hard hours and have a heavy responsibility) in favour of one with lavatory attendants; but as Sir William Alexander, leader of the employers' panel, recently said with more truth than tact, it was just such people as teachers who have clamoured for an increase in the earnings of the low-paid over the years. What happened at its conference was that the NUT was once more frightened by inflation into reaffirming its almost fanatical commitment to a single basic scale for teachers, as against the transfer to a set of five scales proposed by the employers' panel as part of its present pay offer. The NUT is still trying to persuade Mr Robert Carr to change the decreed form of arbitration which is the next stage in its pay talks, since it believes that the procedure is weighted two to one against the teachers. But though the conference may have made all kinds of militant noises, a bare majority of the executive is probably sadder but wiser. And that is nothing to gloat about.

Local government

Notting Hill experiment

The tumbledown Golborne ward in the Notting Hill area of London has such a reputation for vigorous community action it is not surprising that it should be the self-appointed guinea pig for the first experiment to set up a neighbourhood—or "urban parish"—council. If that experiment succeeds, it would give local people a much bigger say in influencing the way local affairs are run; and politicians in other boroughs, not just in London, will be watching when the voters—5,500 are eligible—go to the polls this Saturday and Sunday.

Golborne's citizens—over half of whom are immigrants of West Indian, Irish, African or Indian stock—have a bad voting record in local elections. This apathy, according to one of the organisers, is because "Golborne feels

particularly alienated as conditions of life here are so totally different from the rest of prosperous Kensington and Chelsea." So far there are signs that the poll will at any rate top the usual 19 per cent in local elections there, and indeed that is essential if the council is to get any hearing from the borough council. Last week's meeting attracted 140 people; a normal election meeting would be lucky to get a handful.

Although the very need for some local representation could be taken as criticism, not only of the impersonal size of local government machines, but of the Kensington and Chelsea council itself, the council's leader, Sir Malby Crofton (of dustbin strike fame), has officially welcomed the Golborne experiment. Theoretically at least the election is non-party and the candidates have been plugging local issues, particularly the problems of housing and redevelopment. The neighbourhood council's main function will be to inform and put pressure on the authorities about the specific needs of the area and they in turn, it is hoped, will consult the council when making decisions about the area and eventually pass on responsibility to it for some of the local government operations in the area. It will take a year or two to judge its effectiveness, but if the Golborne scheme works well other places may follow suit.

Young Liberals

Hain goes in to bat

Considering the shambles it might have been, the Young Liberals had reason to be pleased with the way their conference at Plymouth turned out; their elders should not be too dismayed, either. A special commission of inquiry dismissed charges of ballot-rigging in the election of officers as without foundation. Those accusations had been directed chiefly at Mr Jeremy Thorpe, the Liberal leader, because of the unusually heavy demand for postal votes from Young Libs in his own constituency; the commission ruled that they were all eligible to vote. Although some would-be voters in other parts of the country were disqualified, there was no suspicion of malpractice, merely of failing to pay their affiliation fees. Postal votes from Wales were torn up because the Welsh had paid only 5p to affiliate to the national organisation and the English did not



Hain: out on top again

see why they should not pay 25p, like everyone else, for the privilege. The only confirmed malpractice had been perpetrated by a branch secretary in Mr Thorpe's North Devon constituency who published a leaflet urging support for certain candidates. But even she had acted in ignorance of the offence she was committing.

All in all, then, the preliminaries to the conference were more dramatic than the event itself, although the Young Libs would not have been true to themselves had the rival camps not continued to revile each other. (The fact that one young woman took off most of her clothes in public—as a political gesture, of course—scarcely calls for comment any more.) The candidate for the chairmanship allegedly favoured by Mr Thorpe and the top brass of the senior party, Mr Chris Green, was well and truly defeated by the man who, last summer, led the campaign to stop the South Africans' cricket tour, Mr Peter Hain. What was surprising was that he achieved a substantial majority of first-preference votes—under the single transferable vote system—in both the postal ballot and the ballot of conference delegates.

Mr Hain is only 21, and came to Britain less than five years ago, but he has achieved an international reputation and is an experienced hand on television. What is also undeniable is that the stand now being taken by white South African cricketers against the exclusion of non-whites in the party chosen to tour Australia—and Mr Hain has been asked to lead the opposition there—is the result of last summer's campaign in Britain. If Mr Hain can now use his popularity to keep the hotter heads under restraint he will do good service not only to the Young Liberals but to the senior party as well.

members seem to have been drawn from the ranks of the 12,000-odd unemployed university graduates, and especially from among village boys resentful of the bourgeois origins of the country's leading communists and trotskysts. One JVP leader claimed that "we are trying to stop the hypocrisy of socialism being preached by the privileged."

On the other hand, the JVP's leaders have been castigated by the United Front as élitists out of touch with the people and addicted to mindless violence. Last week the communist minister of housing, Mr Pieter Keunemann, described them as "potentially fascist" and "full of contempt for the working people." The JVP has been joined by other smaller factions, such as the maoist group that organised the attack on the American embassy, by restless plantation workers, and possibly also by elements in the pro-Chinese communist party. The arrest on Wednesday of the leader of this party, Nagalingan Sanmugasathan, suggests that he may have established a working liaison with the JVP. There is certainly evidence that the extremists have been receiving packages of Chinese arms sent via Albania. And there are North Korean links as well. Which could all mean that Ceylon's guevarists may do a bit better than Che Guevara did in Bolivia.

Pakistan

Better a harvest than a government

The Bengali resistance seems to have lost its struggle for East Pakistan's towns. Even Indian sources, which for the past two weeks have been claiming widespread victories for the Bengalis, bear this out. In the north, the Press Trust of India reports, the resistance has been forced right back to the Indian frontier with the loss of two towns not five miles from the border. In the west only Kushtia seems to be in Bengali hands; and it is only a matter of time before it, too, falls. There are still contradictory reports about who controls Sylhet in the north-west, and bloody fighting is reported in Comilla on the railway between Dacca and Chittagong.

So far there are no signs of guerrilla tactics being adopted. In those towns which they still hold the Bengalis have dug in themselves in the conventional way. This has made them all too easy



On the road to India, with tanks behind and famine ahead

targets for the Pakistani air force. If the Bengalis continue to try to meet the army head-on, and refuse to go over to hit-and-run tactics, they could be as good as beaten before the monsoon comes.

Undismayed, Free Bengal Radio has announced a provisional government of Bangla Desh. Sheikh Mujibur Rahman (wherever he is) is head of the new state; Syed Nazrul Islam, the deputy leader of the banned Awami League, is vice-president and Tajuddin Ahmed, general secretary of the Awami League, is prime minister. But military events have made the announcement almost meaningless. The main purpose of setting up the provisional government is to get foreign recognition for Bangla Desh. But other countries will be reluctant to recognise a government with no fixed territorial base.

Though the prospects for the Bengalis look dark, the dangers of an Indo-Pakistani flare-up remain. The Indians will certainly give sanctuary to Bengali refugees. The Pakistani army will then be dangerously tempted to go over the border after them. Already the tempo of angry notes and accusations is quickening. The Pakistani government claims to have captured armed infiltrators from India, and the Indians have complained that the Pakistani army has kidnapped some members of their border force. Both sides are probably talking about the same people. President Yahya's argument that the whole crisis was aggravated, if not actually stirred up, by India heightens the tension.

Despite these accusations, President Yahya answers diplomatic attempts to use persuasion on him by saying that

the crisis is a purely internal affair. This keeps the issue out of the United Nations. Of the two countries that have leverage on the Pakistani government, because of the arms they supply, China has now come down flatly on the side of the government and America is still trying to make its mind up. There is clear evidence that American tanks and planes, originally supplied to defend Pakistan against Russia, have been turned on the Bengalis. The Americans can complain about the uses to which their arms have been put, but there is little else they can do because their regular supply of arms was halted after the 1965 war with India. They can only stop the supply of spares and "non-lethal equipment" which still continues. According to the State Department, this is now under consideration.

There is one weak chink in President Yahya's armour; that is Pakistan's desperate need for aid. The three-week war against India in 1965 nearly broke the country, and this war—with a 1,000-mile logistic problem—looks like being longer and costlier. A Pakistani official is reported to be in Washington urging America to speed up aid promised for this year, seeking a delay from the World Bank on a forthcoming \$40 million debt repayment, and asking for a \$175 million standby credit from the International Monetary Fund. The granting of this aid could be linked with some assurance from President Yahya that the situation in East Pakistan will improve. If President Yahya cannot be persuaded to stop the shooting war, then he could at least be persuaded to let the international relief organisations into the country.

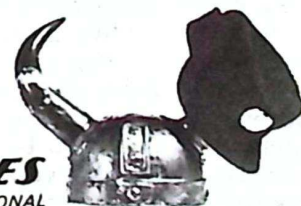
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There are the makings of a tragedy in East Pakistan of even greater dimensions than Biafra.

Last November's cyclone meant that some 4 million people have been living on imported food. The civil war has now cut off further imports, and probably damaged what was already there. Most of the available stocks, equivalent to two months' supply, was stored in Chittagong, which has been the scene of the fiercest fighting so far. Domestic production has also been hit by the war. Rice is what Bengalis live on, and there should be one crop being harvested now and another being sown. But harvesting depends on mobility of labour and planting on the availability of seed and fertiliser. Both are disrupted. If no more food imports reach East Pakistan, and if the Bengalis do not return to the cycle of sowing and reaping within the next six weeks, the province will face a famine of the severest kind.

There are also the casualties. Enough news has come out of Dacca and Chittagong to confirm that the war has caused far more casualties than the Pakistani Red Crescent can possibly deal with. Yet the International Red Cross has been turned away. To cap it all there is always the possibility that, if no proper cyclone warning and defence system is set up soon, another cyclone could wreak as much devastation as last year's.

Jordan and Syria

New friends

Syria has once again intervened in the conflict between Jordan and the Palestinian guerrillas. But with a difference. In September Syria sent its tanks to the aid of Palestinian guerrillas in north Jordan, ineffectually as it turned out. This time, on April 8th, it sent its chief of staff, General Mustafa Tlass, to Amman to plan with King Hussein ways of restoring and keeping the peace. They came up with the idea of a six-man committee, containing two Syrians, two Jordanians and two Palestinians, to take over the job of supervising civil peace from the discredited and virtually defunct inter-Arab committee appointed after the September fighting.

Syria's initiative in cutting through the cant, including some of the inter-Arab talk going on in Cairo, and offering its services for a job that is pretty well bound to be thankless is a measure of the changes that have been taking place in Syria since General



Hussein prefers Tlass to tanks

Hafez Assad seized power last November. The general took immediate steps to end Syria's isolation by linking it to the Egyptian-Sudanese-Libyan alliance. He is now providing evidence that Syria is not only back in the Arab mainstream but prepared to play a responsible part. At home, General Assad, whose appointment as Syria's president was confirmed by plebiscite last month, has nominated a cabinet more broadly based and less doctrinaire than its recent predecessors.

Whether the new proposed supervisory committee for Jordan will work better than the old one is questionable. The Palestinians have no leader who can control, or speak for, all of them; there are indications that even within Fatah the split between Mr Yasser Arafat and some of his lieutenants is widening. The process of getting the guerrillas and their arms out of Amman, which they were supposed to have left several months ago, has gone remarkably painlessly, but sporadic fighting continues in north Jordan and nothing has happened to neutralise the threat that this could again develop into more sustained warfare.

Arabs

Qaddafi wins ?

It looks as if Libya's Colonel Qaddafi is going to get the closer link with Egypt that he has been pressing for. On Wednesday he escorted President Sadat and President Assad from Cairo to Benghazi amid reports that the three countries were about to announce some form of confederation.

Sudan's General Numeiry, who had been taking part in the four-power conference in Cairo, slipped away on his own. Sudan, with Egypt and Libya, was one of three original signatories of the Tripoli charter in December, 1969, which called for co-ordination leading eventually to some form of union. But General Numeiry has always urged that the steps should be slow; he was sceptical about the practical possibilities of federation and the communists in his government lead the strong domestic opposition to any suggestion of political unity.

Colonel Qaddafi, impulsive and ambitious, has had no such qualms; there have been plenty of hints that he, if nobody else, sees himself as a new Nasser. Egypt has swayed between the two: its reluctance to burn its fingers again after its experience of unity with Syria between 1958 and 1961 competed with the need to demonstrate Arab solidarity; dismay at Colonel Qaddafi's behaviour competed with the need for the money and the job opportunities that Libya offers. It is a difficult decision for President Sadat. But the present discussion may throw up at least one solid gain for Egypt. Its inheritance from union with Syria was that, officially, it lost its name; now there are reports that with the new confederation, or whatever it is called, the United Arab Republic will once again become Egypt.

Iran

They got him

FROM OUR TEHRAN CORRESPONDENT

General Ziaddin Farsiou, chief of the military tribunal that tries Iran's political prisoners, was assassinated on April 7th. Three days before the security authority, Savak, had made public its account of the rural guerrilla warfare going on in the north-west province of Ghilan. This combination of news makes it rather harder for Iran's leaders to claim that their country is a haven of stability in the Middle East. No doubt this is partly what the guerrillas want. For the foreseeable future guerrilla activity—bar the assassination of the Shah—will not dislodge the Iranian regime. But with Iran vociferously putting its economic achievements on display this year for the 2,500th anniversary celebrations of the birth of the monarchy, continuing outbursts of violence could be acutely embarrassing.

Savak has played down the scale of the clashes in Ghilan but given a

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plausible account of the order of events. About 150 or 175 guerrillas were involved; they included skilled workers, junior employees, students and conscripts who had deserted from the armed forces. Their leadership is maoist and, according to Savak, their chief is Mahmoud Panahian, the veteran guerrilla from the Azerbaijan rebellion in the 1940s. They may have been joined by a few Arabs from among the extremist Palestinian guerrillas. They seem to have obtained their arms from the east through Afghanistan rather than from Iraq, the usual channel of supply. Their base is in the mountainous Caspian forests of Ghilan.

At the beginning of February a band of guerrillas attacked a police post at Siah Kal, close to the Caspian shore, in a bid to rescue a comrade who they feared might turn informer. In this and subsequent engagements, during which the army's special forces were brought in, an estimated 50 guerrillas were killed and 60 more arrested, against an official figure of six police and civilian losses. Thirteen of the 60 men arrested were tried by General Farsiou's military tribunal and shot by firing squad on March 17th.

Then, in what appears to have been a calculated act of revenge, General Farsiou was attacked by men armed with machine guns; he died afterwards of his wounds. The shooting has been followed by the biggest security check Iran has known for several years. Amid a fanfare of publicity, the unprecedented sum of nearly £50,000 has been offered in reward for information leading to the arrest of the attackers.

The Ghilan guerrillas are thought to have been in contact with similar groups operating from Azerbaijan and possibly other western provinces. Their aim would seem to be to arouse and maintain a momentum of terrorism and disquiet. Whether or not they will succeed depends to some extent on what support they get from abroad. For the Iranians the most worrying possibility is that they might get indirect support from China, which is active in the Dhofari rebellion in Oman and showing a greater interest in the Persian Gulf generally. The Shah is currently meditating on whether to join Kuwait in recognising Peking: his twin sister is at present on a ten-day official visit to China. But before he does he will want to assure himself that the best way of taming the dragon is by admitting it through the front door.

The guerrilla groups appear to have made some impact on the universities and among young discontented grad-

uates, but none, as yet, on industrial workers, even where there have been rumblings at low wages and the high cost of living. The government has been taking some steps to safeguard itself on both fronts by spending more time and money on the universities and poor urban areas. But the effort remains small compared with the size of the problem.

Canada

Quebec picks up the pieces

FROM OUR CANADA CORRESPONDENT

A full year after the impressive election victory that gave his Liberal party 72 out of 108 seats in the Quebec assembly, Mr Robert Bourassa is almost back at square one. He is spending much of April in London and Paris and four other European cities, talking confidently about his part of Canada and looking for investors. Six months ago he was doing the same job in the United States when the Quebec Liberation Front extremists overturned the salesman's barrow with their kidnapping of Mr James Cross and Mr Pierre Laporte. Everything has since been put back in place, but the young premier has to convince his European audiences that present order also means future stability.

The "October events" have taken a long time to fade. Partly this was due to the protracted trial of the defiant Mr Paul Rose, who admitted responsibility for the kidnapping but not for the murder of Mr Laporte. After his sentence of life imprisonment, the trials of his brother Jacques and other alleged members of the Front's Chenier cell are to start next month and will reopen that macabre dossier. Half-a-dozen best-sellers newly in the Quebec bookstores are also stirring the winds of dispute around last year's troubles.



Bourassa at square one

They range from marxist essays to a book by one of the prime minister's own ministerial colleagues, Mr Gérard Pelletier. Mr Pelletier's book is a comparatively doveish account, playing down the federal government's line that a seriously planned insurrection was averted by the invocation of the War Measures Act in October. It implicitly explains why the federal cabinet is now divided on what legislation, if any, should follow the Public Order Act which replaced the controversial War Measures Act, and which itself lapses this month. Mr Bourassa has simply asked that the federal government should keep the Liberation Front outlawed.

Mr Bourassa has nevertheless done more than simply tread water against an adverse current. He has used his expertise as an economist and tax specialist to win a reprieve for mining companies threatened by Ottawa's proposed tax changes, and to persuade the federal government to include Montreal among the regions that receive special subsidies for industrial development. Quebec is also being offered the lion's share of soft federal loans worth \$150 million with which to tackle unemployment through provincial public works programmes. Other special treatment has included the siting of most new public buildings of the federal capital in Hull, on Quebec's side of the river opposite Ottawa, and the hasty recruitment of 270 French-speaking graduates into the federal public service.

These last two moves have produced a backlash, predictably from Ontario construction workers and less expectedly from some English-speaking professional groups. Ironically, it is Mr Bourassa's hint that he will trim the traditionally generous English-language services in Quebec which has given some strength to this backlash.

One worry Mr Bourassa does not face is an early challenge from the Union Nationale party which he ousted from office last April, and which is now in disarray, awaiting a leadership convention in June. But his other competitor, the separatist Parti Québécois, shows no signs of faltering. In the by-election held to fill Mr Laporte's seat it improved its share of the vote to 30 per cent, and its leader, Mr René Lévesque, talks as confidently as ever of Quebec gaining self-government "by hook or by crook" in the election after next. That leaves several years yet before the real test comes of whether his or Mr Bourassa's confidence is better founded.

Russia

No room at the top

If you looked at two issues of *Pravda*, one dated April 10, 1971, the other April 9, 1966, you could easily become confused. The front page of both carries portraits of Russia's top leaders just elected by the party congress. Both look strangely alike. Only if you looked closer would you notice slight differences. In the later issue the faces look somewhat older. One face has actually vanished—that of Mr A. P. Rudakov, who died in 1966—and two new ones have made their appearance. Yet, over five years, these are the only changes among the 25 men who now rule Russia.

Naturally, there are some changes in the pecking order. Mr Brezhnev is followed by President Podgorny, with Mr Kosygin coming only third. Mr Shelepin, once a challenger for the highest honours, is last of the old-timers, preceding only the two new members. But whatever the order Mr Brezhnev comes at the top. He was obviously the chief performer at the congress. All other names were greeted with "applause" in the official record. Only his got "stormy, lasting applause. All stand up." Such ritual has a meaning in Russia. Mr Brezhnev was also able to promote some of his associates and check some rivals. Yet his power should not be exaggerated. The very fact that he could only reshuffle the same team shows its limitations.

A gimmick was used to provide more room at the top. Full membership of the politburo went up from 11 to 15. Three places were filled by former "candidates" (members who attend meetings but have no vote): Mr Viktor Grishin, a former trade union boss, Mr Vladimir Shcherbitsky, the premier of the Ukraine (who had worked there with Mr Brezhnev), and Mr Dinmukhamed Kunayev, first secretary of the Kazakh republic, also an old associate of Mr Brezhnev's. The fourth new politburo member is Mr Fyodor Kulakov, an agricultural specialist.

The central committee, which used to have 195 full members, now has 241. Of the old members, 45 have not been re-elected. Some may have gone for health reasons; others are clearly in disgrace. Mr Vladimir Semichastny provides a striking illustration. This former leader of the Komsomol and ex-head of the security services was following in Mr Shelepin's footsteps. His removal is a confirmation of the demotion of his protector.

The inevitable effect of the slowness of promotion in the hierarchy is that the men at the top are old. Even after the current injection of "new" blood, the average age in the politburo is just over 60. This should be compared with the situation at the time of the revolution; then Lenin, at the age of 47 about ten years older than most of his colleagues, was called by them *Starik*, the Old Man. But these men are not only old: they are forced to be time-servers. By the time they have gone through the mincing machine all the bold ones, the unorthodox, the potential dissenters, have been squashed.

Two lessons can be drawn from this depressingly unchanging portrait gallery. The first is that, for all Mr Brezhnev's new prominence, the struggle over Mr Khrushchev's succession is not yet over and that no substantial departures from the present compromise policies can be expected until it has been fought out. The second is even more serious. After Stalin's death, Russian society looked as if it might be gradually reshaped by its less frightened and more educated younger generation. By now, the hopes of such a fabian transformation from above have dwindled. The leaders, broken in by Stalin, are moulding their successors in their own image.

Greece

They're not all out yet

FROM OUR ATHENS CORRESPONDENT

The Greek regime has abolished one of its four categories of political prisoners—that of communists held in detention camps. The closure of the last two camps and the release of 234

of the 284 inmates almost brings to an end the story of those communists—some 6,700 of them—who were rounded up on the night of the 1967 coup and have been detained without charge for the past four years in prison camps.

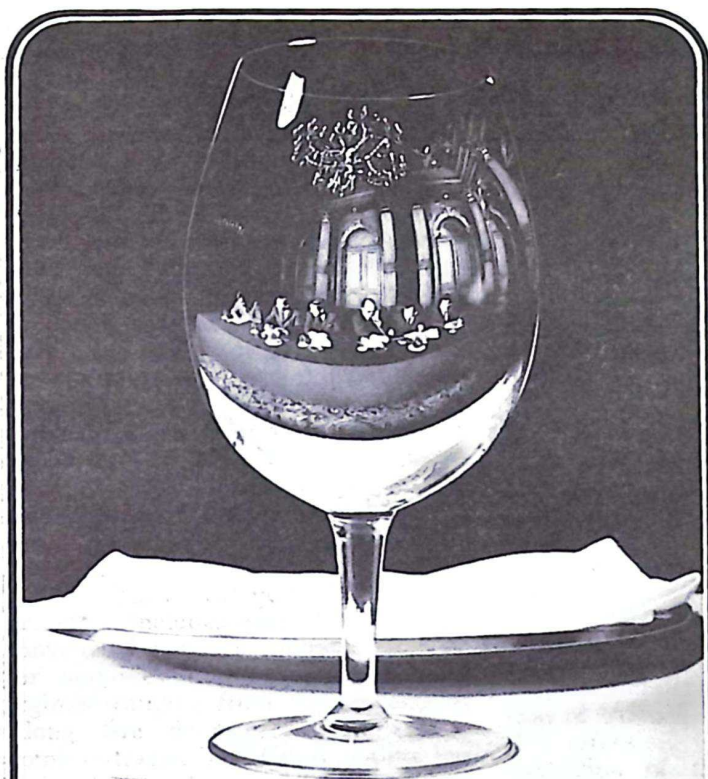
The remaining 50, described as "dangerous and unrepentant communists," have been relegated to another category of prisoners—those banished, also without charge, to townships or villages. Since January ten communist women had already been switched to this more lenient form of confinement, making a total of 60. They are allowed to live with their families in certain provincial centres under police surveillance. Immediately before the 1967 coup no communists were treated in this way; the technique, used extensively during and after the communist rebellion in the late 1940s, was discontinued in July, 1962. The choice of communists released last week shows that the regime feels it has less to fear from the Moscow-oriented Greek communists, who have been lying low while Russia has been promoting "correct" relations with the regime, than from the break-away communist group which has sided with the anti-regime communists of western Europe.

The number of non-communists banished to villages—consisting mainly of royalist ex-officers and former Centre Union deputies—was reduced last week, according to the official announcement, by 27, leaving 23 in this category. However, at least four of those listed as released, including one ex-deputy, are known to be "held pending trial," thus falling into the third category of political prisoners in Greece.

The total number of those arrested and detained "pending trial" is not



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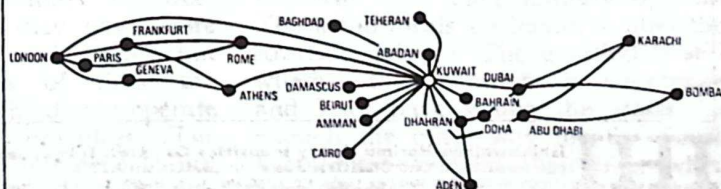
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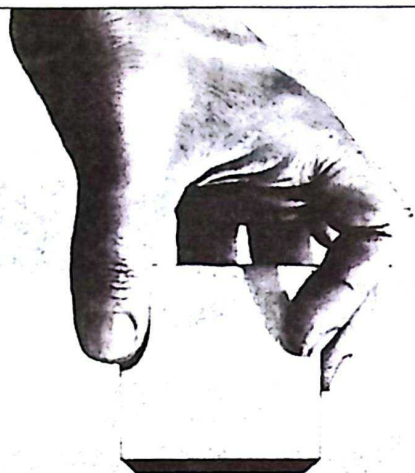
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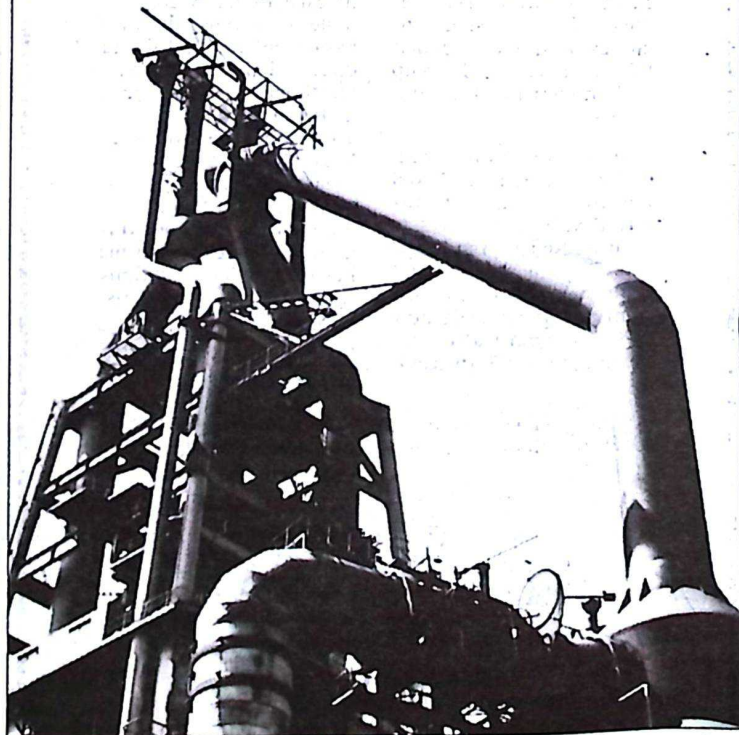


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known, but it is believed that between 60 and 180 were arrested in a five-week security round-up which began on November 28th. The government claims that they are accused of sedition, but refuses to release details on the ground that investigations are still going on. They have not yet been allowed to see their lawyers, nor have they been charged—although, with the exception of “administrative exile,” no one is supposed to be detained in Greece for more than three days without charge, or 20 days if martial law regulations are in force. But the Greek regime relies on uncertainty about the application of laws and of constitutional guarantees, as well as on the maintenance of “a shadow of martial law,” to keep its opponents out of mischief.

The fourth category of political prisoners includes some 350 persons convicted by special military tribunals for activities hostile to the present regime—ranging from the printing of “long live democracy” leaflets to bomb outrages. The Greek regime has claimed that the number of political prisoners in Greece today is the lowest in 20 years. Opposition sources deny this. They point out that the number of convicted political prisoners serving sentences in 1955 stood at 4,500. It was reduced to 960 by 1963, and to a handful in 1964.

South Vietnam

The ones with nowhere else to go

FROM OUR SAIGON CORRESPONDENT

President Nixon has said that he will pull another 100,000 American troops out of Vietnam by December 1st. Just how tricky the next stage of the withdrawal will be can be judged by running down the list of combat units that will still be in Vietnam at the beginning of May. By far the heaviest concentration of American fighting troops will be in Military Region I—the five northern provinces. It includes a brigade of the 5th Mechanised Infantry division and the whole of the 101st Airborne and 23rd Infantry divisions. Military Region II will have the 173rd Airborne brigade and Military Region III the third brigade of the 1st Air Cavalry division. Military Region IV, covering the Mekong delta provinces, is already bare of American ground combat soldiers. For old-timers, this is already a startlingly thin array.



More Americans are going home—and looking forward to it

One of the main reasons for the success of the withdrawal up to this point is familiar enough—the destruction of Vietcong units during the 1968 Tet offensive, followed by the rapid expansion of the South Vietnamese army that began later that year. The fall of Prince Sihanouk and the Cambodia operation followed, and now the bulk of four communist divisions that used to threaten South Vietnam has been pushed away to less profitable Cambodian battlegrounds.

The South Vietnamese operation in Laos was meant to bring about a similar easing of pressure in Military Region I. It is generally believed that the only American combat unit remaining in this region next December will be the 101st Airborne division. But there have always been special problems in this area. One is that North Vietnamese supply lines, to some of the Vietcong's strongest remaining pockets of resistance in South Vietnam, are short.

It is felt that the Laos operation may have made the American pullout from the northern provinces less risky in the short term if only because the North Vietnamese lost a lot of men and supplies that could otherwise have been deployed in the region. But over the long distance the South Vietnamese still have plenty of reasons for concern.

The Laos operation showed up just how limited their military resources are. It is true that they have more than a million men under arms, but almost three-quarters of these are local security forces who do not operate outside their own provinces. The strategic reserve of airborne units, marines and rangers is the only true

mobile force at Saigon's disposal. And the casualties suffered in Laos have further reduced this reserve. Some airborne officers say that it may take their division up to a year to recruit and train replacements.

Even if Mr Nixon concentrates on pulling out his combat forces, the chances are that for the first time the cuts will make themselves felt in the vast American advisory network. In the delta alone there are some 20,000 Americans, including helicopter units, army engineers and training teams. The American air force will be less seriously affected by the next phase of the withdrawals, but the question now being asked is how long American air support can continue at its present rate when it has visibly less and less to do with “protecting the lives of American soldiers” in Vietnam. The B-52 sortie rate in Indochina has already been cut from 1,800 a month to around 1,000.

The South Vietnamese air force is much less sophisticated than the American one, despite the modernisation programme. It lacks the big four-engined C-130 transport planes that have been a major prop of the Vietnam war. And though the South Vietnamese will be given an advanced version of the F-5 fighter to give them an edge over the other side's Migs they will not be able to bomb the Ho Chi Minh trails on their own. All this will limit their military options. The withdrawals are bound to alter the strategic balance. The question is still whether the operations in Cambodia and Laos have swung the scales far enough the other way for the South Vietnamese to hold their own when 1972 comes.

THE WORLD

New Zealand

Kiwis can't fly — but they're not extinct yet

Sir Keith Holyoake, New Zealand's prime minister, and Mr Norman Kirk, the leader of its opposition Labour party, have both come to London at a moment when the problem of their country's relations with an enlarged European common market looms larger than ever in the Brussels negotiations, and has led its government to distribute a pamphlet about its case for special treatment. Our special correspondent in New Zealand reports:

They are an urban people, the 3 million New Zealanders. Two million of them live in towns. Even the Maoris are now more numerous in the cities than in the countryside. Only 11 per cent of the working population are on farms, as against 28 per cent in manufacturing. The idea that the place is just a big farming county is a bit out of date. And in the pastoral sector itself one should not be misled by the vision, which may linger on the retina of many a reader of, say, Miss Ngaio Marsh, of rather stately homes set in huge baronial estates. On the typical farm, one man tends 100 cattle or 1,000 sheep with his wife's help and only occasional recourse to extra labour. Nor is the farming community dogmatically bent on producing butter for Britain for ever and ever, come what may. Last year it earned more by selling meat to America than from all its butter exports.

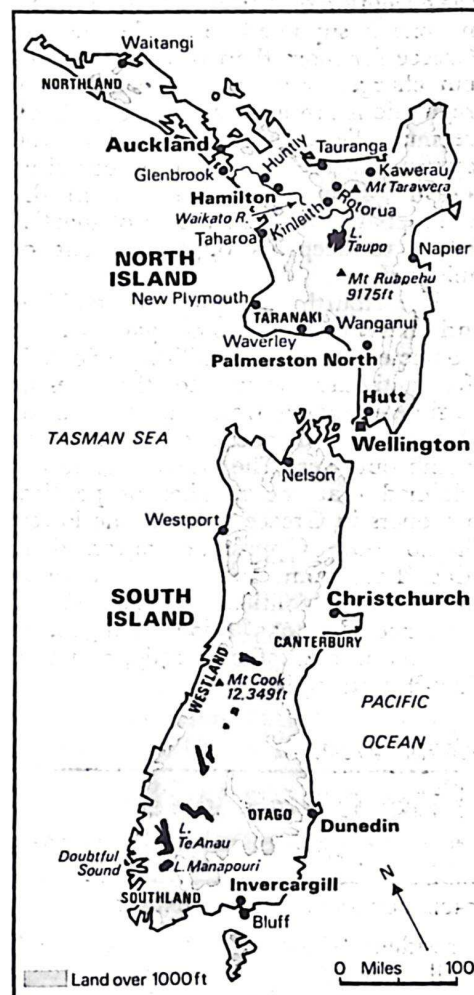
Many people seem to think that New Zealand lies just off the coast of Australia—which in fact is 1,200 miles away—and in the immediate vicinity of south-east Asia—though Singapore is actually farther away from Auckland than London is from New York. In a shrunken world, this is one country that must still contend with vast problems of distance, of which the fact that it is at the antipodes of Europe is only one.

The new nation that has developed in this lonely setting remained, until the second world war, dependent on Britain for defence, immigrants, capital, shipping and above all for a market for the products of an essentially rural economy that had evolved on the basis

of the shipment to Britain first of wool and then of sheepmeat, butter and cheese. In 1938, 84 per cent of its exports still went to Britain. What is surely remarkable, in the circumstances, is its recent show of adaptability. By last year the British share of its exports was down to 36 per cent, while America, the European common market, Japan and Australia took respectively 16, 13, 9 and 7 per cent, and Canada was coming up strongly as a new major market.

More than 40 per cent of New Zealand's exports now go to markets around or in the Pacific: not only to America, Japan, Australia and Canada but also to south-east Asia, both Chinas, and the Pacific islands, while promising new sales have been made to the Soviet far east and the west coast of South America. Export items, as well as markets, have been diversified. New Zealand now sells newsprint, textiles, ceramics, small aircraft, chemicals and machinery, and it has greatly increased its sales of beef, milk powder and other animal products that were not formerly prominent exports.

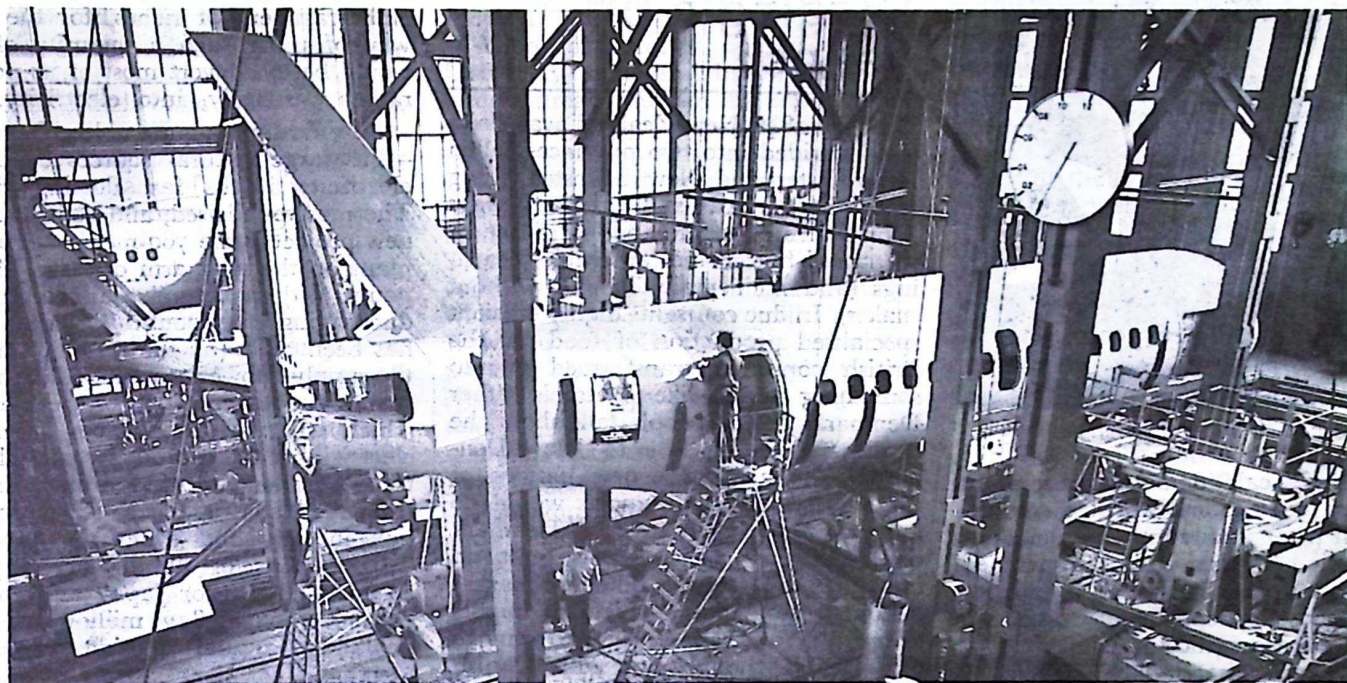
But its sheep and cattle are still the source of nearly 85 per cent of its exports. And the essence of its immediate problem is that nine-tenths of its butter and lamb still go to Britain and provide a quarter of all its export earnings. The threat to these sales posed by the prospect of British entry into the common market—even though the threat to lamb is still a fairly tenuous one—would be serious enough, by itself, for a country that depends so heavily on foreign trade. But this is not all. If the loss of the country's



main market for lamb, butter and cheese enforced a sharp drop in numbers of livestock, there would be less wool, milk powder and other directly linked products available for export. And New Zealand has made the painful discovery that the workings of the EEC's agricultural policy not only shut its dairy products out of the common market itself but also lead to the heavily subsidised sale of European surpluses in other regions, thereby obstructing its efforts to diversify its trade away from Britain.

A good many people in New Zealand will tell you that the whole furore over the common market has been good for their country in that it has enforced much salutary rethinking.

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Holyoake comes apple-polishing

While New Zealanders still like to point out that, in a rational world, a country that can meet visibly growing demands for basic foods with unmatched efficiency and cheapness would be encouraged to do so, not forced to turn to less economic forms of activity, they also recognise frankly, if ruefully, that this is not a rational world. And they do not imagine that their long-term problems would be solved either by a breakdown in the Brussels negotiations or by an enlargement of the common market on the most favourable terms that can be conceived. Whatever happens in Brussels this year, New Zealand will press on with its diversification drive.

It is rapidly making the change from production-oriented to market-oriented thinking. The workings, since 1966, of the New Zealand-Australia free trade agreement (Nafta) have particularly contributed to the birth of a new feeling that some of the non-pastoral sectors of the economy can acquit themselves unexpectedly well against competition not only at home but even in overseas markets.

But it must take more than a few brief years to transform the pattern of the country's trade. Even if the targets set by the 1968-69 National Development Conference are achieved, two-thirds of its exports will still be coming from its sheep and cattle in 1978-79. That is why the official statement published this week by the New Zealand government, while recognising that "markets cannot be guaranteed in perpetuity," puts particular stress on the need for a "continuing arrangement" that would allow sales of butter, cheese and lamb to be maintained at their present levels, and says bluntly that a mere transitional arrangement for five years or so would mean only that "instead of sudden death it would be death by slow strangulation."

Digging a bit deeper

Back in 1846 New Zealand was fleetingly divided into two provinces called New Ulster and New Munster. Long after that, it was still in many ways John Bull's other Ireland—a source of meat and butter and "invisible" earnings (and incidentally a land without snakes). In due course its highly efficient specialised production of food for the British consumer transformed it into something more like Britain's other Denmark. Today people talk about the chances of it being able to "do a Denmark"—to achieve a new pattern of trade in which food exports would no longer be predominant. As Denmark did until the 1950s, it has built up industries to supply its domestic market behind a protectionist shield of import licensing. Now it has begun to remove that shield—though not with Danish speed—and has found its competitive position better than it thought.

Nafta is not such a powerful engine of change for New Zealand as Efta has proved for Denmark, but it has helped to reduce the imbalance in trade across the Tasman sea; exports to Australia have nearly trebled, and now include a wide range of New Zealand manufactures. But Australia is the only substantial market in which those manufactures do not suffer the disadvantages of the high (and ever rising) freight costs and the delays involved in shipment over great distances. The New Zealanders' airborne exports—foremost among which are, actually, flying carpets—have multiplied sevenfold in the past six years. But the problem of sheer distance remains to daunt their hopes of ever imitating the Danes. And until recently they thought that their country, without sharing Denmark's handy nearness to large markets, shared its lack of exploitable minerals on which industrial expansion might be based.

Happily, they now have cause to revise that opinion. There have recently been Japanese looking over Southland's silica, Americans undertaking a joint venture with local interests that involves Northland's halloysite clays, Japanese and New Zealanders toying with Westland's ilmenite. There is talk of perlite, platinum, tellurium, sulphides, gold, lead, zinc and copper. Natural gas from the Kapuni find in Taranaki is now being piped to the North Island's cities; and the much bigger Maui gas field found last year

off the Taranaki coast amounts to an embarrassment of riches, for the only way of using such a quantity of gas would be to convert most of its power, rather wastefully, into electricity.

New Zealand—quite unlike Denmark—has large natural sources of cheap electricity in its fast flowing rivers. The most publicised, and controversial, new project is the 760-megawatt power plant on the west arm of Lake Manapouri, with a six-mile tailrace tunnel discharging into Doubtful Sound. This has been built (by the state) primarily to supply power to the aluminium smelter under construction near Bluff, which will use three times as much electricity as the capital city of Wellington. This smelter, fed with alumina from Australia, is due to start production in July and eventually produce 220,000 tons of aluminium a year, destined largely for Japan and contributing perhaps £12 million to New Zealand's annual foreign exchange earnings.

There has not been too much muttering from the country's economic isolationists about this foreign investment (the smelter's ownership is half Japanese—Sumitomo and Showa Denko KK—and half Comalco of Australia, in which Kaiser and Conzinc Riontinto have the major holdings), but the conservationists have been up in arms at the prospect of Lake Manapouri being raised, perhaps 27 feet above its present average height, in order to ensure a continuous flow of full power to the smelter. A parliamentary select committee has been sitting on the lake question, which has added to the government's present embarrassments, but has not prevented the work going ahead.

But, to see the New Zealanders themselves making large-scale use of their own minerals, one must look to their newborn steel industry. This is not like any other. It is based on the black ironsands of the North Island's west coast, which contain 700 million tons of recoverable concentrate. Some 20 million tons of this, from Taharoa and Waverley, are already earmarked for shipment to Japan. But the 150 million tons near the mouth of the Waikato river are destined to serve the nearby Glenbrook steelworks, built by a company in which the government holds shares and to which it has given much help. Glenbrook is enviably sited on an inlet, only 40 miles from the main market for its products in industrial Auckland, only 50 miles from the Huntly coalfield, and only 10 miles from the ironsands, where 25

men can scoop up the stuff at the rate of 400 tons a day.

Ironsands are used in Japan only as an additive, but the Glenbrook men use them as their basic source material, adding only a small proportion of scrap. The Stelco-Lurgi process, developed by the Steel Company of Canada and the German Lurgi company, is used to cook ironsand pellets into sponge iron in a colossal rotary kiln, 82 yards long, which holds every visitor's eye as it turns on its tilted axis high in the air at the top of the plant. This process permits the subsequent slagging off from the steelmaking furnaces of the titanium whose presence in the iron-sands, together with the lack of coking coal, rules out the use of orthodox methods.

To visit places like Glenbrook, Manapouri and the Bluff smelter is to be repeatedly reminded of a point that would seem to bear directly on the question of the common market's relationship with New Zealand. One sees transformers built by Savigliano of Turin; mighty Dutch overhead cranes; turbines and machines bearing such names as Siemens and Mannesmann; one learns that Bluff's port installations were largely a French job. New Zealand's purchases from the Six, as well as its sales to them, have been rising strongly, despite the fact that this is one of the few places where Commonwealth preferences still give British exporters of many items a real advantage. With the removal of those preferences, New Zealand could become an even more attractive market for the Six—if they have not gone out of their way to destroy its prosperity.

Back to the trees?

With all due respect to Joyce Kilmer, the New Zealanders have put their own gloss on the proposition that only God can make a tree. They have created some of the world's largest man-made forests; and great hopes are pinned on these new resources. Man has had to take such a large hand in the matter because the country's indigenous species, such as rimu, kauri and southern beech, are ones of slow growth, where they are replaceable at all. The mainstay of forestry production is the radiata pine, introduced from California's Monterey peninsula, which in some parts of New Zealand reaches 130 feet in a mere 30 years.

Only in the 1920s was large-scale planting begun; only in the 1960s was

a comprehensive planting policy adopted (and only last year was a school of forestry opened at the University of Canterbury). But the forests already sustain an annual production of 600,000 tons of pulp and nearly 500,000 tons of paper, and exports of forest products, mostly to Australia and Japan, now bring in £30 million a year—which beats cheese. The heart of the industry is on the volcanic plateau north of Lake Taupo, where the two biggest mills are at Kawerau and Kinleith, but there are portents elsewhere: a new plant near Nelson now ships woodchips to Japan, and a joint venture with a Japanese company will soon bring a big new pulp mill into operation near Napier.

The foresters have prevailed over such enemies as opossum, deer and blackberries. They foresee great things when their Canadian and American west coast competitors exhaust their most accessible virgin stands and have to join them in higher-cost man-made forestry, but without New Zealand's rapid regeneration. They aim to double the present area of "exotic" forest.

But some of their more expansive ambitions are liable to bring them up against an antagonist more formidable than the opossum or the British Columbian—the farmer. Pastoral zeal has hitherto been pushed to the creation of farms even in areas like the one that was buried in ash after the eruption of Mount Tarawera as recently as 1886. The men of the trees, who are vigorously represented in the government by Mr Duncan MacIntyre, the minister of forests, can produce impressive figures to show that in many places forestry would be a more profitable use of the land than farming. They have already obtained the issuing of a new directive to the land use committees, who are now required to bear in mind forestry's need to take over farmland where the efficient concentration of its activity necessitates this.

"Back to the trees" is a slogan with real attractions. Forest products offer more possibilities of diversification than pastoral ones. New Zealand hopes to treble its export earnings from the forest sector during the 1970s, and to make nearly 10,000 new jobs in that sector. But even the most enthusiastic forestry man cannot claim that a major switch from raising livestock to raising trees could solve the country's short-term problems. Apart from the large capital costs of expansion in the forest sector, there is the hard fact that even the radiata, even in New Zealand, still needs its 30 years.

Spirals and, ough, subsidies?

In 1967 New Zealand not only devalued its dollar (by 19.45 per cent) but had the fortunate experience of being forced, by Britain's devaluation, to take the plunge at the right moment—just after it had taken some severe deflationary steps, which enabled it to get far more benefit from devaluation than Britain got. In 1968-69 it achieved a record trade surplus and a substantial surplus in its balance of payments.

But it soon fell back into the grip of a wage-price spiral which, despite repeated yanks at the fiscal reins, weakened its competitive position, eroded the balance-of-payments surplus, provoked damaging industrial stoppages, and—ultimate horror—has now driven the farmers to demand "cost adjustment" payments, which a crude mind might well regard as subsidies. Last year, in a labour market that was tight even by New Zealand's standards, wages rose by an average of 15 per cent; food prices rose 12 per cent and the consumer price index 10 per cent. In November a general price freeze was imposed.

In February this freeze was succeeded by a "price justification" scheme—with a consequent flood of requests for permission to raise prices—and the government asked the Federation of Labour to agree that new wage increases this year should be limited to 7 per cent. The trade union leaders rejected this (and the opposition Labour party sat on the fence), and the National party government called a special session of the single-chamber parliament, in which it has a majority of four, to give the 7 per cent limit legal backing. The bill went through its final stages late in March, against a background of protest strikes.

Meanwhile the Federated Farmers' president and general secretary, Mr Begg and Mr Pryde (surely emblematic names), presented their first-ever demand for a general support scheme, calculated to enable farmers to maintain their recent rates of investment in the face of their steeply rising costs. Although Sir Keith Holyoake's ministry had often been branded as a farmers' government, he has responded coolly—emphasising that New Zealand's case for special treatment by the EEC has rested largely on its fame as a country where farming is hardly subsidised at all.



WOOD GUNDY SECURITIES LIMITED

and its wholly-owned subsidiaries

Summary of Consolidated Financial Position

December 31, 1970

(with comparative figures at December 31, 1969)

	1970	1969
Assets		
Current assets:		
Cash	\$ 2,145,174	\$ 7,077,389
Securities owned at market value plus accrued interest thereon—		
Maturing within six months	276,346,434	185,540,850
Maturing from six months to one year	16,732,287	10,461,926
Other	14,211,935	17,026,989
	<u>307,290,656</u>	<u>213,029,765</u>
Due from brokers and dealers	14,486,517	7,606,717
Due from clients	67,950,692	37,690,085
Other accounts receivable	811,581	299,935
Total current assets	<u>392,684,620</u>	<u>265,703,891</u>
Furnishings and leasehold improvements at cost, less accumulated depreciation and amortization	1,617,264	1,019,980
Stock exchange seats, at cost, and sundry assets	872,910	1,034,612
	<u>\$395,174,794</u>	<u>\$267,758,483</u>
Liabilities and Capital in the Business		
Current liabilities:		
Call loans and accrued interest thereon	\$263,153,138	\$156,894,053
Securities sold but not yet purchased at market value plus accrued interest thereon—		
Maturing within six months	236,566	8,485,344
Other	5,259,687	4,741,027
	<u>5,496,253</u>	<u>13,226,371</u>
Payable to brokers and dealers	17,642,879	7,284,602
Payable to clients	90,626,871	73,824,760
Income taxes and accounts payable	4,136,539	4,333,431
Total current liabilities	<u>381,055,680</u>	<u>255,563,217</u>
Capital in the business:		
Subordinated loans	1,000,000	
Shareholders' equity	13,119,114	12,195,266
	<u>14,119,114</u>	<u>12,195,266</u>
	<u>\$395,174,794</u>	<u>\$267,758,483</u>

Auditors' Report

Wood Gundy Securities Limited:

We have examined and reported on the consolidated financial statements of Wood Gundy Securities Limited and its subsidiaries as at December 31, 1970 from which the above summary of consolidated financial position has been prepared. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the above statement fairly summarizes the consolidated financial position of the companies as at December 31, 1970, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 10, 1971.

CLARKSON, GORDON & CO.
Chartered Accountants

THE WORLD

American Survey

Standing by to speed the recovery

Washington, DC

The recovery of the American economy from the mild recession of 1970 is proceeding rather sluggishly, but there is little doubt that a recovery is in fact under way. Behind the statistics, which have been giving off mixed signals, there is one overwhelming fact: the government's economic policy, both fiscal and monetary, has been strongly stimulative for the better part of a year and, unless there has been some mysterious change in the very nature of the American economy, this stimulus must work in due course.

It is true that the Nixon Administration's target and forecast, of a gross national product of \$1,065 billion in 1971, appears less and less likely to be achieved. What this means in practice is that unemployment this year, now at the uncomfortable level of 6 per cent of the labour force, will be on average somewhat higher than the Administration hoped or wanted and that it is unlikely to drop to 5 per cent by the end of the year as was forecast officially. This outlook has given rise to a serious and legitimate debate about whether more fiscal stimulus should be added by means of higher spending by the government or of reductions in taxes; there appear to be few advocates now of a monetary policy even more stimulative than that which the central bank has been practicing. The debate, however, and the still troublesome unemployment figures do not change the more important fact that the economy is highly likely to be heading up through this year, not down.

Although the strike at the General Motors Corporation and its aftermath continue to plague the statistics, the broad picture at the end of the first quarter was reasonably clear. Both industrial output and employment were stable; unemployment was neither rising

nor falling and total employment was behaving similarly. In time, of course, there will have to be a rise in employment to prevent the number of jobless from increasing, given the natural growth in the labour force. This rise has been slow in coming, in part because of the efforts to cut costs being made by business and industry. But the growth in total demand must eventually bring more jobs.

Apart from the job situation, it is quite clear that the American consumer continues to be cautious about spending his money. This shows up in the very modest growth of retail sales so far and the record rate of financial savings as reflected in deposits in such institutions as savings and loan associations (building societies). It has long been the cliché that the pace of recovery this year depends upon the consumer and until now neither he (nor she) has been very helpful, though preliminary figures for retail sales in March have provided the first sign of a turn towards more robust spending.

Residential construction is fairly strong, as expected, in response to the radical improvement in the availability of funds for mortgages. Business investment is essentially flat in real terms, but it was never counted on to be of much help this year. Spending by state and local governments, in spite of the cries of misery from governors and mayors, appears to be rising fairly rapidly and in line with expectations. Spending by the federal government is also growing in spite of a continued downward drift in outlays for defence. Again, the general picture is one of rising total demand, with only the magnitude in doubt.

Meanwhile, there has been some heartening news on the price front, though one hesitates to cheer after all the disappointments of the past when

improvement for a few months was followed by a resumption of the same old pace of inflation. In any event, statistics for both consumer and wholesale prices are signalling in the early months of 1971 a significantly lower rate of inflation than has prevailed in America in the past two years. If consumer prices perform for the rest of the year as they did in January and February, the increase over the year would be 3 per cent, much better than the 5.5 per cent of last year. This would be entirely consistent with a rise in output and in employment, given the record of the past.

What remains crucial as the year goes on is the movement of wages and this week's third "inflation alert" from the President's Council of Economic Advisers concludes gloomily that up to now, where wage increases are concerned, there has been nothing like the slowdown that is appearing on the price front. Although the council warns the steel industry that a wage rise on the order of that won by the steel workers' union in the canning industry a few weeks ago—about 9 per cent a year, or the same as last year's settlement in the automobile factories—would just add to the problems of the already troubled steel industry, there seems little or nothing that the government can do to prevent it. The council's implied threat to lift the present "voluntary" system of controls on imports is not likely to deter the union much in its demands.

None the less, there is reason to hope that wages in general, including those in the all-important sector of the working force that is not unionised, will rise less this year than they did in 1969 and 1970, when the increase was 7 per cent. In this respect there is likely to be both a psychological and a practical benefit from the President's surprising decision to impose what amounts to wage control on the construction industry, assuming that this complex system of control is actually effective. Every working man and woman in the country has been aware of the dazzling increases, averaging 18 per cent last year, won by the

unions in this fragmented industry and a drop to the President's figure of 6 per cent will be equally widely recognised. Wages in building have been a powerful magnet pulling others upward and now they should be less so.

In the view of many Americans, a year in which recovery was relatively modest, with high unemployment continuing, would be acceptable if it were accompanied by a clear-cut improvement in the inflation picture, always providing that the goal remains a gradual reduction of joblessness. To others, however—including most Democratic politicians—the only figure that matters is the figure for the workless. And this raises the question of further fiscal stimulus. Monetary policy is no longer the target of the expansionists. The money supply rose by about 8 per cent, at an annual rate, in the first quarter of this year and few people want more than that. Very recently the Federal Reserve System, partly for international reasons, has been successfully nudging short-term rates of interest upwards and the decline in long-term rates has ceased for the time being. But no one doubts that the Federal Reserve's objective is lower long-term rates, also, in so far as market conditions permit.

That leaves fiscal policy. Congress, almost without knowing what it was doing and without any debate at all on the economics involved, has already added \$4 billion of stimulus to the President's Budget by raising social security benefits more than he proposed and deferring the accompanying tax increase to next year. In addition, congressional committees are moving with unusual speed on several measures aimed directly at unemployment and involving several billion dollars of additional spending; the chief programmes are for federally-financed employment in public services and a speeding up of public works.

But the most promising measure is to shift forward into 1971 some \$4.5 billion of reductions in personal income taxes (helping mainly the lower and middle income groups), which are already scheduled to take effect in 1972 and 1973. No permanent loss of revenue would be involved and the action would produce an immediate increase in disposable income through a reduction in the withholdings of taxes from weekly and monthly pay cheques. Seldom has a device so convenient, and essentially non-controversial in terms of tax equity, been at hand for speedy action. But so far neither the Administration nor the congressional Democrats

has decided that it should be used, presumably because it would throw the Budget into still larger deficit. The Democrats on Congress's Joint Economic Committee merely said in their recent report that Congress should "stand ready" to act, presumably awaiting further evidence on the course of the recovery. What is clear is that if the President, or the congressional leaders, were to give the nod, Congress would be happy to comply without much delay—something that cannot be said about most fiscal measures in the slow-moving American process of government.

No date for Nixon

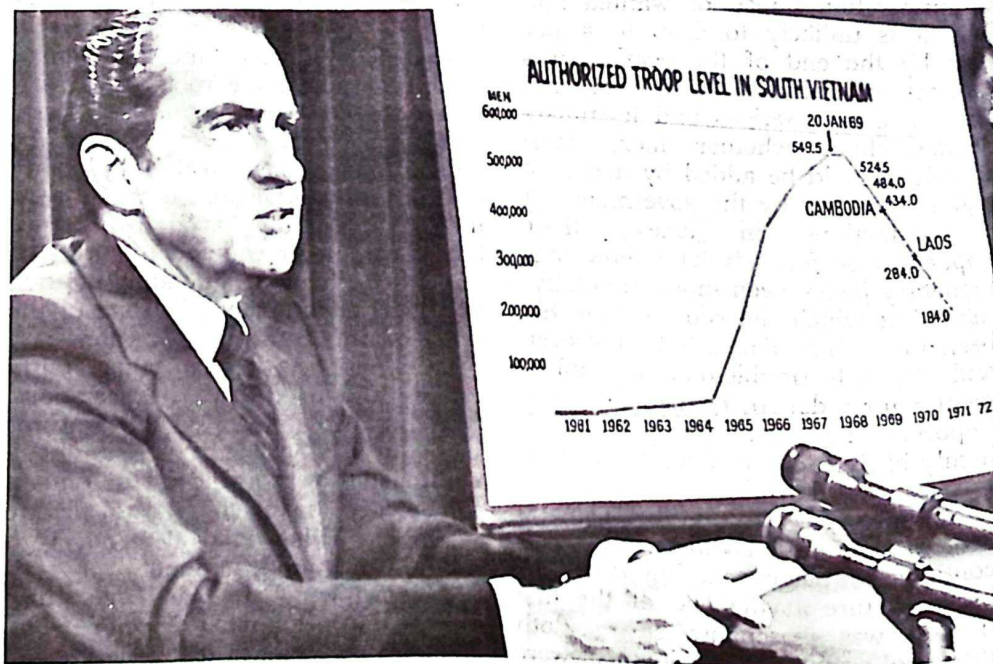
To the disappointment of many of his friends, President Nixon still refuses to make any real concession to the renewed surge of war weariness which is engulfing even the southern Democrats and middle-of-the-road Republicans who were prepared until now to back his policy in south-east Asia. In his television address last week Mr Nixon did seem to modify the political conditions which must be in sight in South Vietnam before American troops are withdrawn entirely and he did speed up slightly the scheduled pace of that withdrawal. But he refused to set any date for ending "American involvement in this war," although he told his listeners that they should hold him accountable if he failed to keep his 1968 election pledge to end that involvement.

This is interpreted to mean that the United States, or at least its ground

forces, will be out of Vietnam by November, 1972, when Mr Nixon will presumably be running for re-election. But Republican politicians are now wondering if that will be soon enough to save him—and them—from defeat. To them a better date would be next March when New Hampshire will hold the first of the primary elections in which voters pick their preference among their party's potential presidential candidates. There Mr Nixon may be challenged by Representative Paul McCloskey, a Republican dove, on the straight issue of Vietnam; present indications are that Mr McCloskey may do to him what Senator McCarthy did to President Johnson in 1968.

Various resolutions which would set a date for terminating the war, or which would circumscribe the President's freedom of action in other ways, are being considered once more in the Senate—and in the House of Representatives as well, for the first time. The Democrats there have decided, by a narrow vote, that America's presence in Vietnam should end by the beginning of 1973. Congressional hearings are also about to open on the sufferings of Vietnamese civilians; they will keep alive the moral revulsion against the war stimulated by the Calley case.

This spring's round of peace demonstrations, to begin next week, the first big protests in nearly a year, have the support of more members of Congress than ever before. Whether the marchers manage to avoid violence will probably decide to what extent open opposition to the war continues to be respectable.



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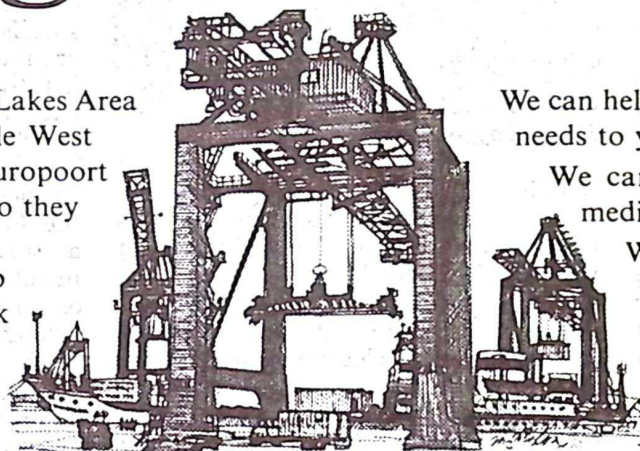
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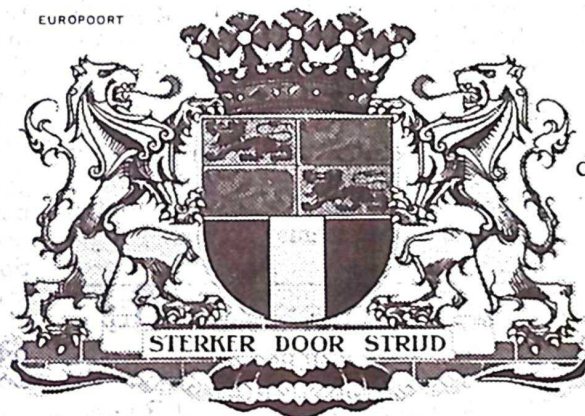
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mission which has the power to withdraw the licence when it thinks that an arbitrary standard of "fair reporting" is being infringed. What the broadcasters and what the agency consider to be fair may be two quite different things.

Last tycoon

Washington, DC

There are few movie moguls left around and only Mr Darryl Zanuck was boss of a major company. Mr Jack Warner (of the Brothers) is an independent producer now, having sold the company into conglomeration some years back. Mr Samuel Goldwyn and Mr Adolph Zukor have retired; Louis B. Mayer and Harry Cohn are dead. After 30 years at Twentieth Century-Fox (except for a few successful years as an independent producer) Mr Zanuck has gone as well. He has resigned (movie moguls exit either by death or resignation) as chief executive of the company. He remains as chairman, concentrating on film production, but he is tied by the budget strings held by his putative successor, a businessman, Mr Dennis Stanfill. Budgets and business are the operative words: last year Fox lost a mere \$77 million, in spite of the hits like *M.A.S.H.* and *Patton: Lust for Glory*.

The latter is President Nixon's favourite film. Apparently he liked the hero and, as a good Californian, he likes the industry that made it and is duly sympathetic to its current tales of woe. While in California last week he met a hopeful delegation which wanted 20 per cent of the industry's gross domestic revenues exempt from tax. But even the forceful jaw of the head of the Screen Actors' Guild, and statistics like an unemployment rate of 75 per cent in some sectors of the industry, failed to get more than a "warm ear" from the President.

The stark facts of life have still not been accepted by film companies or their shareholders. One of the reasons why Mr Zanuck is being eased out is that the company is facing a proxy battle, which will be fought out at the annual meeting on May 18th. The dissident shareholders feel that somehow better management would have saved the company but the proposition is doubtful. It was not genius that led to Paramount's investment of \$2,150,000 in *Love Story* turning into a \$100 million phenomenon: it was pure luck or as pure as luck ever is. And the backdrop

is a continual worldwide drop in admissions to cinemas, which is counterbalanced by continually rising charges for seats, going up faster than the general price level. On the other hand the American Department of Commerce is quite optimistic; it estimated that total receipts at box offices in the United States in 1970 were \$1.175 billion and that they should continue to grow.

Radicals' lead

How appropriate that it should be Berkeley, California, birth-place of new movements, which elected radicals last week to three out of four vacant seats on its nine-member city council. Where Berkeley leads, other university towns may follow, or so the students hope. The successful three include two black civil rights lawyers and an attractive white housewife who has been involved with Women's Lib; none is over 30. Moreover, the newly-elected black mayor, Mr Warren Widener, a mature 32, who will have a seat on the council, is sympathetic to the radicals' demands for far-reaching change. Unless he loses the mayoralty on a recount, as he may, his previous place on the council remains to be filled by its members; if this goes to the radicals, they would have a majority.

The result is a victory for those who argue that change can best be brought about by working within the system. In fact the radicals do not stand for anything very far out; they are not bomb-carrying Weathermen or "crazies." Their programme includes more low-cost housing, rent control,

more parks, free child care for those who need it and the replacement of the property tax by an income tax for families with over \$12,000 a year. They also favoured an amendment which would have split up the police force, giving control to local communities, but this was defeated.

The radical councillors, neatly dressed, with the men in ties, did not even look like extremists. Their organisation, which was responsible for electing a radical black Congressman last year, was again successful in bringing students and Negroes to the polls; Berkeley is about a third black. But what helped the radicals most was the division among their opponents. Mr Widener, who was elected mayor with only 56 votes to spare, would almost certainly have been defeated if a right-wing candidate had not insisted on splitting the opposition. In the races for the four council seats the united radicals were pitted against 29 other candidates. The radicals now say that they will consolidate their triumph in 1973 and win the two-thirds majority which they need to replace the powerful city manager. But by then the opposition may have learned that unity pays.

Something like the turn-out of volunteers in Berkeley (one student was canvassed six times in two days) also accounts for the election of the first black mayor of East St Louis, a depressed city of 70,000 with a black majority, in Illinois, across the Mississippi River from St Louis proper. Mr James Williams had Republican support but his unexpected victory over the Democratic organisation owed a great deal to voluntary helpers.



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RANK XEROX



Poster: circa A.D.1600

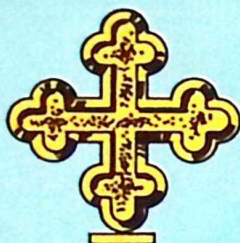
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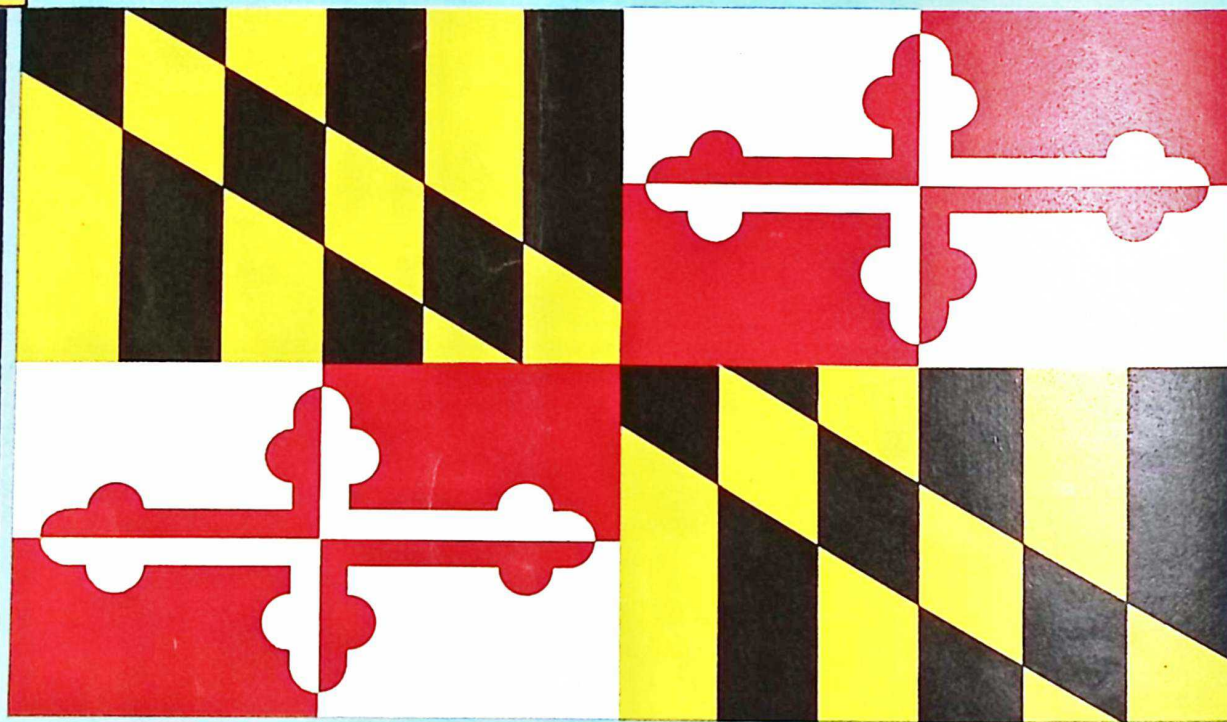
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Books

Inquest without a verdict

THE BRITISH GENERAL ELECTION OF 1970

By David Butler and Michael Pinto-Duschinsky.
Macmillan. 509 pages. £5.90.

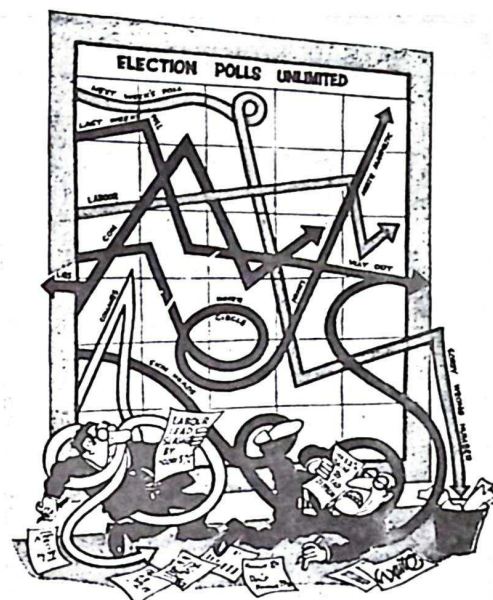
Dr David Butler has contributed to every Nuffield general election study since the war, and from the 1951 election on he has been author or co-author of them all. Thus, at a relatively early age, he has become the grand old man of British psephology, and there are signs in this volume that he is beginning to find the burden rather wearisome. That is not to say that with his latest partner, Mr Michael Pinto-Duschinsky, he has not turned in his usual competent job of tabulating and written up practically everything about the 1970 general election campaign except what the party leaders had for breakfast (although he does tell us where the Tories had lunch). His book is therefore as useful as ever, but because he simply gives the bare bones of fact without venturing into very much interpretation of those facts, it looks more like a scissors and paste job than ever before. So much so that the only real surprise about the book is that it has taken the publishers so long to produce.

Nevertheless it is a book that will be studied over and over again between now and the next general election by everyone who does not practise, teach or write about politics by the seat of their pants (which will exclude most of the cabinet, and, one suspects, all of the Labour shadow cabinet). It is all there for anyone to guess at

why the Tories came so near to losing the general election, and why Labour lost. But the story is told with such an arid lack of humour or emotion that it seems at times as if the election was only held for the sake of the psephologists.

The book, however, is good, indeed extremely good, on some matters outside the campaign itself. There are errors in the chapter dealing with the record of Mr Wilson's government, and there will be many who were closer to the facts than either of the authors were who will challenge their interpretation of many of the events of those years. But the chapters dealing with the way the Tories prepared themselves both nationally and locally between 1966 and 1970 breaks valuable new ground, and the descriptions of the so-called party "machines" in the constituencies are as detailed as anyone could hope for. It is ironic that Mr Wilson's decision to hold the election in June rather than October caught his own party with its organisational trousers down rather than the Tories. But the Labour organisation had become so dilapidated that it will take the party years and a great deal of money to catch up with the Tories in their present state.

There will be many in the Labour party who will take the easiest way out and doubt whether either the money or the effort is worth it. Both they and the pro-organisation men will get ammunition from Dr Butler and his colleague. On page 305 we are told: "We do not have an answer to the question of whether local Conservative organisation was decisive. . ." But on page 337 they give what seems a fair estimate that the Tories won six, and



"There is also evidence of a teeny weeny swing against public opinion polls"

—Daily Mirror, May 27, 1970

possibly eight, seats by superior organisation of the postal vote. That is 12 or 16 in the majority, and Mr Heath will have no doubts about whether the money and effort were worthwhile. Indeed, elections are invariably fought on such a close margin that any party which overlooks a single detail—the style and content of its TV programmes, its national or local organisation, the use of private polls, the identification of its target voter, and so on—does so at its peril.

Yet what this book chronicles more impressively than anything else is the decline of the mass party and the vote it attracts. Even the Conservatives, one of the most successful democratic parties anywhere, have seen their party membership decline from more than 2.8 million in 1953 to something around the 1.5 million mark in 1970; even so they still outnumber real individual Labour party members by more than 4 to 1. The authors argue from this general decline, plus the decline in votes that the parties obtain in general elections, that the more important question of the general



Money, Brocklebank-Fowler, Proudfoot, Coombs, Boardman and Joan Hall—posted to Parliament?

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election is not why one side won and the other lost, but why the electorate is becoming increasingly alienated from both of them. They state the question, but decline to have any sort of real crack at the answer. It is a great pity they didn't, but the election destroyed so many psephological shibboleths that it will probably take them as long as it will take the opinion pollsters to recover their devastated morale completely.

Turning a blind eye**DEATH IN THE FOREST**

By J. K. Zawodny.

Macmillan. 252 pages. £2.25.

KATYN: A CRIME WITHOUT PARALLEL

By Louis Fitzgibbon.

Tom Stacey. 285 pages. £3.

To be published on April 19th.

Those who murder helpless prisoners-of-war do not, as a rule, get away with it. More than 200,000 people were questioned in the course of a man-hunt, lasting several years, throughout postwar Germany to discover the murderers of 50 allied prisoners-of-war at Sagan. The search ended when 13 of the guilty were hanged in 1948. The man who gave the order to shoot 90 men of the Royal Norfolk Regiment after they had surrendered and stacked their weapons at Paradis near Pas de Calais on May 27, 1940, was tracked down, tried in October, 1948, and hanged. The Americans successfully brought to justice the men who had massacred their soldiers at Malmedy. Nazi killers of Russian prisoners-of-war have also been dealt with. But the murderers of 4,300 Polish officers whose bodies were dug up by the Germans in April, 1943, near

Smolensk in Russia have never been officially identified, let alone dealt with by a court of law.

As these two extremely serious and well-documented studies show, this has not happened for lack of evidence; only the evidence came at the wrong time from the wrong people. When Dr Josef Goebbels's propaganda machine announced to the world in April, 1943, the discovery of mass graves of Polish officers in the Katyn forest in Nazi-occupied Russia, most people in the west refused to believe the story. The Nazis were at that time desperately trying to sow discord and mistrust among the big three.

The Polish government in exile in London was worried. It knew that 15,000 Polish officers imprisoned by the Soviet army when it marched into Poland, a few weeks after the German attack in 1939, were missing. All attempts to get the Russians to say what had happened to those prisoners since the spring of 1940 were unsuccessful. And now the Germans were claiming—with the backing of a reasonably respectable international commission, headed by a respected and anti-Nazi Swiss professor, which had gone to Katyn—that nearly 4,500 of these men had been shot in the back of the head in April or May, 1940. At that time Katyn was part of Russia so the only perpetrators could have been Stalin's own troops. Massive evidence produced by the Germans, and confirmed by the Polish underground investigators, clearly backed the German version of the events. But that version was highly inconvenient to the British and American governments who wanted no trouble with a Russian ally always ready to suspect and accuse them of planning a separate deal with Hitler. Although they may not have believed



Katyn, 1943: the Germans display the corpses

the Soviet counter-story hurriedly put together after the Russians had reoccupied the Smolensk area in the autumn of 1943, they did not query it. The London Poles, who kept raising the subject, were told to shut up. When they did not, this earned them the name of difficult and tricky partners. Some Americans did not fare any better. George H. Earle, former American minister in Sofia and wartime intelligence officer in the Balkans, went to see President Roosevelt early in 1945 about some evidence on Katyn that he had got independently. The president said: "George, this is entirely German propaganda and a German plot. I am absolutely convinced the Russians did not do this." When Earle later told him that he was planning to publish this evidence, the president forbade him to do so and had him transferred to Samoa.

It was only in 1951, when the cold war was at its height, that American government agencies began to show interest in the Katyn case. There were congressional hearings. Massive additional evidence has since been collected. It backs to the hilt the claim that it was the Russians who killed these 4,300 unfortunate Poles and very probably also did away with the rest of the officers still unaccounted for. Their motive? Probably to get rid of the leaders of the class enemy in a country Stalin was hoping to dominate one day. Professor Zawodny has carefully collected and sifted all that evidence in his remarkably cool and objective study, which was first published in the United States in 1962 and has stood the test of time remarkably well. Mr Fitzgibbon's book covers much of the same ground as Professor Zawodny's pioneering work and has some additional memoranda and pictures. It comes to very much the same conclusions. Unfortunately, its somewhat flamboyant and at times hysterical presentation mars the otherwise excellent factual material in it. And if anyone asks why this one episode of war-time history should deserve two books, the answer is: because nobody even said sorry to the Poles.

Poet's corner

AT THE PINES

By Mollie Panter-Downes.

Hamish Hamilton. 196 pages. £2.10.

Here is a cosy but well-informed account of the menage at Putney, so charmingly described by Max Beer-



Beerbohm's picture of *The Pines*

bohm in his essay "Number 2, The Pines." Max's cartoon of the ageing Swinburne with his huge bald dome of a head, buttonholing Watts-Dunton, shaggy and carpet-slipped, figures on the jacket and as the frontispiece to this book; and Miss Panter-Downes makes it clear that Beerbohm's reminiscent sketch was one of the main stimuli to her own investigations. The other was her chance discovery of the house itself, which stands stranded on Putney Hill, an anachronistic Victorian villa, with a couple of stylised pine-apples topping the entrance to the part where Swinburne found a refuge for so many years. The interior, explored by the author, has been modified and modernised; but she was sufficiently intrigued to set about recapturing, as best she might, its former appearance and atmosphere, its smells of cooking, its rather stuffy but kindly domesticity. The actual house is certainly a pervasive presence in this rather whimsical chronicle of Swinburne's suburban retreat.

Plenty of spiteful comment was directed against the eminently respectable solicitor who whisked Swinburne away to suburbia at a time when the poet was very much the worse for wear, debauched and alcoholic. Watts-Dunton may not have been at all brilliant, but he was sufficiently a man of letters to be an adequate companion to Swinburne; and he was stable,

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BBC PUBLICATIONS

methodical, endlessly considerate. It was in his arms that Dante Gabriel Rossetti had died, a dissipated wreck; and the pre-Raphaelite lady, gazing from her picture-frame in Max Beerbohm's drawing with an air of incredulity, reminds us of this. Nor was Watts-Dunton simply a succourer of derelicts. At the age of 73 he brought a bride of 29 to the frowsty Putney villa, and managed to make her idyllically happy.

By that time, it had been a bachelor establishment for quite a while; but when Swinburne and Watts first set up house together, two of Watts's sisters lived with them at The Pines, plus his little nephew Bertie Mason, whom Swinburne adored to the point of distraction. Miss Panter-Downes, who has brought out Watts's good qualities with real sympathy, treats Swinburne with indulgent affection, making the most of his oddities of appearance and behaviour. He recovered his health quite wonderfully under the devoted care of Watts (who only hyphenated on his mother's name, Dunton, at a later stage). We are shown his daily constitutional on the heath, his choleric relationship with his publishers, his deafness, his old-fashioned courtesy to women. With a deft hand Miss Panter-Downes sketches in his aristocratic family background, his anxious mama, his disreputable past. Every element of comedy is extracted from the Putney set-up, but it is delicately done, and we are left with a feeling of fondness for all concerned. This is a meringue of a book, but meringues are not all that easy to make successfully.

Sails of war

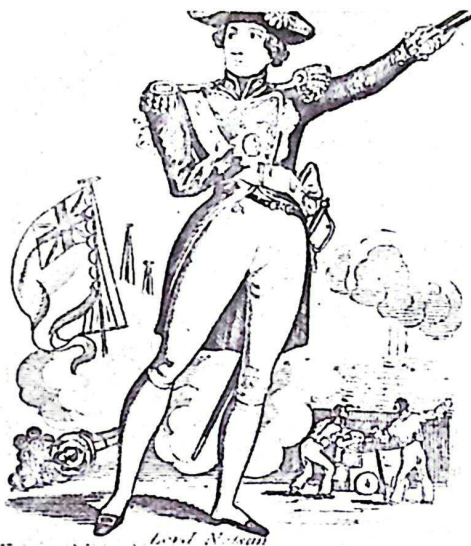
**A NAVAL HISTORY OF ENGLAND,
VOLUME 2: THE AGE OF NELSON**

By G. J. Marcus.

Allen and Unwin. 532 pages. £5.25.

This is the second volume of a projected three-volume naval history of England. When its predecessor appeared ten years ago it took its place as the best general history of the subject available. The second volume maintains that standard. Its peculiar virtues are a wide conspectus based on original sources, whether English, French or Scandinavian, and the amount of space devoted to the war on trade. Privateering and the development of the convoy system have been neglected aspects of naval history, with disastrous consequences in the twentieth century.

It is not surprising that this is actually



The hero is kept in his place

the first comprehensive history of the classical period of warfare under sail. Early historians were mere chroniclers and even Mahan's account ends with Trafalgar, despite the fact that the ten years after that victory best illustrate the contest between land and sea power, so that 1811 rather than 1805 was the crisis of the war. One reason why the period as a whole (including the Anglo-American war of 1812-14) has not been properly tackled is undoubtedly the daunting wealth of material available. Another, as Dr Marcus justifiably complains, is the way naval history has been ignored not only by academics but by the service itself. Even today it is common enough to take a degree in history without ever hearing of the sea.

There is little of the drum-and-trumpet treatment of that famous epoch in this book. The great victories are described with cool efficiency. Familiar stories are freshened with unfamiliar details, and even Nelson is kept in his place: there is no chat about Emma. Whatever one's reservations about particular assessments, or one's regret about the omission of the administrative aspect of the subject, one must be grateful to an author who maintains such an admirable perspective over so wide a horizon and who emphasises that what the war at sea was really about was the protection of trade and the dull routine of convoy and blockade. As one of Nelson's captains told his brother: "It is not fighting, my dear William, which is the severest part of our life, it is the having to contend with the sudden changes of season, the war of elements and so forth, which produce no food for honour or glory."

Desert seas

DEEP OCEANS

Edited by Peter J. Herring
and Malcolm R. Clarke.

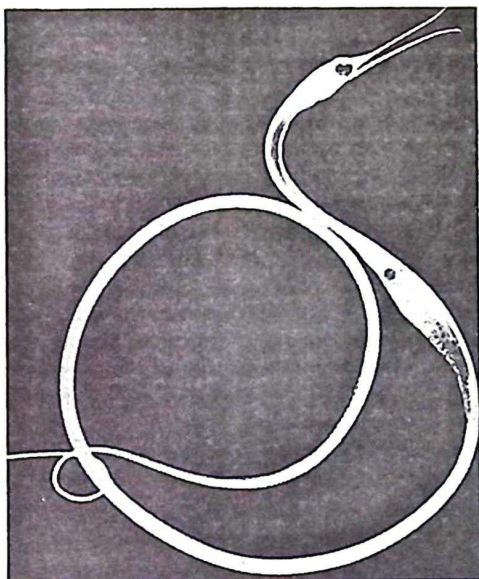
Arthur Barker. 320 pages. £5.50.

Not all that much is known about the sea, and it is useful to have such a good intelligent layman's guide to what is, with chapters by 18 scientists. The diagrams and colour photographs impart the drama of the deep oceans with a lavishness that any publisher of pop science would be proud of. At the same time, since the professional reputations of the scientists are at stake, high standards of scholarship have been maintained in the editing.

But one of the recurring points in the book is that more should be spent on uncovering the secrets of the ocean, and the case has not been made as strongly as it could have been. Perhaps the most penetrating argument is used by Professor Charnock: "For centuries, man has protected himself against the environment—now we must protect our environment against men." This is inevitable if the present rate of material progress on the planet is to be maintained. But this environmental responsibility has yet to be fully absorbed by the scientists. In the very next chapter it is argued that, though contamination by pesticides in the oceans is a cause for worry, the increasing amount of legislation to prevent their indiscriminate use should make levels fall. This is a facile conclusion. The author makes no mention of the fear that even if the use of DDT was banned today the concentration in the sea would still rise dramatically, because of the long period before existing concentrations on land reach the ocean.

The 18 scientists are rightly modest about the possibilities of using the ocean as an economic resource. They are especially cautious about the food resources of the sea, pointing out that, compared with fertile regions of the earth, the ocean is virtually a desert. Although the grass of the sea, phytoplankton, is the most abundant form of plant life in the world, a lot of possible energy is lost to the food chain. One reason is that as the phytoplankton remove essential nutrients from the water they become heavier and tend to sink to deeper levels, at which there is no light for photosynthesis to take place, so they are mineralised by oxidation.

In the final chapter one of the book's editors, Mr Malcolm Clarke,



Snipe eel has a friend for lunch

discusses the organisation of deep sea research. He admits that research is costly, with a research ship taking up to £1,000 a day to run, but he omits to point out that this is less than in a number of other fields of research. He emphasises the importance of international efforts, but he makes little mention of the use of merchant and naval fleets: their contribution is already important and should be increased. After all, even if the idea of a dramatic increase in the sea's harvest still seems far-fetched, in the event of a population disaster it is more likely to be the next resort than the moon.

The world's a stage

MY WORLD OF THEATRE

By Peter Daubeny.

Cape. 350 pages. £3.95.

The reader of Mr Peter Daubeny's book is apt to find himself suffering from double vision. On one level he is following the author's account of how he brought the world theatre season into being—and an admirable and modest account it is—and, on another, he falls into the temptation of speculating on his own as to how it was that the miracle, for so it was, came about. Or, to be fair, how Mr Daubeny conjured it into being; could even Mr Daubeny have done so if there had not been an advance in the performance of the English theatre in the mid-1950s?

All this is hinted at in "My World of Theatre," yet the full achievement of Mr Daubeny is left to be read between the lines. There is almost too

much substance—the Moscow Art Theatre; the French theatre from, as the chapter heading has it, Molière to Chevalier; the Italian drama decked out with the richness and colour of a cardinal's robe, the Henry IV of Pirandello as a brooding, unmentioned presence standing for a regal authority not far short of the real thing; Greek plays, ancient and modern; Brecht's Berliner Ensemble; Ingmar Bergman; the oriental theatre as represented by China and Japan; and Broadway off and off-off.

Mr Daubeny's part in all this is not given the emphasis that another author would have felt free to give, but there is evidence enough of the difficulties, expected and not so expected, he had to surmount. He shows himself to be a writer of style and sensibility, especially when he turns away from the main subject to scribble some autobiographical notes.

Short list

Nicholson's Students' London edited by Jennifer Murray and Susan Schonfield (Robert Nicholson, 75p paperback). Inside an irritating cover (jolly letter from pseudo-student raving about the thing) is one of the very best of the multitude of little guides on London. Students only may turn to the pages on political groups (16 left-wing, only four right-wing), mysticism or rent-a-bike, but there is all-night London, how to get free food out of firms doing their PR bit, where to fish (in Battersea Park?), drag in pubs and an excellent bus map for everybody else. Entries sometimes cheeky rather than informative, eg, Royal Courts of Justice: launderettes aren't the only places where you can see people washing their dirty linen in public.

A Dictionary of Politics edited by Walter Laqueur (Weidenfeld and Nicolson, £6). To attempt to compile a really useful dictionary to cover the politics of the whole world in just under 600 pages is a hopeless task, and the surprise is that anyone embarked upon it. The publishers say in their blurb that the book is aimed at the "intelligent layman and the general reader," which, at the price, is asking for something. Certainly it will not satisfy either the tyro or the expert, and the intelligent layman will have to be almost totally ignorant, even about British politics, if he is satisfied with most of the answers in this book. If it has a place anywhere it is in a school library.

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£4 Publication May 13

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Sir Roy Harrod

In this book, based on his Chichele lectures, Sir Roy Harrod challenges many widely accepted opinions about sociology, and discusses the position of this subject in the university world today.

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Business Brief

Nuclear power grows up

For the best part of two decades, advocates of nuclear power have been predicting that their infant industry was about to take off. In 1967-68, their forecasts seemed to be coming true when power generating companies in America and Europe went on a nuclear buying spree. But the boom collapsed when the atomic building industry ran into severe manufacturing troubles, especially in America. The other limiting factor was price competition from oil-fired stations. As commercial nuclear reactors were being developed in the 1960s, their future costs could plausibly be plotted out on a dramatically declining curve. Soon, it was apparent, their costs would drop below those for coal-fired and oil-fired stations. But as nuclear costs fell so did those for fossil-fired stations.

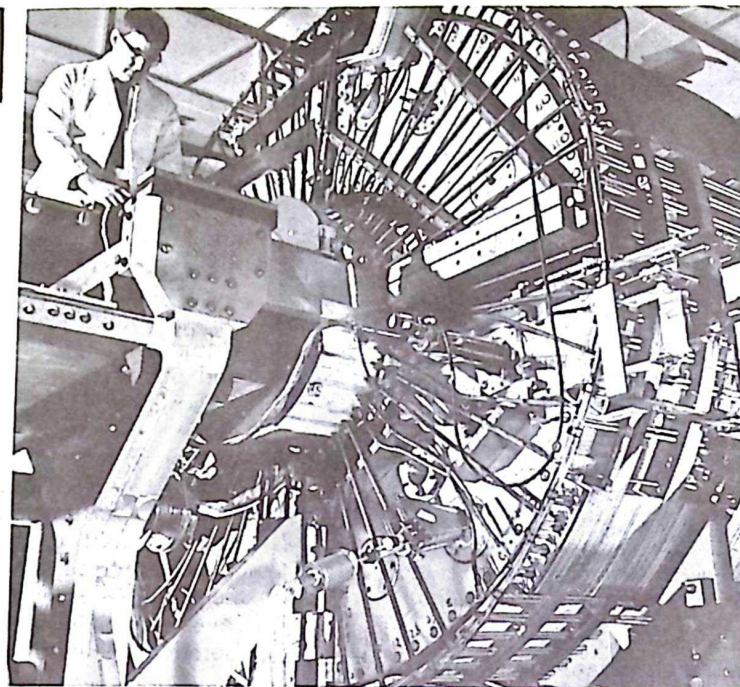
Coal finally dropped out of the race, although political considerations dictate that some coal-fired stations still be built. Oil has proved a tougher competitor and until a few weeks ago it appeared that oil would hold its own with atoms for years to come—and with one significant financial advantage. Since the capital cost of an oil-fired station is only half that for a nuclear station, power com-

panies squeezed for funds would almost certainly choose oil, especially at a time of high interest rates.

The situation changed after the recent Middle East oil price increases. Now, for the first time, nuclear power will have a definite edge over oil. What is more, while oil faces further steep rises atomic costs, inflation apart, should be relatively stable. Since 1967-68 the industry has also had time to master most of its manufacturing problems. So nuclear power seems finally to have come into its own.

In America many industry spokesmen are estimating that in 1971 nuclear stations with a total capacity of 20,000 to 25,000 megawatts will be ordered, although some estimates run as high as 40,000 megawatts. This compares with 1967, the peak year in the industry's history, when stations with a total capacity of 27,600 megawatts were ordered. Affluent America, presumably, is less bothered by the high capital costs of nuclear power than are less wealthy nations. The downward trend of interest rates there will also help.

But America is not the only place where nuclear orders have already begun to surge. At the



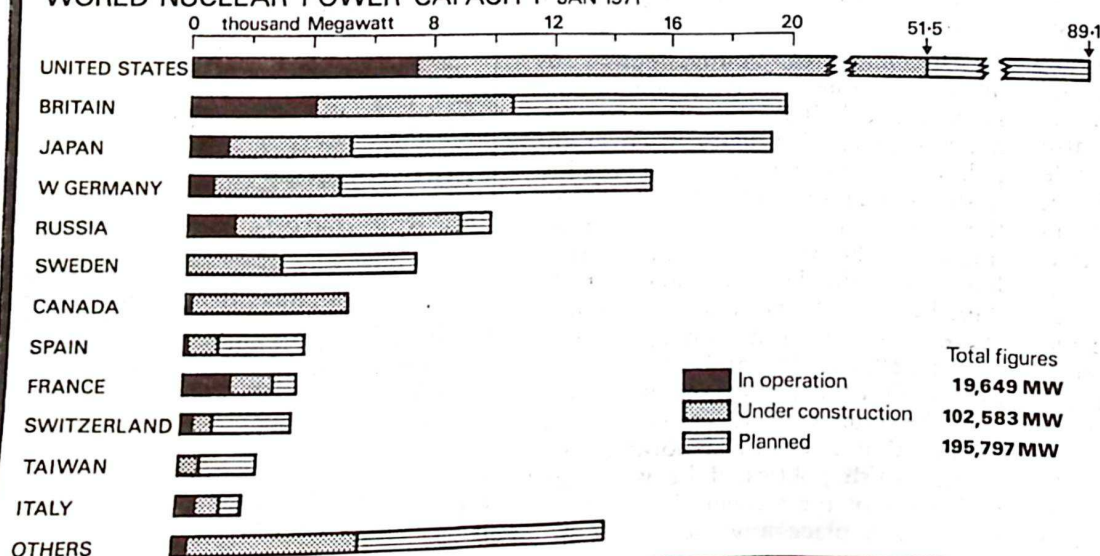
Fusion: the environmentalists' hope

beginning of March France announced it would be starting work on three new nuclear power stations before the end of next year. These would be the first of ten now approved for construction during the next five years. The ten stations will have a total capacity of the order of 8,000 megawatts. French officials now estimate that by 1985 one-third of France's total electrical generating capacity will come from nuclear stations. The next ten stations will all be American in design; but the French, being the French, a few weeks ago came up with an original way of avoiding dependence on the

Americans for the enriched uranium needed to fuel these reactors. They signed an agreement with the Russians for the first fuel charge for an American-style reactor they are already building at Fessenheim. Nuclear power is also doing nicely in other countries, as indeed the chart below shows. West Germany and Japan have strong programmes based on American licences. Sweden, which builds a light-water reactor of its own design, also has big plans. Australia may order its first nuclear station some time this year. Russia is also expanding its nuclear power generating capacity. Recent economic plans call for it to add between 6,000 and 8,000 nuclear megawatts during the next five years.

Britain is the biggest exception to the general trend. For several years past the Central Electricity Generating Board has been ordering nuclear stations at the rate of one a year—just about enough to keep the two nuclear construction consortia ticking over. For 1971 two new power stations had been planned, one oil and one nuclear. With the big increase in oil prices some observers speculated briefly that perhaps the oil station would be cancelled in favour of an additional nuclear station. The CEGB's actual decision was very different. It decided to go ahead with the oil station, a 3,300 megawatt plant on the Isle of

WORLD NUCLEAR POWER CAPACITY JAN 1971



Grain in Kent, but to postpone the nuclear station for at least a year, because of lower estimates of the future increase in demand for electricity.

The situation in Britain is also different from just about everywhere else because of the morale of the British industry, which is abysmally low. This stems largely from Britain's failure to sell an advanced gas-cooled reactor (AGR) outside Britain even though the AGR is probably just as good as the American-style reactors, which so far have dominated sales on the export market.

However, Britain's nuclear industry is now seen as suffering from too many disadvantages to compete with the Americans.

AGR hold-ups

For one thing the CEGB, which, as the monopoly customer, has been able to indulge finicky whims for design changes, has prevented the constructors from reducing costs by standardising components. For another, the Industrial Reorganisation Corporation, under the guise of efficiency, dealt the industry what was probably its biggest blow: it killed the consortium, Atomic Power Constructors, which was in charge of building what should have been Britain's first operating AGR. This was the Dungeness B station, which was falling badly behind schedule at the time of the IRC's intervention and which is now so late that instead of being completed this year as originally planned, it will not be ready until 1974. As a result, British nuclear salesmen must wait until 1972 or 1973 before they will have a working AGR (at Hinkley Point on the Severn) to show prospective customers, a crucial point to the conservative men who run the world's electrical generating companies.

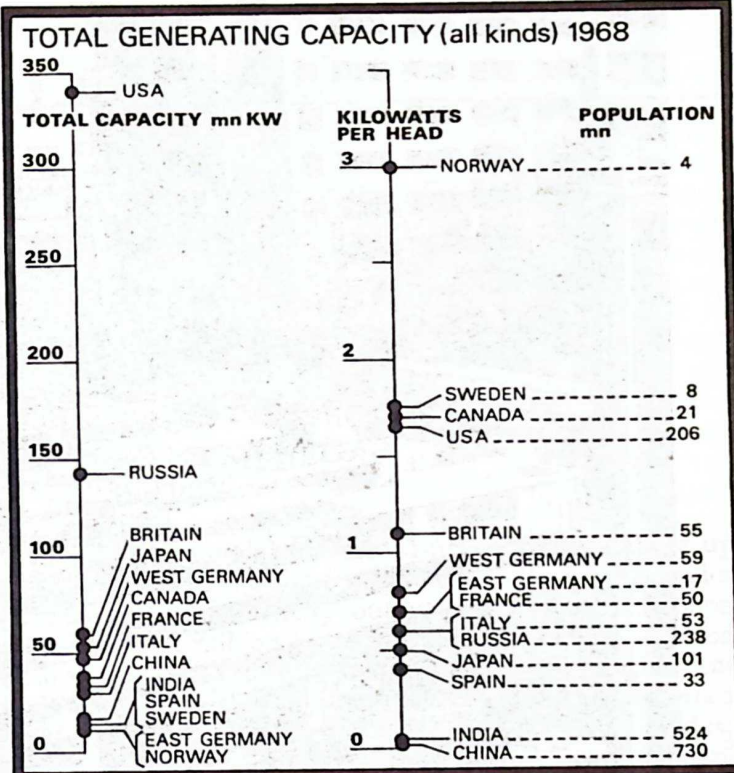
The biggest problem facing the American industry is so remote from British and continental experience as to be almost unimaginable. In Britain, for instance, concern for the environment is still mostly a matter for old-style conservationists. In America, environmental issues are very much alive and, to a large extent, their proponents are intelligent, well-educated people, sometimes successful lawyers who donate their time to appear at anti-nuclear power hearings. To most of the proponents, the dangers

they attribute to nuclear power stations do not exist in isolation but alongside other questionable industrial practices, such as the contamination of rivers, lakes and oceans with lead, mercury and other heavy metals.

Evidence about any of the contaminants tends to strengthen the cases against all the others. As reported by eminent biochemists some recent findings about the level of lead in many American urban and industrial regions are enough to frighten anyone. Dr Jesse L. Steinfeld, the American surgeon-general, has warned that levels may already be too high for people sensitive to lead. Such a background gives a hollow ring to assurances by spokesmen for the American nuclear power establishment that there is a threshold below which nuclear radiation is not hazardous and that there is nothing particularly awkward about storing for hundreds of years growing tonnages of virulently radioactive waste materials.

Despite the long drawn-out public hearings for many proposed nuclear power stations, there is little actual communication between the nuclear power men and their opponents. For years nuclear men have conducted painstaking tests on every question raised by the environmentalists and they are annoyed that their data is not accepted as the work of responsible men. To the environmentalists, who are usually latecomers to the nuclear power scene, the nuclear men are trying to rush through debatable schemes. Up against experts they seldom get the best of an exchange, but dogged in their opposition they seize on every procedural opportunity to slow matters down. As a result hearings often go on for months or over a year. (Britain, incidentally, has its own experience of such delays. Of the seven years it takes to build a power station of any sort in Britain, three are taken up with formalities and only four with actual building.)

The Atomic Energy Commission is considering whether to cut down on the procedural opportunities for delay now open to objectors. If it does so, only well-briefed environmentalists would be allowed to argue against the siting of a nuclear power station. Tougher rules on hearings would make the proceedings more efficient. But they might increase rather than diminish popular resent-



ment. So some observers are urging the AEC to take a softer line, and, instead, to make more effort to inform the public about nuclear power. The trouble here is that reality is a little awkward. No one knows, for instance, if there is a threshold dose for radioactivity, below which it is harmless. There are real risks, however small, associated with nuclear power stations. There is no use pretending there are not.

Forgo electricity?

Environmentalists, dissatisfied with the comforting words of the authorities, must realise they will be in a difficult position at least for the next few decades. Asking the world to forgo nuclear power will soon be equivalent to asking it to forgo electricity: oil and coal will simply not be able to keep up with the increasing demand for electrical power. Since the world is unlikely at this stage to limit its demands for electricity, the environmentalists would probably do well to support an alternative source of nuclear power that has been having its troubles lately with budget administrators in many parts of the world. This approach is used in the hydrogen bomb.

Fusion reactors would be inherently safer than fission

reactors and they produce no radioactive waste materials. But their development is still in its early stages. Meanwhile funds are being drained away to support work on a more efficient version of the fission reactor, the so-called fast breeder. The breeder would be cheaper than today's reactors and would manufacture as much fuel as it burned up. But for the environmentalists it will be even more unpalatable than the types of reactor now in use. Its operating temperatures will be so high that it will require a new technology employing liquid sodium to draw the heat away from the core. Engineering work has been done with liquid sodium for years. But it is tricky stuff to handle and convincing reassurances can be difficult to give to non-technical people.

In such a situation, it might help everyone to press on with fusion. But funds now are being limited to long-range research activities that probably will not lead to a commercial reactor until the 1990s or later. Enough is probably known about fusion now to warrant investing a few million pounds in prototype reactors. Some of these might fail but if just one were to work it could bring the era of commercial fusion much closer—and, with it, an end to the mounting conflict between electricity and the environment.



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BUSINESS

Electricity makes its first loss

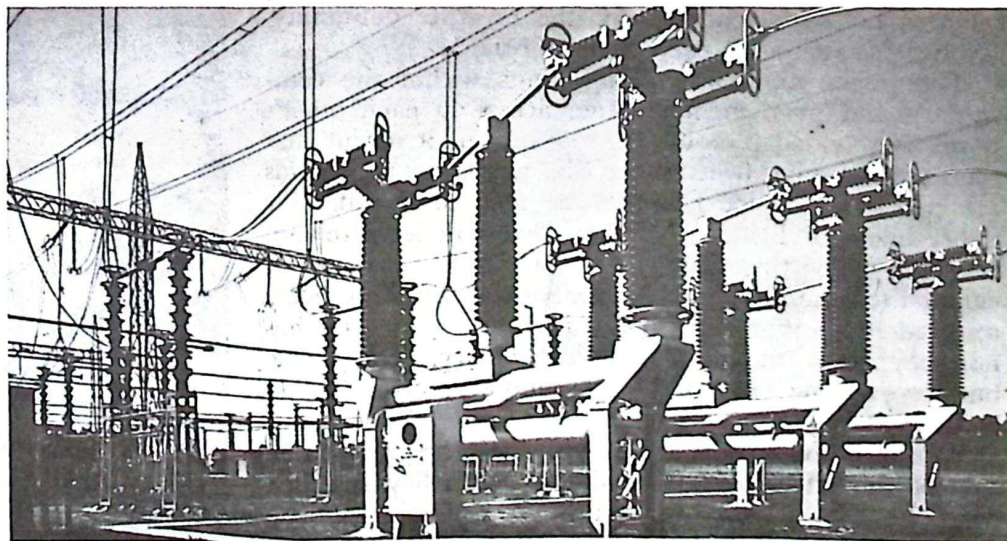
In the red after 21 years of profit, Britain's electricity supply industry will respond to this week's coal price increases by asking the Government for a repeat of the 12 per cent price increase it has just had

Although the figures are not due to be published officially until next autumn, nationalised electricity in fact lost between £30 million and £40 million in the financial year to March 31st. To ensure a return to profit this year, it had asked the Government to let it increase its selling price by 20 per cent. It was allowed an increase of 12 per cent instead, and has just finished imposing this through its area boards. Consumers in the south-east started paying 12 per cent more for their electricity from the beginning of this month. Now, before this shock has been even half-absorbed, Sir Norman Elliott, chairman of the Electricity Council, will feel obliged to ask the Government to allow him to raise prices by yet another 12 per cent, even before he has paid more to his technicians (who got a new rise this week).

There are several subsidiary reasons and one major one for this. Among the subsidiary reasons is the fact that the Wilberforce pay surrender will cost the industry more than officialdom has pretended. Also lurking in the background are the price increases which the oil companies, led by Shell and Esso, are negotiating with the Central Electricity Generating Board. These new long-term contracts will reflect the extra millions which were conceded at Teheran and Tripoli to the oil-producing countries. But with oil taking up only 13 per cent of the powerhouse fuel

load, and obdurately expensive nuclear power taking up 5 per cent, it is coal which really matters. Coal still supplies 76 per cent of electricity output's capacity, 70 million tons out of 94 million tons of "coal equivalent" burned each year. Even before this week no less than 30 per cent had been added to the price of powerhouse coal between October, 1969, and November, 1970. Then, on Tuesday, Lord Robens's steadfastly loss-making Coal Board announced another increase that will add a further £30 million, or 6 per cent, to electricity's £500 million annual fuel bill. It is this which has proved the killer.

The naked truth now facing electricity is that it is in danger of pricing itself out of a market which cannot do without it, but can manage not to consume it at the rate of annual growth to which the industry is committed. Last winter sales of electricity were 1½ per cent lower than anticipated. Part of this was due to milder weather, 2°C warmer than the average winter. But throughout the year as a whole electricity users are now failing to consume the power which the electricity industry has spent billions of pounds in making available to them. The industry had expected power consumption to rise by 5.5 per cent in 1970-71; it fell short of this target by 0.5 per cent, or 885 million units of electricity. It is probable that the Government will accede to electricity's



Electricity's Elliott: equipment impressive, but it loses money

demand for a further 12 per cent price increase, as the alternative to having another lame duck state industry on its hands. Large industrial users may escape with less than this; because of the size and duration of the contracts they can sign, some of them had to pay only around 5 per cent more during the last round of price increases, while domestic consumers were paying 12 per cent more. But these domestic consumers take 38 per cent of electricity's total output, and it is they who may now start to switch off.

The price increases of most state industries, such as those which the British Steel Corporation has just made, do not reflect directly on the average citizen's domestic accounts. But this is not true for electricity. Its economics, despite its annual turnover of around £1,500 million, are heavily tied to such domestic behaviour patterns as that the end of a popular television programme should throw an increased load on to electric tea-making equipment. With electricity about a quarter dearer than it was last month, this may happen no longer. During the mid-1960s the power industry was consuming £650 million a year in capital investment. Now this has dropped to £400 million, with only one power station due to be started this year, to the chagrin of the heavy electrical generating industry. As the profit of £100 million which the industry made in 1968-69 has collapsed so quickly,

through 1969-70's £65 million profit to 1970-71's loss, investment will be cut back still further.

The country's heavy electrical manufacturers are already up in arms because the £250 million plan to build a second nuclear power station at Sizewell has been postponed. This may be only the beginning of their troubles. The Electricity Council is now in the process of cutting back its forecasts of electricity demand for the eighth successive year. Prophets are necessary in an industry where it takes five years from the decision to construct a power station to the time when the station starts producing electricity. Back in 1963 the council's prophets forecast that 54,000 megawatts would be used in the winter of 1969-70. This total has not yet been nearly reached. It is now being forecast for the winter of 1976-77 instead. Since the industry wearily assumes that increased charges are its only way of regaining profitability, it will go on having to cut its forecasts—and go on having to hold down the growth of an economy for which it provides the principal source of power. Of course, the Government ought to tell this nationalised monopoly that it should seek a return to profitability by increased efficiency, by allowing its huge labour-saving investment actually to save more labour, instead. But how can a Government which praised the Wilberforce report do that?

A storm in a lobster pot

Worse things have happened at sea than the row over the common market's fishing policy. But it shows the continuing ignorance in some quarters of how the EEC actually works

Britain's anti-marketeers have found a new rallying point: the cause of the fisherman. If Britain joins the EEC, they argue, its inshore fishing grounds will be invaded by foreign fleets. The seas off Scotland will be fished dry and the British fisherman left without a living. This fear springs from a common policy on fisheries that the Six quietly put together last October without consulting the four candidate countries, although their fishing interests far outweigh those of the present community. (Norway's catch alone exceeds that of the Six.)

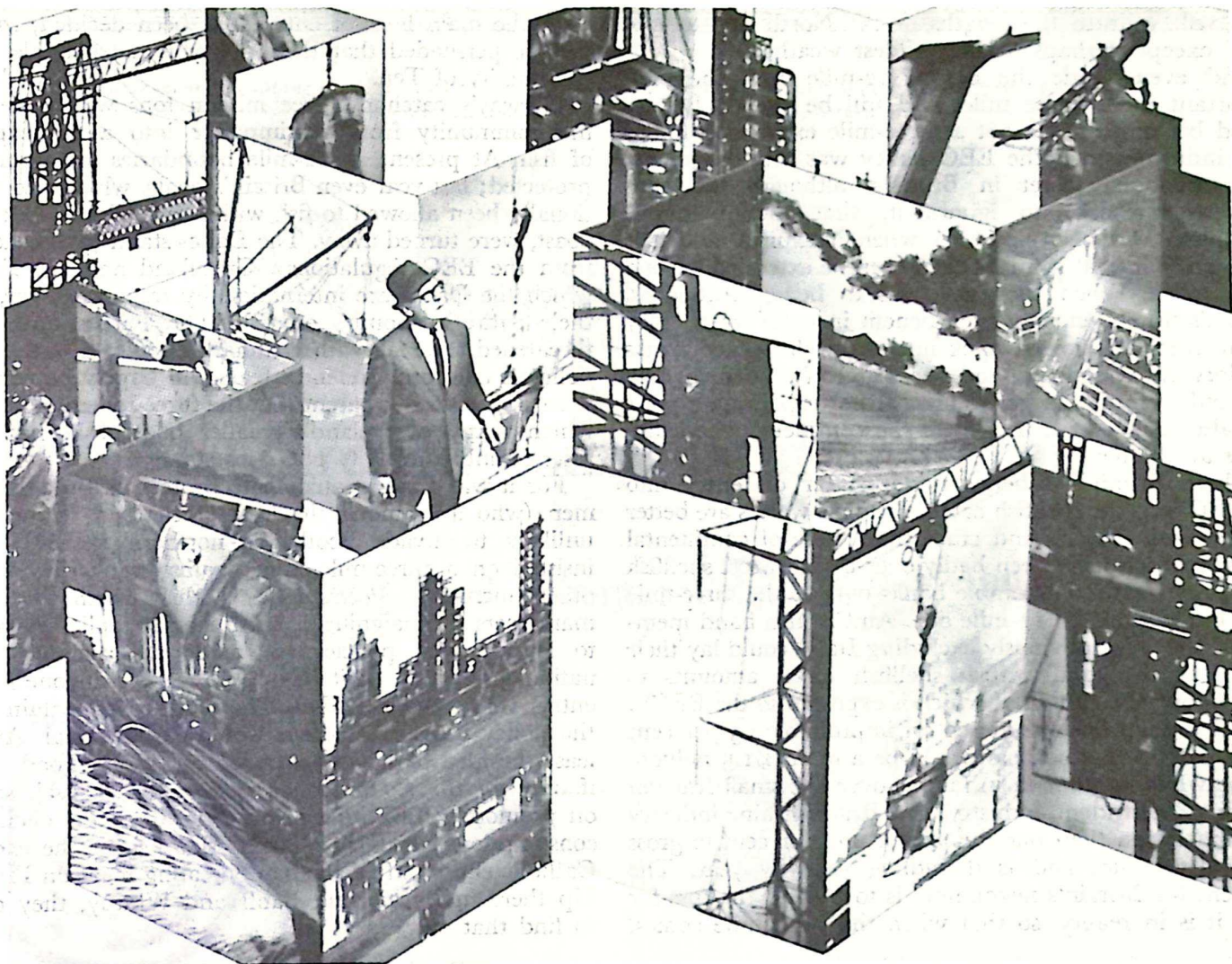
The policy abolished fishing limits within the community and gave members free access to each other's ports. It sounded plausibly European, but it meant that the inshore fishing fleets of the Six, whose home grounds are poor and depleted, would be able to fish the far richer banks of Britain, Norway, Denmark and Ireland. It was a policy that could never have been passed in an enlarged community, and the Six knew it. Britain quickly reserved its position on fisheries in Brussels, but this has not stopped a mounting political outcry. The whole business is being presented as one more proof of perfidy in Brussels.

But for all the slippery work by the Six, the propaganda against the effect of this small-minded policy is much overdone. For a start two-thirds of Britain's catch is taken in the open seas outside the protected north

European limits—which were pushed out to 12 miles in 1964. In the six years since then Britain's 8,500 inshore boats have increased the value of their catch only marginally faster than the rate of inflation, from £17 million in 1964 to £25 million in 1969. In other words the extra nine-mile protection has not given them a bonanza, and the grounds they fish are not so fatly stocked that many continentals in their own little inshore boats (under



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80ft) will venture the lengths of the North Sea to raid them except perhaps in the mildest weather.

And even inside the British 12-mile limit the most important inner three miles will still be effectively protected because France got a three-mile exemption for its own industry when the EEC policy was first drawn up. It is an open secret in Brussels, although the anti-marketeers choose to ignore it, that the three-mile exemption will be rolled over when it expires, and it is quite possible that it might then even be extended beyond three miles. When they get used to being Europeans, Britain's fishermen may even benefit in some ways: they might even be allowed back into the well-stocked banks of Norway, Greenland and the Faroes into which they now only venture illegally. Free access to Europe's ports will also allow them to sell on the continent, where fish prices are higher.

Where Britain's fisheries might suffer on entry into the EEC is in the shellfish catch. Britain's waters are better stocked with lobsters and crabs than those of continental Europe, which have been badly over-fished. Most shellfish are caught in the vulnerable banks outside the three-mile limit but within the 12-mile one. And in this band members of the Ten (obviously excluding Italy) could lay their pots. But the total British shellfish catch amounts to £6 million (£2 million of which is exported to the EEC); even if foreign fleets cornered an improbable 25 per cent of the catch, the total loss would be a mere £1.5 million.

The whole argument, in fact, is over one small fraction of a small, if strident, industry. The British fishing industry contributes less than one quarter of one per cent to gross national product and is dwindling year by year. The problem for Britain's negotiators is to present the fuss for what it is in reality, so that when the right time comes,

after the main lines of entry have been decided, the Six can be persuaded that their policy is not suitable for a community of Ten.

Norway's catch of three million tons will alone turn the community from an importer into a net exporter of fish. At present its 12-mile boundaries are rigorously protected; last year even Britain's boats, which had traditionally been allowed to fish within six miles of Norway's coast, were turned away. The Danes stand to lose heavily from the EEC regulations; Greenland and the Faroes, which the Danes are internationally responsible for, base their entire economies on fish. The Faroes have even threatened to break with Denmark altogether if the EEC policy is enforced. Ireland's fears will largely be removed when it becomes apparent that the three-mile limit, within which many of Ireland's smaller boats fish, has been inserted into the EEC policy to stay.

For it was France, anxious to protect its Breton fishermen (who are among the least efficient in Europe and unlikely to invade Scotland's northern shores), which insisted on a three-mile limit against the wishes of the other members. Perhaps it is this which the anti-marketeers campaigning against the fish policy have still to learn; such policies are made and changed with national interests (Britain's as much as anyone's after entry) very much in mind. The damage to Britain from the policy even as it stands would be marginal. And at least the idea of having a policy at all is a good one—if only for the £7 million a year which Brussels spends on promoting fish-eating in order to arrest the decline in consumption which has taken place since the Roman Catholic church lifted the ban on eating meat on Fridays. Up there in Buckie and Banff and Whitby, they ought to find that out.

£75 to New York ?

BOAC put its jumbo 747s into service on Wednesday, roughly a year late. It wants to halve the fares in order to fill the seats

Unless something like this is done, the corporation will inevitably go into the red along with all the other big airlines. Unfortunately, halving the return Atlantic fare in order to capture passengers from the charter market is not something that BOAC can do on its own. It has to have international agreement, and when the scheme was first broached a year ago it involved booking and paying a deposit three to four months in advance: other airlines would have none of it. Far from getting the backing it had expected from some of the big North Atlantic carriers, BOAC was isolated when it came to a vote. It may get more support when fares are discussed again this autumn but the size of the discounts proposed are big enough to frighten most people. The return fare could be as low as £75, compared with the cheapest off-peak excursion ticket of £144 and the cheapest off-peak ordinary fare of £208.

Without visible, and possibly very considerable, backing from the Government, BOAC is not going to get

cuts as large as this agreed. However the £75 return fare is dressed up as a holidaymaker's ticket, it simply is not possible to confine it to the penurious who could not afford the ordinary fare. Of course, businessmen will use it and so will people in their thousands who can plan their journeys a reasonable 12 weeks ahead. It is a big and courageous cut in the basic fare that is already long overdue.

There was a time when this sort of initiative could be left to the Americans, who pioneered most of the fare cuts and other successful ideas for promoting new traffic in the early 1960s. But the impetus has gone out of the American drive, and all they can think of now is raising fares, cutting capacity and talking anxiously to their bankers. This does not promise well for BOAC's initiative unless the full weight of government is put behind it in the way that the American Civil Aeronautics Board once, but alas no longer, threw its weight behind American fare cuts. Does the Secretary for Trade and

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BUSINESS

Britain

Pay: still off the track?

British Rail calculated that it had conceded no more than a 9½ per cent increase in its wage bill when it made its final offer on Wednesday to the three rail unions, under which some of their present bonus payments were transferred into consolidated basic pay rates. The members of Mr Ray Buckton's Associated Society of Locomotive Engineers and Firemen, who had been running a go-slow since April 5th, promptly agreed to resume work. The fact that the larger but less militant National Union of Railwaymen was split 12-12 after hours of discussion on Thursday over accepting or going slow was only a sideshow. For the NUR's general secretary, Sir Sidney Greene, will almost certainly plump for acceptance with his casting vote—to be given at his leisure.

The offer meant an 11 per cent rise for some of the railways' 196,000 men, but only 8.8 per cent to others. Mr Len Neal, British Rail's negotiation-scarred director of labour relations, reckons he has conceded an annual £27.4 million, topping up the original "last" offer of £25.9 million by £1.5 million carried over from the bonus payments scheme. If the arithmetic works out correctly, then the rail management has succeeded where the

private-enterprise car makers so singularly failed. Whatever BR may now choose to say about any similarity between the settlement and Government policy being purely accidental, ministers must think it fortunate.

Ministers, in fact, have been singularly quiet about wages during the past few days, which is not surprising with both Mr Robert Carr and Mr John Davies on holiday. But the long-term consequences of the motor industry's runaway settlements is not being forgotten. Nor, come to that, is the idea that it might be worth lifting some of the import tariffs on most foreign cars; but then ministers thought the same about the coal industry.

The Government is still turning its face against any attempt at imposing an incomes policy. But it is preparing to resume the fight over the two principal pay claims now moving into the negotiating arena. First in the private sector is the chemical industry, with 60,000 of Imperial Chemical Industries' workers and the same number in the remainder of the industry. The ubiquitous Transport and General Workers Union is setting the pace on this claim, but short of reckoning that it will not be less than the 15 per cent which most chemical

workers got last year, the companies and the Government do not yet know just how big the demand is. Similar uncertainty hangs over the principal nationalised industry now in the front line, the British Steel Corporation.

With Lord Melchett, BSC's chairman, refusing to allow a premature end to the existing three-year pay agreement which expires in 1972, the demands of his largest single union, the British Iron and Steel and Kindred Trades' Federation, are—*theoretically*—in abeyance. In fact it is expected that some concessions will be offered to the unions. But the best that can be done in return is to attach to any settlements some serious conditions concerning the need to reduce the industry's manpower.

Trade

Postal hocus pocus

Britain's overseas trade figures for March, published on Thursday, showed a marginal surplus of £1 million (seasonally adjusted), but this figure is not really much help to anyone, as the postal strike has distorted the results.

On paper, both exports—at £748 million fob, seasonally adjusted—and imports were running at exceptionally high levels after the apparent drop in exports in February. In truth, trade probably flowed much as normal in the first three months of this year; only the documentation was affected by the post strike. But it seems it will take all of April as well to finally clear away the backlog.

In the first quarter of this year the recorded trade deficit has been running at an average of £26 million a month, which the Department of Trade and Industry thinks may be a slightly over-gloomy estimate. Taken together with the continuing surplus on invisibles of around £50 million a month, this still leaves Britain with a current surplus of some £300 million a year, less than half the size of last year's but no immediate cause for concern.



Buckton: yes



Greene: wait for it



Neal: that's all

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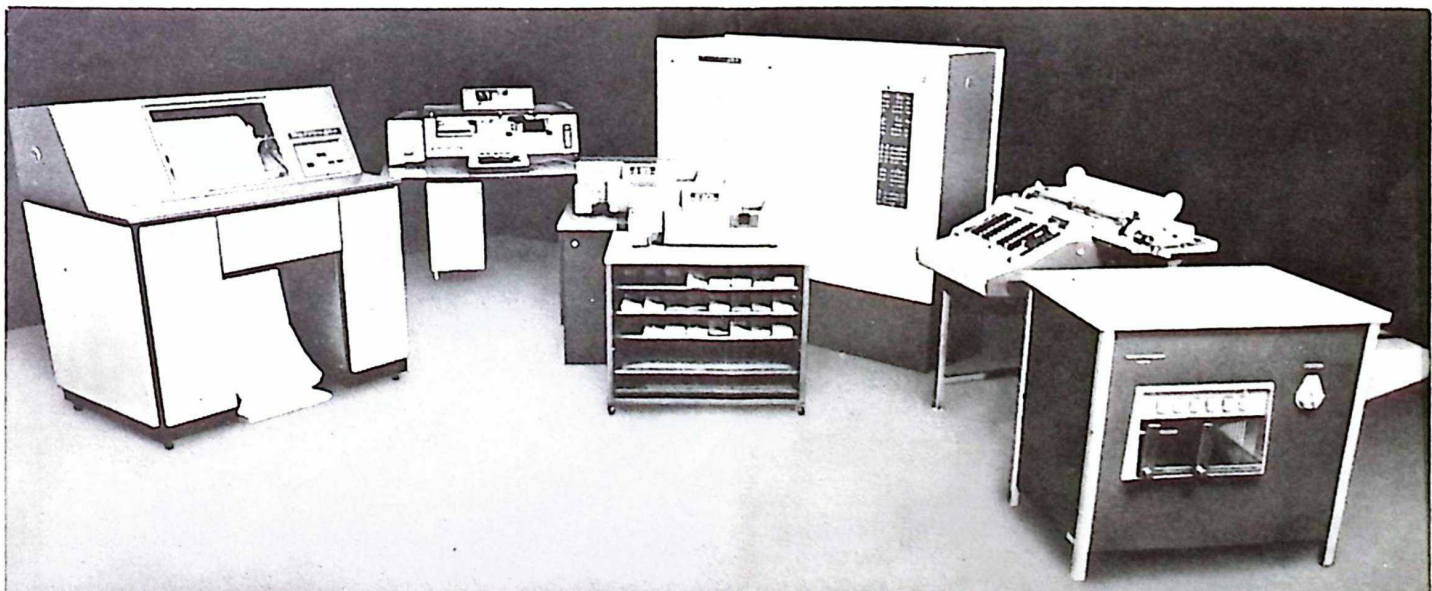
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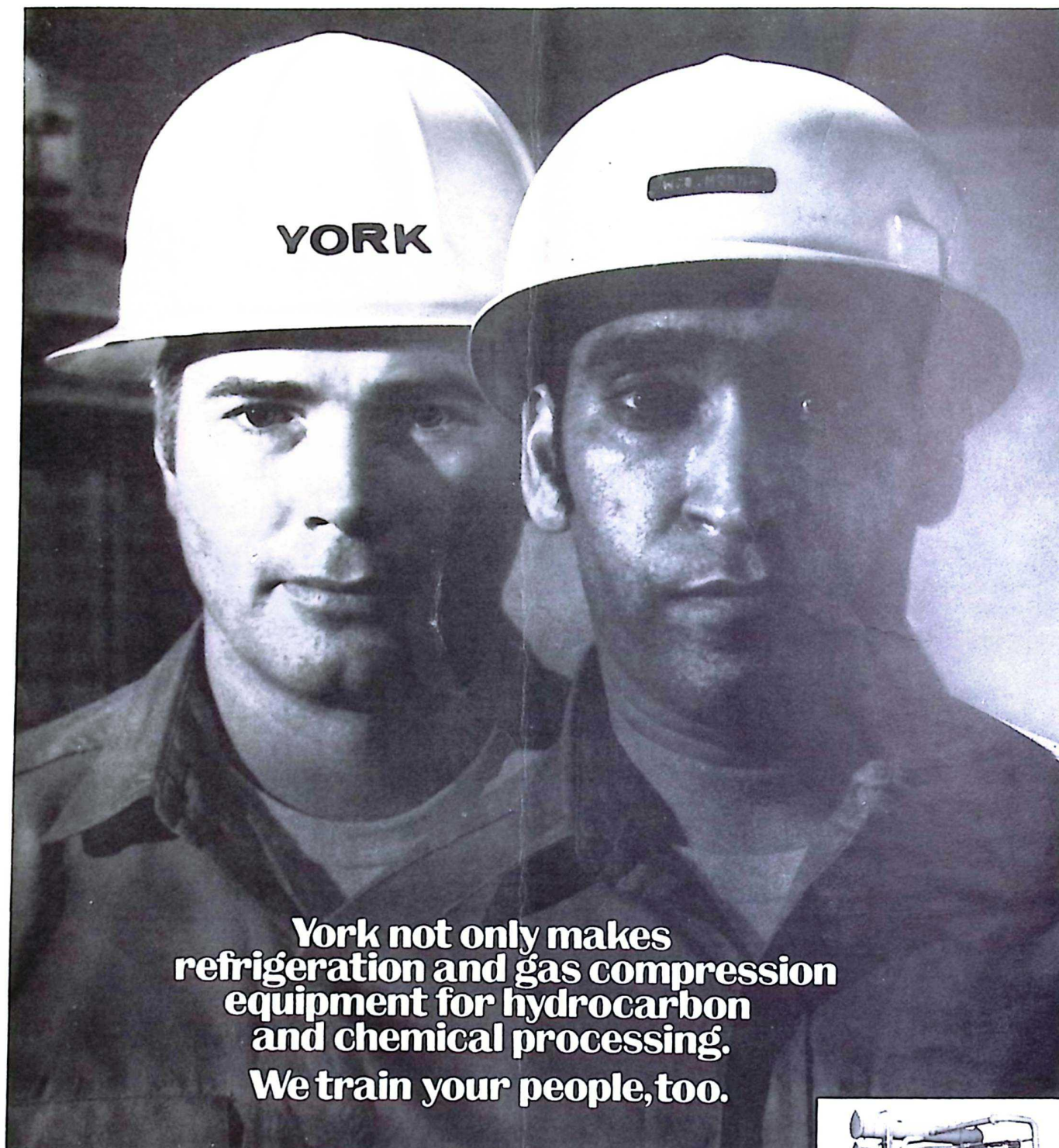
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What happens next depends very much on Britain's continued ability to compete internationally. The steep climb of export prices—over 9 per cent in the past year, against only 1½ per cent for import prices—seems to have stopped in February, but the respite may well be temporary.

Redundancies

Brighter days at Derby

Less than half of the 2,000 men sacked from Rolls-Royce at Derby three weeks ago are now thought to be unemployed. This illustrates again how redundancies seldom have such dire consequences as are predicted. But Rolls workers in Scotland who got the sack have not done so well: two-thirds of them are still out of a job.

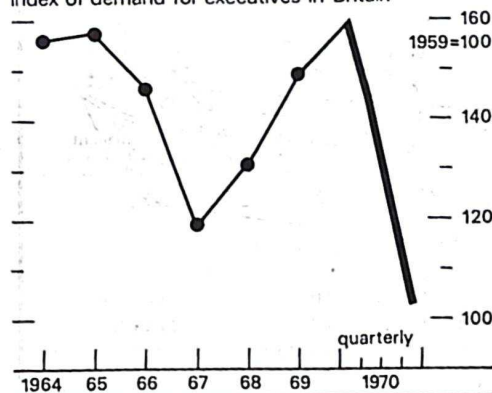
One of the factors which has helped at Derby is that, because of the general uncertainty over the RB211, 578 men volunteered for dismissal, knowing they could get another job. Others listed for the sack were then reprieved.

Among further redundancies announced this week was a decision by Imperial Chemical Industries' agricultural division to cut out 1,300 jobs on Teesside: it hopes to achieve this cut-back through natural wastage. It now seems certain that the total number made redundant this month will be at least as large as in March. But it is expected that the peak will have been passed by June, although redundancies will certainly continue at an abnormally high rate for some while after.

Executives and other white collar workers have been suffering disproportionately, as the chart below on job ads suggests. On an official count, the number on the DEP's professional and executive register registered as unemployed rose by over 25 per cent

No jobs for sacked bosses

Index of demand for executives in Britain



between June and December last year, and the next batch of quarterly figures will probably show an even gloomier position.

The outlook for graduates, already extremely bleak, is still worsening. Universities' appointments board officers report that companies are daily reducing their quota of recruits. One of the worst blows has been the cut-back at the British Steel Corporation, hitherto the country's third largest recruiter of graduates.

Retailing

No jam for the grocers

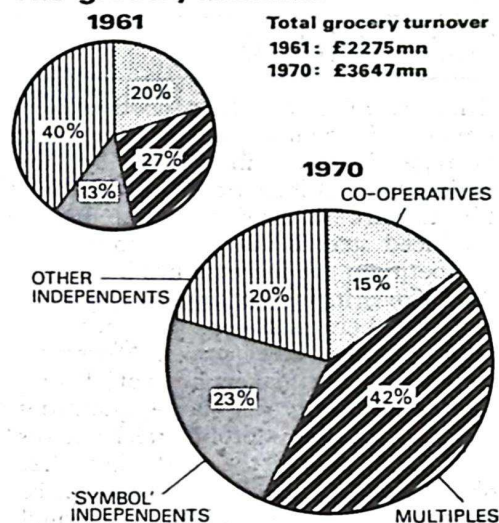
A grocer's lot was not a happy one in 1970. Total turnover in the business was a record £3,647 million, 6 per cent more than in 1969, but this rise did not even make up for the increase in food prices, let alone pile on any gains in volume. While clothes and durable goods shops managed a respectable 3 per cent rise in their volume of business, grocers, who take a good quarter of all retail spending, were left out in the cold last year.

Large and accelerating increases in food prices were to blame, amounting to 7 per cent on a year-to-year comparison, but more than 9 per cent over the course of the year. In a reasonably well-fed and affluent society extra income does not automatically go on extra quantities of food; growth in this market has to come from a switch to more highly-manufactured "convenience" foods. But if prices are rising at this sort of rate, there is a strong disincentive to abandoning bubble-and-squeak for an expensive pre-frozen TV dinner—and an incentive to shop around for best buys.

Significantly, the official consumer price index rose by only 5.4 per cent between 1969 and 1970, a whole percentage point less than the retail price index. Apart from some differences in coverage, the consumer price index measures the prices of goods and services people have actually bought in a given year, not the price levels of a pre-determined basket of goods. There has obviously been a fair amount of switching to cheaper lines.

Britain's housewives are still abandoning their corner grocers in favour of supermarkets with their more attractive prices. According to new figures from Nielsen, the multiples increased their share of grocery trade yet again last year, to 42 per cent, at

The grocery reshuffle



the expense of the independent grocers, who now only have a 20 per cent share. More of the small shops joined a "symbol" group (a voluntary association which trades under a common symbol and takes care of central buying, etc, such as Spar or Vivo), or cut costs by using cash-and-carry stores (where three-quarters of the independents now get at least some of their supplies) rather than the traditional wholesalers.

The co-ops, after a painful slide from their dominant market position all through the early 1960s, now seem to have settled on a 15 per cent share, despite a fairly gloomy annual report on Tuesday from the Co-operative Wholesale Society. And self-service marches on inexorably everywhere: a full two-thirds of all grocers' shops now operate on this basis.

If the more than 5 per cent leap in real consumer spending predicted in the budget materialises this year, there might well be some extra jam for the grocers in it. But there is no sign of this yet. Spending on food, as on everything else, was down in January, perhaps partly because of the post strike. More worryingly, a whole bunch of food price increases has just been announced, marking the end of a voluntary moratorium on price rises for manufactured foods six weeks either side of decimalisation.

The price cuts announced from selected quarters such as Marks and Spencer, Sainsbury's and Boots, anticipating the 50 per cent cut in selective employment tax in July, are a small step the other way; but they will not go far. Unless the general inflationary momentum can be checked, 1971 will be another bad year for grocers.

Imports

No deluge

There is unlikely to be a flood of steel imports following the 7 per cent average increase in prices by the nationalised British Steel Corporation. For a start, in markets where British produced steel is vulnerable to foreign competition, the increase has been kept down and, in face of intense Japanese activity, there is to be no increase at all in stainless steel prices. Moreover, continental steelmakers are not all that interested in pushing large quantities of low-price low-profit steel across the Channel. At the first sign that BSC was looking for another price increase they lifted their quoted

export prices. But one industry where there is a real opportunity for overseas suppliers is British shipbuilding. This industry faces the largest increase of all, at 10½ per cent, and has long wanted more freedom to import steel plate. Imports had effectively been restricted by the one-fifth limit on foreign content in British-built ships if they were to qualify for the Government's home and export credit guarantee scheme. The volume of other foreign equipment had left little or no margin for steel. Now the Government is to ease the one-fifth rule a modest but unspecified amount. Japanese steelmakers were knocking on doors within hours of the relaxation, but it will be 1973 before any of their steel plate is used because of British yards' existing long-term contracts with the BSC.

Trade markets

Wates's gamble

Next Tuesday a public inquiry will open at Chiswick town hall into an attempt by Wates to build Britain's first trade market, covering 1¼ million square feet, at Osterley, not far from Heathrow airport. The concept, not yet widely understood in this country, is to provide a display centre for retail goods for the exclusive use of trade buyers. They would be able to see a broad selection in one day instead of possibly having to visit showrooms scattered across Britain.

The first trade market was built in Chicago in 1934. Now there are over half a dozen in operation in North

Can lame ducks fly?

Shell's £75 million order from Harland and Wolff for five supertankers of 256,000 tons each, announced on Tuesday, is a shot in the arm for the poor of Belfast. Although the 10,000 men employed by the yard are only a small fraction of Ulster's labour force, they mostly live in the riot-torn and Protestant poor areas of the city. Shell has placed a mark of respectability on the Northern Irish economy, and given a commercial break to the yard itself, which is still the biggest single hope for the country's industrial future.

First reactions to the announcement mostly included disbelief that Harland, which has been bailed out with the taxpayers' money, could get this order without one or other government leaning on Shell. But Shell can buy its ships where price and delivery dates are right. Berths for 1974 and 1975, when the five ships will be delivered, are extremely scarce, and Shell was prepared to pay a few thousand pounds over Japanese prices to build in Britain. This is for the good commercial reason that its team of technicians, possibly the best in the world, could be on the spot supervising construction. The Shell

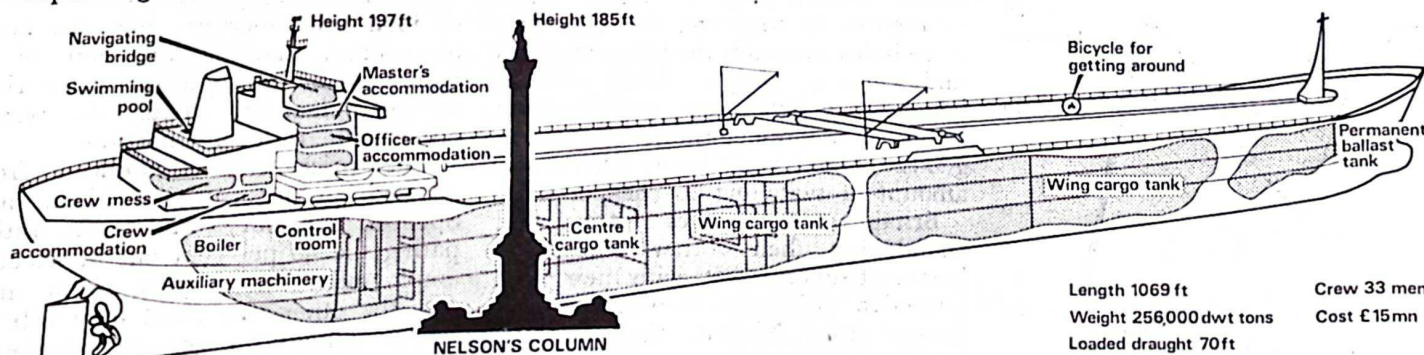
technicians have worked well with Harland in the past. And the gap between Japanese and European prices for supertankers has now become very narrow.

Whether Harland can stand on its feet is still not certain. It has what some consider to be the finest yard in the world, and will shortly be trebling its steel throughput, which is vital if the £16 million investment in the yard is to be fully utilised. Wage rates are also competitive, though productivity to date has not been. If Harland can cut its man-hours per finished ton of steel from 70-80 to 40-45, which would still be well above the most efficient yards, it could make profits.

Series production is about the only way to make money out of building big ships, man-hours on the fourth ship usually being 25 per cent below those on the first. With this very much in mind the Ulster government decided to turn down the offer of Mr Aristotle Onassis to take over Harland. Discussions with the major oil companies indicated that they would be reluctant to order from a yard owned by a competitor.

Negotiations for this £75 million

order lasted a year, and Shell played a major part in the protracted discussions about the Harland rescue operation, details of which were finally announced last month. One of the unusual features of the Shell contract is the provision for escalation, an important factor considering that building prices for these ships have doubled in the past five years. Unlike the simple cost index formulae now applied in most European yards, there will be a highly complicated way of estimating escalation. Harland will have to prove the cost increase was necessary, and the resident team of Shell technicians will have a clear idea whether they are right or not. But this could be Harland's gain, because the Shell technicians will pass on experience of how to cut corners from the similar ships being built for them in Denmark and France. These big ships are simple to build, though there is a large element of gearing which makes mistakes expensive. Some analysts are now predicting an oversupply of big ships, but the experience of last year's crisis in the tanker market suggests that it pays to have a significant reserve of tonnage.



The ships that Shell will build

Making false eye lashes and machine tools...

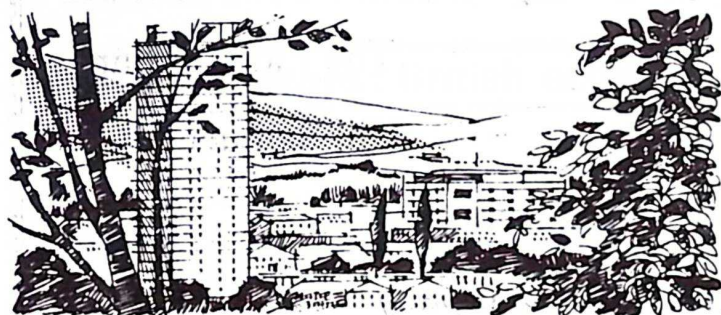
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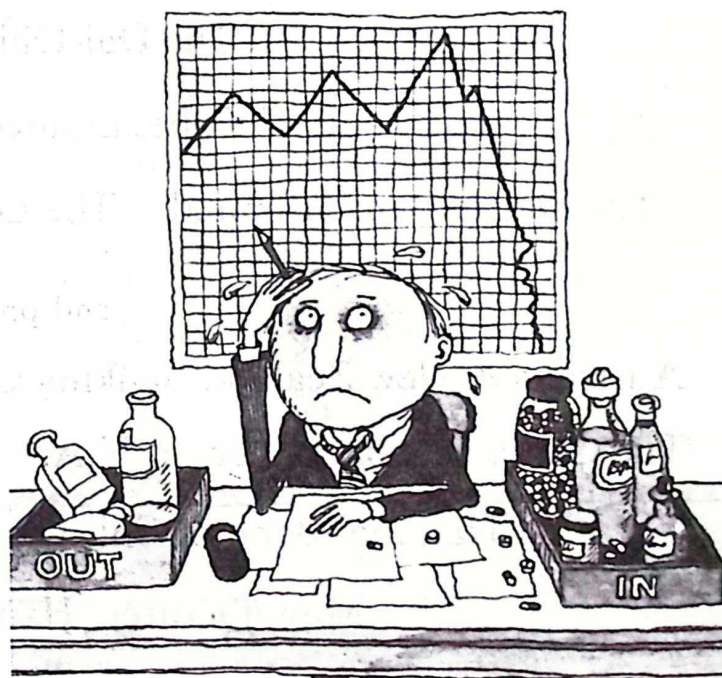
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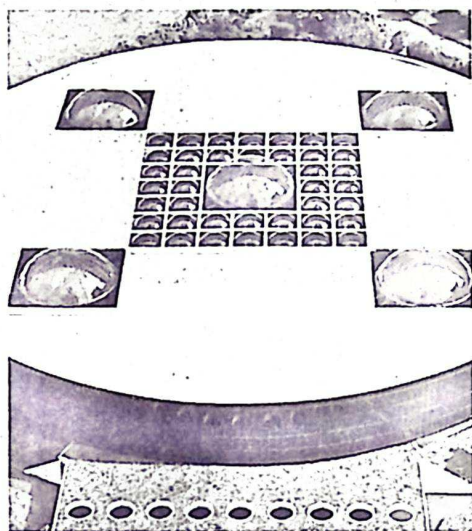
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In store for Osterley ?

America and others in Copenhagen, Utrecht and Amsterdam. And in Brussels construction is beginning on Europe's biggest ($3\frac{1}{2}$ million square feet), with financial backing from the Belgian government. Some trade markets, such as those at Montreal and Los Angeles, are generally agreed to have been failures. But the majority have paid off handsomely, with very heavy demand to rent space, particularly from makers of furniture, clothing and gifts.

Wates's initial feelers to British producers have received mildly encouraging responses. The idea appeals, as would be expected, mostly to small firms who cannot afford lavish publicity and central London showrooms, although, since they have to rent showroom space permanently, much depends on the pricing. Some of the big firms are less than enthusiastic,

but concede that they would have to take space if the market caught on. Reaction from the rag trade has been lukewarm; but then clothing manufacturers have a national trade market in the concentration of outlets north of Oxford Street in London.

If the Secretary of State for the Environment lets the scheme go ahead, the market (which will be built by Wates in conjunction with the developer of two of America's markets) should be operating by the end of 1974. The project will cost between £20 million and £30 million, and is clearly a very risky investment. But it represents dynamic thinking, and the financial reward could be large.

The docks

Can they compete?

The idea that more of Britain's ports should be run by city councils, as those of Rotterdam, Antwerp and Hamburg are, is currently being kicked around Whitehall. It has support inside the National Ports Council, and the Minister for Transport Industries, Mr John Peyton, quite likes it. He would not stand in the way of a council which wanted to subsidise its local port, though he would not actively encourage this.

Some of the great ports of the continent owe their success very largely to the vigorous backing of city corporations which have cut port dues by subsidy, invested in facilities for new types of ship, and, most important, gained the co-operation of labour. A

report by Touche Ross, the British accountants, suggested that British ports would be able to cut their charges by half if they enjoyed the same subsidies.

But British ports have a virtual monopoly of Britain's trade, unlike their mainland competitors in respect of their own countries' trade. Furthermore municipalisation, which would be most likely where ports would otherwise go bankrupt, can only be expected to featherbed the weak.

Mr Peyton has been going round saying some very tough things to the port managements. But his policy of applying profit motives to ports needs further clarification. It needs a change of policy, and perhaps heart, by the National Ports Council, whose advice is based on the premise that London and Liverpool will continue to dominate the country's trade. There is some justification for this, because the cost of inland transport is very high, and these ports are nearest to the main economic centres of the nation. But the handling of cargoes in them has become pretty desperate, and there is little slack to be taken up in the smaller ports.

Mr Peyton has said that he would like to stop the situation where the port authorities make all the investments and the users of the port make all the money, but at present there is no rush of shipowners to invest in port facilities. At the same time there are doubts among port authorities about how far they should seek to maximise profits by raising charges. London charges have practically doubled recently. Unless there is investment elsewhere the major ports are in a virtual monopoly.

Key indicators : British economy

External trade

Postal strike still playing havoc with trade documentation so the recorded March surplus of £1 mn, after February's £66 mn deficit, is largely meaningless.

	Month	Index 1963=100	Percentage change on		
			previous month	three months	one year
Industrial production*	December	124.9	+2.0	-0.6	+1.5
employment*	January	94.4	-0.2	-0.5	-2.4
productivity*	December	133.0	+1.9	+1.4	+4.6
Export trade*†	March	154	+20	+½	+4
Eng'g orders on hand*†‡	December	127	+0.8	+3.2	+8.5
Retail trade*	January	108.9	-2.0	-3.0	-0.1
Unemployment*	March	130.8	+5.5	+11.5	+15.8
Retail prices	February	142.7	+0.5	+2.6	+8.5
Export prices	February	137	nil	+3.0	+9.0
Import prices	February	129	+1.0	+1.0	+1½
Wage rates (weekly)	February	158.7	+0.1	+3.4	+12.6

Export trade, retail trade, engineering order books: in volume terms (value at constant prices). Unemployment: wholly unemployed excluding school-leavers; latest rate 2.9 per cent.

* Seasonally adjusted † End of period ‡ Provisional

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BUSINESS

International

All quiet on the dollar front — for now

Bad boys who become just a little less bad begin to look like angels. This was almost how European treasurers and bankers were seeing their American colleagues this week, as various efforts to stem the outflow of interest-sensitive dollars were having some effect. The dollar strengthened a bit in the exchanges, and German banks have been reporting a small dollar outflow since Easter in sharp contrast to the \$1.5 billion the Bundesbank had to take in during the three days following the cut in its discount rate.

Most significant in all this, America's "operation twist" took another successful turn this week. This, it will be remembered, is the strategy aimed at raising American short-term interest rates as an inducement for foreigners to hold dollars, even while lowering long-term rates to stimulate housing and other domestic activities. The yield on the latest issue of three-month American Treasury bills was 4.039 per cent, up from last week's 3.703 per cent and its highest for ten weeks. Four sharp weekly rises have taken the rate three-quarters of a percentage

point above its low point on March 12th. And the rate for federal funds (reserve balances at Federal Reserve banks), one of the most sensitive indicators of pressures on commercial banks' reserves, is a whole percentage point off its bottom. On the other hand, yields on high-grade corporate and municipal bonds have changed little since mid-March. Helping the dollar, too, this week was a rise in Eurodollar rates, following the American Treasury's offer of a \$1.5 billion borrowing from the market. Three-month Eurodollar money was being quoted at just above 6 per cent, compared with 5 per cent four weeks ago.

As the strains subsided in the foreign exchanges, most major currencies came away a little from their trading ceilings against the dollar (spot sterling in London was around \$2.4164 at one point, although it was up to \$2.4181 on Wednesday), and the price of gold in London fell back to under \$39 an ounce. So the realists again held forth, dismissing the upset of the past two weeks as a storm in a teacup despite the news that at the latest count Germany's external reserves were a staggering \$17.1 billion, pulling well ahead of America's. In Frankfurt, that indefatigable optimist, Dr Otmar Emminger, vice-president of the Bundesbank, said that he thought it highly probable that the small difference still existing between interest rates in Germany and the Eurodollar market might decrease in the second half of 1971 or even disappear altogether. There is a widespread feeling in Germany that the Nixon Administration will succeed in expanding the American economy, and that only a small acceleration in growth will pull short-term interest rates there higher.

The snag in this argument is that American long-term yields may resist

any further attempts to bring them down, and a real conflict may develop between the Fed's two desperate objectives. Any significant setback in the American bond market would probably deter any further moves by the Fed to push up short-term money rates. The stars and stripes still call the tune.

Algeria

Without France

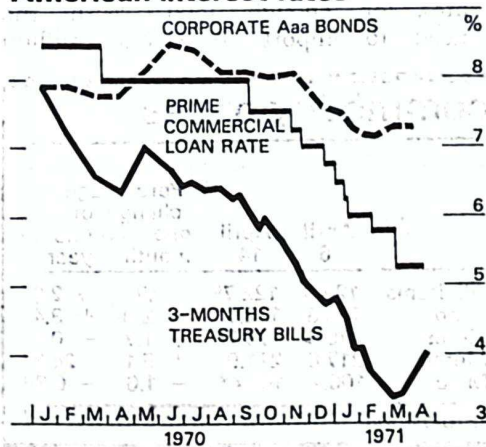
Paris

France huffily broke off its special relationship with Algeria after the French-Algerian trade talks ended in a setback. Although France is Algeria's biggest trading partner, President Boumedienne showed he is more intent on following a strongly nationalistic foreign economic policy than thinking of his partners. After the unilateral decisions he announced this week, there seemed to be little room for further negotiation in private between the two governments. Nevertheless, President Pompidou, interrupting his Easter holiday to talk to his top officials, decided to send M. Hervé Alphand, secretary-general of the foreign ministry, on another visit to Algiers, where he had just had two fruitless weeks of talks.

M. Boumedienne announced that his government was raising its posted price for oil to \$73.60 a barrel (which, allowing for freight rates, is in line with the Libyan settlement) and said French companies would get \$100 million as compensation for the 51 per cent takeover of their Algerian interests.

France is unlikely to take the \$100 million compensation for its oil companies' assets as the final word. Elf-Erap valued its assets at \$750 million and suggested \$300 million as a fair figure for the 51 per cent takeover. With the retroactive taxes the Algerians are claiming, the French would end up probably still owing the Algerians money if the \$100 million figure were accepted. Algeria has hopefully informed the World Bank of the decision to compensate France, in a move to get the bank to lift its ban on

American interest rates





No change out of Boumedienne

providing capital for a \$1 billion natural gas project with the American El Paso gas company.

Algeria has been counting on this deal to show that it is no longer dependent on France. It would require massive chunks of financing by the World Bank and other sources. Naturally, France is trying to demonstrate that it will be difficult for Algeria to do business elsewhere if a fair settlement is not reached over nationalisation. Both countries are counting on the United States for support. Official Washington policy is to try to play it down the middle.

Brazilian steel

Not to be tied

It looks as though the World Bank and Brazil between them have pulled off a considerable coup. For some time the World Bank and the United States Export-Import Bank, which provides credit tied to purchases of American goods, have been haggling over the way in which Brazil's steel expansion plans should be financed. In the past the Brazilian steel industry, which produces about 5.4 million tons of ingot a year, has relied mainly on American equipment, particularly at the largest works at Volta Redonda (although the other two main mills have Japanese and French and Italian backing). It now wants to raise output to 10 million tons in 1975 and 20 million tons in 1980. To have relied on Ex-Im Bank financing for the foreign exchange this expansion will require would have been a pleasant bonus to American industry, but expensive for Brazil, which knows that it can buy at least some of the equipment more cheaply elsewhere.

Brazil is a major client of the World Bank, which also wanted to invest in its steel industry and has strict rules about international tendering. The Ex-Im Bank, however, has powerful

friends in Congress, where international aid instructions are not in much favour at the moment—this week, for example, the new head of the House of Representatives banking sub-committee, Mr Henry Gonzales, told the Administration that the United States contributions to the International Development Association (the World Bank's soft loan branch), the Inter-American Bank, and the Asian Development Bank were all in jeopardy. Despite this, Brazil and the World Bank have successfully resisted Ex-Im Bank pressure.

The result is a compromise which gives Brazil most of what it wants. The World Bank will supply \$180 million, using its normal bidding procedures. The next \$120 million will come from the Inter-American Bank, which also requires more or less international bidding. And a further \$180 million will come from national export credit agencies, including the Ex-Im Bank. But Brazil will be able to decide how much money it wants to get from where. Total financing for the first part of the expansion will be around \$3 billion, and foreign exchange requirements will reach around \$800 million.

The Brazilian steel project is about the biggest coming up in the developing world over the next few years. So it was vital that the principle that developing countries should buy where it suits them best should be firmly established.

Japan

To the Congo

Tokyo

The two week visit of the Congo's president, Mr Joseph Mobutu, to Japan seems to have gone right from the moment he landed at Tokyo's Haneda airport with half a dozen cabinet ministers, and was escorted into town past a guard of honour in cream and blue, accompanied by the Emperor. It looks as if he has won

from the Japanese an offer of about \$80 million in aid for the construction of a bridge across the River Congo and a railway to connect Matadi, some 100 miles up river, with Port Banana at the mouth of the Congo. This is the first part of a project for a new rail link between the copper and other mining developments of central Katanga and the sea, which the British company Lonrho at one time hoped to build.

Japan's willingness to play the visitors' game is linked to its increasing preoccupation with acquiring access to natural resources overseas, especially after the recent increase in crude oil prices. It would like a stronger position in the Congo to bolster its existing interests in copper mining there, and at the same time demonstrate its interest in Africa as a whole—especially black Africa. After their major iron ore contract signed in South Africa early this year, the Japanese have felt some need to redress the balance in the north. They have always been sensitive to charges of ignoring apartheid. Japan still does not have full diplomatic relations with South Africa, for just this reason.

The Congo scheme will be one of the largest ever considered for official Japanese aid overseas, and will be the first official aid to Africa since Japan gave Nigeria credits of \$30 million in 1966 (which have still not been fully used). The terms will also be much softer than anything Japan had given to Africa before Nigeria's 15 years, with five years' grace, at 5½ per cent.

Ceylon

Not enough time

With one of the most literate, educated populations in the developing world, Ceylon's successive governments have never been able to provide either enough jobs, particularly for graduates, or enough food. With the need to import some \$50 million

Key indicators: world commodity prices

Jute jitters

The news out of Pakistan is increasingly gloomy for jute. The war has not only wrecked jute mills in the East but more seriously has disrupted the sowing of the new crop. As Pakistan is the world's major supplier, jute prices have climbed by at least £5 a ton to near £145. Lack of news makes valid assessment of damage difficult.

	April 6	April 14	Percentage change one month	Percentage change one year
All Items	124.9	122.7*	nil	- 2.6
Food	133.8	132.1*	- 2.9	+ 3.4
Fibres	79.6	79.7*	+ 1.7	- 0.1
Metals	217.6	211.9	+ 5.1	-24.3
Misc.	106.2	105.4*	- 1.6	- 6.3

*Provisional

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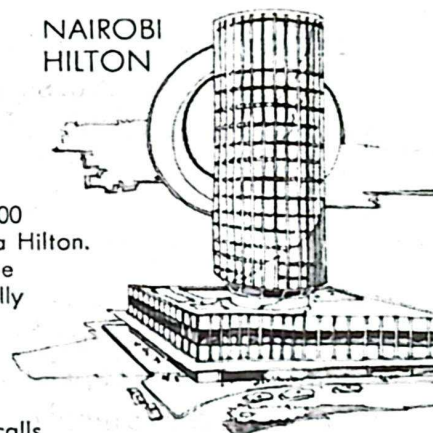
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For export—to a static market

of food in a year, most of which it could grow itself. Ceylon has suffered from repeated foreign exchange crises which in turn have inhibited its attempts to provide more jobs. And its policy of keeping the price of rice low so that the urban poor can afford it has inhibited farmers from growing more domestically. The events of the past month (see page 31) derive partly from these economic factors.

The last government of Mr Dudley Senanayake's United National Party tried to break out of this vicious circle, in part by raising rice prices and providing more incentives for farmers, and also by encouraging private, including foreign, capital. Voted out of office last year, it did not have time to show how this could have worked. Mrs Bandaranaike returned to office with some powerful left-wing commitments, including a bigger rice subsidy and a policy of nationalisation that took in the tea estates, which provide some 60 per cent of Ceylon's foreign exchange. And while Ceylon has now become the world's largest exporter of tea, prices continue to decline as a result of virtually static world consumption.

The immediate need is for \$50 million in foreign exchange to keep local industry ticking over. But Ceylon would like a pledge of at least \$120 million from the Aid Ceylon Club of the big western aid donors meeting in Paris this month. And it owes the International Monetary Fund some \$60 million (although it seems likely that

Ceylon has been given a grace period for repayment in return for maintaining what amounts to a selective form of devaluation: the scheme of foreign exchange entitlement certificates, which makes importers pay more than the official exchange rate).

After an austerity budget last autumn, the Bandaranaike government is hoping to cope with Ceylon's long-term problems by diversifying and expanding agriculture and increasing the number of state industries to mop up the unemployed. Although the government, through the State Trading Corporation, wants to get a firmer grip on import and export operations in order to limit the black market in foreign exchange, its foreign debts are likely to force it to move slowly in taking over foreign assets such as the tea estates and the foreign banks. The trouble is that its development plans will take years to show results, while the Ceylonese electorate is evidently not in a mood for patience.

Holland

Dredging politics

Rotterdam

With the general election less than a fortnight off, labour relations in Holland are becoming increasingly bitter. Union leadership, frustrated by a compulsory incomes policy and facing competition from unofficial

agitators, seems to feel the need to prove itself. There is, for example, an official strike in the important, and quintessentially Dutch, dredging industry which started early this month. Some 1,750 of the 8,000 men who work the dredgers were called out a week before Easter at 12 carefully selected spots, including Euro-poort and the Zuyder Zee works, when negotiations over their new contracts had broken down.

The dredgers' contracts ran out on April 1st. Since December the government measure to limit wage rises has been in operation as part of its anti-inflationary policy. This means that the dredgers cannot get more than 3 per cent extra from April 1st, plus 1 per cent from July 1st.

The general line of the trade union movement is that what is being lost on the swings in the early part of the year must be more than made up on the roundabouts in the latter part. But the dredgers' assorted demands would add about 40 per cent to the employers' wages bill over the next two years.

In fact the employers claim that the unions' attitude hardened during the negotiations. The unions also represent about 220,000 building workers, and their financial reserves are considerable. Negotiations for a new contract in the building industry, involving the same unions, where the official freeze will come off on July 1st, had broken down earlier. Union spokesmen have made no secret of the threat to link the two disputes.

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BUSINESS

Investment

Wall Street believes in Nixon

New York

Surprisingly aggressive buying by institutional investors has breathed new life into American stock prices. At mid-week the Dow Jones industrial average spurted 5.27 to a post-recovery high of 932.55, an increase of 14 points from the previous Wednesday. For nearly two weeks before that prices had moved almost entirely sideways.

Interest was particularly keen in the long depressed airlines following the government's announcement early in the week of a boost in domestic fares of an initial 6%, which could go as high as 9%. Five of the six most actively traded stocks on the New York exchange on Wednesday were airlines; and each wound up on the plus side. **United Airlines** registered the largest increase of \$2½ to \$39. Also in the busiest group, **Chrysler** put on \$1½ to \$30½ following a public statement by its chief bank **Manufacturers Hannover Trust Company** of New York that it continues to regard the carmaker as creditworthy. Recently there has been a steep downgrading of Chrysler's commercial paper sold in the money markets. **Westinghouse** at mid-week went ahead \$3½ to \$87½ on

a report of record earnings and sales in the first quarter.

Brokers said the sharp increase in stock prices reflected spirited bidding by institutions hunting for favourite stocks in limited supply: a situation not seen for some time. Individual investors have also become more active, but their emphasis continues to be laid on quality issues as opposed to the more speculative ones.

According to analysts, professional investors are satisfied that the economy is headed for recovery even though the indicators so far have lacked conviction. One optimistic factor must be the sudden easing of relations between the United States and China. Also, although first quarter corporate earnings had been expected to be almost uniformly bleak, some companies have been announcing favourable results.

As the Dow Jones index is already up 12% this year alone, and is now only 6% short of its all-time high, there is an obvious danger that profit-taking may become increasingly attractive. But the present signs are that this should continue to be well absorbed.

Merrill Lynch

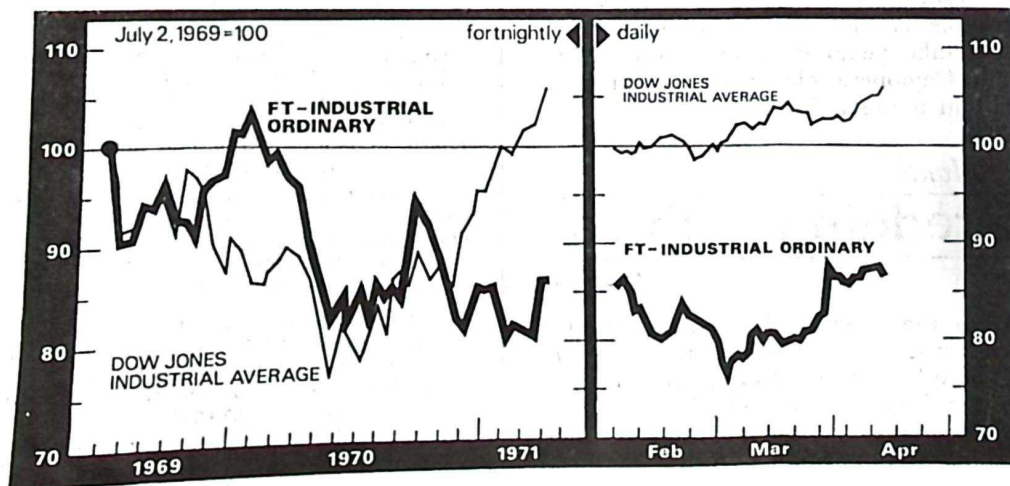
Herd on the open range

New York

The "thundering herd" is thundering anew. The "herd" is the properly awe-inspiring tag for Merrill Lynch, Pierce, Fenner and Smith, the American brokering firm that earlier this week announced plans for a huge 4 mn share offering of its stock in late May or early June. The announcement took Wall Street by surprise, although the move itself was not unexpected. Merrill Lynch over the years has advocated a change in the rules of the New York stock exchange to permit member firms to offer their shares publicly. The prohibition was finally lifted early last year, but only after a smaller equally prestigious house, **Donaldson, Lufkin and Jenrette**, threatened to resign its membership on the exchange if the rule was not changed; the Donaldson firm sold 800,000 of its shares publicly for \$12 mn.

Although under the securities laws Merrill Lynch could not comment on how much it was likely to ask for its shares, speculation had it that the price would probably be between \$30 and \$35 a share. The offering is expected to follow an anticipated 3 for 1 split of the present stock, resulting in restating the company's reported 1970 earnings to about \$1.35 a share. At a price of \$30 to \$35 this would mean a price earnings multiple of 22 to 26 times 1970 earnings. The prevailing view in Wall Street is that a multiple of 20 seems too high for the problem-ridden securities industry. But it might be warranted in Merrill Lynch's case because of its consistently impressive earnings record, notably last year when many brokering houses wound up in the red.

There is no immediate indication of how many other securities firms might be similarly planning to go public. Speculation centres on **Bache and Company**, the industry's second largest



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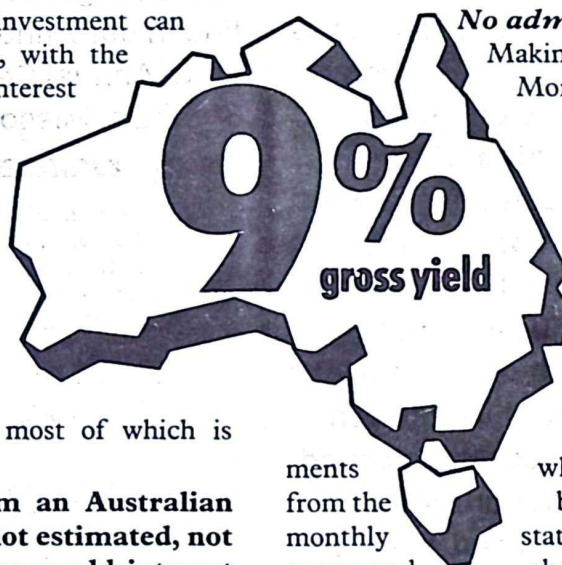
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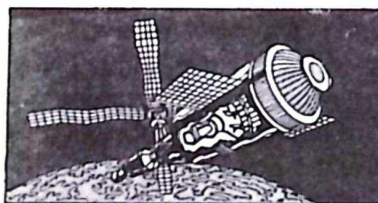
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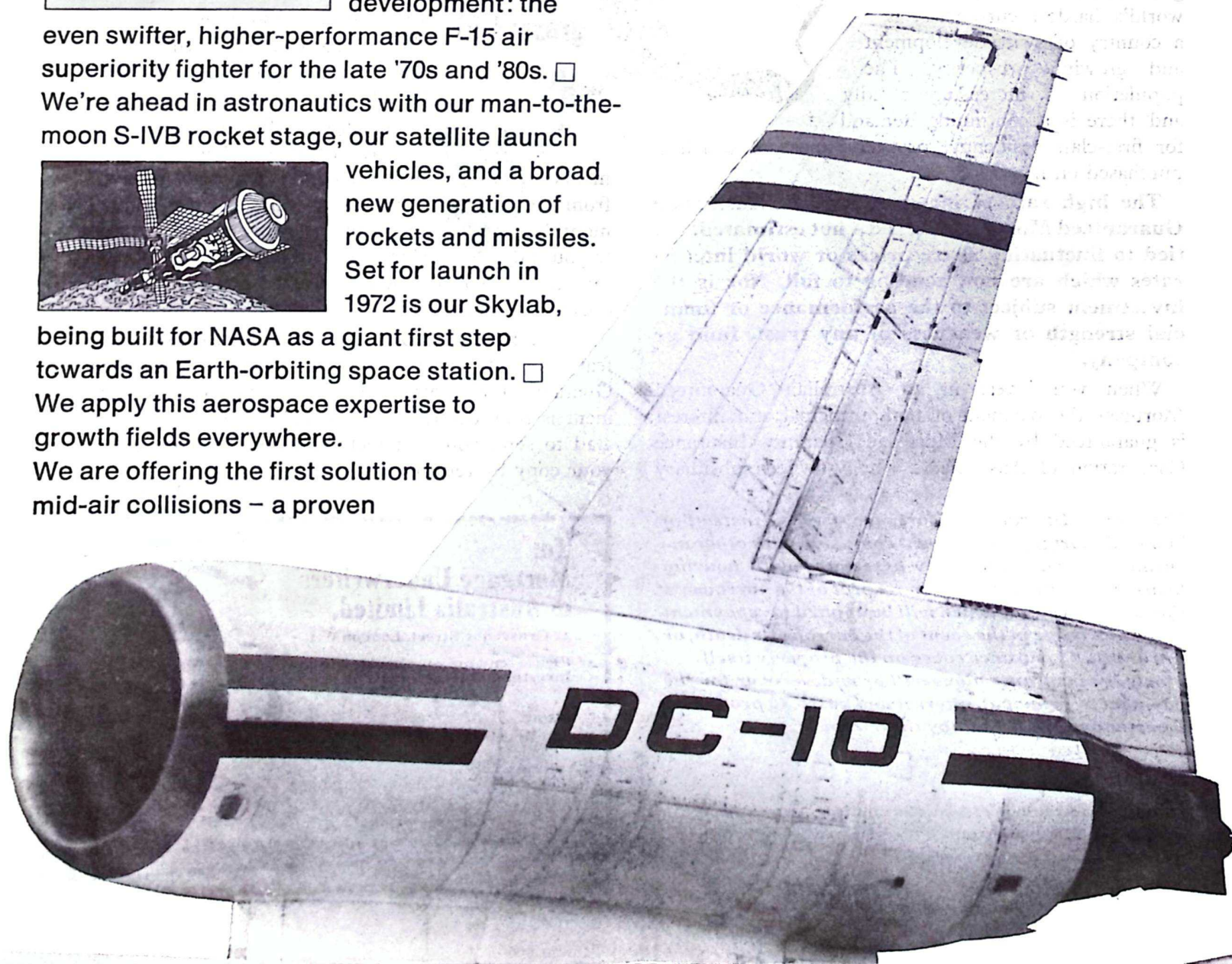
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MCDONNELL DOUGLAS



which also has long favoured the public sale of brokerage house shares.

Of the maximum 4 million shares Merrill Lynch plans to offer, up to 2 million will go to the firm itself and no more than 2 million to present shareholders who are mostly employees of the firm. Merrill Lynch's own portion could add in the neighbourhood of \$70 mn to existing capital of \$280 mn. That sum is by far the largest capital hoard of any firm in the Street.

Share incentive schemes

A worthwhile gesture

By a majority of four to one, shareholders of BTR Leyland Industries this week approved their directors' share incentive scheme for selected executives and full-time directors. But the 20% opposition was significant. The National Association of Pension Funds had advised its members to vote against the scheme. At the meeting the protesting pensioners were evidently supported by several private shareholders. Merchant banks and others expert in the drafting of such schemes will have to sit up and take notice.

BTR and its advisers have argued that the scheme is not radically different from the many other schemes that have sprung up in recent months. This the NAPF does not dispute. It has taken its stand in order to reverse the trend in which these schemes have been becoming progressively more and more favourable to the participants. Since the 1966 Finance Act put a stop to the earlier practice of giving executives share options, the most common type of scheme has given the executives partly-paid shares instead. For the executive this raises the danger that he might subsequently be called on to pay the balance of the issue price when the shares are standing at much lower prices on the market, or even when the company is going into liquidation. So the BTR scheme, for instance, says that the executive pays 10% of the nominal value of the shares (10% of 25p) when he gets them; the balance of the issue price (ie the balance of the market price at the time, now 77p), he can be made to pay only after 10 years, and only then if the market price stands above the issue price to him. If the company goes into liquidation then his issue price will be deemed to have been, not the market price at the time, but the

nominal value; he would have to pay only the balance of the 25p, although there will be different rules for members' voluntary liquidations.

The schemes, in other words, are really share options disguised as special issues of partly-paid shares, and, like share options were, are a means of giving executives tax free remuneration related to the growth in the company's share price. As such they are hardly objectionable. Even in a liquidation the executives are liable to lose some money; and the executive who leaves before retirement will have to pay up the balance of the original issue price, and could lose quite a packet.

But one feature of the BTR scheme is new, or nearly so, and is objectionable. The executives will be entitled to dividends not in proportion to the tiny slice (about 3%) of the issue price they will have paid up, but equal to 10% of the dividend. This will give them a yield of about 20% on their outlay, while the shares are standing on a dividend yield of 6.7%. This generosity is justified on the grounds that the executives will need to borrow the cash to finance their outlay, and will not get tax relief on the interest. But the principle is bad. The executives' dividend ought to be not 10% of the normal dividend, but the same fraction of it as the fraction of the issue price that they have paid up.

Platinum

Badly tarnished

The news that Imperial Chemical Industries has come up with a catalyst for oxidising ammonia into nitric acid may seem wildly irrelevant to investment analysis. But in fact it throws a

new and dark complexion on platinum shares, for 20% of platinum sales are used to catalyse ammonia. And so the new discovery, which does away with the costly metal, could cause havoc. ICI has been testing its catalyst rigorously for six months. Even though it will be as long again before the catalyst begins to be marketed, platinum shares have dropped smartly.

Worst hit have been the four companies mining the South African Merensky reef under the Rustenburg umbrella: Lydenburg, Potgieterust, Union Platinum and Waterval, which have lost up to 10% of their value since the ICI announcement. Lonrho, which is also involved in platinum mining, has shed 6p. This fall is not overdone, although a slight recovery is likely in the short run. If the ICI catalyst can be successfully marketed it will put platinum supplies in world surplus for at least five years, and probably for ten. This will mean that the Rustenburg group, which increased its production by 20% last year, will be unable either to raise its producer price or to work at maximum throughput. The profits of the consortium must suffer accordingly.

Even if platinum is not replaced in the nitric acid process in the near future, world demand for the metal (which has been growing at 8% a year) is still slowing down. The producer price of £50 an ounce is being undercut on the free market by £5.50, a discount at which the Russians are quite happy to provide the western markets with as much as 250,000 oz a year—25% of Rustenburg's total production.

For speculators on the free market, for those who hoard the most precious of metals as a hedge against inflation, or for shareholders in producer companies, the future is unexciting. There

Key indicators: world bourses

	Stock price indices			Percentage change on			
	Apr 14	1970-71 high	low	one week	one month	one year	record high
London	347.7	423.4	305.3	+ 0.3	+ 9.1	-12.4	-33.4
New York	932.6	932.6	631.1	+ 2.2	+ 2.0	+19.2	- 6.3
Paris	76.5	86.1	70.6	- 1.0	+ 0.7	- 5.0	-11.1
Germany	110.2	129.5	93.2	- 1.0	- 1.9	- 8.3	-21.5
Holland	126.8	133.8	108.3	- 0.2	+ 2.0	- 3.4	- 5.2
Italy	55.7	76.4	54.3	- 0.5	- 4.1	-26.0	-52.2
Canada	188.2	188.2	142.2	+ 1.4	+ 1.8	+ 0.5	- 8.9
Belgium	99.6	101.0	84.5	- 1.4	- 0.8	+ 7.6	- 7.3
Australia	498.3	663.5	474.0	- 0.1	-	-10.9	-24.9
Sweden	269.7	337.0	231.1	- 2.0	- 0.8	- 5.1	-28.2
Japan	182.8	185.7	147.1	+ 2.9	+ 6.5	- 0.7	- 1.6

Stock prices and yields are on pages 105 and 106

The Economist unit trust indicator April 13, 149.10 (April 6, 147.91)

is one hope. Platinum could revive to its old price of £90 an ounce if used as a catalyst in pollution control. So far this prospect has been all promise and no action. But for two years rumours have been circulating that American car manufacturers may begin fitting platinum components into exhaust systems to reduce fumes. With experiments so far this has proved feasible but not profitable. Once again platinum is in the hands of the chemist.

Ling-Temco-Vought

Undoing, undone

Washington, DC

Mr James J. Ling has resigned as a director and vice-chairman of Ling-Temco-Vought, given up his management consultancy agreement (for "an agreed consideration"), and is to offer his shares in the company—his 9% is the largest single holding—to the public. The Justice Department, in undoing L-T-V, has undone Mr Ling from what he wrought.

The Department filed an anti-trust suit challenging the acquisition of Jones and Laughlin Steel by L-T-V in 1969, but settled with a consent decree last year under which L-T-V had two options: get rid of J and L, or get rid of its 57% interest in the domestic airline Braniff as well as in an early Ling acquisition, a company called Okonite, which makes insulated wire and cable.

The company chose the latter. Both airlines and steel are equally unappetising, though J and L has just turned in a profit of \$10.7 mn for the first quarter of the year, compared with a loss of nearly \$1 mn for the same period a year ago. But the accompanying cash

dividend, 81% of which goes to parent L-T-V, has caused scepticism. L-T-V needs the cash—but so does the steel company, which lost \$21 mn last year. One of the big eight, it is faced with the steelworkers' wage demand of 13% this year, and an average of 9% over three years—a demand that has not been shifted one iota by inflation alerts and presidential pleadings.

The scheme for the divestiture of Braniff is in two stages. The first comprises a public offer of shares. The second, the use of a block of them to cancel part of the company's gigantic \$474 mn debenture debt load, has not yet been approved by the Department. For one thing the terms have not been fixed. But the real trouble is over L-T-V's plans to divest Okonite to a company formed by Mr Ling last year, Omega-Alpha Inc. The price tag of \$40.5 mn in cash and notes was fixed while Mr Ling was still on the board of L-T-V, and has been challenged in a stockholder suit which reckons that a fairer price would be nearer \$62 mn. The Department objects to the sale, and it is in order to clear the air that Mr Ling has gone.

ICI

Smart move?

"A toehold in America." That is how Imperial Chemical Industries described the taking over of Atlas Chemical Industries, whose acquisition provided one of Wall Street's features this week. ICI is paying just over \$160 mn for Atlas. Since the latter makes \$6.3 mn net profits, the exit p/e ratio is over 25, a fancy price to pay by British standards. But this is apparently the going rate in the United States. Because ICI will be paying cash out of funds borrowed from American banks, the costs of servicing the loan will be higher than the initial benefits.

Clearly the hope is that Atlas, which makes pharmaceuticals, mining products, explosives and aerospace components, will serve as a platform for expansion in North America. It was chosen because it has both technical and marketing ability. This may be, but the benefits for ICI will strictly be for the long term. All the same, it is good to see a British company looking for what's going in the United States.

Atlas will be taken over by ICI America Inc, and the two combined will only just fall outside the *Fortune* list of the 500 largest companies in America. For ICI as a whole, which is

capitalised at \$28.2 bn, the acquisition is too small to have any visible impact on earnings per share. Since the move is heralded as ICI's most important for many years it must be assuming that there is plenty of scope for fairly immediate growth into the massive American chemical market. But that growth will have to be financed with more borrowings from the American or international markets. Heavy capital expenditure on new plant, or on building up ICI America with new acquisitions, will be costly. One advantage is that the move will keep up ICI's lead over its west German rivals, which have tried without much success to enter the American market.

Carrington Viyella

Could be cheap

The market judged Carrington Viyella's end-year results with a cautious optimism that almost exactly matched that of its new managing director, Mr Joe Lewando, and the share price moved up 2p to 36p. Pre-tax profits for the group, before allowing for special costs in the six months old merger, were £981,000. It is difficult to compare with previous performances, but Carrington and Dewhurst made £1.2 mn in the year ended April, 1970, and Viyella £4.2 mn in 1969.

If the budget proposals do their job of reviving parts of the economy, the products of Carrington Viyella should be boosted. But to improve profits, cuts must be made in stocks. If stock turnover can be increased from three to four times a year (stocks were £48 mn at the year-end on sales of £150 mn) it would save £6 mn, as well as £500,000 on the £2 mn bank interest paid last year.

Although the share is still highly speculative, there is every reason to be hopeful. Pre-tax profits from Viyella in the current year should exceed last year's £3.76 mn; while the loss of £2.7 mn that came from the Carrington and Dewhurst stable has already been turned around to a break-even point. The near future will see no expensive capital investment, since that is being financed by depreciation in 1971.

It is hoped that the £5 mn owed to Imperial Chemical Industries, its major shareholder, will be repaid during the year. If Mr Lewando can bring his team to think the way he learned at Marks and Spencer, the shares could well appear cheap by the year's end.



Exit Mr Ling

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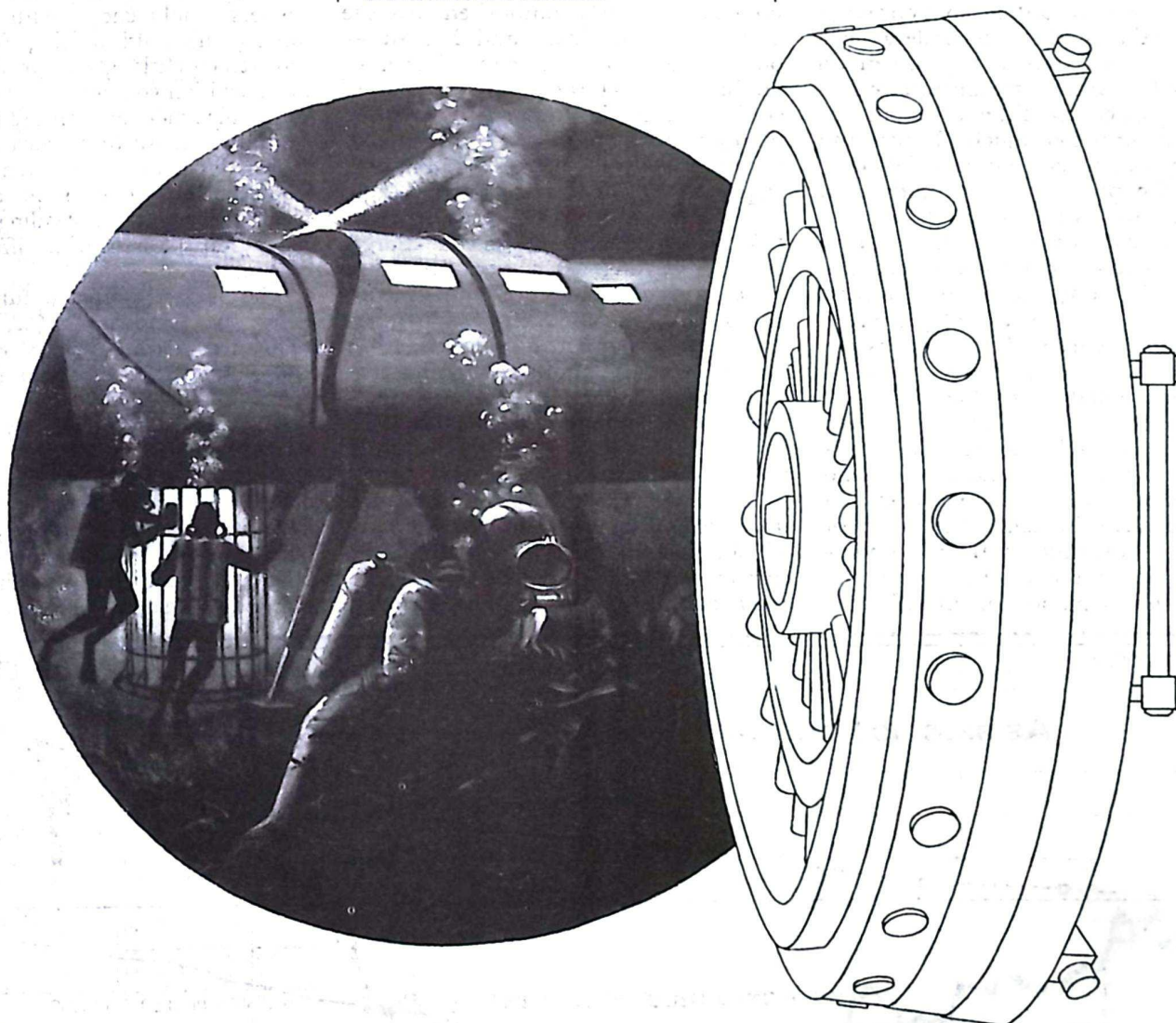
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Property Bonds

You take Manhattan . . .

We begin the first in a six-monthly series of property bond surveys by taking a quick flip to Manhattan. The purpose of the journey is to point the moral that all investments, including property, have their inherent risks.

The layman reckons that real estate is a good thing, and would probably have thought that office blocks on prime sites in Manhattan were the best of all things. He would be wrong now. He would have been right three years ago. In that time, according to February's *Fortune*, the market has undergone a drastic reversal from a position of an estimated 12 mn to 17 mn square feet of office space too little to about the same amount too much. Rents and property values have actually fallen.

Had the property bond funds been invested in Manhattan (none is) investors might have seen the value of their units fall and wanted to redeem, putting a liquidity squeeze on the fund and forcing it to try to sell properties on a falling market. Insolvency is the ultimate danger of property funds.

Property bond funds look like unit trusts invested in properties rather than equities. The similarities are: advertising is allowed and investors can send off the money with a coupon detached from an advertisement; the price of the unit is determined by the underlying value of the assets, not by the supply and demand for units; they

both appeal to the small saver; the managers of the fund are remunerated by annual charges based on a small percentage of the value of the fund, and usually take an initial bite out of the investment made.

However, there are important differences. The legal form of the unit trust ensures that besides the fundholders and managers there are trustees, who hold title to the assets and keep a watchful eye over the managers. Unit-holders in trusts authorised by the Department of Trade and Industry—only authorised trusts can advertise—do have several safeguards: 95% of equities must be quoted; not more than 5% of the fund can be invested in any one equity; there is a limit of 13¼% in total on management charges over 20 years, of which not more than 5% can represent the initial charge. There is an association of unit trust managers that vets advertisements, and lays down standards which influence members and non-members. Most important of all, equities have inherent advantages over property: marketability, even though at a loss; and the certainty of value provided by stock market quotations.

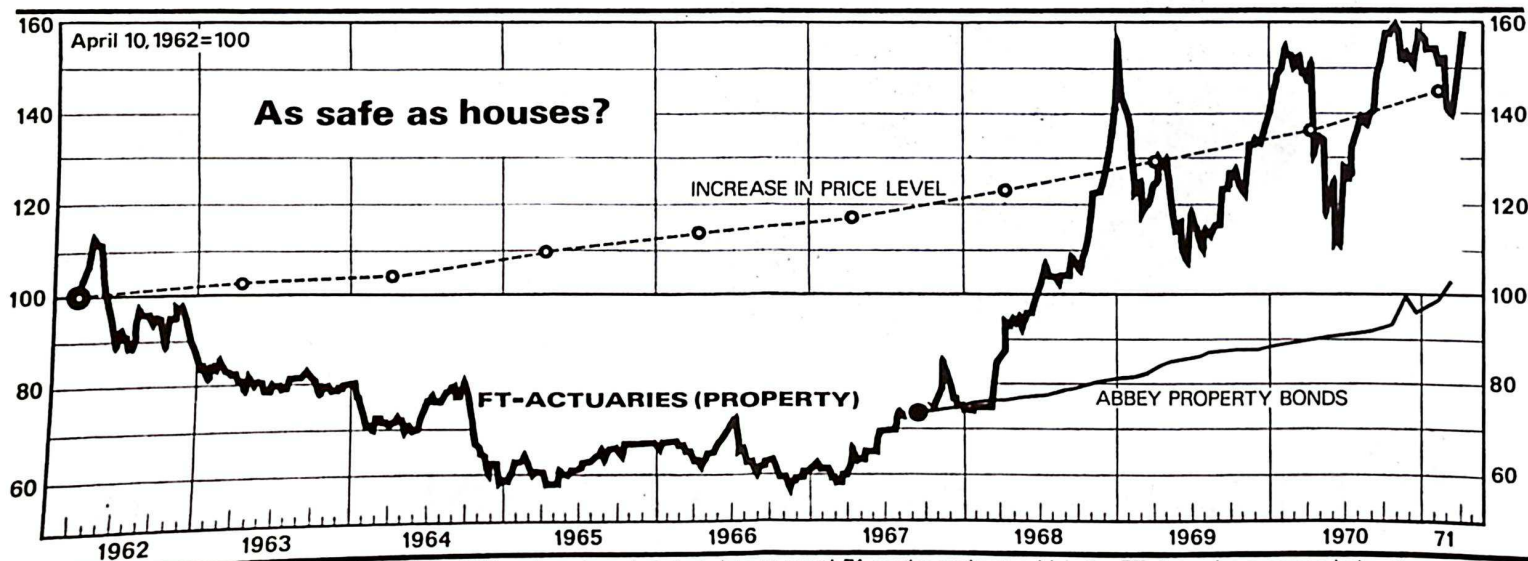
The property bond is an insurance policy issued by an insurance company which, if it started since 1967, has to comply with the requirements of the 1967 company act in that it must

have £100,000 capital to start with—but there are no stipulations for automatic injections as business grows. The Department of Trade and Industry has access to the books and the power to call for more capital, though faith in its procedures has been weakened by the Vehicle and General collapse. But none of the acts protecting the investor specifically cover the hybrid property bond, which can be sold door to door as an insurance policy, but whose selling points have little to do with insurance and everything with saving. For this reason, the Government has appointed a committee under Sir Hilary Scott (a senior partner in Slaughter and May and a former president of the Law Society) to investigate the whole question of property bonds and linked life insurance.

In the meantime, prospective bondholders should choose with great care among the mushrooming funds. The advertising onslaught is growing. There are television commercials showing big, solid office blocks which are not owned by the fund. All funds start small, and for a long time they tend to buy smallish high street shop and office units. It is slightly misleading to attract money on the basis of a different kind of property.

The largest property fund, *Abbey Life*, has grown 26%, including reinvested income, since September, 1967, but has done so steadily, a little every month.

Market research has shown that the attraction of the property bond is security, not performance. The property company, with gearing and with the huge added value of property development, must always have higher growth potential but higher volatility potential. The capital growth of five



Abbey Property Bonds were first issued in Sept 1967 and are based at that date to equal 74 on the scale, at which the FT-Actuaries property index then stood

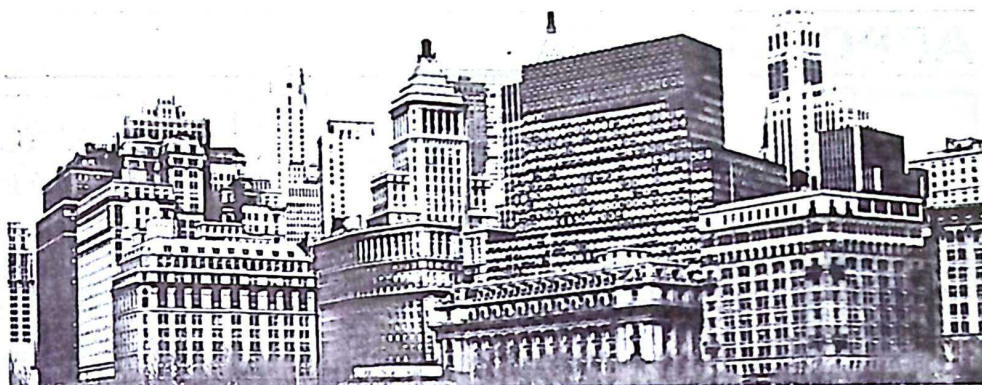
of the largest property companies since March, 1967 (ignoring dividends) has been:

Land Securities	119%
MEPC	165%
Town and City	112%
Trafalgar House	469%
St Martins	137%

The growth of funds will have to be carefully examined. Since net rental income, except for the Target Income bond, is ploughed back, there is an automatic increase in the value of the unit. With Abbey Life, the income is annually split off and the investor given new units, so that the balancing capital summation can be seen. That has been 1.88% in 1968, 3.68% in 1969 and 2.17% in 1970 (years to October).

The regular monthly growth that the funds show comes in two further ways: the increase in the value of a property as the reversion date approaches, and "armchair valuations." The latter, which might involve subjective judgments, should be vetted by the independent property valuer which all the funds now have to do separate valuations once every year, or on part of the portfolio every month. If there is a tenant with a long lease and frequent reviews, then the fund has security of income and upside potential—and a fully let property, even in Manhattan, retains its value.

If, over a period of time—and none of the funds has yet been going long enough to judge—the capital growth turns out less than anticipated in the glossy brochures, and the income less than on safe fixed interest stocks, property bonds will not have proven themselves. It is essential that investors



Not always the best of all things

be given the information on which to judge, and to judge the relative merits of competing funds. Disclosure is certainly becoming better, and the long talked about association of property bond managers may actually come about and set some much-needed standards.

There is, to some extent, the protection of reputation. Abbey Life is owned by ITT; Guardian is an old established large insurance company; the large and well known unit trust management groups have started funds—Target, M&G, Tyndall, Save and Prosper. Hearts of Oak is the largest friendly society in the country. City of Westminster was the insurance company to launch property bonds; Irish Life is the largest insurance company in Ireland. Noble Lowndes is owned by Hill Samuel. Old Broad Street Securities is owned by United Dominions Trust. Property Growth has a scheme with Abbey National Building Society.

Nation Life bonds were started by Mr David Rowland and are now con-

trolled by the Freshwater Group of property companies, and is the only fund to have close ties with a property company. The management is regrooming the fund in order to try to divert the suspicion that such close bedfellowship might give rise to. One of its more interesting notions is to change from front-end load (ie, the payment of the management charge when investing) to back-end load, making the charge on surrender at a diminishing rate so that there is no charge after five years.

Names are not enough. The small print must be read: the nature of the stand-by guarantees that allow the funds to go more liquid than might otherwise seem prudent; the extent to which the fund finances property development; whether the accounts are audited as well as the property portfolio independently valued; the extent of the life assurance cover. With due caution, and an appreciation of the fact that the Manhattan lull could happen here too, property bonds have a lot to recommend them.

Management Co	Fund	Charges Int'l %	Ann %	Size of fund £mn (approx)	Min Invest Single £	Invest Con- tractual £ (per month)	Independent property valuers	Launch date	Increase since launch*
Abbey Life Assurance	Abbey Prop Bd	5.0†	0.375	45.0	100	5	Richard Ellis	Sept '67	+25.9†
City of Westminster Assur	City of West Annuity	3.5	0.375	1.3	1000	—		Sept '69	+23.3
	City of West Prop	3.5	0.375	5.0	45	—		Apr '68	+31.2
	City of West Soc Prop Units	3.5	0.375	5.0	45	—	Various	Aug '66	+50.2
	City of West Speculator	5.0	0.5	0.6	50	—		Mar '69	+30.0†
Growth Property Mgt Co	Crusader Growth Prop	5.0†	0.25	1.9	100	—	King & Co	Apr '69	+9.0
Guardian Assurance	Property Bonds	5.0	0.375	2.0	250	5	Jones Lang Wootton	June '70	+7.2
Hambro Life Assurance	Hambro Prop Inv	5.0	0.375	—	250	100**	Jones Lang Wootton	Apr '71	—
Hearts of Oak Benefit Soc	Hearts of Oak Prop	2.5	1.0	0.5	100	4	S. Walker	July '70	+1.1
Int'l Life Insurance	Dover Property	1.0	0.5	2.0	500	10	Debenham Tewson & Chinnock	Feb '70	+9.0
Invest Annuity Life	Lion Property	£5	0.5	0.5	203	4	Knight Frank & Rutley	July '70	+2.8
Irish Life Insurance	Property Modules	3.0	0.5	3.5	1000	15	Jones Lang Wootton	Oct '69	+15.2
M&G Group	Property Fund	5.0	0.375	—	100	5	Matthews & Goodman	Mar '71	—
Nation Life Insurance	Nation Property	nil	0.375	1.6	100	n/a	A. Savill Curtis & Henson	July '69	+16.8
Noble Lowndes Annuities	Hill Samuel Prop	5.0†	0.375	3.0	50	4	Fuller Horsey & Cassell	Nov '69	+10.1
							Stapleton Martin & Scammell		
Old Broad St Securities	Merchant Investors	5.0	0.375	2.0	100	5	Jones Lang Wootton	June '70	+3.2
Property Equity & Life	Rbt Silk Property	5.0	0.75	0.3	200	4	Druce & Co	Oct '70	+2.0
Property Growth Assur	Abbey Nat Prop Growth	5.0	0.5	1.9	100	—		Feb '70	+8.0
	Prop Gth Agric Bds	5.0	0.375	—	500	—	A. Savill Curtis & Henson	July '70	+1.7
	Prop Gth Bds	5.0	0.375	4.9	100	5	Weatherall Green & Smith	Apr '69	+18.6
Reliance Mutual Ins	Reliance Property Bds	4.0	0.375	1.0	100	—	Hillier Parker May & Rowden§	Sept '70	+2.9
Save & Prosper	Property Fund	5.0	0.375	1.0	100	5	Cluttons	Mar '71	—
Target Life Assur	Target Property Bd	5.0	0.375	0.2	100	4	Jones Lang Wootton	Sept '70	+2.0
Tyndall Prop Fund Mgrs	Property Fund	3.0	0.5	1.6	1500	10	Hillier Parker May & Rowden	Sept '70	+3.6
Welfare Insurance	Property Fund	nil	1.5	1.0	100	—	J. Trevor & Sons	Jan '71	+1.2

*offer price. †adjusted for income distribution. ‡included in offer price. §through Midland Bank Trustee. **per annum

APPOINTMENTS

NATIONAL ECONOMIC DEVELOPMENT OFFICE



VACANCIES FOR ECONOMISTS AND STATISTICIANS

Applications are invited from suitably qualified men and women for the following appointments in the National Economic Development Office.

Economists (3 posts)

- 1 Economist adviser with theoretical training in and practical experience of econometric research. It would be desirable for applicants to have particular interest in one or more of the following fields of study: investment theory, productivity analysis, medium term forecasting and input-output.
- 2 Economist adviser or assistant with research interests in either the economics of industry or macro-economic policy.
- 3 Economist with experience in econometric forecasting and knowledge of agriculture in Europe. The person appointed will be a member of the Agriculture Economic Development Committee's secretariat and will be responsible for co-ordinating economic forecasts made by various commodity groups working on individual products, not only with each other, but also within the framework of national economic forecasts.

The salary range for these posts is £2,000-£4,000 and applicants should normally have a degree in economics or a closely related subject and should have experience in research, or in teaching advanced economics or in economic advisory work.

Statisticians (2 posts)

- 4 Senior statistician with at least five years' experience, to act as second in charge of the Statistics Section; he/she would be required to take an important part in advising the office on statistical techniques, sources, original data collection, data processing and should be able to undertake committee work, project report writing and presentation. Salary range £2,500-£3,500.
- 5 Assistant statistician in support of the post outlined above (4). Salary range up to £2,500.

Applicants for these posts should have a degree in statistics, economics with statistics, or econometrics and should have experience in research, general economic analysis or industrial economics.

Appointments will normally be for two years in the first instance and initial salaries will be fixed in the light of qualifications and experience within the ranges quoted.

Applications giving full details of age, qualifications and experience should be sent to:

Mr P. N. Odell,
National Economic Development Office,
Millbank Tower,
Millbank,
LONDON, SW1.

They should include the names of two referees, at least one of whom should have recent knowledge of the applicant's work.

For further
appointments
see pages 5, 95 to 99.

HORTICULTURAL ECONOMICS/ MARKETING RESEARCH

AN FORAS TALUNTAIS (The Agricultural Research Institute of Ireland) has an attractive opening in Dublin for an honours University graduate in economics, agricultural economics, commerce, horticulture or other relevant discipline to study the problems of the expanding commercial horticultural industry in Ireland. Modern research, including computer, facilities. Association with leading research workers in Ireland and abroad. Salary commensurate with qualifications and experience, and can be at senior level. Marriage and children's allowances. Non-contributory superannuation scheme and provision for widows' and orphans' pensions. Special pension arrangements can be made for an FSSU member or a member of a suitably insured pension scheme.

Further particulars and application form obtainable from the Director, The Agricultural Institute, 33 Merrion Road, Dublin 4 (telephone 693222). Latest date for receipt of completed application form: May 14, 1971. Applications treated with the strictest confidence and employers will not be contacted without prior permission.

The London School of Economics

UNIVERSITY OF LONDON

Applications are invited for appointment from October 1, 1971, to a Lectureship in Operational Research in the Department of Statistics. The salary scale for lecturers is £1,491 x £133—£1,767 x £135—£1,902 x £138—£2,454; efficiency bar; £2,592 x £135—£2,727 x £138—£3,417 a year plus £100 a year London Allowance, together with superannuation benefits. In assessing the starting salary, consideration will be given to qualifications, age and experience.

Applications should be received not later than May 13, 1971, by the Academic Secretary, The London School of Economics and Political Science, Houghton Street, London, WC2A 2AE, from whom application forms should be obtained.

KINGSTON POLYTECHNIC Principal Lecturers and Senior Lecturers in MANAGEMENT STUDIES

The School of Management provides a full range of courses leading to national qualifications in Management.

The School is planning to offer a course for the MA degree in Management Studies of the Council for National Academic Awards and a range of post-experience courses for senior and middle management. Senior staff are required to plan the curriculum and lead the teaching of these courses.

Applicants should have high academic qualifications, experience, enthusiasm and initiative. Research and consultancy is encouraged.

Senior Lecturer: £2,537-£2,872; Principal Lecturer: £2,802-£3,142 (bar) - £3,567 (salary scales now under review) plus London allowance £85 pa.

Application forms and further details can be obtained from the Appointments Officer. Forms should be returned by May 7th. Kingston Polytechnic, Penrhyn Road, Kingston upon Thames. Telephone: 01-546 1127.

Rhodes University GRAHAMSTOWN, SOUTH AFRICA

Department of Economics and Economic History

Applications are invited for the post of JUNIOR LECTURER / LECTURER IN ECONOMICS.

The successful applicant will be expected to assume duty in either July, 1971, or February, 1972.

The salary scales are: JUNIOR LECTURER: R3,150 x R150 — R4,200 per annum. LECTURER: R4,200 x R150 — R4,800 x R300 — R6,000 per annum. (Note: R1 = approximately 58p stg).

It is desirable that applicants should have special qualifications in any branch of economic theory, although a particular interest in price theory will be an advantage. Consideration will also be given to appropriate teaching and research experience.

A Junior Lecturer is appointed for a maximum period of three years with the possibility of promotion to a permanent post of Lecturer thereafter. The initial salary in either grade will be determined according to qualifications and experience.

Further particulars and application forms may be obtained from the Secretary-General, Association of Commonwealth Universities (Appl's), 36 Gordon Square, London, WC1H 0PF. (Tel: 01-387 8572), or from the Registrar of the University.

Applications close on May 24, 1971.

CLASSIFIED ADVERTISING RATES

Appointments, Business Notices, etc., 60p per line. Displayed, £10 per single column inch.

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Phone: 01-930 5155, Ext. 308.

APPOINTMENTS

ASSISTANT STATISTICIAN £2,580 per annum tax free

An inter-governmental commodity organisation based on London requires an Assistant Statistician.

He will be concerned with statistical data on coffee production, consumption, trade, prices and stocks.

He will be required to scrutinise statistical information from many sources, prepare tables, routine documents and assist in the analysis of statistical data.

In addition to suitable academic and professional qualifications in statistical and econometric methods candidates should have had experience in drafting reports and handling correspondence.

Salary £2,580 per annum tax free. Additional benefits include annual allowance of £160 for a dependent spouse and £125 for each dependent child, Provident Fund, personal insurance and six weeks' paid annual leave.

A good knowledge of English is essential, but applications are welcome from non-British citizens since work permit not required.

Applications, together with a curriculum vitae, should be sent to Box 2428.

University of Exeter

DEPARTMENT OF ECONOMICS
(AGRICULTURAL ECONOMICS UNIT)

Temporary Post of Investigational Officer or Investigational Assistant

Applications are invited for the above post from candidates with a degree or diploma in Agriculture, Agricultural Economics or Economics or, alternatively, practical experience in one or more of these fields of work. Duties will include assistance with farm surveys and costings and the preparation and analysis of data for publication. The post is tenable for one year in the first instance and may be renewed annually thereafter up to a maximum of four years from the date of appointment.

Salary scales: Investigational Officer—£1,491 x £138 to £1,767 x £135 to £1,902 x £138 to £2,040 per annum.

Investigational Assistant—£1,227 x £93 to £1,320 x £87 to £1,407 per annum.

Further particulars available from The Secretary of the University, The University of Exeter, Northcote House, The Queen's Drive, Exeter, EX4 4QJ. Closing date for applications is April 23, 1971. Please quote reference 1/33/1023.

The University of Manchester

Lecturer in Economic History

Applications invited for this post for which qualifications in American Economic History are necessary. Salary range of £1,491-£3,417 p.a. FSSU. Duties commence as soon as possible. Further particulars and application forms (returnable by April 23rd) from the Registrar, The University, Manchester, M13 9PL. Quote reference 71/71/E.

University of Dundee

Applications are invited for a LECTURESHIP IN ACCOUNTANCY in the Department of Accountancy in the Faculty of Law from October 1, 1971. Salary scale £1,491-£3,417 with placing according to qualifications and experience. FSSU: grant towards removal of household effects.

Applications (six copies, overseas one copy) containing names of three referees should be lodged by June 19, 1971, with the Secretary, The University, Dundee, DD1 4HN, from whom further particulars may be obtained.

ECONOMISTS

ECONOMETRICIANS

OPPORTUNITIES IN

Industrial and Financial Forecasting

Vacancies have arisen in a City firm for graduates with good degrees in Economics, Econometrics or associated subjects, to undertake exceptionally interesting and satisfying work, offering an opportunity to utilise to a great extent the knowledge gained in their economic studies.

The work covers the intensive study of industries including economic and structural environment, and the analysis of constituent Companies, their product mix and financial background. Forecasting of outputs and profits at industry and company levels is undertaken and there is a final evaluation of the situation for investment purposes. There are opportunities to develop the latest sophisticated techniques for forecasting procedures and a computer is available.

The position calls for initiative, imagination, the ability to work without close supervision, and a facility for writing logical and concise reports for management. A knowledge of accounting and statistics would be desirable.

The age limits are approximately 23 to 26. The salary will depend on age and qualifications, but will be generous. The appointments are progressive and the prospects are good.

Applications with full career details to Box 2427.

DUNDEE COLLEGE OF TECHNOLOGY

Department of Management and Social Studies

SENIOR LECTURESHIPS IN BEHAVIOURAL STUDIES ECONOMICS QUANTITATIVE STUDIES

Applications for these posts are invited from honours graduates with appropriate academic, business or research experience.

The successful candidates will act as subject leaders for their particular discipline and will play a major part in the development of the existing CNAA honours degree course in Business Studies and in the preparation of other courses including a proposed ordinary degree course in Business Studies.

Applicants for the post in Behavioural Studies should have a special interest in Industrial Sociology. For the post in Quantitative Studies, experience in the application of quantitative techniques to business or economic problems will be expected. In all cases, an ability to contribute to the research programme of the department would be advantageous.

The salary for each of these three posts will be on the scale £3,050-£3,755. (At present under review.)

Further particulars and application forms obtainable from the Principal, Dundee College of Technology, Bell Street, Dundee, DD1 1HG, to whom completed application forms should be returned not later than April 30, 1971.

SSRC

SOCIAL SCIENCE RESEARCH COUNCIL

DEPUTY DIRECTOR, SURVEY UNIT

The Social Science Research Council has set up a Survey Unit in London with Dr Mark Abrams as Director.

Applications are invited for the post of Deputy Director from graduates with substantial first hand experience in the organisation, direction and execution of surveys through all their stages from research design to data analysis. He or she should be able to advise social scientists on the planning of their survey research and to undertake some teaching on survey methodology.

The salary will be at the appropriate point on the University Reader scale £3,789-£4,401 plus £100 London Weighting. The SSRC is a recognised institution for the purposes of FSSU.

Applications for this post, stating age, qualifications, experience and the names and addresses of three referees should reach the Secretary, Social Science Research Council, State House, (Room 1135), High Holborn, London, WC1 by April 23, 1971.

APPOINTMENTS

University of Hull

DEPARTMENT OF ECONOMICS AND COMMERCE

Lectureship in Economic Statistics

Applications are invited for the post of Lecturer in Economic Statistics in the Department of Economics and Commerce. The person appointed will be required to teach a course in economic statistics for the Final Examination of the BSc(Econ) and to assist with classes in economic statistics for the first year Qualifying

Examination. An interest in econometrics would be an advantage. Applicants should possess an honours degree in economics which includes economic statistics as a main subject.

Salary will be at a suitable point on the scale £1,902 x £138—£2,592 x £135—£2,727 x £138—£3,417 plus PSSU benefits.

Applications (six copies) giving details of age, qualifications and experience together with the names of three referees should be sent by May 14, 1971, to the Registrar from whom further particulars may be obtained.

University of York

DEPARTMENT OF ECONOMIC AND RELATED STUDIES

Lectureships

Applications are invited for five additional Lectureships in Economics, Economic and Social History, and Social and Economic Statistics in the Department of Economics and Related Studies from October 1, 1971. No special field of interest is called for except in Economic and Social History, where it is hoped to make one of the appointments in East European or Far Eastern economic history.

Salaries on the lecturer's scale £1,491-£3,417, with PSSU.

Six copies of applications (one only from overseas candidates), giving full details of qualifications and experience and naming three referees, should be sent by Wednesday, May 5, 1971, to the Registrar, University of York, Heslington, York YO1 5DD, from whom further particulars may be obtained. Please quote reference 12/3030.

University of Wales

UNIVERSITY COLLEGE OF SWANSEA

Lecturers in the Department of Political Theory and Government

Applications are invited for Lectureships in:

- (i) Classical-medieval political thought or political theory
- (ii) American government and politics
- (iii) Administrative / constitutional history of modern Britain
- (iv) The History of thought in international relations.

Appointments will be at the lower end of the salary scale £1,491-£3,417 per annum, plus PSSU benefits.

Further particulars, quoting reference number C1 may be obtained from the Registrar, University College of Swansea, Singleton Park, Swansea, Glam, SA2 8PP, by whom applications should be received by May 14, 1971.

and housing benefits are also payable.

Initial Appointment:

Successful applicants may be given a three-year initial appointment; thereafter subject to satisfactory service their appointment may be extended for another three years. The University of Penang is newly established and is planned to develop rapidly over the next five years. Departing from the traditional organisation, the University is based on the school system. Courses in the natural sciences are offered through the School of Biological Sciences, the School of Chemical Sciences and the School of Physics and Mathematics, while courses in the Social Sciences and the Humanities are offered through the School of Comparative Social Sciences and the School of Cultural and Community Studies respectively. Courses in languages, computer studies and other professional studies are being organised. The academic pattern at the University is aimed at providing as much flexibility as possible for the student in his choice of studies.

Further information including advice regarding the method of application and on further particulars about terms and conditions of service should be obtained from: The Registrar, University of Penang, Gelugor, Penang, Malaysia.

Applications close on May 31, 1971.

University of Penang

Academic Appointment

Applications are invited for the post of Lecturer in the School of Comparative Social Sciences in any two of the following fields: Introduction to Sociology, Social Stratification, Industrial Sociology, Urban Sociology, Political Sociology, Race Relation and Research Methods.

QUALIFICATIONS REQUIRED: Applicants for the post of Lecturer should have at least a good Honours Degree (preference to candidates with doctorates) with suitable teaching and research experience.

EMOLUMENTS: These are fixed in Malaysian dollars (per mensem) and US dollars equivalent (per mensem) at current exchange rates are shown in brackets.

(a) Salary:

The post of Lecturer carries a basic salary which will be within the limits of \$920/\$1,425 (US \$307/\$476) depending on qualifications and experience.

(b) Variable Allowance:

35 per cent of basic salary subject to certain maxima depending on marital status.

Other Benefits:

Provident Fund, medical

APPOINTMENTS WANTED

GERMAN ECONOMIST. 26. Five years Frankfurt University (Dip in Volskindschaft). Married to English girl. Seeks position in England, merchant bank or similar with good prospects. Fluent written and spoken English (one year London University). Box 2429.

MBA INVESTMENTS Eastern American University, Canadian BSc, age 23, has studied extensively mutual fund performance including corrective strategies and general investment decision making. Desires one-year position in UK/Europe in investment or finance-related field before taking position as university professor. Available August, 1971. Box 2417.

BOOKS

Monopolies, mergers—big business in business is dangerous, a new policy must be evolved: this is the thesis of Graham Bannock's controversial new book

THE JUGGERNAUTS

Read it and be warned. Published by Weidenfeld & Nicolson, at bookshops now £3.25.

BUSINESS OPPORTUNITIES

IRAN

THE NEW MARKET

British businessman, 42, resident 20 years. Wide experience local conditions, own very successful import/export representation business seeks to assist companies wishing to enter this rapidly expanding market including those wishing to participate local ventures in manufacturing/mining/licencing. Highest personal and financial references. First class office accommodation/services in central Teheran business location available, if required. Box 2430.

THE EAST ASIATIC COMPANY, LIMITED

(Aktieselskabet Det Østasiatiske Kompagni)

Head Office: 2, Holbergsgade, Copenhagen, Denmark

Invite the shareholders to subscribe for Kr. 51,000,000 new shares in the Company at a price of Kr. 52.50 per share of Kr. 50. The subscription will take place from Monday the 19th April to Thursday the 6th May, 1971, both dates inclusive, through Den Danske Landmandsbank, Aktiefædelingen, No. 8, Laksegade, DK-1092, Copenhagen K., and Crédit Lyonnais, 19, Boulevard des Italiens, Paris. Both banks will on application send subscription lists to shareholders.

From Monday the 19th April the same two banks will issue scrip to existing shareholders for a bonus issue of Kr. 51,000,000 shares and for old shares which have been called in by the Company for exchange into other denominations.

The total amount of scrip for old shares, bonus shares, and new shares subscribed for will be exchanged later into shares according to a separate announcement.

THE BOARD OF DIRECTORS.

"This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the (Danish) prospectus."

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JOHN—TAKE ME TO JOHANNESBURG. You can afford two weeks—from £172 each. Or shall we go to Durban for £195 each? Fly of course! Phone Cooks now—01-491 7434 (24 hour brochure service).

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The smartest - Renewed 1970

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HOTEL MARINI STRAND
Strictly first class - most centrally located

ISCHIA - the green island in the Bay of Naples
HOTEL EXCELSIOR
private beach, swimming pool, park, garden

UNDER THE MANAGEMENT OF
Mr. A. D. PAPALIA

EDUCATION AND COURSES

EALING TECHNICAL COLLEGE

Specialist Centre for Higher Education

DIPLOMA COURSE IN MODERN STANDARD CHINESE (MANDARIN)

The College offers a full-time one-year intensive course in modern standard Chinese. The course is designed for postgraduate students who wish to acquire the ability to read Chinese source materials relating to their particular discipline, and for post GCE Advanced level students who wish to learn to speak and read Chinese before proceeding to university degree courses. Full use is made of modern techniques of language instruction. Details of the course which commences in October 1971 may be obtained from the Registrar (Admissions), Ealing Technical College, St. Mary's Road, London, W5 5RF. Tel: 01-579 4111.

IMPERIAL COLLEGE OF SCIENCE AND TECHNOLOGY

MANAGEMENT ENGINEERING SECTION

Exhibition Road London SW7
Tel: 01-589 5111 Ext 2453
Telex: 261503

'MANAGEMENT SCIENCE IN BANKING AND FINANCE'

MAY 3-4, 1971

A seminar for senior management and specialist staff of financial institutions, which covers the application of management techniques in finance.

For further details and reservation form

S. C. MATHEWSON (Ref E1)

City of London Polytechnic

SCHOOL OF BUSINESS STUDIES

BA Honours Degree in Economics

This three year full-time course has been designed particularly for those wishing to pursue a career in economics in the spheres of business, industry or the public service.

Full details may be obtained from: The Registrar, School of Business Studies, City of London Polytechnic, 84 Moorgate, London, EC2M 6SQ.

Esmée Fairbairn Scholarships

Scholarships are offered for graduate study or research in the ECONOMICS OF INDUSTRY, COMMERCE and TRADE.

The value of the scholarships is £600 per annum plus fees for the MA degree; and £800 per annum plus fees (or more, according to experience) for holders registering for a research degree (MPhil or DPhil).

Further information may be obtained from: The Assistant Registrar, Office of Graduates in Arts and Social Studies, The University of Sussex, Falmer, Brighton, BN1 9QN, Sussex.

For further
appointments
see pages 5, 94 to 99

The University of Manchester

Research Studentships and Grants in Economic and Social Studies

Applications are invited for these awards for research in Economics, Economic Statistics, Government, Social Administration, Social Anthropology, Sociology, or the Economics and Organisation of Business, tenable for one year in the first instance, and renewable for a further period not exceeding two years. The awards are normally of the value of a State Studentship in Arts Subjects or an SSRG Studentship, as appropriate. They are offered to candidates who have obtained the degree of Bachelor or Master in this or any other approved University. Particulars and application forms from the Registrar, The University, Manchester, M13 9PL: forms returnable by June 1st, but effort will be made to consider late applications from candidates who have had to await degree results. Quote reference 72/71/E.

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and other external degrees of the University of London. Specially prepared courses for the Federation of Stock Exchanges, for Accountancy, Company Secretaryship, Law, Costing, Banking, Insurance Marketing, GCE. Also many thoroughly useful (non-exam) courses in Business Subjects. Write today for details or advice, stating subjects in which interested to:

Metropolitan College

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Wolsey Hall,
Oxford, OX2 6PR.

COMPANY STATEMENT

LONRHO ANNUAL MEETING

The Annual General Meeting of Lonrho Limited was held on April 7th in London. The Chairman (Mr. A. H. Ball) presided and, in the course of his speech, said:

1970 was a year during which Lonrho continued to grow on most fronts and during which we increased our profits by no less than 46% to the record after tax figure of £7,325,000.

ASHANTI GOLDFIELDS. In the Eaton Turner Shaft area, the North Ore Body has been followed down to 47 Level and values remain very good indeed. On 32 Level, exploratory diamond drilling one thousand feet to the north of the existing workings, has exposed high values over wide widths; the first intersection gave 47 dwts over 16 feet and the second intersection 51 dwts over 25 feet. It is still too early to judge the full potential of this new ore body but it must certainly be looked upon as being of great interest. At Ayeinm, between 23 and 26 Levels, three separate reefs are being developed. In the central section of the mine, development of the massive sulphide ore body added 254,000 tons averaging 8.3 dwts per ton to the reserves.

The significance of these results is twofold: firstly, they indicate that development is continuing to prove the large tonnage of medium and low grade ore, which can be cheaply mined and upon which our expansion programme depends, and secondly, the results indicate that the prospects of finding adequate replacements for the high grade ore reserves can be rated as very good indeed.

PLATINUM: The future of the metal's price is today somewhat obscure and is dependent to a large extent on decisions by the major motor companies, notably in America, as to whether or not to employ a platinum catalyst as a curb to air pollution.

These considerations have naturally caused us, in collaboration with our partners, Falconbridge Nickel Mines and The Superior Oil Co., to approach our future planning with some caution. We are in constant touch with our partners who, in terms of our agreement with them, were granted the right to undertake the marketing of all platinum group metals, on terms to be agreed, and the financing of the project. As confidential talks with our partners are still in progress I clearly cannot comment further at this stage. Meanwhile, construction work at the mine is ahead of schedule and trial milling commenced on March 10th with extremely satisfactory results.

HOLTS: John Holts earned profits of £2,546,000 during the year, a record in that Company's 75 years of operation. Results for the current year to date continue to give cause for satisfaction.

SUGAR: We have recently signed an agreement with the Ivory Coast Government to establish and manage a £14 million sugar industry on their behalf and preparations for this important project are actively in hand.

In Malawi, where our sugar estate continues to prosper, we have initiated a programme of expansion which will result in an increase in our production of sugar from the current figure of 35 thousand tons from 6,500 acres of cane to 50 thousand tons from 9,000 acres.

FUTURE: So far as the future is concerned, whilst I think that it would be unreasonable to expect a repetition of the record rate of growth in profits achieved last year, I can, I think, confidently predict that there will again be at least significant increases in both growth and earnings during the current year.

CHAIRMEN'S STATEMENTS

Carrington Viyella

LIMITED

Extracts from the Statement by the
Chairman **Mr. J. A. Lewando** and the Directors' Report
for the period ended 31st December, 1970

MERGER The structure and operations of the Group have been radically changed during the period under review by the merger of Viyella International Ltd. ('Viyella') and the Company then called Carrington and Dewhurst Group Ltd. ('C & D').

It has already been possible to achieve a large measure of integration of operation and a new divisional structure has been created in which former C & D and former Viyella companies have been grouped together in accordance with their principal activities. There has also been considerable rationalisation by the closure of unprofitable factories.

TRADING RESULTS AND DIVIDENDS

The consolidated profit before taxation and special items for the period ended 31st December 1970 amounted to £981,000 (compared with £1,264,000 for the twelve months to 4th April 1970 and £4,194,000 for Viyella for the calendar year 1969).

This is before providing for taxation amounting to £637,000, minority interests of £47,000, special items of £1,857,000 and before dividends of £707,000 paid to former Stockholders of Viyella.

The accounts show the respective trading results of Viyella for twelve months ended 31st December 1970 and C & D for nine months ended 31st December 1970.

The figures show that Viyella and its subsidiaries made a profit before taxation and special items of £3,755,000 for the year. There was a good recovery in the second half of the year when external sales increased by 15% compared with the previous year. This was partly offset by a loss before taxation and special items by C & D and its subsidiaries of £2,774,000.

An interim dividend of 1% on the Ordinary Shares has already been paid. The Directors do not feel justified in recommending any further dividend for

the period to 31st December 1970. In respect of the twelve months to 4th April 1970 a dividend of 4% was paid.

BENEFITS OF THE MERGER It is too early to assess the eventual benefits of the merger, since the consequent rationalisation will take several months to materialise. Nevertheless, it is already apparent that the extensive closures which have been provided for in the 1970 accounts are likely to be of considerable benefit during 1971. These steps, together with a determined effort to improve our productivity, may go a long way towards offsetting rising costs.

It is also too early to make any prediction about the trading situation in 1971, although the present trend is encouraging. However if we succeed in our objective of improving the quality and value of our products, increasing productivity and operating with lower stocks, these measures should have a beneficial effect upon the Company's return on employed capital.

PERSONNEL Much thought has been given to personnel management, covering management recruitment and succession, staff training, staff welfare and staff amenities. Whilst, in general, conditions of work for our employees throughout the Group are good, nevertheless there is much to be done to improve both working conditions and human relations.

The redeployment of managerial personnel resulting from the merger is being done in a firm but orderly and understanding fashion. During the year there has been an excellent relationship between management and personnel at all levels and close and cordial co-operation between all Divisions of the Group and the respective trade unions.

The Board wishes to thank all employees in the Group for their helpful and understanding co-operation during a difficult period of operation and reorganisation.

*The Annual General Meeting will be held
at Grosvenor House, London, on 7th May, 1971 at 12 noon.*

Copies of the Annual Report can be obtained upon request to
The Secretary, 24 Great Pulteney Street, London W1R 3DB.

TAIPING RUBBER PLANTATIONS

The following are extracts from the circulate statement of the Chairman Mr W. Anderson.

It is fitting that the Company's Diamond Jubilee should be marked with a record profit of £111,325, some £4,800 more than in 1968/69, which was also a record year for the Company. The improvement over last year is attributable to increased income from trade investments and deposit interest.

The immediate outlook for the natural rubber industry is rather gloomy. However, as far as Taiping is concerned, crops for the five months of the current year are up to expectation, trading conditions for oil palm products are good and tribute received on tin mining operations for the first quarter is substantially higher than for the corresponding quarter of the previous year.

The Chairman then referred to the offer made for all the issued share capital of Windsor (F.M.S.) Rubber Estate Limited and said: The directors are confident that the acquisition of Windsor will materially benefit the Company's interests.

The report was adopted and a total dividend of 20% (same) approved.

BUSINESS & PERSONAL

CHESS Centre Sale, 3 Harcourt Street, W1. 01-402 5393.

BUSINESS ASSESSMENT COMPANY. Economy and Expansion Consultants. Full detailed private assessments and recommendations. Tel: 0244 23908 for an appointment.

SWISS British Centre in Switzerland seeks British and Commonwealth Partnership with Private School in order to create a centre for preparatory studies in Switzerland. Please write to Box 2425.

WANTED for British and Commonwealth Private School in Switzerland, British Headmaster. Please send curriculum vitae, photo, salary suggestion, earliest starting date to Box 2426.

ECONOMIC AND STATISTICAL SERVICES offer the part time or ad hoc assistance and/or advice of experienced professional economists/statisticians. 2 Nottingham Street, W1. Tel: 01-935 3670.

TOO BUSY or insufficiently informed to include COINS in your investment portfolio?

Delegate with confidence to **COINQUEST INVESTMENTS (EC)** P.O. Box 42, Worthing, Sussex —it is in OUR interest to make your numismatic portfolio both satisfying and profitable.

CHAIRMEN'S STATEMENTS

**RICHARDS & WALLINGTON
(Plant Hire) LIMITED**

GROUP OF COMPANIES

W. R. Richards, A.I.O.B. Chairman & Managing Director, reports—

Profit levels recovered

- Profits before taxation for the year under review are £1,002,000.
- Group profits in the second half of the period recovered to such a degree that they were in excess of previous comparable periods, failing by a small margin to correct the shortfall in profits for the first six months.
- The Earthmoving company has now moved into profitability and only £125,000 has been transferred from reserves due to tax savings, instead of £400,000 as suggested in the interim report.
- A final dividend of 30% is to be paid as forecast, a total of 45% for the year, against a figure for the previous year of 60%.
- 1971 has started in a very encouraging way and I have not the slightest doubt that the coming years will be years of great success.

Copies of the Report and Accounts may be obtained from the Secretary, Wharf Road, Birmingham B11 2DY.

**THE NATION'S LEADING PLANT & CRANE HIRE GROUP****ANGLO-ECUADORIAN OILFIELDS LTD.***Extract from Chairman's Statement, 1970*

- The Consolidated Profit and Loss Account for the year ended 31st December, 1970, showed a profit for the year of £296,638 compared with £548,567 for the previous year.
- The results for the year have been very considerably affected by a change in the basis of accounting. Hitherto, exploration expenditure has been charged against profits of the year in which it has been incurred. In order to conform with the treatment now being accorded to exploration expenditure in the Oriente for Ecuadorian tax purposes, this expenditure has been capitalised and is being amortised over five years. This gives rise to a prior years' adjustment of £236,593 (which represents total expenditure for 1968 and 1969 less amortisation) after which there is a profit available to Shareholders of £533,231 compared with £469,509 in 1969.
- Serious repercussions on your Company's profitability have resulted from measures introduced by Government relating to taxation, employee profit participation and foreign exchange. The preferential rates of income tax previously applicable to petroleum companies have been withdrawn, resulting in an increase in your Company's effective rate of tax from 13.6 per cent to over 40 per cent. Employee participation in profits has increased from 10 per cent to 15 per cent. The free exchange market has been abolished and the sucre devalued to S/25 to the U.S. dollar, equivalent to S/61.105 to the pound sterling against S/50.95 at the end of 1969. Special arrangements for provision of foreign exchange for the importation of crude oil, designed with the object of averting an immediate increase in products selling prices to the public, have gone some way towards mitigating the effects of devaluation on your Company, but other costs have inevitably increased considerably.
- Your Directors declared a dividend payable on 8th April, 1971, of 3½p for each Ordinary Share of 50p in respect of no specified period.

Being a great international bank takes more than luck and a lot of branch offices.

Naturally, the Bank of Nova Scotia has the branch offices. More than 870 of them, in 29 countries round the world.

But it's what they can do for you that counts.

Normal banking service is only the start. If you're doing business abroad, we can fill you in on taxes and legislation—and put you in touch with the key people in your field.

We can advise you on opportunities, warn you about problems, and provide an expert, professional intelligence service. Through our subsidiaries we offer complete Trust Company facilities in the Bahamas, Bermuda, Jamaica, Barbados, Trinidad, the Cayman Isles, the British Virgin Islands, the Caribbean, New York and in the United Kingdom.

We've got Europe and the U.S.A. covered. Naturally we're very strong in Canada. And we operate in exciting new markets like Japan and South America, as well.

If you'd like to know more about the service and expertise that's kept us growing since we were founded in 1832, why not give us a call?

The man to ring is the Business Development Officer at our European Regional Office—19/23 Knightsbridge, London SW1. His telephone number is 01-235 1105.

And we are in the telephone directory in the City, Edinburgh, Glasgow, Belfast and Dublin.

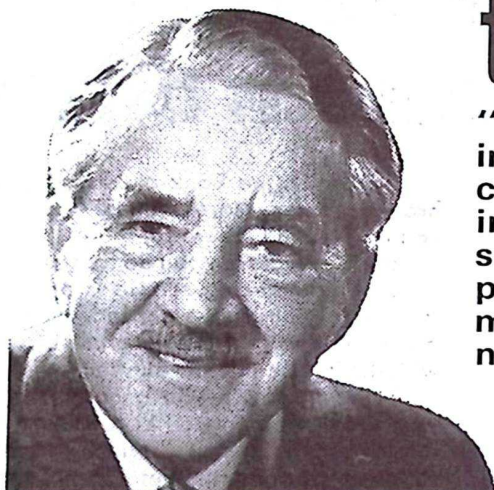
THE BANK OF NOVA SCOTIA 
Incorporated in Canada with limited liability

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Subsidiary and affiliated companies:
United International Bank Ltd, London, England,
The Bank of Nova Scotia Jamaica Ltd, Bermuda National Bank Ltd,
The West India Company of Merchant Bankers Ltd, Kingston, Jamaica,
Madro & Curiel's Bank NV, Netherlands Antilles.

Sales up 13.6% to £459m

Pre-tax profits up 15.4% to £24m



"Our Plan for 1971 indicates a further improvement in earnings . . . I am confident about our great Overseas interests. In the U.K. the degree of success short-term will depend on the present serious economic and manpower problems facing this nation, being reasonably resolved."

Chairman

TRADING RESULTS. In the UK there was a sustained demand for most of the Group's main products, and a most encouraging higher efficiency achieved in the utilisation of our assets. Overseas trading was good with growing benefits from the substantial capital expenditure of preceding years.

OVERSEAS GROUP. Record sales were achieved of £155m and operating profits were an all time high, contributing 54% of total profit. The overseas partnerships with their great and growing contribution were never more valuable than they are today.

UK CABLES GROUP which accounted for 28% (last year 27%) of total sales contributed 22.3% (16.4%) of operating profit, a notable improvement.

UK METALS GROUP. Sales to outside customers represented 21% of total Group Sales. Profits also increased—a gratifying achievement in a field of traditionally low returns.

CONSTRUCTION—BALFOUR BEATTY & CO., LTD. Integration of all construction activities, spearheaded by Balfour Beatty, has made good progress—sales reaching £79m and contributing 6% of profits.

GENERAL CABLE CORPORATION. Despite the economic conditions in the USA, General Cable Corporation increased its net earnings in 1970 by some 14% and in this first and broken year of the new investment (approved in June) BICC enjoyed a small addition to profits. Progress is being made in achieving the benefits anticipated from the mutual shareholding.

Copies of the full statement and the Directors' Report and Accounts may be obtained from the Secretary of the Company at P.O. Box No. 5, 21 Bloomsbury Street, London, WC1B 3QN. The 26th Annual General Meeting of British Insulated Callender's Cables Limited will be held in London, on Wednesday 12th May, 1971.

BICC

British Insulated Callender's Cables Limited constitutes the largest organisation in the world with complete facilities for research, manufacture and contracting in transmission and distribution of electric energy for power and communication purposes.

Canadian Pacific 90th Annual Report.

1970 was a year of tight money and high interest rates, of prolonged strikes in key industries and of underlying sluggishness in Canadian and American economies alike.

Although monetary and fiscal policies were eased during the year, this appears to have had little beneficial effect on 1970. Few of the expectations that had been held for the year were realized.

One of the year's bright spots was the exceptional performance of Canadian exports. Markets for fuels and minerals, wheat and other grains and some manufactured products were especially buoyant. This was an important contributing factor to the rise in rail freight revenues.

A development on the export scene that was less favorable was the freeing of the Canadian dollar, which resulted in reduction of revenues from export sales. This adversely affected the metals and forest products interests of Canadian Pacific Investments Limited.

The summary of earnings of the Company and its subsidiaries shows total earnings before extraordinary items of \$64.2 million, or \$4.24 per Ordinary share. These compare with 1969 earnings of \$72.6 million and \$4.83 per Ordinary share. Including extraordinary items, earnings per share were \$4.35 in 1970 and \$5.05 in 1969.

Dividends on the Ordinary stock increased from \$3.20 per share in 1969 to \$3.25 in 1970, as a result of the higher dividend that flowed through from Canadian Pacific Investments Limited.

Net railway earnings, before fixed charges, were up 11% and earnings of both telecommunications and CP Bermuda also showed marked improvement. These gains, however, were more than offset by the results of the other shipping operations, of Smithsons Holdings, of CP Air, and Canadian Pacific Investments Limited.

Canadian Pacific Railway Company

	1970		1969	
	(in thousands, except amounts per share)			
Summary of Earnings of the Company and its Subsidiaries and of Dividends Paid				
	Per Ordinary Share		Per Ordinary Share	
Earnings of the Company and its Subsidiaries				
Net railway earnings	\$38,392		\$34,635	
Other income	18,150		19,197	
Income before fixed charges	56,542		53,832	
Fixed charges	27,804		22,425	
Income from railway and miscellaneous sources	28,738	\$1.77	31,407	\$1.96
Income (being dividends received) from Canadian Pacific Investments Limited	23,649	1.65	22,932	1.60
Canadian Pacific Air Lines, Limited	1,433	0.10	1,433	0.10
Total, excluding earnings retained by subsidiaries and before extraordinary items	53,820	3.52	55,772	3.66
Equity in earnings retained by subsidiaries	10,350	0.72	16,858	1.17
Total before extraordinary items	64,170	4.24	72,630	4.83
Extraordinary items (C.P.R. - Nil)	1,507	0.11	3,153	0.22
Total	\$65,677	\$4.35	\$75,783	\$5.05
Dividends Paid				
On Preference stock - 4%	\$ 3,311		\$ 3,329	
On Ordinary stock				
From railway and miscellaneous sources	\$21,499	\$1.50	\$21,499	\$1.50
Flow-through from Canadian Pacific Investments Limited	23,649	1.65	22,932	1.60
Flow-through from Canadian Pacific Air Lines, Limited	1,433	0.10	1,433	0.10
	\$46,581	\$3.25	\$45,864	\$3.20

BANCA NAZIONALE DEL LAVORO

Condensed Statement of Condition of the Bank and its Special Sections as of 31st December, 1970

<u>LIABILITIES</u>	(In Pounds Sterling)*	
	31-12-1970	31-12-1969
Capital and Surplus	121,775,153	100,123,463
Deposits, Bonds in circulation, etc.	4,460,825,056	3,627,664,608
Guarantees, Acceptances, Confirmed Letters of Credit, etc.	407,282,319	373,315,980
Other Liabilities	456,401,640	520,957,403
Net Profit	6,892,775	6,243,615
Depositors of Securities	5,453,176,943	4,628,305,069
	2,008,620,130	1,472,002,378
	7,461,797,073	6,100,307,447
 <u>ASSETS</u>		
Cash and due from Banks	572,565,839**	393,907,884
Government and other Securities	560,041,343	555,002,022
Loans, Discounts and Correspondents	3,708,399,167	3,101,333,548
Customers' Liabilities for guarantees, acceptances, etc.	407,282,319	373,315,980
Other Assets	187,108,929	187,574,120
Investments in Subsidiaries and Affiliates	17,450,869	17,014,621
Bank Premises and other Real Estate Properties	328,477	156,894
Securities deposited	5,453,176,943	4,628,305,069
	2,008,620,130	1,472,002,378
	7,461,797,073	6,100,307,447

*Equivalent of the Italian Lire amounts converted at the year end official rate of exchange.

**Of which 15,898,479 due by capital subscribers.

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Trade Indemnity Company Limited

The Era of the big failure and the importance of
Credit Insurance Protection

The 53rd Annual General Meeting of Trade Indemnity Company Limited will be held on May 6th in London.

The following is an extract from the circulated statement of the Chairman, Mr. F. E. P. Sandilands, C.B.E.

Accounts. Our gross premium earnings again increased in 1970 to £4,575,007. This exceeded last year's record figure by £538,737 or 13.3 per cent. After reinsurance and brokerage deductions, the premium retained by the company was £1,625,060. This was £165,468, or 11.3 per cent, more than a year ago. Gross claims paid, less salvages, were much higher in 1970 at £2,079,509 as compared with £1,620,445 in 1969. This was due to heavier than usual claims paid on 1968 and previous years' account and to claims on the 1970 underwriting account which began to increase significantly, particularly in the wool trade, towards the end of the year.

The 1968 underwriting account closed at 31 December 1970 with a credit balance of £275,886 which has been transferred to the profit and loss account. This shows a reduction of £162,718 from the exceptional figure of £438,604 for 1967 account a year ago but it is still satisfactory.

The 1969 underwriting account has improved its relative position through 1970 and its credit balance after two years at £438,622 is better by £38,172 than the corresponding figure on 1968 underwriting account a year ago.

The 1970 underwriting account, although earning record premium, is suffering from the times through which we are passing. Substantial losses in the wool trade and, to a lesser extent, the building and contracting trade, coupled with an increase in management expenses, have resulted in the balance at the year-end being reduced to £120,052 as compared with £171,854 on the 1969 underwriting account at the end of the previous year. Unfortunately, this is not all, because the Rolls-Royce Limited failure has occurred since the year-end and the greater part of loss arising from it will attach to the 1970 underwriting account.

Our gross involvement amounts to approximately £2 million but I do not expect that our share of this loss will be greater than £100,000 after reinsurance, which is spread over many reinsuring companies. Even so, this is the largest single failure which the company has sustained and, although there is still a great deal of premium to be earned on and credited to the 1970 underwriting account, it is unlikely that it will produce an ultimate profit comparable with that which we are now reporting.

The profit and loss account has been credited with the profit from the 1968 underwriting account of £275,886 plus the franked investment income of £35,234 and interest and other income of £94,960, making a total of £406,080. Corporation tax debited amounts to £161,000, which leaves a balance of £245,080 to be carried down. The addition of the balance on the profit and loss account of



£378,139 brought forward from 1969 gives a total disposable balance of £623,219 as compared with £658,139 a year ago.

Quite apart from the incidence of the Rolls-Royce collapse, the immediate economic outlook is not good and, as a precautionary measure, your directors have transferred £50,000 from the profit and loss account to the credit of the 1970 underwriting account. In addition, a further sum of £50,000 has been transferred from the profit and loss account to the credit of general reserve to increase the figure of that account to £550,000. Out of the then balance of £523,219, your directors recommend the payment of a dividend of 30 per cent on the issued share capital of the company at a gross cost of £180,000. Australia. Our progress in Australia during 1970 has continued satisfactorily. Annual premium income is now approaching £250,000 and is growing steadily.

General. Last year the main factor governing our fortunes and, indeed, those of the entire home economy, was the sharp rise in industrial prices and costs. This gathered momentum from June onwards as, in the wake of the substantial wage increases granted in earlier months, consumption forged steadily ahead of production. Higher prices inevitably had a marked effect on our premium and turnover figures, and this is demonstrated by the fact that our rate of premium growth increased from 11 per cent per annum in the first six months to 15 per cent per annum in the second half of the year.

The revival in consumption also showed up in our claims and collection figures as the year progressed. Thus, an increase of nearly 7 per cent in the number of failures notified to the company in 1970 concealed a rise of some 21 per cent in the first half of the year and a fall of 7 per cent in the second. In the latter period there was a marked reduction in failures in the retail and wholesale sector in general and in furniture and upholstery in particular, although there was still a significant number of failures in wool textiles during these months, which involved us in substantial liability. Collections similarly rose in value by 28 per cent in the first six months, only to fall by 6 per cent during the remainder of the year.

The other major contribution to the company's growth in 1970 came from new business, which easily passed the earlier record established in 1967. If due allowance is

made for policies discontinued, the net gain to our portfolio last year was substantially greater than in either of the two previous years.

The effect of higher prices and new business can best be seen in the total turnover of transactions underwritten in London and Melbourne, which increased last year by nearly 11 per cent to £3,186 million.

Our overseas business continued to keep pace with our over-all growth last year and the volume of such transactions, including business written in Melbourne, reached a total of £260 million, or just over 8 per cent of all turnover insured.

Lessons of a Major Failure. My earlier reference to a diminishing number of failures in the second half of 1970 should not be taken to imply that pressure on our claims department was thereby relieved. Indeed, the contrary was the case because failures were generally larger and thus involved a greater number of policyholders. You will recall that a year ago I mentioned the tendency for major failures to increase and the opening months of 1971 have now seen the collapse of Rolls-Royce Limited.

What are the lessons that a major failure of these proportions holds for the business community? I think there are at least four. Firstly, there is no such thing as a 'blue chip' buyer on whom credit insurance cover can be regarded as unessential. The second lesson is that a failure, even of this magnitude, can still happen overnight—especially if it takes the form of a receivership—with little or no prior warning to the creditors concerned. Again, accounts and press reports published on the buyer can mislead the business community as to his true financial position, especially when the results of substantial expenditure on research and development cannot be readily assessed. Finally, the repercussions of such a failure are immense, leading to numerous other failures in sectors far beyond that in which the original failure occurs. Credit insurance protection is the only answer to imponderables such as these—a fact which more and more businesses in many trades and industries are now coming to appreciate for the first time.

The Future. As to the future, my immediate concern is at the continuous erosion of the margins and liquidity of companies of all shapes and sizes by mounting costs and prices. I trust that the current year will see at least the beginning of a solution to the inflationary problems which beset our economy; they are, of course, themselves inseparable from the problems of achieving higher productivity and, through it, greater production. I earnestly look forward to the time when I am able to report that Trade Indemnity's main impetus for the preceding year has been derived not from higher prices stemming from higher costs, but from a healthy growth in national output which has been fully reflected in our own figures of turnover insured. In the meantime, conditions such as we have been experiencing recently can only lead to an even greater demand for our facilities over the months to come.

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Lancaster Carpets & Engineering Limited

195% Increase in Profits

Points from the Report and Accounts and the Review by the Chairman, Mr. E. S. Hammett, C.Eng., F.I.Mech.E., F.I.Prod.E., for the period ended 2nd January 1971.

	1970	1969
Turnover	£10,919,944	£8,844,000
Pre-tax profit	1,303,989	441,925
Taxation	559,459	192,852
Ordinary dividend	30%*	30%
*On increased Capital		

- Substantial advance in 1970. Sales up by 23½% and profits by 195%.
- Ordinary dividend maintained at 30% on capital increased by 1 for 4 scrip issue, effectively a 25% increase.
- Lancaster Carpets Limited greatly improved profitability a direct result of planned expansion and the development, during previous years, of superior manufacturing techniques.
- Priest (Lindley) Limited, producers of high quality synthetic carpet yarns, contributed record sales and profits.
- The Motor Gear & Engineering Co. Limited increased turnover by 21% and profit by 62%. The trading position is strong.
- Carpet trade expected to expand in 1971 and the Engineering Division to maintain its high standard.



Lancaster



Priest (Lindley)

The
Economist

The half-forgotten army

The British forces in Germany

This 32-page booklet is an updated reprint of the survey appearing in the issue of The Economist dated November 28, 1970.

It sets out and analyses the strategic and tactical framework in which the British Army of the Rhine is deployed, trained and equipped. In particular, it examines the effect of the change in Nato's plans upon it and discusses in detail both for the army and the RAF, the new weapons which are coming or will soon be coming into service and how they will be manned.

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STOCK PRICES AND YIELDS

Prices, 1970-71		British funds		Price, April 6 1971	Price, April 14 1971	Net red. yield, April 14 1971	Gross red. yield, April 14 1971	Eurobonds		Last week's prices	This week's prices	Yield to maturity %
High	Low					£p	£p					
100 ¹ / ₂	96	Exchequer 6 ¹ / ₂ %	1971	100 ³ / ₂	100 ³ / ₂	3.555	5.925	Ameribas 7 ¹ / ₂ %	1978	101 ¹ / ₂ -2 ¹ / ₂	101-2	7.42
94 ¹ / ₂	85 ¹ / ₂	British Electric 3 ¹ / ₂ %	1968-73	94 ¹ / ₂	94 ¹ / ₂	4.810	6.080	ASEA 8 ¹ / ₂ %	1986	96-7	95 ¹ / ₂ -6 ¹ / ₂	8.89
77 ¹ / ₂	65 ¹ / ₂	British Electric 3 ¹ / ₂ %	1976-79	76 ¹ / ₂	75 ¹ / ₂	5.730	7.355	Beecham 8 ¹ / ₂ %	1986	97-8	96 ¹ / ₂ -7 ¹ / ₂	8.52
102	91 ¹ / ₂	Treasury 8 ¹ / ₂ %	1980-82	100 ¹ / ₂	100 ¹ / ₂	5.175	8.710	Caisse Nationale des Tel. 8%	1986	94 ¹ / ₂ -5 ¹ / ₂	94 ¹ / ₂ -5 ¹ / ₂	8.52
99	90 ¹ / ₂	Treasury 8 ¹ / ₂ %	1984-86	97 ¹ / ₂	97 ¹ / ₂	5.460	9.065	Carlsberg 8 ¹ / ₂ %	1986	98-9	97 ¹ / ₂ -8 ¹ / ₂	8.83
82 ¹ / ₂	74	Funding 6 ¹ / ₂ %	1985-87	79 ¹ / ₂	79 ¹ / ₂	5.890	8.910	Corning International 8 ¹ / ₂ %	1986	100-1	100-1	8.33
54 ¹ / ₂	44 ¹ / ₂	British Transport 3%	1978-88	52 ¹ / ₂	52 ¹ / ₂	6.485	8.365	Esso 8%	1986	97 ¹ / ₂ -8 ¹ / ₂	97 ¹ / ₂ -8 ¹ / ₂	8.13
74 ¹ / ₂	66 ¹ / ₂	Funding 6%	1993	70 ¹ / ₂	69 ¹ / ₂	6.110	9.265	General Mills 8%	1986	95 ¹ / ₂ -6 ¹ / ₂	95-6	8.42
101 ¹ / ₂	91 ¹ / ₂	Treasury 9%	1994	99 ¹ / ₂	94 ¹ / ₂	5.825	9.550	J Lyons 8 ¹ / ₂ %	1986	98 ¹ / ₂ -9 ¹ / ₂	98 ¹ / ₂ -9 ¹ / ₂	8.77
48 ¹ / ₂	40 ¹ / ₂	British Gas 3%	1990-95	45 ¹ / ₂	45 ¹ / ₂	6.155	8.205	Ontario Hydro 8 ¹ / ₂ %	1986	98 ¹ / ₂ -9 ¹ / ₂	98 ¹ / ₂ -9 ¹ / ₂	8.23
82 ¹ / ₂	70 ¹ / ₂	Treasury 6 ¹ / ₂ %	1995-98	74 ¹ / ₂	74 ¹ / ₂	5.980	9.370	Oslo 8 ¹ / ₂ %	1986	94 ¹ / ₂ -5 ¹ / ₂	94-5	8.80
66 ¹ / ₂	58	Treasury 5 ¹ / ₂ %	2008-12	61 ¹ / ₂	61 ¹ / ₂	5.800	9.205	Mortgage Bk of Finland 8 ¹ / ₂ %	1986	93 ¹ / ₂ -4 ¹ / ₂	93-4	9.18
42 ¹ / ₂	35 ¹ / ₂	War Loan 3 ¹ / ₂ %	after 1952	39 ¹ / ₂	38 ¹ / ₂	5.550	9.380	Plessey 8 ¹ / ₂ %	1986	93 ¹ / ₂ -4 ¹ / ₂	92 ¹ / ₂ -3 ¹ / ₂	9.21
30	25 ¹ / ₂	Consols 2 ¹ / ₂ %		27 ¹ / ₂	27 ¹ / ₂	5.490	9.160	Quebec Hydro 8 ¹ / ₂ %	1986	94 ¹ / ₂ -5 ¹ / ₂	95-6	8.67
								Transocean Gulf 8%	1986	96-7	96-7	8.30

Prices, 1970-71		Ordinary stocks		Price, April 14, 1971	Change on week	Yield April 14	Prices, 1970-71		Ordinary stocks		Price, April 14, 1971	Change on week	Yield April 14
High	Low						High	Low					
275 ¹ / ₂	215	Banks, other financial					115 ¹ / ₂	74 ¹ / ₂	Breweries, etc.				
61-8	48-7	Algemeine Bank	Fl 267.3	-7 ¹ / ₂	6.4		88 ¹ / ₂	53	Allied Breweries	113p	+2	3.9	
336 ¹ / ₂	200	Amsterdam-Rot	Fl 60.6	+0.6	5.7		118	95	Anheuser-Busch	\$88 ¹ / ₂	+3 ¹ / ₂	...	
69 ¹ / ₂	48 ¹ / ₂	Aust & NZ Bank	280p	-3	3.6		164-2	100	Bass, Charrington	116 ¹ / ₂ p	+1 ¹ / ₂	3.8	
481 ¹ / ₂	300	Bank of America	\$68 ¹ / ₂	-3	2.7		106	88 ¹ / ₂	Bols NV	Fl 161-7	-2.5	2.2	
760	700	B of Ireland	315p	+16	4.4		145	99	Courage	105p	+4	3.6	
116 ¹ / ₂	98	B of Montreal	72p	+16	4.3		56 ¹ / ₂	38 ¹ / ₂	Distillers	139 ¹ / ₂ p	...	4.4	
461 ¹ / ₂	266 ¹ / ₂	B of Nac de Mexico	P 98	-15 ¹ / ₂	6.1		440	204.3	Distill Seagrams	\$54 ¹ / ₂	-1 ¹ / ₂	2.2	
440	337 ¹ / ₂	B of NS Wales	318p	+3	2.9		157 ¹ / ₂	113 ¹ / ₂	Dortmund Union	DM204.4	...	4.9	
2460	2100	B of Scotland	425p	+10	4.5		258.4	170-8	Guinness	147p	+2	4.4	
294.9	221	B Bruxelles	Fr B 2360	-20	4.8		77	57	Heineken	Fl 254-6	+0.9	1.4	
71 ¹ / ₂	55 ¹ / ₂	B de Paris Pays Bas	Fr 246	-3	3.9		224	166	IDV	66p	-2	4.5	
452	327 ¹ / ₂	Bankers Trust	\$64 ¹ / ₂	-6 ¹ / ₂	4.4		19	14 ¹ / ₂	Kirin Brewery	Y 225	-5	3.4	
364	275	Barclays	441p	+8	3.6		387	230	Nat Distillers	\$18 ¹ / ₂	...	5.0	
286 ¹ / ₂	178 ¹ / ₂	Barclays DCO	364p	+11	3.6		97 ¹ / ₂	68 ¹ / ₂	Scottish & Newc	378p	+3	3.2	
11	9 ¹ / ₂	BOLSA	245p	+3	4.0		105	73 ¹ / ₂	Sth African Br	83p	+4	3.9	
78 ¹ / ₂	48 ¹ / ₂	Can Imp Com	\$10 ¹ / ₂	-1 ¹ / ₂	2.7		62	43 ¹ / ₂	Watney, Mann	102p	+1 ¹ / ₂	4.7	
61 ¹ / ₂	37 ¹ / ₂	Charterhouse Group	69p	+2	5.6				Whitbread 'A'	60 ¹ / ₂ p	+1 ¹ / ₂	4.6	
69	45 ¹ / ₂	Chase Manhattan	\$55 ¹ / ₂	-2 ¹ / ₂	3.6								
345	179	Chemical Bank NY	\$65	-3 ¹ / ₂	4.4								
187	155-3	Commerzbank	DM 257 ¹ / ₂	-4.2	3.3								
539	386	Credit Commercial	Fr 174	+2	2.4								
3560	2550	Credit Foncier	Fr 408	-4	4.7								
426	246	Credit Suisse	Fr S 3415	+25	2.3								
327	186	Deutsche Bank	DM 355	+6 ¹ / ₂	2.6								
78 ¹ / ₂	56	Dresdner Bank	DM 270	+4	3.3								
261	205	Dresdner Bank	DM 270	+4	3.3								
260	167 ¹ / ₂	First Nat City	\$72 ¹ / ₂	-2 ¹ / ₂	3.6								
104 ¹ / ₂	72	Fuji	Y 260	-1	2.3								
39-3	3 ¹ / ₂	Hambros	235p	-2	3.0								
11 ¹ / ₂	9 ¹ / ₂	Hill, Samuel	89p	-3	4.2								
205	122 ¹ / ₂	IOS Mgmt	\$3 ¹ / ₂	...	...								
6400	5470	Kleinwort Benson	£11 ¹ / ₂	+1 ¹ / ₂	3.0								
337	220	Kreditbank	165p	-5	3.6								
1800	1492	Kundenkredit	Fr B 6400	+50	2.6								
445	310	Lambert L'Ind	DM 328 ¹ / ₂	+3	3.0								
78	52	Lloyds	DM 328 ¹ / ₂	+3	3.0								
91400	67800	Lambert L'Ind	Fr B 1740	-5	4.6								
168	140	Lloyds	430p	+12	3.3								
188 ¹ / ₂	93 ¹ / ₂	Manuf's Hanover T'st	\$73 ¹ / ₂	-7 ¹ / ₂	4.3								
406	287 ¹ / ₂	Mediobanca	L 76000	-560	1.4								
200	135	Mercantile Credit	167p	...	3.6								
144	113	Mercury Secs	134p	-1 ¹ / ₂	2.2								
73	50 ¹ / ₂	Midland	394p	+6	4.0								
325	242 ¹ / ₂	Mitsui	Y 180	...	2.8								
2-94	2-08	Montagu Trust	140p	+3	2.3								
126	65	Morgan J P	\$69 ¹ / ₂	-1 ¹ / ₂	3.9								
442	256 ¹ / ₂	Nat & Grindlays	310p	+5	4.7								
160	127 ¹ / ₂	Nat Australasia	\$A2.84	+0.01	3.9								
12 ¹ / ₂	11 ¹ / ₂	Nat Com Grp	121 ¹ / ₂ p	+1 ¹ / ₂	3.7								
580	300	Nat West	420p	-2	3.7								
245	192 ¹ / ₂	Norsk Creditbk	\$129	+1	7.0								
3115	2595	Royal Canada	£12 ¹ / ₂	+1	2.9								
14900	12525	Schroders	505p	-10	1.8								
252	157 ¹ / ₂	Slater Walker Secs	237p	-4	3.2								
415	290	Soc Gen de Banque	Fr B 3045	...	4.3								
272	203	Soc Gen de Belgique	Fr B 13900	-100	4.9								
3325	2475	Standard & Chart	237p	...	4.8								
4575	3050	Suez	Fr 315	-3	3.6								

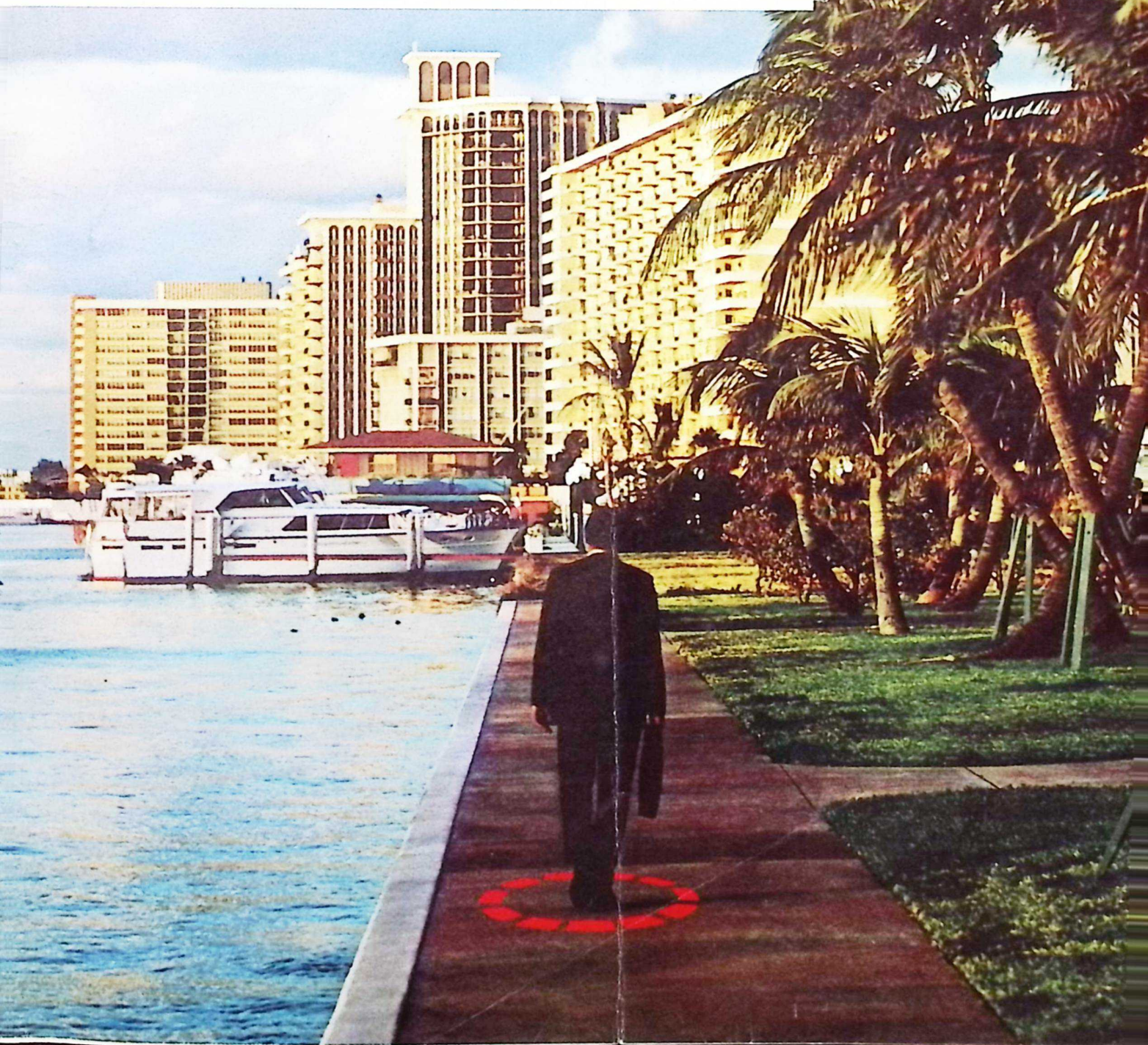
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