BANKING

American banks awake

"We have to begin asking ourselves some questions," Richard D. Hill, chairman of the First National Bank of Boston said in a recent speech. "Most other countries do not permit their largest banks to be acquired by foreigners; the U.S. must determine where its national interests lie."

Faced with plans by City of London banks to simply buy up their banking assets — regardless, as with Mr. Hill, of their Anglophile biases — American banks who slept through or even encouraged London's 1978 sell-off of the U.S. dollar are finally waking up to the national interest — their interests.

Suddenly, protests are blossoming across the U.S. banking community. Irving Trust, the nation's 15th largest bank with deposits of over $9.5 billion, has filed with the White House and the House and Senate Banking Committees a study prepared by its research department proposing an outright federal ban on foreign acquisitions of large U.S. banks. Irving Trust, together with the huge Chemical Bank, the nation's fifth largest, are reportedly about to be the first targets of "unfriendly" British bank takeovers.

Federal Reserve Chairman G.W. Miller was questioned closely by reporters at a March 13 press conference as to whether the looseness of the current foreign acquisition laws doesn't in fact encourage unfriendly takeovers. Under pressure from the banks as well, Miller replied that "there is a long row to hoe and an unlikely outcome" for any such unfriendly bid.

Miller refused to comment on the applications already pending by the Hong Kong and Shanghai Bank for Marine Midland, Standard Chartered Bank for Union Bank,

CORPORATE STRATEGY

Dan River faces Hong Kong takeover bid

Every corporation has that nagging worry that someone with a pile of loose cash will swallow them cheaply. Dan River, the North Carolina-based textile manufacturer with $565 million in sales, was no exception, but when they found out who had bought 8 percent of their outstanding shares, they must have gulped. Two weeks ago Dan River petitioned the Securities and Exchange Commission to find out who was buying. The SEC said it was Unitex, a Hong Kong textile company with $27 million in annual sales.

Funding Unitex was Chartered Bank, a subsidiary of Standard Chartered and Wardsley, a wholly owned subsidiary of the Hongkong and Shanghai Banking Corp. Midwifing the deal was Lazard Freres in the U.S.

Wardsley, in joint venture with Sharps Pixley, another British merchant bank, controls the Hong Kong gold market, and hence the drug trade, which means they have excellent connections with the present leadership in Peking.

One U.S. market analyst pooh-poohed the idea that this was simply another "buying America cheap" move, although two-thirds of foreign buying in the U.S. is Anglo-Dutch, and much perfumed with the fragrance of drug monies. Rather he indicated that Dan River makes a logical target for an asset-stripping raid like the ones Textron used in the late 1940s to strip New England mills. Dan River's textile machinery would then be shipped to Hong Kong or Shanghai. Stripping Dan River — selling stocks and inventories, taking cash — and installing the machinery in mainland China cities at local wage rates could become as large a business as Textron's highly profitable raids. Large-scale mainland sweatshop textile production would then compete heavily with Japanese, Korean and Taiwanese sales, and ultimately the U.S. If this works, North Carolina could look like Massachusetts.

This thesis tends to be confirmed by a proposal just made by the American Chamber of Commerce in and National Westminster for National Bank of North America. Additionally, the Chicago Fed announced March 13 that Allgemeine Bank Nederland has just applied to purchase the La Salle National Bank.

Allegations by the New York *Journal of Commerce* March 12 that the Fed was about to be forced to rule affirmatively on the HongShang case were angrily refuted by a Fed spokesman. "We're not going to be forced into something like this on a paltry legal technicality," he said, referring to the vague provision of the Federal Reserve Act requiring a ruling 91 days after the Fed accepts an application. "No one is going to tell us when the time is up."

According to the *New York Times* March 12, the entire "American banking industry is discretely mobilizing a defense effort" against foreign takeovers. The Association of Reserve City Bankers, the national group of the big money center banks, of which Hill is this year's president, has commissioned a study on the subject for presentation to the Federal Reserve. The Association itself is dominated by Anglophile bankers who are waking up; its president-elect is Chairman James Higgins of Mellon Bank, and the Program Committee Chairman who commissioned the takeover study, John B. Madden, is a senior partner in the private bank Brown Brothers, Harriman.

These Anglophile bankers are still pulling their punches. A spokesman for First Boston said on March 14, for example, that in some cases his bank would not oppose purchases of U.S. banks by large foreign banks if large U.S. banks were permitted to gobble up their brothers. They are presently forbidden to do this under antitrust laws. This attitude will likely change as even First Boston sees that it plays directly into Britain's "free market" hands.

Livid — and for once truthful — about the situation was the March 10 London *Economist*. In "Don't Monkey with Mickey," they ask "Will New York regulators spike HongShang's $260 million deal for 51 percent of Marine Midland? They have done such things before. In 1973, they squashed Barclays Bank's takeover of the Long Island Trust Company," as *Executive Intelligence Review* reported March 6. "Most of the heavy breathing comes from Miss Muriel (Mickey) Siebert," as the *Economist* insolently characterized the New York State Banking Superintendent. As we also reported, Siebert has demanded a "national policy review" on foreign takeovers.

—*Kathy Burdman*

Hong Kong calling for reduced U.S. import duties, to cheapen U.S. imports of Hong Kong and China made apparel. In this variation, U.S. textile mills would not have their assets stripped; the mills would be left in place and Hong Kong sweatshops would be expanded into the mainland.

While Dan River has recognized its peril, has filed suit against Unitex for securities violations, and is hostile to tender offers, it has hired a top, British-intelligence-linked New York law firm, Paul, Weiss, Rifkind, Wharton and Garrison, to fight Lazard. Since Paul Weiss has long-standing intimate contacts with Lazard, and is one of the handful of law firms that Lazard uses on a current basis, this is something like hiring Beelzebub to fight Mammon.

—*Leif Johnson*

KEEPING TABS ON THE ECONOMIST

Still lying about the EMS

The Economist	The facts
Central banks, as part of their reserves "also hold gold, but the world has made strenuous and nearly successful efforts to demonetize this commodity...."	The new European Monetary System, officially adopted on March 13, has effectively remonetized gold.
"...The big hope from nuclear power technology is fusion. This is unlikely to be available till well into the next century."	We double checked our estimates of the commercial feasibility of nuclear fusion with the Fusion Energy Foundation. They report that breakeven commercial fusion could be on line in 11 years if a crash development program is launched.