

# British Asset-Strippers On Buying Spree In U.S.

It's by now common knowledge that the British are on a buying spree in the United States, armed with the overpriced pound sterling. In 1977, the volume of British acquisitions of U.S. firms nearly reached the \$1 billion mark, with bids speeding up after Nov. 1 when the Bank of England allowed the pound to float upward against the dollar. The acquisitions have included sizeable purchases like the Anglo-Dutch Unilever's \$482 million bid for National Starch and Chemical. In addition to the "smashing" bargains to be had, thanks to British-allied Treasury Secretary W. Michael Blumenthal's policy of "malign" neglect of the dollar, City of London-connected investment banks like Lazard Freres and Morgan Stanley—the investment bankers handling the Unilever-National Starch deal — are mopping up the astronomical fees which go with such deals, plus making a killing off stock arbitrage. The stocks of merger and acquisition candidates are about the only stocks which are not collapsing these days.

Acquisitions are only the most visible part of the British invasion, however. In the column excerpted below, Eliot Janeway, the Council on Foreign Relations operative who "predicted" war between Venezuela and Brazil in January, 1977, notes that the British of all people, acting for their own accounts and on behalf of Arab sheiks, whose funds they control, are now the major force in the U.S. stock market. He also notes that the enormous British buying of U.S. Treasury securities in 1977—around \$10 billions worth—could now easily switch over to stock purchases.

British bankers stationed in New York interviewed by EIR certainly think major acquisitions and stock market shopping are in the works. Ed Bernstein, an advisor to the Federal Reserve, the Treasury, and the Bank of England is circulating his "theory" about the relation between currency devaluations and stock market prices. He says that about three months after a currency hits rock bottom and stabilizes, the prices of stocks start rising; six months after that they've moved to their former or higher levels.

"Britain was a good example of this," Bernstein told a New York brokerage house vice president recently. "I'm really encouraged that this is what is going on in the U.S. It depends, of course, on the Administration's willingness to fight. We need tough decisions. The whole country has to bite the bullet. We're going to have to all sacrifice with higher prices for gas and oil."

One of the ways the British are ingratiating themselves in the U.S. is by telling U.S. businessmen and bankers that British investment will fill in the gap left by the absence of new capital investment by debt-strapped and credit-starved U.S. corporations. "It doesn't matter who invests, does it," says one British banker.

And Americans, unfortunately, are falling for this line. In a recent interview with EIR an Atlanta investment banker disputed the existence of a City of London operation to gain greater political and financial control of the U.S. As evidence of London's confidence in the U.S. dollar, he rattled off a long list of recent British

acquisitions in the Southeast and moves by the U.S. branches of British investment houses like J. Schroders Wagg to increase their capitalization in the U.S. to better position themselves to engage in acquisitions.

The announcement by Sir Arnold Weinstock, chairman of Britain's General Electric Co., in December that he was opening a California office to seek out U.S. acquisitions should serve as a warning that it indeed does matter who invests in the U.S. Weinstock is infamous even in Britain as an "asset stripper"—the quaint phrase coined in Britain in the 1960s to describe the species of financier-industrialist which went around buying up troubled companies cheap and junking what they deemed unprofitable.

## Barclays: It's a Bargain

*An officer at Barclays Bank Ltd. in New York discusses British plans for acquiring U.S. equity:*

*Q:* Will the recent statement by the Treasury that the U.S. will henceforth actively intervene in the markets in behalf of the dollar and the rise in interest rates here in any way alter British foreign investment plans?

*Barclays:* We expect the dollar to keep falling. The world hasn't got much confidence in it right now, whatever the U.S. government does... Did you see the Dec. 17 issue of the Economist, "America Going Cheap for Christmas"? That was a great article. You see, it's a bargain here at the moment; the dollar's so cheap.

*Q:* Do you think there could be a reaction in the U.S. against an influx of foreign investment?

*Barclays:* It depends upon the color of the money, doesn't it? I don't think they'd be happy if it was all Arab money... But you have to have the investment of surplus accounts (foreign investment by countries in balance of payments surplus—ed.). Why, the British spent their lives doing it in the last century. That's why we own so much of the world!

Besides, the American businessman isn't investing now, and this is a real drag on the economy. We can fill in that gap. It doesn't matter who invests, does it. And if shares are selling at below book value, why should anyone invest to build his own new plant. It's a waste in social terms.

*Q:* What about investment in heavy industry. Do you think British investors will be looking at U.S. heavy industry this year?

*Barclays:* Heavy industry is very bad news, isn't it. It's so capital intensive, it needs large slices of government subsidies, it has union troubles—who needs those problems.

## The Rothschilds. It's Best To Be Acquired by a British Company

*An officer at New Court Securities, the London Rothschild family-owned investment bank, located on Wall Street, explains that the rise in U.S. interest rates is*

*“a real plus” for British acquisition plans:*

*Q: Do you expect British acquisitions in the U.S. to be on the up trend in 1978?*

*New Court:* Yes we do. As sterling is valued higher—as is happening—it cuts the effective price of a company for U.K. investors.

*Q: What effect will the recent rise in U.S. interest rates have?*

*New Court:* That's a real plus. Many acquisitions are made through parallel loans. If I want to buy a firm over here, I take out a loan from the U.S. firm, and make a matching loan in sterling to his U.K. subsidiary. As the U.S. and U.K. interest rate structures get closer together, it aids this arrangement. Rates are still a bit higher over there... The main reason for parallel loans is getting around Bank of England foreign exchange controls.

*Q: The U.S. firms that are being acquired, are they beset with liquidity problems?*

*New Court:* Some are and some aren't. Yes, the need for liquidity is one reason why the firms are agreeable to being acquired. The U.S. firms feel that acquisition by a British company will put them in a better international position. They feel if you have to be acquired, it's best to be acquired by a British company.

## London Relief for Wall Street?

*Financial consultant Eliot Janeway reports that British investors, acting as agents for Arab accounts, are now the saviors of the U.S. stock market, in his column in The Insiders' Chronicle Jan. 12:*

The stock market has certainly suffered its fair share of trouble in recent years. The latest blight to have hit it is the backlash from the dollar crisis; this has scared would be stock buyers in Germany, Switzerland, Japan

and other financially strong countries out of buying the dollars needed to buy stocks...

Suddenly, however, the Street has been granted a reprieve. A new source of stimulus has started to produce buyers from the unlikeliest of places: the U.K. Wall Street had seen no buying from London and Edinburgh for a full decade. When the sterling crisis hit in the late 1960s, the Bank of England's first countermeasure was to stiffen the penalties on the continued flow of money out of the U.K. into U.S. stocks and other non-sterling assets. These penalties were made particularly harsh by a crackdown against switching from one U.S. security to another. U.K. investors who sold any holding were obliged to turn the dollar proceeds over to the Bank of England and to pay the same penalty all over again on any reinvestment.

The dramatic improvement in sterling's fortunes in recent months has persuaded the Bank of England to drop this penalty. Judging from the rate at which Arab money is flowing into London, there's no longer any reason for the Old Lady of Threadneedle Street to decree the wearing of hair shirts for her customers in the City of London. Last year alone, thanks to Arab largesse, British buying of U.S. Treasury securities came to around \$10 billion.

If foreign buyers operating through sterling were willing to buy U.S. Treasury securities on this prodigious scale, there was no doubt that they would be just as willing to buy stocks. Every fully outfitted sheik has at least one British man of business to go with each billion. In fact, the new game in London today is to identify British investors by the oil money they represent.

Britain's decision to remove the obstacle in the way of U.K. buying of U.S. securities could not have been better timed for Wall Street. The thinness of the stock market, resulting from the departure of the public, left it susceptible to any rush of new buying. Though the Street had been wrong in its anticipation of foreign buying from strong currency countries, it got a much needed, though temporary, lift from the U.K. As things worked out, London's relaxation was New York's reprieve.