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RECEIVED
OCT 31 1984
DR. R. T. GOTTESMAN

Dr. Roy T. Gottesman
The Vinyl Institute
355 Lexington Avenue
New York, N.Y. 10017
USA

25 October 1984

Dear Dr. Gottesman,

In reply to your letter of October 19 I would like to suggest week 48 (starting November 26) for your visit to Europe.

In case the APME would become a member of the Vinyl Institute all European PVC producers would have access to the information from the Vinyl Institute as all European PVC producers are members of the APME. In that event the European PVC producers will probably not be interested to also become individual members. The same applies to the National Associations, such as the "Verband Kunststofferzeugende Industrie (VKE) whose PVC members are at the same time also members of the APME. Trying to solicit membership from the VKE ~~APME~~ may therefore even be counter-productive.

However, the individual lobbying of APME members, as has already been done during Dr. DiLiddo's recent visit (BASF, Enichemica and Atochemie) is highly desirable.

Based on the abovementioned observations I suggest the following program:

<u>Monday November 26</u>

Dr. P. Claus, director of the APME, in Brussels

Solvay, Brussels.

<u>Tuesday, November 27</u>

Norsk Hydro, Oslo.

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EC COMMISSION CLEARS RESTRUCTURING OF PETROCHEMICAL INTERESTS IN BRITAIN

LONDON—(By a BNA Special Correspondent)—Restructuring of key activities of British petrochemicals interests has been cleared by the European Commission under the competition rules—in line with a proposal by Competition Commissioner Frans Andriessen.

The EC's approval is an important indicator for the industry. The commission is still engaged in evaluation of similar deals in the petrochemical industry; further restructuring initiatives are planned by the major groups.

The two groups involved in the clearance are Imperial Chemical Industries (ICI) and British Petroleum's BP Chemicals. The restructuring exercise will center on UK production specialization.

Under the agreement, ICI will specialize in PVC (polyvinylchloride), while BP Chemicals will concentrate on LDPE (low-density polyethylene).

Within this deal, ICI will complete the sale of its most modern LDPE production plant and all UK goodwill to BP Chemicals—along with licensing of its LDPE technology to BP.

BP has reciprocated with sale of its PVC production plant and goodwill. In addition, ICI now has closed down all remaining UK LDPE plants not sold to BP—although the agreement allows for the retention of two such plants on the Continent. Similarly, BP Chemicals has closed down all PVC plants which were unsold—together with facilities providing input for PVC manufacture.

The deal also gives ICI a larger stake in an ethylene cracker, previously equally owned with BP Chemicals. This extra ethylene capacity has allowed ICI to close down its other remaining ethylene plant.

During the EC's review of the plans, competition officials decided that the proposed package fell within the framework of Article 85 (1) of the Rome Treaty because they constituted specialization agreements to eliminate a leading producer in both sectors.

However, the commission also recognized the need for a solution to the structural overcapacity that had plagued these sectors. The commission accepted the need to close obsolete plant. It was this consideration which resulted in the decision that the agreements between the groups could be exempted under Article 85 (3).

The commission added: "Moreover, as a result of the agreements, each party will be able to increase capacity loading in more modern plants in the product in which it is specializing. Such measures will help bring about both a healthier industrial structure and more efficient production."

EC officials believe that, even after elimination of an important producer in each area, "effective competition would be maintained and consumers would not be deprived of a workable choice as regards suppliers."

Commenting on the general implications of the ruling, the commission declared: "Measures which help solve an industry's structural problems may, under certain circumstances, be permitted—providing that: effective competition is not eliminated, that consumers still have a workable choice of suppliers, and that unacceptable restrictions on competition such as price- or quota-fixing are not involved."

This was the line pursued by the commission in a similar case, which resulted in a favorable ruling for agreements between Akzo and Shell.

MIT STUDY FINDS NO SERIOUS THREAT TO HEALTH OF GLOBAL AUTO INDUSTRY

CAMBRIDGE, Mass.—(By a BNA Special Correspondent)—A four-year, seven-nation study of the auto industry throughout the world can foresee no serious threats in the next 20 years and predicts more joint production efforts—like the AMC-Renault and GM-Toyota ventures.

The results of the study, *The Future of the Automobile*, were unveiled at Massachusetts Institute of Technology conference on Sept. 18.

This conference drew over 400 auto company and related industry executives, labor leaders, and government officials. The study, published by MIT Press, was co-authored by industry experts from the U.S., Japan, France, Germany, Britain, Italy, and Sweden.

Co-author Daniel Jones, who led the British academic and industry participants, listed trends that should become evident between now and 2000:

- No new mega-companies will emerge;
- Production will not shift to Third World sites;
- Autos will be even more differentiated in meager markets; and
- There will be more joint procurement, design, and production efforts, patterned after the American Motors Co./Renault and General Motors/Toyota ventures.

According to Jones, there will be few new entrants into the market. Cost will not be the only major barrier to entry. Current levels of experience, particularly Japan's, are difficult to duplicate, he noted.

"No other transportation mode offers service quality and cost characteristic to rival the auto," another co-author, Daniel Roos, told the conference.

Roos, director of MIT's Center for Transportation Studies, said automobile technology has proved to be highly adaptable and will continue to be. On the other hand, Roos acknowledged that many mass transit systems are not so flexible and are suffering from chronic operating deficits.

Certain threats—such as the fuel shortfall of four years ago—have "cooled," according to Roos. Although energy supply is a continuing concern, he said, it is no longer a constraint.

Likewise, the "significant competitive imbalance" between Japan and its North American and European

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