

# TECHNOLOGY

BIOTECHNOLOGY INVESTMENTS' LATEST REPORT HIGHLIGHTS AN IMPRESSIVE PORTFOLIO

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BY DAVID FISHLOCK, SCIENCE EDITOR

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France, West Germany and Ireland.

Of these, it chose three U.S. companies in which to invest: Catalytica, where the \$1m invested will go mainly to support the use of enzymes in petrochemical processes; CW Ventures, a fund which invests in health care; and Immunex, a company with close links to Hoffman-La Roche and high hopes of leading the field with a treatment for AIDS (auto-immune deficiency syndrome).

### Change

By this summer the scene had changed dramatically. No fewer than four of the fund's investments have gone public, in each case advantageously: Amgen, Applied Biosystems, Integrated Genetics and Immunex (see table). Mr David Leathers, investment manager, says that the fund has no intention of selling companies which go public, but will still continue to apply the five rules by which they judged the original investment. Even so, he admits that the fund it did not expect so many of its unquoted investments to go public so soon.

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[SIDEBAR TABLE:]

#### BIOTECHNOLOGY INVESTMENTS: UNQUOTED STOCKS Equity interest

[COLUMN LABELS:] Company % Country Business

Advanced Mineral Technologies	25	U.S.	Mining/ pollution
Agrigenetics	1.2	U.S.	Seeds, etc.
Amgen (New public)	1.6	U.S.	Health care, etc.
Applied Biosystems	7.4	U.S.	Instruments
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Plant Genetics 9.1 U.S. Vegetable crops  
Queue Systems 6.0 U.S. Laboratory equipment  
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Left [PHOTO OF LORD ROTHSCHILD LOOKING TO HIS LEFT AND POINTING HIS CIGARETTE-HOLDING FINGERS AT SOMETHING IN A SCOLDING MANNER]: Lord Rothschild—gathering together a wide range of biotechnology investments



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DATA STORAGE

## Drexler laser card—interest grows

BY GEOFFREY CHARLISH

WHILE THE financial institutions and conventional card companies seem to be keeping the Drexler high capacity laser card at arm's length, interest is growing fast in Japan and the U.S. in the idea of using the card to carry programs, leaving the business microcomputer's floppy or miniature Winchester disc free to read and write user data only.

These wallet-sized read-only cards caused a flurry of interest when they were first announced two years ago. They deploy optical modification of a special surface rather than magnetic or semiconductor technology. Five micron diameter black holes on a silvery surface represent digits and are read by simple photo-diode arrays. (A micron is a millionth of a metre.)

Although Jerome Drexler, in London recently to drum up European business, originally may have seen Drexler as a competitor to magnetic stripe storage, it looks now as if as financial applications will emerge in small computer program storage.

### Investment

For the anti-interfered card companies, with a history and large investment in magnetic technology, Drexler could be seen as a threat, even though it might offer significant user advantages.

Nine electronics companies have taken licences for system development and manufacture (the cards will be made only by Drexler). They are Canon, Elbit, Ericsson, Fujitsu, Kanto, Denish, NCR, Omron, Toshiba and TSC. The revenue yield for Drexler so far is \$181.9m. Although the names are indicative of the way things are going, it is understood that a dozen banks in Japan have also looked at the system.

Drexler says that one of the Japanese licences plans to use 7m cards in 1985 for microcomputer software. Commercial equipments are expected from several of them by mid-1984.

Significant however, is the fact that none of the leading micro makers has adopted the technique. Drexler believes this is because no single leading company could obtain an advan-

tage since its immediate competitors would follow suit. He expects companies below number five in the micro league to be first in the field, and probably in a business PC costing over \$3,000.

At this level, the \$70 to \$100 cost addition for the card reader is a small risk—not the case at the bottom end of the market with machines costing a few hundred dollars.

### Two kinds

Is there a good reason for a PC maker to build two kinds of bulk storage device into his machine?

Cost is the key according to Drexler. The cards, of which 100,000 can be produced daily at a new \$3m plant at Sunnyvale, are priced at about \$1.5 each at such volume levels.

On each card 16m bits (2m characters or some 500 pages of text) can be recorded in sequential form at the plant for about \$1.5. In this way, 20 or more programs of the kind used in PCs can be stored and kept in the user's pocket along with his credit cards.

Drexler thinks semiconductor read-only memory (ROM) cannot compete at \$30 to \$40 for a megabit in quantities of 10,000. And although chip prices may decline, the capacity of his optical medium can be expected to quadruple, he says.

But Drexler is unlikely to have it all his own way. The cost of conventional magnetics continues to fall (although there may be an irreducible minimum in the rotary mechanics), and just emerging from companies like Verimag in the U.S. are the so-called "vertical" magnetic discs in which the magnetic particles are placed on end to cram more in and increase the recording density.

Furthermore, there has just been an announcement from Sony and Kokusai Denzetsu Denwa of the joint development of a re-recordable laser disc described in a statement as "magnetic-optical". There are no technical details but the disc's capacity is claimed to be 20 gigabits (20 thousand million bits) and Sony intends to begin commercial production within two years.

Financial Times Friday September 9 1983

EDITED BY ALAN CANE

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### Plastics

## Du Pont's new process

DU PONT has announced a polymer plastic development called group transfer polymerisation (GTP) which is said to give exceptional control over polymer molecular weight, allow precise introduction of functional properties and give "unprecedented" control of the final composition.

The new process is particularly applicable to the production of acrylic polymers

## Property Computer valuations

AGENTS and institutions interested in the commercial property sector can now calculate residual valuations, equated yields, leasehold tenures and other valuation formulae on a portable computer.

Stafford Robert and Partners in conjunction with William Higgins and Company and Haslemere Estates, have developed a suite of programs which run on the Epson HX-30, one of the new breed of small Japanese portable machines.

The developers say these programs have previously only been available on mainframe computers. Cost of the computer plus programs is \$275 plus VAT. "This means" Stafford Robert says, "that each partner can afford to have his own computer which he himself will find easy to operate without the intervention of a trained operator." More on 01-351 333

### French correction

In yesterday's article on computing services, CAP/Genulit/Soged was described as having acquired a stake in Sema. It should have read Sema; Sema Metra is owned by Paribas.







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Of the British prospects, the fund is the keenest. It is also the biggest investment in this sector. The fund has taken an initial stake in the company. One of the reasons for this is the Agricultural Genetics Company, set up this summer as a "company group" of Collicott, to exploit the plant genetic research of the Agricultural Research Council.

As Biotechnology Investments set up, the new company has been very modestly funded by the three partners—British Technology Group, Advent and Ultramarine—the latter, until the investment was the first two-

year plan. Then the partners and other investors will be looking to things more heavily. Two of the funds older U.S. investments, Genetic Systems and Applied Biosystems, have just announced a joint venture in immunotechnology, to develop new diagnostic systems, new maps and sequences for genetic markers. The other automated for clinical and hospital.

These systems are aimed at the diagnosis of bacterial and viral infections, chronic illness, and cancer, cardiovascular and genetic disease. Based at Rothchild, there are the more as an important step for both companies.

One further recent investment which carries the fund managers is the firm they have placed on Genzyme, a U.S. company set up to acquire Watsonia. Biotechnology in Britain. This company makes diagnostic enzymes. It has also bought Rock-Light Laboratories, another British company, making bio-chemicals.

Genzyme plans to use these two UK companies as a base for developing biotechnology interests. Biotechnology Investments set up the company as a virtual British but driven by American entrepreneurial initiative.

## DATA STORAGE

# Drexler laser card

—interest grows

BY GEOFFREY CHARLISH

WHILE THE financial institutions and conventional card companies seem to be keeping the Drexler high capacity laser card at arm's length, interest is growing fast in Japan, and the U.S. in the idea of using the card to carry programs, leading the business microcomputer's floppy or miniature Winchester disk free to read and write user data only.

These validated ready-to-use cards caused a flurry of interest when they were first announced two years ago. They display optical modification of a spiral surface rather than magnetic or semiconductor technology. Five micron diameter black holes on a silver surface represent data and are read by simple photo-diode arrays. (A micron is a millionth of a metre).

Although Jerome Drexler, in London recently to drum up European business, originally may have seen Drexler as a competitor to magnetic storage, it is now clear that the laser card is a first application will emerge in its own right as a program storage.

### Investment

For the established card companies, with a history and large investment in magnetic storage, the laser card could be seen as a threat even though it might offer significant user advantages.

Nine electronics companies have taken licences for system development and manufacture (the cards will be made only by Drexler). They are: Canon, Eikon, Ericsson, Fujitsu, Kanto, Matsushita, NCR, Omron, Toshiba, and Wang. The revenue from the cards is expected to be \$100m in 1985 for microcomputer software. Commercial equipment are expected from the end of this year.

Significant however, is the fact that Drexler believes this is because no single leading company could obtain an advantage

Financial Times Friday September 9 1983

EDITED BY ALAN CAINE

Technology for tomorrow's world



## Plastics Du Pont's new process

DU PONT has announced a polymer plastics development called group transfer polymerization (GTP), which is said to give exceptional control over polymer molecular weight, allow precise introduction of functional properties and give "superb" control of the final composition.

The new process is particularly applicable to the production of acrylic polymers.

## Property Computer valuations

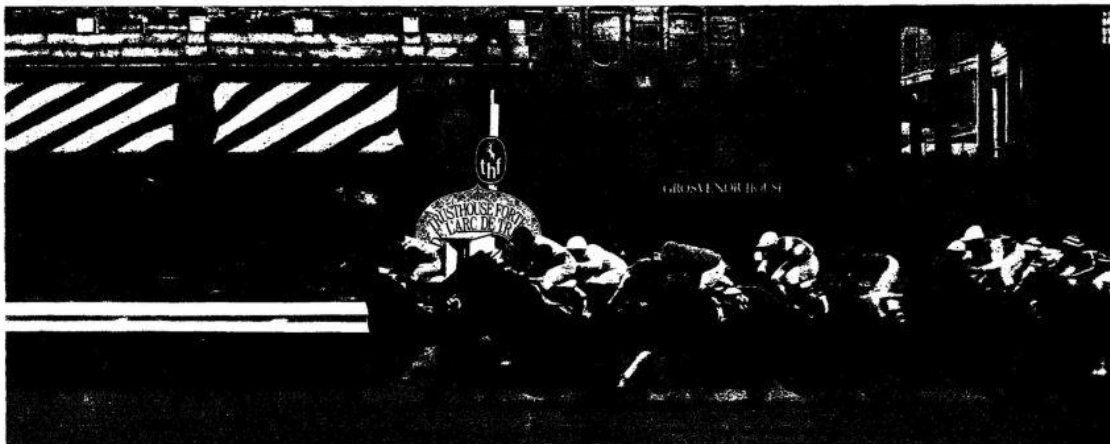
AGENTS and institutions interested in the commercial property sector can now obtain computerised valuations, reported yields, leasehold reversion and other valuation figures on a portable computer.

Stafford Robert and Partners, in conjunction with William Higgins and Company and Rimmer House, have developed a suite of programs which run on the Epson RX-8, one of the new breed of small Japanese portable machines.

The developers say these programs have previously only been available on mainframe computers. Cost of the computer plus programs is \$15 plus VAT. "The name" Stafford Robert says, "That each partner can direct to have his own computer which he himself will find easy to operate without the intervention of a trained operator."

### French correction

In yesterday's article on computing services, CAP/Comsol / Supnet were described as having acquired a stake in Sema. It should have been Sema; Sema Micro is owned by Paris.



# This year's Prix de l'Arc de Triomphe is being run from Park Lane.

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## SECTION II - INTERNATIONAL COMPANIES

# FINANCIAL TIMES

Friday September 9 1983

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## Lockheed noses out Rockwell for \$2.5bn space shuttle deal

BY WILLIAM HALL IN NEW YORK

A GROUP of companies led by Lockheed has beaten a rival consortium led by Rockwell International and landed the lucrative \$2.5bn contract to overhaul the U.S. space shuttle.

The U.S. Administration has for some time wanted more of the space shuttle programme to be subcontracted to the private sector, and the award of the shuttle processing contract is the biggest of three contracts which will be awarded to the private sector. Earlier this year, the National Aeronautics and Space Administration (NASA) selected EG&G, diversified electronic equipment manufacturer, to provide base support operations at the Kennedy Space Centre in Florida in a three-year contract valued at \$193m. A further contract to handle the processing of shuttle cargoes still has to be awarded. The purpose of the contracts is to reduce the number of bodies NASA has to deal with and make the operation of the shuttle more efficient and commercial.

The award of the contract is a major blow for Rockwell, which has built all the shuttles to date and played a leading role in servicing them. The Rockwell team bidding for the shuttle processing contract included Boeing, Martin Marietta, the USBI Launch Services Corporation and United Aerospace. Rockwell was believed to be the frontrunner for the contract because of

its familiarity with the shuttle which it largely constructed.

Although Lockheed would not comment on the reasons why it won the contract, it is understood that there was a feeling that some NASA officials wanted a change of contractor in the interests of efficiency.

At present some 15 separate companies perform various servicing tasks on the shuttle after it has landed. By consolidating these contracts into one, NASA believes that it will save money and reduce bureaucracy.

The Lockheed consortium, which includes Grumman Aerospace, Morton Thiokol and Pan American Airways, covers the ground processing, launch and landing of the shuttle fleet and operation and maintenance of the shuttle's associated ground systems at both the Kennedy Space Centre and Vandenberg Air Force Base in California. According to Lockheed the value of the latest contract is \$2.5bn for the first two three-year periods and could total more than \$8bn over the next 15 years.

The space shuttle programme lies at the heart of the U.S. space programme, and when all four shuttles are delivered they are expected to be flying back and forth into space with commercial and defence cargoes every fortnight or so.

## Seagram slows down

THE INTERNATIONAL civil airliner market is unlikely to pick up until the end of 1984 or the beginning of 1985, says M. Jean Martre, the chairman of Aerospatiale, the French nationalised aerospace group.

Aerospatiale, after several years of fast expansion, is in the midst of a difficult period of commercial belt-tightening as a result of the simultaneous downturn in its most important civil and military markets.

The company, which boosted sales 30 per cent last year to FF 21.4bn (\$2.6bn) and has followed a policy of rapid staff expansion in recent years, faces much lower sales growth in 1983 and is trying to slim its workforce through early retirements and natural wastage.

In contrast to other international aerospace groups, the company has firmly ruled out redundancies among its 30,000 employees. But to adapt production to lower orders, it is making fresh cuts in working hours throughout the group, to 36 per week at the end of the year (from 38.3 at present).

Aerospatiale, which made net profits of FF 96.2m last year (well down from FF 158.6m in 1981) looks likely to record a worse result in 1983, although it still hopes to remain in the black. As a prelude to difficulties ahead, new orders last year plummeted to FF 18.3bn from FF 22.3bn, while the company's debts were multiplied by five to FF 3bn.

M. Martre, former head of the Government's arms directorate agency, who took over as chairman following the retirement of General Jacques Mitterrand in May, added his weight to persistent French

aerospace collaboration among the French, West German and British governments, would go ahead before the end of the year.

As for the suggested year for entry into service of the aircraft, M Martre said that 1983 still seemed "a good date". Other European partners, together with some of the international airlines who would be customers for the plane, believe that 1989/90 would be a more realistic date. No formal agreement for the \$2bn development project has yet been reached.

If the Airbus Industrie consortium did not succeed with the further development of the aeroplane, he said, "Europe risks being totally absent from the commercial airliner market, and leaving the market open to the Americans."

General Mitterrand, brother of the French president, earlier this year blamed the downturn in Airbus sales partly on lack of sufficient financial support from banks in Britain and West Germany. M Martre said talks were underway between export credit agencies in France and its two European partners to try to achieve "more homogeneity" in the provision of Airbus export credits. This was necessary to compete with financial terms available from U.S. rivals Boeing and McDonnell Douglas.

M Martre defined his objectives for Aerospatiale as to maintain its "healthy" financial management "and to make profits." But like his predecessor, he made no bones about the sombre short-term outlook.

The recession has hit three of Aerospatiale's four operating divisions particularly hard - aero-

BY DAVID MARSH IN PARIS

● Aircraft, which make up 38.6 per cent of group turnover with sales of FF 7.77bn last year (up 38 per cent from 1981) is encountering difficulties from the slump in Airbus sales.

M Martre says the present Airbus production rate is down to five a month (against earlier plans of building up to eight by next year) and output would have to be cut further unless new orders came in. Airbus activities accounted for 72 per cent of the aircraft division's sales last year, against 86 per cent in 1981.

The division has also been affected by the downturn in sales and orders for the fighter aircraft and executive jets made by France's second national aircraft manufacturer, Avions Marcel Dassault-Breguet, for which Aerospatiale carries out subcontracting work.

### AEROSPATIALE'S RECENT PERFORMANCE

	Sales FFr	Net profit or loss FFr
1976	9.0bn	621m*
1977	9.5bn	447m*
1978	9.5bn	87m*
1979	11.4bn	8m
1980	13.2bn	138m
1981	16.5bn	159m
1982	21.4bn	96m

\* Loss

In particular, orders for the Mirage 2000 fighter made by Dassault-Breguet have been severely affected by French defence budget cuts, while Falcon executive jet output has had to be slashed because of the general business downturn. Aerospatiale, however, has had some compensation as a result of

plane, mostly from outside France and Italy. On the possibility of securing a deal to sell the aircraft to China, on which some in the aircraft industry are pinning high hopes, M Martre said negotiations with the Chinese were "always difficult."

On general prospects for the civil aircraft market, M Martre said there were already some signs of a recovery in world passenger traffic and in the financial situation of international airlines. But a general recovery would have to wait at least until the end of 1984 or the start of 1985.

● Aerospatiale's helicopter division, which makes up 19.8 per cent of turnover (1982 sales were up 26 per cent at FF 4.3bn), has been hard hit by the downturn in the important civil sector in the U.S., where Aerospatiale has 20 per cent of the market (especially for offshore oil installations). M Martre said there were "relatively fragile" signs of a recovery in this market, but no general upturn was expected before the end of 1983 or the middle of 1984.

He pointed out that orders for Aerospatiale's military helicopters, in operation in about 50 countries, were restrained by cutbacks in defence budgets in the West and the Third World.

● Tactical missiles, which accounted for 25.8 per cent of turnover last year (sales of FF 5.5bn, up 28 per cent), have also been affected by defence cuts and the division is "not particularly flourishing," according to M Martre. Its main product is the Exocet anti-ship weapon, of which 2,000 have been ordered for use by 27 navies around the world.

Aerospatiale also collaborates in building the French-German Milan

publicised use of the Exocet by the Argentine navy during last year's Falklands war. M Martre denied that the episode had prompted any "significant" increase in Exocet orders. He said the Falklands publicity had merely shown that the extent of public knowledge of the Exocet's effectiveness was lagging well behind already well-established professional opinion about the weapon around the world's navies.

● Space and ballistic systems. Aerospatiale's fourth operating division, making up 17.8 per cent of sales (FF 3.66bn last year, up 28 per cent from 1981), has also been affected by budgetary squeezes.

Around 77 per cent of the division's orders are from the military, and it plays a vital role in equipping France's independent nuclear force. M Martre confirmed that delays in French government programmes for a mobile SX nuclear missile and for a new generation of M 5 multiple-warhead missiles for the country's nuclear submarines were "causing a problem."

These hold-ups have been only partly compensated for by the Government's decision to start development work on a new 350 km-range semiballistic nuclear weapon, the Hades, to replace the Pluton rocket in the early 1990s.

Although Aerospatiale is going ahead at full steam with building current and future series of Europe's space rocket Ariane, satellite activities have been hit by international uncertainties over orders for television and other communications satellites. Eurosatellite, the mainly Franco-German satellite company in which Aerospatiale has an important stake, is still waiting

## Heinz ahead in first quarter

By Our New York Staff

H. J. HEINZ, the U.S. processed foods manufacturer, raised its net earnings by 11.2 per cent in the first quarter to July while sales rose by 3.4 per cent to \$940m.

The increase in earnings, from \$55m to \$61m, was roughly in line with trading profits, which went up by 10.2 per cent to \$112.6m.

Non-trading profits declined from \$7m to \$4.7m, but this was more than offset by a reduction in interest payments of \$2.8m to \$10.3m. Net earnings per share emerged at \$1.30 against \$1.07 in the first quarter, following a higher tax charge of \$45.8m against \$40m.

The results underline Heinz's efforts to reduce costs and improve margins. Mr Anthony O'Reilly, president and chief executive, said unit volume in the domestic and overseas markets went up by approximately 3 per cent, but that lower currency exchange rates used to translate foreign sales this year had reduced the figure by approximately 53m.

Mr O'Reilly sounded an optimistic note for the full year, saying that he expected the company to benefit from the improvement in the general economic environment both in the U.S. and overseas.

## AT & T in video venture

By Louise Kehoe  
in San Francisco



Financial Times Friday September 9 1983

## BERMUDA V

British Colony is only 770 miles from America's eastern seaboard

# Big U.S. influence on economy

TO MANY BUSINESSMEN here, Bermuda is a British colony in name only, and the argument is difficult to fault. Aside from such colonial hallmarks as the island's British bobbies and its British Governor, Bermuda is inextricably linked to the U.S. The evidence is everywhere.

Retailers' shelves groan under the weight of U.S.-made goods, which accounted for well over half Bermuda's 1981 visible imports of \$322.7m, compared to Britain's share of about 11 per cent—less than half what it was eight years ago. Supermarket cash tills hold dollars—U.S. and local—the shops are full of mostly American tourists, and U.S. corporations predominate among Bermuda's 5,600 offshore companies.

The strength of U.S. economic influence derives in large part from the island's close proximity to the eastern seaboard—a distance of about 770 miles. This factor alone accounts for the fact that Americans make up close on 90 per cent of the half million or so tourists who arrive here by the plane and boatload every year. It does not explain another important aspect of U.S. influence, namely the role of the mighty American dollar, which is allowed to circulate here alongside the Bermuda dollar.

### Alternative

That phenomenon, by comparison, owes less to local geography than to Britain's decision to exclude Bermuda from the sterling area. The decision, which took effect on June 23, 1972, severed what were then considered to be essential currency links with the UK, and forced the colony to seek an alternative economic ally. It turned, not surprisingly, to the U.S.

The Bermuda Monetary

Authority, in its annual report for that year noted: "Overnight, Bermuda found that an exchange control fence had been erected between her and what remained of the sterling area... Bermuda's first reaction was to try to obtain remittance. It soon became clear, however, that the UK Government was not prepared to amend its decision to exclude Bermuda... although assurances were given that no rapid repatriation of funds would be called for by the UK authorities."

Compounding Bermuda's fears of being left out in the cold by her mother country was Britain's decision to allow sterling to float. The island's dilemma was thus complete. If the Bermuda dollar, which was created in 1970, was to remain pegged to sterling, the colony would have to accept a move to a variable discount depending on the British pound's fluctuations.

So it was that on July 31, 1972, the Bermuda dollar was formally pegged to the U.S. currency and given a one-to-one exchange rate. Bermuda still had her fragile economy to protect. The island could no longer look to the rapidly-diminishing sterling area for exchange control protection. It therefore decided to set up its own controls—for an interim period.

The interim period was short-lived. The exchange control act came into force on May 1, 1983. Its liberal provisions did little to, and were not intended to, staunch the flow of much-needed U.S. tourist dollars which were allowed to circulate alongside the then devaluing local dollar. Monetary controls thus became, and still are, almost impossible to apply. The supply of Bermuda dollars alone reached \$21.8m in 1978.

By 1980 it had topped \$400m and 12 months later had risen almost 18 per cent to \$473m.

Last year it increased 15 per cent to \$546m, of which about \$400m was on deposit with the banks, \$100m with local deposit-taking companies and the rest in circulation.

The problem was and still is the U.S. dollar. Its parallel circulation makes total money supply statistics impossible to compile and the effect on the economy little more than a guessing game.

Bermuda has become a victim of its own success, according to the monetary authority's policy research specialist, Mr Bob Richards. He is careful to distinguish between imported and locally generated inflation, but argues that money supply growth has almost certainly pushed up the domestic components in Bermuda's retail price index. He describes the island's 6.5 per cent annual rate of inflation as "totally unacceptable" compared to the significantly lower levels achieved in the U.S. but points out that without the introduction of stiffer exchange controls "monetary management of the economy is not so much out of control as outside our control."

Mr Richards acknowledges Bermuda's close ties with North America, demonstrated not only in trade terms but in the presence of the U.S. naval air station and its two and a half thousand servicemen and dependents. He says he has yet to see firm statistical evidence of some economic links.

"Everybody talks about this correlation as if it were a matter of fact, but it doesn't always check out and we don't always see tourism decline when, for example, U.S. unemployment increases," he says. Even so, he admits that Bermuda's relationship with the U.S. is close to parasitic. It is not always cordial, though.

Regardless of White House intentions, the U.S. Internal

Revenue service has long had its revenue-hungry eye on Bermuda. Just two years ago the IRS prepared a 238-page report on the size of America's multi-billion dollar tax avoidance problem and recommended punitive options to "isolate abusive tax havens."

These included prohibiting U.S. airlines from flying to designated havens, slapping a 50 per cent tax on payments to haven-based recipients and disallowing tax deductions claimed against haven activities. It was not so much these which annoyed many Bermudians, as the fact that the island was described as one of the world's "most important tax havens" and placed in the same category as the Bahamas, the Netherlands Antilles and the Cayman Islands.

### Long fight

Bermuda has fought long and hard against the tax haven label which somehow persists in getting attached to the island despite its oft-repeated assertion that it is a legitimate international business centre. The colony did little to further its case when, in September 1981, it joined with the Bahamas in issuing a combined plea to the U.S. to lift tax restrictions imposed on corporations holding overseas conferences here.

Up until the late 1970s, U.S. companies staging conventions in Bermuda could offset conference expenses against their tax liabilities. That was before the U.S. Treasury blew the whistle.

It decided that only overseas conventions held in Canada, Mexico, and, more recently, Jamaica, would be eligible to qualify for tax deductions. The result was that many U.S. corporations stopped coming to Bermuda.

The island has complained bitterly ever since that it is

losing millions of dollars every year in lost business, a complaint that has become increasingly vehement as the softer the island's tourism market gets. The issue has in consequence strained relations with the U.S.

There are signs that a solution is imminent. Bermuda has been included in President Reagan's controversial Caribbean Basin initiative. In addition to promoting greater trade links with several Caribbean states, the initiative proposed to exempt Bermuda from the convention tax restrictions.

There is, however, a catch. The initiative, which was recently approved by Congress, demands that the island should cooperate with the IRS investigations of American companies registered here. Bermuda's finance minister, David Gibbons this month wrote to the U.S. Treasury suggesting talks over this so far unacceptable condition.

Predictably, the *quid pro quo* idea has gained little support in Bermuda, but with more than 5,500 international companies registered here it would have been surprising if it had.

What is surprising though is that the U.S. Treasury has not seen fit to open an IRS office here, considering the importance it seems to attach to Bermuda. Instead, the IRS office in Nassau in the Bahamas periodically sends one of its officers to Bermuda. As one American official here, who has regular contact with the Treasury, puts it: "The IRS tends the nets that catch the most fish."

Roger Scotton



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