

Eaton Joins Rockefellers To Spur Trade With Reds

Cleveland and New York Financiers to Set Up an East-West Exchange

By ROBERT E. BEDINGFIELD

An alliance of family fortunes linking Wall Street and the Midwest is going to try to build economic bridges between the free world and Communist Europe.

The International Basic Economy Corporation, controlled by the Rockefeller brothers, and Tower International, Inc., headed by Cyrus S. Eaton Jr., Cleveland financier, plan to cooperate in promoting trade between the Iron Curtain countries, including the Soviet Union, and the United States, Canada and Latin America.

The I.B.E.C. was organized in 1947 under the principal direction of Nelson A. Rockefeller now New York's Governor. It was organized as an investment company specializing in enterprises in underdeveloped nations. The company already has interests in 29 foreign countries



The New York Times
Cyrus S. Eaton Jr.

but none is in the Communist bloc.

Tower International is a wholly owned subsidiary of Tower Industries, a partnership

Continued on Page 67, Column 1

Eaton Joins With Rockefellers To Press for East-West Trade

Continued From Page 1, Col. 7

Mr. Eaton created in Cleveland in 1964 with his sister's husband, Dr. Fay A. LeFevre, and other Cleveland associates. Tower International has specialized in promoting and arranging the financing of projects in Eastern Europe.

The company is building a 600-room luxury hotel in Belgrade, Yugoslavia. Last month it arranged the financing for a \$6-million hotel in Budapest, which will be part of the Inter-Continental Hotel group. Hotels in Warsaw, Prague, Sofia and Bucharest are in various stages of planning or negotiation.

The joint effort contemplated by International Basic Economy and Tower is seen as combining the investment skills and resources of the Rockefellers and the special entree to Soviet-bloc officialdom that Tower enjoys, largely as a result of contacts cultivated over the last 15 years by Cyrus S. Eaton Sr.

The elder Eaton has been an outspoken advocate of closer ties between the United States and the Soviet Union. He has backed his convictions by visiting Russia and entertaining high Soviet leaders—including former Premier Khrushchev.

In an interview last week, Cyrus S. Eaton Jr., the son, described the arrangement between the I.B.E.C. and Tower as "headed toward a 50-50 partnership." He said that, from now on, Tower would offer International Basic Economy a 50 per cent interest in any deal it undertook. This includes the projects in which Tower is already involved, including the Budapest and Belgrade hotels, which are under construction.

Objective Outlined

In confirming the arrangement with Tower, Richard S. Aldrich, a vice president and director of the I.B.E.C., said yesterday that his organization's "objective is to improve the standard of living of the peoples of the world."

He declared, "An initiative that creates a commercial and industrial dialogue between the East and West cannot help but contribute to this end."

The younger Mr. Eaton said his organization had "firm inquiries" from five Eastern European countries, including the Soviet Union, for the construction of 10 rubber-goods plants, including two synthetic rubber plants. "These people are settling up new automobile plants and know they have got to have tire factories," he said.

The Communist governments put the total construction costs, including equipment, of the planned rubber plants at \$200-million, he said. However, according to Mr. Eaton, the American company that would provide experience and equipment for the project maintains that the figure is too low.

Another project, which Mr. Eaton said he expects Tower to complete this year, is the construction by a major American aluminum company of a \$50-million aluminum-producing plant in Yugoslavia. The American company, which Mr. Eaton declined to identify, would be compensated, he said, "by taking part of its fee in the form of bauxite and alumina."

Glass Plant Sought

Romania has approached Tower International, Mr. Eaton said, about supplying American equipment and technical knowledge for a large glass plant. The Rumanians have informed the Eaton interests that they have bids for construction in their country of a glass plant from British, French and German concerns.

Mr. Eaton said Tower became especially interested in trying

to supply the Rumanians with the plant when his representatives learned a large part of the flat glass output of the plant probably could be sold in this country.

Plans for financing the proposed projects remain tentative, according to William C. MacMillen Jr., who was named president last week of Tower International. Mr. MacMillen, an investment banker, is a partner in the parent company, Tower Industries. Mr. MacMillen, former president of the Colonial Trust Company and former director of the Cosmos Bank in Zurich, was chosen for the new post largely because of his international banking connections, Mr. Eaton said.

Financing May Vary

Financing may take one form or a combination of several forms, Mr. MacMillen explained. Basically, the host country would provide, where applicable, the land, labor and locally available materials. The American group would provide the financing, experience and locally unavailable materials and equipment. In some instances, the foreign government would guarantee, in whole or in part, the repayment of financing obligations.

The return for the American investors, as Mr. MacMillen envisages it, may be a portion of production of a manufacturing plant. Or, in some instances, it may be an actual cash return. For example, Tower may get 7 per cent of the gross revenues of the hotel in Belgrade over 19 years. In Budapest it is to receive 10 per cent of the gross for 10 years.

In another of Mr. MacMillan's illustrations, it was proposed to Tower that it accept \$400,000 a year for 20 years on a \$4-million hotel investment, after which it would have no further interest in the project.

Last month, Tower International reached a tentative agreement with the Soviet patent and licensing organization, Licensintorg, covering future licensing and patent transactions. Until now, Mr. Eaton said, the Russians have left the buying and selling of licenses and patents to the Amtorg Trading Corporation, the official Soviet agency in this country for promoting Soviet-American trade.

Amtorg's Difficulties

Mr. Eaton acknowledged the difficulties that Amtorg's representatives had encountered here in trying to arrange licensing agreements with American companies. "As you can imagine," he said, "it is almost impossible for a Russian to walk into the research department of an American aerospace company and try to arrange the purchase of a patent."

Mr. Eaton said he considered Tower International to have advantages over the "hundreds of concerns" that, within recent months, had begun to consider the Eastern European market.

"We have the knowledge that we have acquired over several years," he said. "You must realize that, when American companies enter the field of trading with the East, they are going to find they are competing also with the Germans, the French, the Italians and the British. It is going to be tough on the newcomers who think they can just walk in and sew up contracts."

In 1965, Tower International's first full year of operation, it handled \$1-million worth of trade between Hungary and the United States. By the end of last year it had \$7-million worth of orders on its books from Hungarian industry.

"We think there is a potential trade volume with Hungary alone of \$50-million a year," Mr. Eaton declared.