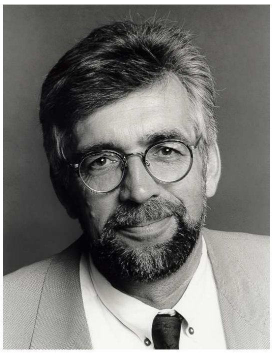
Editorial



Dr. Kurt Hornschild,
head of the department
"Industry and Technology", asks:

"The attempt by Krupp/Hoesch to take over Thyssen – German business as usual?"

Recent media reports that the German steel concern Krupp/Hoesch intends to take over Thyssen have caused an uproar. Following such a takeover Krupp/Hoesch would be one of the largest steel producers in the world, with a turnover of DM 63 billion, less than two thirds of which is realised in Germany. Consequently the European Commission will be responsible for monitoring any merging of the two concerns. Yet it is unlikely that the Commission will even open formal proceedings, as there are a sufficient number of large European competitors on the market and the potential for rationalisation so created will have a positive effect on the European steel industry which for years has been struggling with the problem of overcapacity. In that case why is the takeover making the headlines? Given the large number of major European mergers – not to mention the Boeing merger in the USA – is it not just an everyday merger between two companies: business as usual?

One remarkable aspect, at least to German eyes, is that the merger initially took the form of a hostile takeover. Even the fact that it is the smaller company Krupp/Hoesch (DM 24 billion turnover) that intends to buy the larger company, Thyssen (DM 39 billion turnover) is not of itself a sensation seen in the light of the widespread use of junk bond markets in the USA.

What is special about this takeover is that the German banks, which until now have tended to be cautious about hostile takeovers, have played a very active, not to mention highly dubious role in this case. If the members of the Thyssen supervisory board Ulrich Cartellieri (Deutsche Bank) and Bernhard Walter (Dresdner Bank), well aware that Krupp/Hoesch was planning to take over Thyssen, kept this fact from their unknowing colleagues on the Thyssen supervisory board, this would constitute a breach of faith. German company law has no place for an individual facing a conflict of interests: the only honourable option would have been to resign from the supervisory board. After the recent events the argument that no conflict of interest can arise between investment banking and seats for the banks on supervisory boards because such positions are "personal seats" scarcely seems convincing.

So far no attempt has been made to curb the power of the banks, despite the very close relationship between financial and industrial concerns in Germany. This did not appear necessary as the banks had a sort of gentlemen's agreement to exercise restraint in hostile takeovers. Yet if purely economic interests take hold, business ethics suffer. Protests by steelworkers, preparatory defensive measures by the Thyssen concern and clear signs of imminent damage to the image of the banks have forced Krupp/Hoesch and Thyssen to the negotiating table. While a hostile takeover is now no longer up for discussion, this case may well increase pressure on the German government to finally take steps to curb the power of the banks Perhaps it wasn't a case of business as usual after all!