

International Credit by Peter Rush

French banks gain Euroloan clout

Resting on their petrodollar deposits they look to stronger bond management.

During 1979, figures released on the growth of assets and deposits among leading French banks forced bankers everywhere to concede that the French had acquired a privileged access to petrodollar deposits. Informed observers attributed this to the persistent diplomacy of French President Giscard d'Estaing, and his efforts to engineer an independent European foreign policy in the Middle East based on Euro-Arab collaboration for economic development. French banks, however, had led only a small proportion of syndicated Euroloans and Eurobond issues, especially dollar-denominated ones.

This month it became more obvious that in the past 18 months, France's leading bankers are developing both the expertise and finesse to transform this acquired financial weight into a deployable, aggressive force in international banking. Just as the British banks dominated the Euromarkets in the late 60s, and the German banks moved in during the 1974-77 period, currently French banks are the most aggressive force in European and international finance. U.S. and London merchant banks have pulled back in several cases from Eurobond activity.

At the end of 1979, Bank for International Settlements reports identified Crédit Agricole (CA), France's government-owned financier of agricultural operations, as the largest deposit-holder in

Western Europe, second only to Bank of America worldwide. CA is now being reorganized to enable it to hold stock shares of companies it finances, and gain greater flexibility in international financial operations.

At the same time, by the end of 1979, France's Crédit Lyonnais emerged as the number-three lead manager of Euroloan syndications in the world, heading \$21.2 billion in offerings. While lagging behind both Lloyds Bank and the Bank of Tokyo in volume of transactions, Crédit Lyonnais achieved this performance by putting together the largest number of deals, 116.

The connection between Giscard d'Estaing's diplomacy and the growth of French international banking potential is underlined by the case of Société Générale (Sogen). Last year, Sogen reorganized its entire bond trading department, having recruited prestigious Italian banker Stefano Colonna from Morgan Stanley International to head this operation. Then in March Sogen made its first major break, heading a \$100 million bond deal for Mexico's Nacional Financiera, and a \$500 million Mexican Eurocredit. Both ventures were arranged during Giscard d'Estaing's state visit to Mexico City; and major additional financings by Sogen for Mexico are currently under discussion, including export credit loans.

Most financial analysts, as revealed in a series of interviews in

New York, haven't been giving much attention to French banking activities. Last week, however, the European Investment Bank announced that a \$100 million, eight-year dollar bond scheduled to be marketed in New York by its chief financial dealer, Merrill Lynch, would be postponed. In its place, the EIB decided to launch a \$100 million offering with a consortium headed by Crédit Suisse-First Boston. The consortium, which includes Parisbas and Bruxelles-Lambert, got the issue by offering the EIB a deal it couldn't refuse: an interest rate of 11 percent, 1/2 percent lower than Merrill's bottom offer. The dollar Eurobond sector had livened up overall as U.S. rates came down.

The same approach was then taken by Parisbas, France's most politically influential commercial bank, in designing an issue for the World Bank. In an offer described as "dramatic" by one New York bond-trading manager, Parisbas offered the World Bank, a seven-year \$100 million dollar bond at 10-1/4 percent, followed June 10 by a five-year \$200 million issue with a 9-1/4 coupon. A European source in New York commented that these latest French moves signal that "many changes" are under way in Euromarket financing. "Just one month ago," the source added, "Eugene Rotberg [World Bank director] said he wouldn't issue any dollar-denominated loans, and now it's happened. Just look at the changes underway."

Parisbas' lead for the World Bank issue—which Deutsche Bank had been expected to take if the issue was transferred—was cited as an important move in the "very competitive situation right now."