

## Business Briefs

### *Corporate Strategy*

#### **Chrysler selling foreign branch**

Chrysler Financial Corp. is currently negotiating the sale of a 75 percent interest in Chrysler Credit Australia, Ltd. to an Australian subsidiary of the Barclays Group. The \$10 million sale is the latest in a series of overseas divestitures made by the troubled U.S. corporation to raise cash and pare operations.

Meanwhile, bargaining and compromise on federal loan guarantees for Chrysler continues on Capitol Hill. The latest plan is a compromise proposal jointly sponsored by Sen. Paul Tsongas and Rep. William Moorhead which eliminates the three-year wage freeze for Chrysler workers that was specified in the Senate bill. The plan includes \$600 in wage and salary concessions from Chrysler employees, a \$100 million advance loan from the UAW, and the creation of a \$60 million Employee Stock Ownership Program. In addition, a government review board would be established to oversee the corporation, similar to the Emergency Financial Control Board for New York City. The board would consist of the Secretaries of Treasury, Labor, and Transportation, plus Fed Chairman Volcker and John Heimann, the Comptroller of the Currency.

### *Commodities*

#### **Hunt-Saudi silver grab**

The Hunt family and a group of Arab investors have sealed a deal which will permit them to jointly establish a "corner" on world silver production, according to informed market sources. On Dec. 11, Sunshine Mining Co., a Dallas-

based silver mining firm (in which the descendants of Texas billionaire H.L. Hunt have a large interest), announced the sale of more than one million shares of its stock—a 19 percent stake—to the Luxembourg-based Arab Investors Group. The Arab Investors Group is reportedly closely tied to Roger Tamraz, a leading Saudi financier who holds an additional 160,000 Sunshine shares.

Sunshine's general counsel Samuel Dash reportedly "gave the final okay" for the Sunshine-Arab Investors deal. Dash, who played a prominent role in the Watergate investigations, also heads the Jesuit Georgetown University's Law Center.

Sunshine Mining will produce 5.5 million ounces of silver this year out of a total U.S. output of 43 million ounces and reportedly controls 20 percent of U.S. silver reserves. Sunshine is also issuing silver-indexed bonds in private placements in London, the proceeds of which the company plans to use to buy up other silver mines in the U.S. and Canada.

Virtually the entirety of world silver output is concentrated in only four countries: Mexico, Peru, Canada, and the U.S. Silver, which is used in the production of batteries and film, is already in tight supply, with world consumption this year surpassing newly-mined supplies by about 100 million ounces.

Sunshine's deal with Arab Investors is being hotly contested by Andrew G. Racz, president of the New York-based brokerage firm Racz International, who had hoped to purchase the shares on behalf of an unidentified group of American investors. Asked whether the Sunshine deal might have anything to do with the reported disappearance of reserves held by the Saudi Arabian Monetary Agency (SAMA), Racz replied: "Of course, there's a connection. This is how the Arabs got the money."

According to recent reports, several Hunt family members involved with Sunshine were interviewed by the U.S. Commodity Futures Trading Commis-

sion in connection with CFTC's investigation of a silver market squeeze a few months ago. At that time British and Swiss bullion interests joined forces with a group of Kuwaiti investors and the Hunts to create an artificial silver shortage. Many small American investors were caught short, provoking the commodity regulatory authorities to investigate.

Hunt family silver holdings are rumored to have amounted at one point to more than seventy-five percent of all outstanding American futures contracts. As part of its investigation the CFTC filed a complaint Dec. 3 against a Swiss bank, Bank Populaire Suisse, which had refused to name the clients for whom it had placed large orders for silver futures.

Although this "silver cartel" has placed primary emphasis on silver, market experts say that Swiss banks are also behind the latest gold price run-up above the \$400 level, often placing their orders on the highly anonymous Hong Kong market.

One analysis of what the "cartel" is up to says that it is coordinating its activity with the Bank of England, which wishes to discredit Franco-German efforts to build a gold-based monetary system by creating excessive volatility on world gold markets, and focusing attention on silver at gold's expense. The British central bank also hopes to terminate the U.S. dollar's reserve currency role, replacing it with a currency system indexed to the price of strategically important metals and raw materials.

### *International Credit*

#### **Kuwait, Libya form joint bank**

Kuwait and Libya have agreed to form a bank with \$1 billion in resources, the Kuwaiti News Agency reported on Dec.

11. The agreement was signed by Kuwaiti Finance Minister Abdel Rahman Al Atiq and Libyan Treasury Secretary Mohammed Zarouk Rajab. The bank is designed to "support Arab monetary institutions and adopt joint enterprises to achieve economic integration among Arab countries," the agency said. Financial experts say that the agreement could reflect the efforts of certain British and Swiss bankers to establish an Arab currency bloc centered around a common "Arab dinar."

### **Domestic Credit**

## **Volcker tightens rates again**

While New York bank economists were predicting a general fall in interest rates, on Dec. 12 rates hit nearly the record highs established on Oct. 23—as Federal Reserve Board chairman Paul Volcker drained money from the banking system.

Shortly after 2 p.m. on Dec. 12, the Federal Reserve stepped into the money market and arranged to sell Treasury issues with the proviso that it would buy them back the next day: so-called repurchase agreements. These Fed transactions occurred at the point that federal funds were already trading at a high 13.5 percent level.

As a result, bond prices fell sharply and effective interest rates rose concurrently. Three-month Treasury bills rose from 12.20 percent on Dec. 11 to 12.56 percent on Dec. 12. Longer term Treasury notes and bonds also rose steeply. State of Michigan bonds (rated A-plus by Standard and Poor's rating service) totaling \$106 million issued Dec. 12, remained 80 percent unsold at the end of the day.

Many analysts believe the Fed will tighten even further. Consumer and wholesale prices have not budged from their steady upward rise over the last

few months despite Volcker's "anti-inflation" program. The U.S. freeze of Iran assets has generally unsettled the world currency markets, in combination with the threat of oil price increases. European nations have responded to the deteriorating situation by tightening their interest rates. To prevent a dollar outflow, several analysts say, Volcker will have to tighten U.S. interest rates again.

### **Banking**

## **Rosenthal protests HongShang takeover**

Congressman Benjamin Rosenthal (D-N.Y.) challenged last week the Hongkong and Shanghai Banking Corporation's attempted takeover of New York's Marine Midland Bank. In a letter to Federal Reserve Chairman Paul Volcker, Rosenthal, who chairs the House Commerce, Consumer, and Monetary Affairs Subcommittee, asked the Federal Reserve to reconsider its March approval of the takeover. In a second letter, Rosenthal asked Comptroller of the Currency John Heimann to delay action on Marine's application for a national banking charter. The bank had filed for national status as a result of New York State Banking Superintendent Muriel Siebert's refusal to permit the takeover under New York law.

Rosenthal is opposing HongShang's bid on the grounds that the bank is involved in non-financial business overseas and that the takeover of Marine violates the Banking Holding Company Act, requiring a separation of banking and other commercial activities. A Rosenthal aide denied that the Congressman's decision to oppose the bid had anything to do with Democratic presidential candidate Lyndon LaRouche's earlier charges that the HongShang acts as a central bank for the Far Eastern narcotics traffic.

## **Briefly**

● **THREE JAPANESE FIRMS** have suspended negotiations with Iran for oil purchases until after the Dec. 17 OPEC meeting in Caracas. With Iran asking for \$35 per barrel, the Japanese Trade Ministry halted the talks for fear of U.S. accusations that the Japanese are fueling oil price rises.

● **FRITZ LEUTWILER** and a Swiss government delegation traveled to Saudi Arabia on Dec. 10 for discussions with the Saudi Arabian Monetary Agency and other Saudi investors. Leutwiler, the chairman of the Swiss National Bank, is seeking to ensure orderly Saudi investment in Swiss franc-denominated instruments.

● **MEXICO'S CENTRAL BANK** will continue to accept dollar payments for oil, State Department Deputy Secretary Warren Christopher told reporters Dec. 11, following rumors that Mexico would insist on other currencies. However, Latin American countries are reportedly building up non-dollar reserve positions by quietly purchasing German mark and Swiss franc securities through Luxembourg and other European centers.

● **THE BRITISH BANK OF THE MIDDLE EAST (BBME)** announced that it will move its headquarters from London to Hongkong, home of the bank's parent Hongkong and Shanghai Banking Corporation. BBME told EIR that the move is for tax purposes. However, financial community observers associate the move with speculation by bankers at last weekend's Atlantic Institute seminar in Paris that much of the trillion-dollar Euro-dollar market will move into havens like Hongkong and the Bahamas, because of the possibility of more "freezes" on capital movements after Iran.