

Gold by Alice Roth

Silver collapse or oil grab?

The Hunt brothers were trapped in the silver crash, and the trap was laid by Engelhard and Volcker—but it had little to do with silver; it had to do with oil.

In our previous columns we have argued that the Hunt brothers, who lost close to \$2 billion in the recent silver market collapse, were the victims of a carefully laid trap rigged by the top commodity speculators, most notably Engelhard Minerals through its Philipps Bros. trading house. Their board members sit on the rule-making COMEX, and used such positions against the Hunts.

There is, however, something much larger behind the motives of Engelhard, Fed chairman Volcker and others involved. The aim of the entire operation would appear to have nothing to do with silver markets per se, but rather with reorganizing some of the world's largest independently-held oil assets, placing them under the control of New York and London-based financial interests. It appears that these financial insiders, including most notably Volcker, manipulated the entire silver situation to grab another commodity—oil—for a larger geopolitical strategy.

On May 2, the Hunt brothers told Congress that they had set up a partnership for nine years between themselves and the Placid Oil Co., owned by a Hunt family trust. The new partnership has been set up to pay off an estimated \$750 million in silver trading debts. A consortium of banks, arranged with the highly unusual approval of Volcker, has agreed to extend

Placid a \$2 billion credit line, using Placid's considerable oil and gas holdings as "collateral."

Why this complex arrangement? Why could not the Hunt brothers merely raise a relatively modest (for them) \$750 million on their own? The answer is that Volcker, using his expanded credit control powers, intervened to prevent an earlier loan to the Hunts, forcing them to agree to more onerous terms. According to the May 19 issue of *Fortune* magazine, Volcker sat in on an emergency meeting between the Hunts and some of the nation's top bankers in Boca Raton on March 30, just after the silver market collapse hit. The banks refused to give the Hunts a loan.

Fortune does not explain what Volcker's role was at that meeting. Lamar Hunt told the *Wall Street Journal* that the Fed "put a clamp on us," even freezing them out of overseas markets by putting "the strong arm on the major European banks."

The collapse of the March 30 loan negotiations resulted in the following: 1) the Hunts were forced to turn over to Engelhard a 20 percent interest in their Canadian oil and gas properties in the Beaufort Sea, in lieu of payment on a \$665 million silver futures contract which the Hunts had signed with Engelhard in January. (Engelhard Chairman Milton Ro-

senthal recently described the Beaufort Sea as "the largest single oil-producing area outside of Saudi Arabia.") 2) The Hunts had to agree to conditions under which they must sell off most of their silver holdings, while mortgaging the properties of Placid Oil.

The upshot is that a substantial portion of the Hunt family oil and gas holdings are, at least for the medium term, out of their control. Placid has substantial holdings in Louisiana, Texas, and the Gulf of Mexico. It also has a 9.2 percent interest in the Louisiana Land and Exploration Co., with large reserves of oil and gas. In short, Placid Oil's assets are a crown jewel in hemispheric energy resources.

Recall that Lazard Freres partner Felix Rohatyn is responsible for creating the Energy Corporation for the Northeast (ENCONO) which is scheduled to force the northeastern states to deindustrialize by using energy resource-control as a choke point. His Lazard Freres' partner Frank Zarb is promoting the so-called Panero Plan for creation of a "Pacific Basin" linking in key North American energy resources with Japan and Communist China in a geopolitical resource grab. Add the fact that Felix Rohatyn sits on the board of Engelhard Minerals which just took a dominant share of the Hunt's major holdings.

The question becomes: did Engelhard lure the Hunts into a rigged silver market in order to seize those substantial oil and gas assets, putting them in a stronger political position to dictate terms to Japan and the United States for an energy austerity regime?

This week's guest column is by Energy Editor William Engdahl.