Business Briefs

World Trade

Saudi Arabia "suspends" contract with Italy

Saudi Arabia's state oil exporter Petromin Dec. 5 "suspended" a contract it signed June 12 with Italy's national hydrocarbons agency, ENI. The contract was ENI's first deal with Petromin and would have provided 93 million barrels of crude oil over three years at the extremely favorable price of $18 per barrel. This would have gone far toward covering the projected 20 percent shortfaal in Italy's oil supply for 1979.

The Saudi move will have repercussions beyond Italy, since Italian refiners supply much of the rest of Europe with refined petroleum products.

The Saudi agency explained that it took the action as a result of a scandal brewing in Italy, which has resulted in a parliamentary investigation, concerning an alleged 7 percent commission paid to unknown "mediators" in the June 12 deal.

That scandal had already been denounced, the day before Petromin took its action, as a maneuver by the "Seven Sisters" oil multinationals to force ENI and the small Italian refining companies to go to the Rotterdam spot market for their crude, pushing up the price of oil in general in Italy. ENI and the independent refiners are reported to be lacking crude supplies to the extent that they are operating at least about 65 percent of capacity at present.

Domestic Credit

Futures dominating cash market

U.S. financial futures markets, which have been described as "outright speculation," have grown rapidly in recent months, according to the Dec. 4 *Financial Times* of London. The Chicago and New York futures markets, which cover a range of financial instruments including currencies and interest rates, have already begun to dominant the cash markets—raising a host of questions about these markets' adverse effect on the U.S. money supply and the management of the national debt. Richard Sandor of Conti Financial, a subsidiary of the giant U.S. grain-trading firm Continental Grain, believes that "in five years' time the cash markets will just be an appendage of the futures markets."

Chicago economist Milton Friedman is credited with having designed the first U.S. financial futures market, the Chicago Mercantile Exchange's International Monetary Market (IMM), which offered a number of currency futures contracts beginning in May 1972. The Bank of England's decision to float the pound sterling in June 1972, launching "the era of increasing currency instability," was a great "stroke of luck" which allowed the IMM to succeed, the *Times* notes. The sterling float occurred one day after Chicago Mercantile's Leo Melamed conferred with Bank of England officials on how the bank might "help" his new project.

Financial analysts have dismissed the new markets as little more than "floating crap games," in which participants place bets on where the prices of financial instruments, such as Treasury bills, will go.

Transport

Conrail announces layoffs

Conrail, the nation's largest rail corporation, is laying off 1,550 workers next week, in response to declining freight traffic, the concern announced. November levels of freight dropped 12 percent below year-earlier figures. Over the past two months, freight traffic as a whole has averaged 2 to 3 percent below 1978 levels.

It appears that rail-car leading companies are facing bankruptcy as the recession begins to hit freight traffic. National Railway Utilization Corp. has just laid off half its employees and closed three offices; its car utilization has fallen 20 percent in October and November. Itel Corporation, another major leasing company, is verging on bankruptcy, and its corporate bonds are now selling at less than half of face value.

The Interstate Commerce Commission is reportedly planing measures that could further harm the car-leasing industry. The Commission is considering a proposal to abolish incentive per diem surcharges on certain categories of rail cars, which would cut profits on these cars by around 50 percent.

Labor

Fraser may reopen Chrysler contract

United Auto Workers President Douglas Fraser, speaking to reporters in Washington, D.C. Dec. 4, said that the UAW might have to "negotiate a new wage contract within days of a Senate Banking Committee 10-4 vote rejecting the administration's Chrysler bailout package in favor of an amended version that stipulates a UAW three-year wage freeze as one of the prime conditions for federal loan guarantees to Chrysler.

Fraser's remark occurred in reply to a question as to whether the UAW would reopen to negotiation its recently signed contract with Chrysler. "In negotiations, I learned long ago never to say never," said Fraser.

The Senate Banking Committee's three-year wage freeze would amount to a 40 percent real wage cut, according to UAW figures. The current UAW pact contains a 10 percent annual wage increase, still below the rate of inflation.

Yesterday, Chrysler officials leaked to the *Baltimore Sun* that Chrysler "may run out of cash in January." Senate liberals appear anxious to extend discussion and debate on the bailout into January, a timetable that would thus coincide with a public announcement of imminent Chrysler bankruptcy. Since the Senate Banking Committee bill differs from the House's bailout bill, at least there will be a protracted House-Senate reconciliation fight in Conference Committee.

Banking

Citibank management shift due to Edwards?

Citibank's surprising promotion of Thomas Theobold, John Reed, and Hans Angemueller to the title of "Senior Executive Vice-President," apparently settling the line of succession to the bank's chairmanship, may be related to last year's David Edwards scandal.

Foreign exchange trader Edwards put the bank under a Justice Department spotlight by alleging that he had been fired for refusing to cooperate with illegal transactions designed to evade British taxes. The charge created a media stir that lasted for months. *EIR* obtained an interview with Edwards in October 1978 in which the purported whistle-blower implicated bank higher-ups.

Strangely, the bank officers whom Edwards reported to, including a German-born foreign exchange specialist, all got promotions, while Executive Vice-President George Vojta, a former Yale Divinity School student, was tarred by the scandal. Theobold was always considered behind Vojta in promotion schedules at Citibank, and his promotion ahead of his old boss, bank insiders believe, may be a result of the Edwards manipulation.

The story does not end there. Edwards, *EIR* revealed at the time of the scandal, had been sent into Citibank as an industrial espionage agent by his former employers, Samuel Montagu and Co., the leading British merchant bank and gold trader. Coincident with the management change, Citibank for the first time officially hailed the "post-dollar era," in the form of a *Financial Times* interview with Vice-Chairman Costanzo.

Did the "British" wing at Citibank carry out a coup?

International Credit

British "freeze" Iran assets

The British court system Dec. 5 froze Iran's banking deposits inside Britain. The court order came at the request of Chemical Bank of New York, which sought the freeze in the form of an injunction. Chemical Bank charged the Iranian government had defaulted on a $50 million loan, representing Chemical's participation in a $500 million loan syndication to Iran headed by Chase Manhattan bank.

The British court order will apply a freeze to all of the assets of the Iranian government as well as its central bank, Bank Markazi Iran.

But some members of the British private banking system were seeking to bring Iran back into the private financial markets. This would effectively undo the current asset freeze.

On Dec. 3, Sir Robert Clark of Hill Samuel investment bank told an Italian newspaper that the American banks' freeze of Iranian assets represents "a serious error in judgment. The Iranians have asked for lawyers," Sir Robert continued, "and we have made available counsel."

Moreover, added Clark, "this action by the Americans reflects badly on the City of London itself, old boy."

A banking analyst for a New York city investment house said that "The current officials of Iran's Finance Ministry and Treasury are British educated and have close ties to London," the analyst said. "I'm told by people on top of that some British banks will bring the Iranians back into the markets soon."

When Czechoslovakia shipped its gold to London as the Nazis invaded, he said, London shipped it right back to the new Nazi government.

Briefly

● **RICHARD COOPER,** Undersecretary of the Treasury, is leading a combined Treasury-State Department delegation to Western Europe to explain the U.S. freeze on Iranian assets. The tone for Cooper's trip was set by Sen. Jacob Javits who criticized Europe from the Senate floor Dec. 4 for regarding the Iran crisis as a "bilateral issue" rather than as an "acid test" for the postwar political and financial system.

● **TASS NEWS AGENCY** is reported to be urging the oil-producing nations to pull their petrochemical profits out of "highly unreliable and vulnerable" American banks. The decline in the value of the dollar, says Tass, is decreasing the profits of these nations. It warns the oil producers of U.S use of financial pressure, as in the freeze of Iranian assets by the U.S. Treasury.

● **"WE'RE WORRIED,"** a senior official at Bankers Trust told a congressional source, in reference to the spate of suits and countersuits between American and Iranian banks filed in British courts. "We're on very shaky legal ground, and frankly are not getting the level of U.S. government support we thought we would. Everyone's against us. But it's nice to know someone in Congress is interested."

● **PERU'S GOVERNMENT** has hired a consortium of Lazard Freres, Kuhn Loeb-Lehman Brothers, and S. G. Warburg to devise plans for its new oil surplus. In the works is an investment deal with Shell, which has as one feature Peru's taking more than its current 50 percent share of output from Belco and Occidental. Oil production is to be increased 25 percent next year, all of which will go on the Rotterdam market and garner over $1.2 billion in additional foreign currency reserves.