

Business Briefs

Banking

Chase second top-five bank to shake up brass

Chase Manhattan Bank Dec. 19 announced a change in its hierarchy including the early retirement of David Rockefeller as Chase's chief executive officer. This shakeup at the country's third largest bank follows by only two weeks a similar shakeup at Citibank, the nation's number two bank.

David Rockefeller, who holds the title of chief executive officer as well as chairman, announced that effective Jan. 1, 1980, he will step down as chief executive officer, six months ahead of schedule. Rockefeller will also give up the position as chairman on Jan. 1, 1981.

The Rockefeller announcements are only part of the change at the bank. A group of people have come into prominence at the bank who favor "computer wizardry" and retail-loan gimmicks, instead of the bank's meat-and-potato corporate and international loan departments.

John Haley, executive vice-president in charge of Chase's corporate and institutional relations, but who was regarded as the man in charge of Chase's international department, has been downgraded. Instead of reporting directly to the president's office, as he had been doing, Haley will report to executive vice-president Barry Sullivan, who heads Chase corporate banking.

One of the winners in the Chase shakeup is Willard Butcher, currently president. Butcher will replace Rockefeller. Butcher, who sees himself as "tough and driven" and who according to his bank colleagues has as his model Confederate General Robert E. Lee, is part of the "computer wizardry crowd."

It was just two weeks ago that Citibank, the nation's number two bank in size, underwent a similar shakeup favoring another "computer wizardry"

crowd. Exemplary of this is the promotion of computer whiz-kid John Reed, as well as Thomas Theobald and Hans Angemueller to the newly-created titles of "Senior Executive Vice President," apparently setting the line of succession to the Citibank chairmanship now held by Walter Wriston.

The shift in the internal makeup of America's top money center banks is seen as a retrenchment of American banking, as the British-run International Monetary Fund projects a greater role for itself inside the U.S.A.

World Trade

Saudi-Korean deal stalled over bribery charge

Hyundai Construction, one of South Korea's largest firms, won't be raking in lucrative Saudi Arabian contracts for some time, says the Dec. 14 Far Eastern Economic Review (FEER). Hyundai is still working on \$2 billion worth of existing projects but has reportedly been blacklisted indefinitely because of allegations that one of their executives attempted a \$2.5 million bribe to a Saudi defense ministry official.

Saudi defense officials confirm that Hyundai is being investigated but there is no confirmation that Hyundai has been blacklisted. FEER, for example, reports the rumor that the U.S. Army Corps of Engineers removed Hyundai from its list of contractors on a \$20 billion group of projects for which it is the Saudis' consultant. Yet, FEER also reports that Hyundai received a contract from the U.S. Corps of Engineers as recently as Nov. 28, despite the fact that the alleged bribery incident took place back in August.

If confirmed, the Hyundai blacklist would be a major blow to Korea's economic strategy. Saudi Arabia provides 75 percent of the \$20 billion in outstanding foreign construction projects, a ma-

JOR source of the foreign exchange that fuels Korea's boom. What furrows the brow of the Koreans is that the scandal comes on the heels of Saudi Arabia's cancellation of a major oil deal with Italy—all amid burgeoning scandals inside Saudi Arabia.

World Economy

State says: developing sector must "cut growth"

Despite the Brandt Commission's grandiose plan for a "World Development Agency," the U.S. State Department does not foresee any substantial increase in funding from official institutions for the Third World during the year 1980. According to a source close to Under Secretary of State for Economic Affairs Richard Cooper, although the preparatory talks for the new global round of North-South negotiations will begin next month, State does not expect the actual negotiations to get underway until January 1981. In the meantime, the developing sector is faced with an immediate financial crisis as a result of oil-price hikes and the reduced availability of Euromarket funds—a crisis for which State admitted it has "no response."

"Advanced developing countries like Brazil are either going to have to borrow more or cut growth. It looks like they'll have to cut growth," the source said. "But remember three million barrels of oil a day go to the LDCs (less developed countries). Of this, two million go to the upper echelon, like Brazil, which consists of about eight countries. The other one million goes to the lower echelon, which is 78 countries. These MSA (most seriously affected) countries don't have the capability to borrow. They will have to take the real cost of the oil price increases out of their already low levels of living."

The World Bank is also not planning

any major gear-up in its 1980 spending in the wake of the Brandt report. According to U.S. banking sources, private American banks have been eagerly lining up at the World Bank to apply for "co-financing" deals, only to find that their proposals are turned down or postponed for months. Despite the publicity about the World Bank's new orientation towards lending for energy-related projects, World Bank officials say that they expect funding for such projects to amount to only \$500 million next year out of total 1980 spending commitments of \$10 billion.

Domestic Credit

U.S. interest rates fluctuate erratically

United States interest rates moved up and down, and then upward again, in a wide band of nearly 200 basis points this last week. U.S. Treasury Securities, which had hit early October lows at the start of the week Dec. 17, and then rose sharply Dec. 19 to last week's highs.

This erratic behavior is directly traceable to the Federal Reserve Board's manipulation of the Federal funds rate—the overnight, interbank rate—according to Bleichroeder's investment bank in New York. A Bleichroeder's spokesman stated Dec. 20 that "Federal funds have moved by nearly 2 percentage points in the last week and a half. The Fed is playing for maximum confusion."

This same erratic behavior is also observable in the gold markets, where the price of the golden metal has moved from \$450 to \$496 and back down to \$475 within the space of four days, Dec. 17-20. This confusion in the money markets has made market behavior prediction virtually impossible. With no one knowing which way the markets will go, it is possible for the same forces to continue to prevent any dollar stabilization plans from materializing.

Federal Reserve participation in rigging the money markets is a standing tradition within the last 3 years. Under the chairmanships of G.W. Miller and now Paul Volcker, the Fed has repeatedly tightened money market rates before major auctions of Treasury debt. This sets a plateau for U.S. interest rates, moving them ratchet-fashion upward. Now the Fed is keeping the currency markets in worked-up confusion, preventing defense of the dollar.

Agriculture

Senate Committee promotes gasohol

Senators Talmadge and Helms, respective chairman and minority leader of the Senate Agriculture Committee, have pushed through a bill to provide \$1.4 billion in federal grants and loans to promote "small-scale production of alternative fuels from agricultural commodities and forest products."

"The agriculture and forestry biomass program," says a committee release, "is aimed at putting a nation-wide network of on-farm and small-scale commercial energy plants into production relatively quickly while a long-range synthetic industry is being developed over the next several years. It also contains provisions to encourage conservation of fossil fuels on farms and in rural communities."

Not simply a "gasohol bill," say its sponsors, the program is "the most comprehensive piece of legislation ever proposed to develop and utilize the renewable resources of the farm and forest for energy purposes." As Helms has stated in promoting the legislation: "Instead of massive government intervention people have come to expect from Congress, our bill is an integrated thrust of support to farmers and small woodlot owners interested in developing the tremendous energy potential now at their fingertips."

Briefly

● **JAPANESE TRADING COMPANIES** may be the next target in the rapid-fire series of scandals sweeping Saudi Arabia, according to rumors circulating in Washington and certain European capitals. After the Italian ENI oil-company scandal depriving Europe of a large chunk of Saudi oil, the Hyundai scandal denying South Korea a huge share of construction contracts, and the U.S. Justice Department investigation of oil company activities in Saudi Arabia, Japan remains the only large Saudi trading partner not yet hit with a corruption scandal.

● **SHEIK AL-QURAIISHI**, the governor of the powerful Saudi Arabian Monetary Agency, said Dec. 20 that recent allegations now circulating in Europe of a huge theft of billions of dollars from the Saudi treasury by 21 princes were "baseless." He added that this charge was part of a "hostile campaign" against Saudi Arabia because of its "principled stand on all international questions, notably Middle East problems." These charges were voiced in the pages of the International Currency Review, an international currency magazine that is run and largely written by the foreign exchange trading department of N.M. Rothschild's investment bank.

● **A MAJOR GOLD FIRM**, based in London, recently folded under the pressure of having taken short positions against the metal. This firm reputedly lost more than "100 million dollars" after taking its bearish position in an upward rising market that saw gold hit \$496 per ounce this week. The parent company of this billion house stepped in, folded its subsidiary and only reopened its doors after an internal house cleaning.