Iranian deposits are slightly larger than their loans to Iran. Chase Manhattan Bank has precisely $500 million in Iranian deposits—slightly more than most press accounts estimate—and $340 million in loans to Iran. The deposits are mainly concentrated in New York City, with a portion in London, Paris, and Nassau. Reportedly, Citibank's position is roughly the same. Immediately upon the Treasury's announcement, the banks simply took over Iran's deposits, covering themselves financially, but setting up conditions that could bring them down flat later.

Europe's view

If Walter Wriston had given his Nov. 14 press conference in any Western European city, and insisted that there would be no spinoff effects of the Treasury action, he would have been laughed away from the microphone. Europe is preparing for a crunch.

The Nov. 15 editorial of the *Frankfurter Allgemeine Zeitung* reflected West German banking estimates; it predicts a real estate market crash and a wave of third world defaults:

"Can there be any doubt (*FAZ* writes of the American economy) that there will be distress sales and bankruptcies? The pinch of high-cost money can be found not only in America, but out in the world, and above all in the Eurodollar market. A large part of the gigantic credit pyramid of almost $500 billion is running on a roll-over basis. Lenders are beginning to ask themselves anxiously how long a series of heavily indebted countries, for example in South America, Africa, and Asia, will be able to bear such a heavy interest burden."

FAZ continued:

"Indeed, these difficulties will grow with every month. First off it must be decided whether new credits will be given to developing countries which are heavily in debt. But many debtor countries have already made clear that if they are denied credits, they will very likely be unable to meet their interest payments."

All the rest is rumor. Two Kuwait newspapers reported Nov. 15 that it was likely that some of the radical Arab states might take action in imitation of Iran, and pull their assets out of U.S. or even Western European banks. Whether this happens, or whether Iran demands foreign currency payments for oil immediately, or any number of similar rumors bears out is not of special interest at this time. The great danger is that the Group of 30 and similar institutions are pushing the world financial system rapidly into a state where any of these options are possible, under the general rubric of "controlled disintegration."

—*David Goldman*

Zaire: a case study in credit shutdown

The people who are running the Iran crisis to destroy any linkup between the European Monetary System and OPEC are preparing a sequel: a southern Africa crisis. A London-Johannesburg-Brussels axis is now in the process of provoking this follow-up. One of the principals, Bank of England advisor Sir George Bolton, expressed his objective for Africa's future in a January, 1979 speech to the Institute of Bankers in London: "As the veneer of the educated elite wears off," he said, "there seems little hope for Africa south of the Sahara but to return to tribal anarchy."

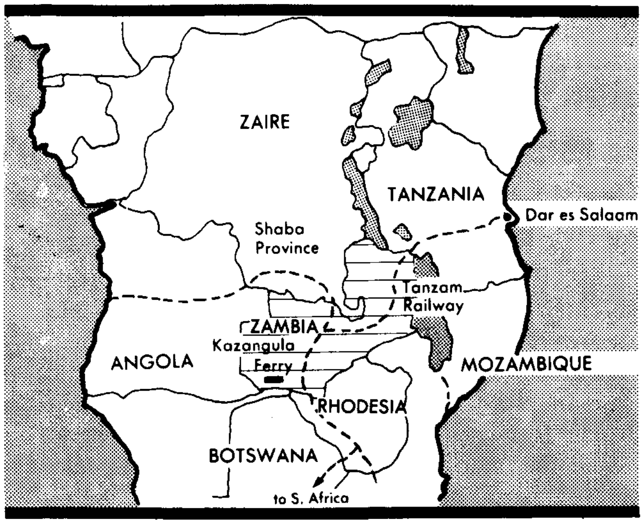
Bolton, also a director of the London and Rhodesia Mining Corporation (LonRho), is allied with the houses of Hapsburg, Rothschild, and Oppenheimer, which dominate mining and finance in southern Africa, in a coordinated campaign to isolate and economically "flatten" every country in the region. Zambia, landlocked, facing famine, and in economic chaos, has been physically isolated from the rest of the world by Rhodesian bombing of its infrastructure; Tanzania, facing bankruptcy, is the victim of an international campaign—directed by Bolton—to cut off all credit lines, and has reportedly already been cut off by the International Monetary Fund; Angola is the target of regular and heavy South African raids against its infrastructure and industry.

A statement on the South African raids by Angolan Ambassador to the EEC Luis de Almeida actually summed up the purpose of the regional campaign: South Africa aims, he said, "to create instability and keep us poor and isolated ..." Their main fear, he added, is Western rapprochement with, and investment in, Angola.

But above all, it is Zaire whose utter destruction as a nation exemplifies the deliberate evil now being organized out of London, Brussels and Johannesburg.

Zaire:

The current round of financial negotiations between Zaire and its public and private creditors—the latest in a series which have gone on since 1976—is a hoax. The creditors have no intention of refinancing the chronically ailing country. These charades included a meeting last week of the "London Club" of commercial creditors, a tentatively scheduled neeting of the "Paris Club" of public sector creditors, and a Nov. 28 meeting of the



"Brussels Three"—Société Generale (Hapsburg), Banque Bruxelles Lambert (Rothschild) and Kredietbank. The latter meeting will hear a report from Lazard Freres, Kuhn Loeb and S.G. Warburg on Zaire's overdue debt service.

Zairean President Mobutu Sese Seko is hoping to get a rescheduling of Zaire's estimated $1.7 billion in arrears and some new credit out of these meetings. His counterparts, however, have no intention of granting anything, either because the U.S. tight-money policy makes it impossible; because they have despaired of getting it back; or because they have decided that Zaire should have no future.

The immediate result will be a reign of disease, starvation, and disintegration far worse than even the current hellish conditions, making the bloody anarchy of the 1960's Belgian Congo look mild in comparison.

Preempting France

The timing for this disintegration is precise: There are already rumors that the French government of President Valery Giscard d'Estaing, which has attempted to keep Zaire stable and whole for the past four years, is ready to back the imposition of serious and constructive reforms in the country. This would involve, in particular, the cleaning out of the corrupt ruling clique which gravitates around President Mobutu, other changes in the government and the return of the sizeable number of educated—and honest—Zaireans now overseas.

The difference between the mooted French moves and the IMF and Belgian moaning about Zairean corruption is that the French backed reforms would not involve starving the Zairean population—they would involve a cleanup and new credit for development. Another difference is that Count Otto von Hapsburg's Union Minière, which moans about the corruption in Zaire, is responsible for a large part of the corrupt payoffs, in order to retain Union Minière's marketing rights for Zaire's copper production. This was pointed out in the March 16 edition of *Le Figaro*, by correspondent Jean-Marc Kalfleche, who often reflects the views and policy ideas of the Elysée Palace.

Von Hapsburg has ensured that Zaire has not gotten any credit since it first got into trouble in 1975. In 1976, Irving Friedman, Senior Vice President of Citibank, a major private creditor, tried to put together a $250 million credit package. This would have effectively rolled over Zaire's arrears while retaining their credit rating for new money. As the package was taking shape in late 1976 and early 1977, Zaire was hit with the first invasion of Shaba province—the copper mining center—by the "National Front for the Liberation of the Congo." The guerillas were exiles, or the children of exiles, who had formed the gendarmes of Shaba (then called Katanga) which seceded from Zaire (then called the Congo) under the sponsorship of von Hapsburg's Union Minière in 1961. When the secession was put down, the gendarmes fled to then-Portuguese Angola where many of them worked in the private army maintained by Harry Oppenheimer's Anglo-American Corporation, guarding the corporation's diamond mines.

Undaunted after the first Shaba invasion in 1977, Friedman tried to put together the loan for Zaire. Just before the signing of the loan, the Katanga gendarmes struck again, in May 1978. This time they took over the copper mining center of Kolwezi, holding hostage the expatriate technician population of the city. France prepared a secret military operation to save the hostages and might have succeeded if Belgian radio had not "leaked" details of the operation. The rebels, alerted, started a bloodbath, and between them and the ill-disciplined Zairean army, killed several thousand Zaireans and over a hundred hostages before the French troops arrived. Belgium tried to cover this by sending their own troops, but their stated desire was always to "negotiate" with the gendarmes—like Ramsey Clark and the Ayatollah Khomeini—drawing the crisis out as far as possible.

As a result of this raid, copper production collapsed and the mines, short of supplies, spare parts, and technicians, have never returned to full capacity.

In 1979, von Hapsburg and Oppenheimer could not send the gendarmes in, because the government of neighboring Angola had either thrown them in jail or out of the country, part of a rapprochement between Angola and Zaire that caused much gnashing of teeth from Brussels to Johannesburg. Instead, a group of Belgian and other European mercenaries mysteriously appeared in February in Rwanda, Zaire's neighbor to the east. They were arrested before they could execute their new plan to invade Zaire. It was subsequently discovered that the travel arrangements for the group had been made by a travel-agent subsidiary of the Rothschild's Banque Bruxelles.

Enter the IMF

In 1978, with the Citibank project shelved and no other sources of credit, Mobutu was forced to accede to the installationof Erwin Blumenthal, an IMF representative, as director of the Central Bank of Zaire. Blumenthal tried his best to ram an austerity program down Zaire's throat, including an allocation of the country's foreign exchange earnings: 30 percent to debt service; 30 percent to food imports and other vital consumer goods; 33 percent to raw materials and spares; 2 percent to fuel. At the same time, Zaire's currency was devalued by nearly 50 percent.

Blumenthal imposed these strictures in a country where half the children die of malnutrition before the age of 5; where food-price inflation in the cities runs 200-300 percent a year; where a low-income urban dweller must spend a month's wages for a week's food; and where agricultural production in the countryside has collapsed to bare subsistence at best. The cities of Zaire must import from overseas nearly all their food. Through a combination of the 1960s anarchy, the 1970s incompetence and corruption, and the IMF austerity measures, most of the country's roads no longer exist, and most of its truck fleet is idle through lack of spares and fuel.

On July 18 of this year, the IMF extracted from President Mobutu a letter of intent, binding his country to a "stabilization" plan, in return for which Zaire gets $150 million—in $20 million increments as long as he sticks to the plan. The plan includes: the slashing of any remaining social services, further devaluations, a domestic credit cutoff, IMF control over foreign exchange, a wage freeze, and the elimination of any cost-of-living rider in current wage agreements.

Mobutu did not negotiate this plan for the paltry $150 million—less than 10 percent of current arrears—but for the IMF seal of creditworthiness with which he hopes to negotiate further credit agreements with other government and commercial sources. He thus finds himself trotting the globe to negotiate with the "London," "Paris" and "Brussels" clubs. He has so far had no success in raising any further money, and numerous reports in banking and African-centered journals agree that he is not likely to have any. These predictions were made before Fed Chairman Volcker's credit clampdown.

Angola:

The disintegration of Zaire would particularly destabilize Angola, since it would lead to a resurgence of the tribalist National Front for the Liberation of Angola (FNLA), a cannibal gang which would like to incorporate northern Angola as part of the pre-colonial Bakongo kingdom. The FNLA used to operate against Angola out of Zaire until its activities were curtailed last year by Mobutu. Last month, Mobutu went further, giving FNLA leader Holden Roberto 15 days to get out of Zaire.

FNLA action would complement South Africa's regular raids against southern Angola. The South Africans no longer make any pretense of chasing nationalist guerillas from their illegally-held colony of Namibia: On Oct. 28, South African jets and heliborne infantry destroyed a railway tunnel, mined the line and destroyed 4 highway bridges 100 miles inside Angola—nowhere near any guerilla camps. The rail line is essential to the Cassinga iron mine in the region—which is owned by a West German firm. In a late September raid, the South Africans attacked housing and industrial buildings in the same area.

Zambia:

This coincides with the completion of a systematic Rhodesian campaign to isolate Zambia from the rest of the world: on November 6th, the Anglophile military clique which runs Rhodesia cut off all maize shipments to Zambia—which, due to a bad harvest last year requires 275,000 tons of maize by February to avert widespread starvation. The Rhodesians had already bombed the ferry between Zambia and Botswana and dynamited the rail and road routes from Zambia through Tanzania, Mozambique and Malawi to the sea. The rail route through Zaire to Angola has been kept out of commission since 1975 by the South African-supported anti-Angola guerillas of UNITA.

Zambia is already in dismal economic shape due to the collapse of the world copper price in 1975 and four years of IMF-imposed austerity.

Tanzania:

The World Bank showpiece economy of Tanzania—labor-intensive and unproductive—has been driven to bankruptcy by the economic disruption of the Uganda war, and was cut off by the IMF when President Julius Nyerere refused last month to accede to the Fund's austerity demands.

On top of this, Sir George Bolton is leading a campaign to stop Tanzania's other aid donors and commercial creditors from extending any more credit to the country. Bolton is demanding $40 million in compensation for LonRho assets nationalized last year—retaliation by Tanzania for LonRho's espionage activities in southern Africa. In a letter this month to the World Bank and other creditors, Bolton demanded "full cooperation in denying Tanzania any further aid" until LonRho is paid off.