Chase, other drug-money laundries try to pull the plug on South Africa

by William Engdahl

The emergency currency crisis which forced the Botha government of South Africa to close South African foreign exchange and stock exchanges at the end of August and declare a four-month debt moratorium on Sept. 1, was the result of a top-level decision at Chase Manhattan Bank to pull the plug on the South African economy.

The sudden cash emergency in the otherwise solvent economy of South Africa was provoked by the abrupt cut-off of short-term credit lines by a Chase-led group of U.S. banks. Reliable banking sources in Frankfurt and London confirm that Chase Manhattan and the Bank of Boston took the lead in this politically motivated decision.

South Africa promptly responded by declaring a moratorium on principal payments on its foreign debt of at least four-months' duration.

With $17 billion in foreign debt, South Africa is a relatively small debtor compared to, say, Mexico or Brazil, but a full-blown default crisis here could detonate an economic crisis of staggering consequences for the Western economy. The economy of South Africa is based on some of the most advanced mining and transportation infrastructure anywhere in the world, on which the functioning of strategic sectors of the U.S. and European economies are dependent.

Why it happened

Clearly, the action of Chase Manhattan was politically motivated. With no warning, U.S. banks, with the reported complicity of U.S. Federal Reserve head Paul Volcker, cut off their short-term credit lines. Some 60% or $12 billion of South Africa's foreign debt is routine, 6- to 12-month corporate borrowings by giant firms such as Anglo-American, Consolidated Goldfields, and others. Within hours of this surprise move, the trading value of the South African rand fell to a low of 33¢ to the dollar. In 1981, the rand was at $1.35.

When the rand collapsed on Aug. 28, the government was forced into emergency action, and South African Reserve Bank chairman Gerhard De Kock took the next jet to London, and then Washington, to meet with the heads of the Bank of England and Volcker and South Africa's New York creditors, respectively. His purpose was to get the credit lines reopened. He failed.

"Two or three" U.S. banks refused to roll over the short-term credits, De Kock told the press, "for political reasons. . . . No country can repay all of its short-term liabilities in three months. So we were forced to the decision of rescheduling our debt." Banking sources told Reuters news service that Chase was one of the banks, and that the decision was taken "about a month ago, at a very high level. With a big player like Chase out, the rest of the banks are not about to pick up its share of the credits."

On the evening of Sept. 1, South African Finance Minister Barends du Plessis announced an emergency system of two-tier currency trading, and at least a four-month freeze on payment of principal on its foreign debts. No matter that an official from the West German Bundesbank, prefers to think that South Africa has implemented a system of "delayed transfers." It is a debt moratorium: While companies continue to meet interest payments on foreign debt obligations, principal payments now go into a blocked account in the South African Reserve Bank, where the payments will be held until at least Dec. 31—and may never be released. As De Kock put it: "We will continue to make all interest payments and, if the American banks insist on withdrawing from South Africa, we will repay all money eventually—not in three months, but eventually."

Nedbank, Ltd. of Johannesburg, ranked among the world's 200 largest banks, informed its creditors that it would not be paying a maturing debt obligation, for example, because of South Africa's new restrictions on foreign exchange.

To date, only U.S. banks have tried to spark a default crisis against South Africa, while London, West German, and Swiss banks nervously maintain credit lines.

Moral rectitude?

The U.S. banks are, perhaps, taking a moral stand against apartheid? Hardly. This is the same Chase Manhattan and Bank of Boston which are falling over each other to launder billions of dollars in illegal narcotics moneys. The Bank of Boston was convicted and fined several months ago for laundering $1.2 billion in illegal drug transfers to accounts of Crédit Suisse and others. Most recently, Crocker National Bank, a subsidiary of Midland of London, was fined $2.25 million by the U.S. government for failing to report what are believed to have been illegal drug and prostitution transfers from Hong Kong totaling $3.9 billion.

U.S. Treasury enforcement chief John Walker's office estimates that the major U.S. banks launder more than $100 billion annually, more than $40 billion in cocaine, heroin, and other illegal narcotics profits. David Rockefeller's Chase Manhattan Peru subsidiary, and its former head, Manuel Ulloa, have been accused of involvement in a multi-billion dollar drug business there.

The motive for the U.S. credit squeeze on South Africa certainly does not represent a display of moral rectitude on the part of Mr. Rockefeller's banking colleagues.

Soviet global strategy

David Rockefeller's Trilateral Commission, the secret association which engineered Jimmy Carter's entry into the White House in 1976, is complicit in a strategic deal with the Soviet leadership to betray the Western alliance to Soviet imperial designs. Part of this "New Yalta" scheme includes the permanent crippling of U.S., European, and Japanese industrial-production capabilities. South Africa, because it is the most vital source of strategic minerals and other resources to the West, is to be destroyed in service of "New Yalta."

This, of course, would sentence major portions of the population of black Africa to immediate starvation. When he announced the emergency "seige economy" measures, De Plessis emphasized the serious economic consequences a further collapse of the South African economy would have for black Africans as well as the white population. De Kock also emphasized that a credit cut-off of South Africa "would not help the cause of those who want to promote black advancement in South Africa."

Some 352,000 official, and an estimated 1.2 million unofficial, black workers from other African countries presently earn wages in South Africa, many at rates far higher than they could earn at home.

In addition, South Africa supplies 100% of the electricity of Lesotho and Swaziland, more than 50% of the electricity of Botswana, and 60% of that of the Port of Maputo in Zambia.

Moreover, other African countries depend on South African rails, roads, and ports to move their exports and imports. Some 45% of the total trade of Zimbabwe, Zaire, and Malawi, and nearly 100% of that of Lesotho, Botswana, and Swaziland goes through South Africa.

In talks with *EIR*, a mineral geologist with a leading London firm specializing in South African mining and industry outlined some further consequences of a South African default crisis: "The effects of a major default crisis would be staggering. Certain U.S. State Department circles recently indicated that vital chromium imports could be gotten from Zambia if we lose South Africa. This is not possible for several reasons. Even if you could reopen the Port of Maputo, to export the chrome directly, you could not mine without the essential mining explosives and detonators and related special mining equipment. Today, the only company in all southern Africa which makes these specialized explosives is African Explosives, Ltd. of South Africa."

The geologist elaborated: "No other African country has so far dared to build such an explosives factory because, among other things, of the risk of accidental explosion. It's been far easier simply to import from South Africa. If South African mining explosives are cut off, mining in Zaire, Zambia, and elsewhere will grind to a halt. No pilot in the world would dare fly a planeload of glycerine explosives. They must be transported in special trucks, with special brass wheels, from South Africa. This would also mean the elimination of vital nitrogen fertilizer imports to those black African countries like Zaire and Zambia. African Explosives, Ltd. produces the fertilizer as a by-product of its explosives chemicals."

"Further," he stressed, "if we lose South African platinum, we could produce virtually no nitrogen explosives or nitrate fertilizers. Platinum is the only known metal able to hold boiling nitric acid used to make nitrate fertilizers. South Africa is the Free World's largest supplier of platinum-group metals. Additionally, platinum has become essential in the cracking of petroleum. All gasoline fuels used in modern jet aircraft engines depend on this catalyst."

South Africa is also the world's most important supplier of manganese metals. "If we lose this source of manganese, we in the West will be able to produce no tool steel. Neither Western Europe, nor Japan, nor the United States produce industrially significant supplies of manganese. Manganese is essential to production of all steel."

Beyond such vital agricultural and industrial links, the Republic of South Africa today has become one of the world's largest exporters of coal. Using one of the most modern coal-handling ports in the world, South Africa is the world's third-largest exporter of coal, 100 million tons per year. More than 40 million tons of South African coal flow to the industry and power plants of West Germany and France. Loss of this would put Western Europe into a position of dependency on Soviet and East bloc coal, added to its present natural-gas dependency.

Beyond this, no industrial process in Western Europe involving high-temperature smelters and refractories could occur without special high-temperature bricks. Western Europe imports 90% of such special bricks from South Africa.

"The Russians would indeed smile, if South Africa is pushed into a major default crisis," he concluded.