Commodities by William Engdahl

Behind the strange world boom

The Anglo-American centers of financial power are making a grab for control of the metals markets.

Since the Oct. 19, 1987 stock market crash, there has been a considerable boom in world commodity prices. Copper, nickel, tin, zinc, and bauxite for aluminum all have reached recent price peaks over the past months, as funds have fled the equity markets.

From 1979 to about October 1987, there had been a chronic depression in world mining, and raw material commodity prices kept falling as soaring U.S. interest rates and oil prices plunged the world economy into depression levels, especially after 1979. World mining capacity had been bankrupted or idled since 1980. Before October 1987, the London Metals Exchange (LME), the world's most important metals trading center, traded nickel for approximately $1.80 per pound.

According to one London metals analyst, industry average production "breakeven" price is $2.00, meaning heavy losses for mining producers of the metal. By January 1989, the LME price of nickel had hit an impressive $8.50 per pound.

According to a report by London metals brokers Rudolf Wolff, Western world stocks of nickel by the end of 1987 were at an alarmingly low eight weeks' supply. They fell further during 1988, assisting the boom in prices. Though less glamorous than gold or platinum, or the "strategic" metals such as cobalt, the base metals--zinc, bauxite for aluminum, tin, copper--are the heart of world industrial production. Their prices have been soaring since October 1987.

According to well-informed European and Japanese banking and industry sources, there was a consensus among Group of Five countries, arrived at perhaps during the feverish summer of 1987 when the Dow Jones index soared to its all-time 2700 point high, that global equity speculation was endangering the overall economy.

The Group of Five countries, U.S.A., Britain, Japan, West Germany, France, "reached a secret agreement at that time to 'encourage' capital flows away from stock speculation and into commodities. The public argument was that this would help the endangered debtor commodity-exporting countries, but actually it was aimed at strengthening the major international banks holding that debt," one banker stressed to this reporter. The "insider trading" crackdowns in New York, London, Tokyo, and elsewhere were part of the G-5 plan to force capital out of stock speculation into commodities, according to this report.

London and New York, the two poles of world financial power since 1919, stand at the center of a global reorganization of raw materials production, refining, and marketing. The London Metal Exchange was the focus of a turbulent shakeup and forced reorganization starting November 1985, around a liquidity crisis in its tin markets. Banking sources in London say that crisis was triggered from Washington. It was used by some as a pretext to reorganize world metals trading.

Today the LME is unchallenged as the world metals trade center and price regulator. This concentrates enormous potential world economic power into the hands of an elite.

Some months earlier, one of the the world's most important refiners of platinum and precious metals, Johnson Matthey Ltd. of London, was forced into reorganization over alleged abuses. The Bank of England forced the reorganization.

The beneficiary of that reorganization was the London-South Africa mining magnate, Sir Harry Oppenheimer, who, as a result of the affair, today is the world's most important refiner of platinum, an essential ingredient in catalyzers for "environmentally clean" auto production. Interesting to note is that Oppenheimer is close to Lazard Frères investment banker Felix Rohatyn, whose Lazard partner sits on the board of Minorco, Oppenheimer's Luxembourg-based holding company, now in the process of taking over Britain's Consolidated Gold-Fields to become the keystone of a global mining and precious metals cartel.

Rohatyn, a Democrat, was a key adviser to candidate Michael Dukakis in 1988, while Dukakis was calling for total economic embargo against South Africa. Rohatyn and Oppenheimer have some reason to think world metals worth a big fight.

Curiously, at about the same time, December 1984, certain liberal financial interests in New York and London launched a most virulent financial disinvestment campaign against the world's most important minerals producer--South Africa. Chase Manhattan and Bank of Boston triggered the crisis in the rand, by abrupt disinvestment in South African bank loans.

Does all this add up to an Anglo-American power bid to force restructuring of world economic power along the lines of 19th-century British Empire designs, only this time globally?