

This week in history: March 2–8

2 March 2020

25 years ago: Nick Leeson arrested for Barings Bank collapse

On March 2, 1995, Nick Leeson was arrested at the Frankfurt airport for his role in the Barings Bank collapse. A 28-year-old school dropout who failed mathematics, he rocketed to the front of the line of Barings traders after he was sent to Singapore to assist in technical operations in the local derivatives market. He then became the principal floor trader for Barings at the Singapore International Monetary Exchange (SIMEX).

The collapse of the British merchant bank was a further demonstration, following the Mexican peso crisis, of the deepening instability of the capitalist world financial system. Barings was liquidated February 26 by the Bank of England after posting losses of nearly \$1.4 billion in speculative trading in derivatives after the Kobe earthquake struck Japan, causing market turmoil.

During the first week following the spectacular collapse, capitalist media and banking industry officials portrayed the failure of the oldest British merchant bank as the result of the activities of a single “rogue” trader—Leeson, who had handled derivatives trading for Barings on the floor of the SIMEX.

SIMEX authorities revealed that they had met with two top officers of Barings on February 8, who assured them that they were aware of Leeson’s heavy trading in derivatives and had the money to cover his positions. Banks in Tokyo and Singapore confirmed that Barings paid out more than \$890 million in the first two months of 1995 to meet margin calls on Leeson’s trading positions, \$130 million in the final week alone before the collapse. Much of this sum was borrowed from Japanese banks.

So well-known were Leeson’s huge bets on the movement of Japanese stock, bond and currency markets that many Tokyo investment advisers had urged clients to place bets on a movement in the opposite direction, anticipating the collapse well in advance. Besides a \$7 billion bet that Japanese stocks would rise, Leeson also made the equivalent of a \$22 billion bet that Japanese bonds and the value of the yen would fall, losing an additional \$150 million.

On March 6 a British court approved the sale of the remains of Barings to the Dutch firm ING in an effort to avoid takeover by American or German banks.

50 years ago: White-ruled Rhodesia breaks from UK

On March 2, 1970, leaders of the British colony of Rhodesia (today Zimbabwe) dissolved Parliament and declared the African country to be a republic. The decision intensified a civil war between fighters drawn from the majority black population, which was largely disenfranchised from political participation, and the government, which was controlled by the minority white population.

The entire aim of Rhodesian independence was to maintain white rule. Since the early 1960s, political leaders in Rhodesia like Clifford Dupont and Ian Smith, who after independence would become the country’s first president and prime minister, respectively, had been in discussion with the British government over plans for the transition to independence. The UK had implemented a policy of “no independence before majority rule” in its colonies working towards sovereign status. Rejecting the idea of granting black Rhodesians political rights, in 1965 the Rhodesian government issued a Unilateral Declaration of Independence declaring their intent to govern the African country as they saw fit.

After further negotiation failed to bring about any agreement, the Rhodesian republic was established in 1970, as a *de facto* apartheid regime. Suffrage was granted only to those who met property requirements, essentially limiting the franchise to whites, who made up about 5 percent of the total population.

The declaration of independence deepened a civil war that had begun in 1964, when two rival black nationalist movements began waging a guerrilla war against the minority-led government, and against one another. The Zimbabwe African National Union (ZANU) had formed out of a split within the Zimbabwe African People’s Union (ZAPU) in 1963. The split was colored by the Soviet-Sino political split in the early 1960s, with the Soviet Union backing ZAPU and Maoist China throwing its support to ZANU.

After formal independence in 1970, the fighting exploded into what became known as the Rhodesian Bush War. The Rhodesian government, backed by the United States, launched a ferocious anti-communist campaign against ZANU and ZAPU. While the two nationalist organizations both waged a struggle against the Rhodesian government, they also frequently fought against one another. By the end of the conflict upwards of 30,000 would be killed, many of them civilians.

The war would continue until the 1979 Lancaster House Agreement, which declared a ceasefire and re-imposed temporary British rule until national elections could be held. ZANU would come out the victor of the elections and would officially establish an independent capitalist Zimbabwe, with Robert Mugabe serving as the first prime minister.

75 years ago: US military defeats Japan in battle of Manila

On March 3, 1945, the US Army and allied local guerrilla fighters secured control of Manila, the capital of the Philippines, marking a decisive blow to Japan's occupation of the strategically critical southeast Asian country. The victory followed some of the bloodiest fighting in the Pacific theater of World War II, characterized by brutal urban warfare and the mass killing of civilians.

The US had launched an invasion of the Philippines in late 1944, amid a mounting crisis of imperial Japan throughout the region, and of the fascist powers internationally. The aim was to isolate Japanese forces in Asia, force the country's government to divert military resources, and reestablish American control of an archipelago that had previously been a colony of American imperialism.

On January 31, 1945, General Douglas MacArthur issued an order to US troops: "Get to Manila! Free the internees at Santo Tomas. Take Malacanang Palace and the Legislative Building." On the same day, the Eighth US Army landed without opposition at Nasugbu, before rapidly advancing towards the capital.

The Japanese planned their defence by shifting the bulk of their army to neighboring, and heavily-fortified, Baguio City. American troops were able to march into the outskirts of Manila in early February, prompting MacArthur to declare US control of the capital. Over the following week, however, brutal fighting broke out. US artillery bombardment of Japanese defensive positions resulted in uncontrollable fires that destroyed much of the wooden city. The Japanese responded with mass civilian killings and desperate rearguard actions that had no prospect of success.

By February 18, Japanese forces in the city were reduced in number to just 6,000. They were cut off from escape and controlled only the small neighborhood of Intramuros. The US assault, concluded on March 3, destroyed almost the entire neighborhood, and resulted in the deaths of thousands of civilians.

Over the course of the battle for Manila, an estimated 100,000 to 240,000 Filipino civilians were killed. More than 1,000 Allied troops perished, while Japanese casualties were at least 6,000. Japanese General Yamashita would, at the conclusion of World War II, be tried by the victorious Allies, convicted of war crimes offenses and executed.

100 years ago: Abortive Arab Kingdom of Syria declared

On March 8, 1920, the Syrian Arab Congress proclaimed the establishment of the Arab Kingdom of Syria, a constitutional monarchy with Faisal bin Hussein as its ruler. The kingdom encompassed an area known as Greater Syria, which included most of what is now the modern state of Syria, as well as Palestine, Lebanon and parts of Iraq.

The kingdom was the first of many attempts by Arab nationalists to establish states independent of the direct control of British and

French imperialism.

By the end of World War I, the Allies had defeated Turkish and German troops in the Middle East with the assistance of Arab armies led by feudal-monarchical elements. In 1918 the British and French began to administer the provinces of the former Ottoman Empire, now known as Syria, Iraq, Jordan and Palestine, under the Occupied Enemy Territory Administration.

In 1919 Faisal, the son of the Sharif of Mecca in what is now Saudi Arabia, attended the Paris Peace Conference as a representative of the Arabs, where he had negotiated a secret agreement with the French Premier Clemenceau that put him in charge of a nominally independent Syria under French trusteeship.

When Faisal returned to Damascus in January 1920, more radical nationalists were unwilling to accept any French role at all. The Syrian National Congress declared that it was ready to go to war with France and Britain.

It was on this basis that the Arab Kingdom of Syria was declared. Faisal agreed to be the ruler of the new state, but behind the scenes he worked with the wealthiest and most conservative elements among the Arabs, especially the ruling elements in Damascus, who had remained loyal to the Ottomans during the war. Like Faisal, this section of the Arab ruling class generally supported imperialist interests, including the settlement of Palestine by Zionist immigrants.

Faisal allowed the Arab military to attack the French and sought an alliance with Turkish nationalists, who were fighting the French in Turkey, but simultaneously sought support from the British. The British, who had made the secret Sykes-Picot agreement in 1917 dividing up the Middle East with France, had been at odds with the French after 1919, and to some extent had protected the Arab insurgents of the Kingdom of Syria from French armies.

But by the spring of 1920, the French had made a new agreement with the British and signed a truce with the Turkish nationalists. In June the French General Gouraud gave an ultimatum to Faisal. Faisal offered an unconditional surrender despite riots in major Syrian cities, and by July the French entered Damascus and proclaimed that Syria belonged to France, "the whole of it, and forever."



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