

such direct investment through 1980—\$49 billion—to arrive at the conclusion that foreign shareholdings of U.S. companies currently are reasonably on the order of \$225 billion, 20 percent of the total value of all U.S. stocks.

In 1974, a debate broke out in the U.S. Congress over whether large volumes of foreign investment in U.S. companies could in any way injure U.S. strategic interests. Most of the debate centered around Arab investment, which grew 910 percent between 1974 and 1978, according to Treasury. In 1978, when the Shah of Iran made a bid to take over Pan American Airways, the Civil Aeronautics Board stopped the takeover on the grounds that airline companies were part of the national defense fleet, and had to be controlled by national interests.

National security at issue

The emotionalism around the question of direct investment by Arabs has only served to deflect what must quickly become serious concern about an issue that intimately affects national security.

In Figure 1, we disaggregate the estimated \$225 billion composite foreign ownership of U.S. shares, using the same ratios of how foreign funds are dispersed that the Treasury Department applied to its \$48 billion estimate of 1978 holdings. We compared the disaggregated \$225 billion to the total value of stocks for the listed industries. The results, while preliminary, are alarming, indicating a conscious policy of foreign reconversion of U.S. industry.

It is no secret that whatever the actual total volume of foreign shareholdings of U.S. stocks, that these purchases have been carefully targeted. SIA notes: "Equities issued by U.S. firms with assets of \$1 billion or more, basically representing the 200 largest industrial companies in the United States, accounted for over 77 percent of all foreign portfolio investment in the U.S."

There is convincing evidence here that foreign capital has been a major, driving force behind the division of U.S. industry into "sunrise-sunset" categories. The same European oligarchs who, in yanking their funds out of Europe, have condemned European industry to disinvestment, have channeled their capital so as to stampede investment out of basic steel, auto, industrial chemicals, heavy equipment, and consumer durables, in favor of gadget electronics, computers, services, pharmaceuticals, and energy companies.

While some U.S. congressmen currently argue that U.S. industry would not survive without infusions of foreign investment, such targeting condemns industry in this country to the same fate as much of Europe: a short-lived investment boom that would leave the United States a "once-industrialized" colony.

The 'underground economy' managers

by David Goldman

The setting is not the antiseptic offices of a downtown commercial bank or the electronic jumble of a brokerage house, but the apartment of an old man in Manhattan's East 50s, with Brueghel and Bosch originals bordering the small living room, and a replica kilogram gold bar on the coffee table. The speaker, Dr. Franz Pick, is known to Americans mostly through *Barron's* ads for gold newsletters. But the "adviser to the subterranean economy," as Dr. Pick describes himself, still consults for what he calls "my oldest client," the powerful Assicurazioni Generali di Trieste e Venezia. He is also the investment adviser to the Father General of the Society of Jesus, Fr. Pedro Arrupe, the "Black Pope," as Dr. Pick calls him.

Here is a portion of an unedited transcript of a conversation between Franz Pick and a recent visitor:

Q: There is a group of people who looted the finances of the Vatican. That includes [Michele] Sindona, [Luigi] Menini, [Umberto] Ortolani, Licio Gelli, [Gaetano] Stamatii, and a number of others.

A: I have no contact with the Italian world.

Q: Some say these are the same people who tried to kill the Pope, that this is the conspiracy that Cardinal Casaroli denounced.

A: The Secretary of State [Casaroli] is a powerful man today.

Q: They should have feared him.

A: I don't know. It's not in my sphere of interest, and my sphere of interest is small. It's the dollar, and the subterranean economy.

Q: But the Assicurazioni Generali di Trieste is one of the great forces in the world in the subterranean economy. The Jesuit order is very powerful. All of the people you say that you work for are known to us to be powerful forces in the subterranean economy.

A: Look, the banking power—in part of the world the

Hongkong and Shanghai Banking Corporation rules, from Singapore to Vladivostok. The other powerful banks—the Banque National de Paris [the giant state-owned French bank] is less powerful than the Paribas [the first among the French *banques d'affaires*]. The man who runs Paribas in Geneva is the number-one man in Geneva. The Union Bank of Switzerland is powerful; the Société de Banque Suisse has little power, the Crédit Suisse medium.

Q: The Jesuits are up to their necks in this traffic.

A: The underground markets?

Q: Absolutely.

A: Could be.

Q: Particularly in Latin America.

A: Could be, could be. The transfers of sales results of narcotics and other things out of the United States and back into the United States requires a special technique and a special knowledge, and, if possible, government connections and customs connections. Of the money supply which exists today, one-third belongs to the underground economy. One of the new tricks—one of the underground groups no later than this morning sold 10 bars of 400 ounces of gold, so about \$18,000—\$18 million, excuse me—and bought certificates of deposit at 17 percent for three months!

Of Pick's estimate that one-third of world money supply reflects the underground economy, including the narcotics traffic, there is little to say, because he declines to reveal his methods of calculation. But his expert knowledge of the institutions which control illegal money traffic must be recognized. The list of institutions he cited among the great powers in the underground economy is demonstrably accurate, and his 30-year affiliation with the Assicurazioni Generali di Trieste (the "Generali") and the Jesuit order give him a certain vantage point.

The currency offenses for which Banco Ambrosiano Chairman Roberto Calvi went to jail and "Propaganda 2" Venerable Master Licio Gelli fled to South America center on illegal money transfers between Italy and Argentina. In our July 7 Special Report, *EIR* noted the role of the "Inter-Alpha" banking syndicate, including Ambrosiano and its owners, BHF Bank of West Germany, Crédit Commercial de France, the Royal Bank of Scotland-Williams and Glyn's, and Kredietbank of Luxembourg, among others. This syndicate of mutual ownership and overlapping personnel and computer money-transfer facilities appeared in 1972, providing facilities for the transfer of very large amounts of funds in a very private fashion for very old European families.

In Italy, Inter-Alpha enjoyed the protection of Fiat

chief Gianni Agnelli, until Agnelli's chief lieutenant Carlo Bonomi went to jail in May in the same police sweep that netted Roberto Calvi of the Ambrosiano.

But more important, and older, institutions underlie Ambrosiano's power, especially in Latin America. One such institution is the official bank of the Jesuit order in Latin America, whose real estate and other holdings there reportedly exceed \$50 billion: the Sudameris Bank, or, to give its full name, Banque Française et Italienne pour l'Amérique du Sud.

Paribas of France owns a 12 percent share in this bank, and the Generali of Trieste and the Banca Commerciale Italiana have somewhat smaller stakes.

Sudameris is one of the world's least known and most extraordinary banking institutions.

Some continental European banking sources state point-blank that Sudameris "owns Argentina," in the same hyperbolic sense that Licio Gelli's collaborator Umberto Ortolani "owns Uruguay," i.e., that they are the outstanding vehicles for the flow of European and Asian flight capital into Argentina. In Argentina itself, Sudameris has 24 branches, but it maintains important outlets elsewhere.

In Peru it controls a share of the Banco de la Nación, which two years ago accommodated the Banco Ambrosiano by absorbing a majority share of its Lima outlet, the Banco Andino. The merger was required under new Peruvian banking laws stating that all banks in Peru had to be majority Peruvian-owned.

The Banco Andino incident shows what is important in the relationship: the older, Jesuit-linked Sudameris bank established the conditions under which the newer (and more exposed) Ambrosiano could do business in the area.

Perhaps more interesting is who the shareholders of Sudameris turn out to be.

On the Italian side they include the institution that Franz Pick identifies as the most influential in the world, the Generali of Trieste, and the Banca Commerciale Italiana. BCI, which has had a permanent board seat at the Generali since the former institution was founded a century ago, may be considered part of the same unit. On the French side, the big shareholder is Paribas, the premier French merchant bank, and one of the handful on Dr. Pick's short list of dominant banks in the subterranean economy.

The Bahamas dimension

"Half the suitcases on airplanes coming in and out of the Bahamas," Dr. Pick commented at one point, "are filled with cash." Again, the Austrian "subterranean economy" expert is in a position to know: he is a consultant to the Banca Commerciale Italiana's Bahamas outlet, BCI Overseas Bank. BCI's Caribbean branch is one of the largest in the Bahamas.

Coincidentally, its local board of directors included until his recent retirement Dr. Felice Pick, Franz Pick's cousin and former private secretary to Italian central banker Guido Carli.

Felice Pick's presence on the local board is doubly interesting, because the former Italian central bank official also served for 20 years as the Italian representative on the board of directors of the Sudameris Bank, representing the interests of the Banca Commerciale Italiana and the Assicurazioni Generali di Trieste. The latter's adviser, as noted above, was the Jesuit order's investment adviser as well: Dr. Franz Pick, the authority on illegal money movements.

Where did this cozy arrangement come from? "The Banca Commerciale Italiana people approached me, they sent me a letter in the mail," Franz Pick demurred in a recent interview. But the underground-economy specialist acknowledges that jailed financier Luigi Menini, a one-time associate of former Vatican financier Michele Sindona, brought him on board as the Jesuit order's financial adviser.

Menini's most famous transaction, before Italian authorities jailed him for fraud, involved the sale to the Savoy family interests of Italy's big real-estate holding company Immobiliare Roma from the Vatican's central bank, the Istituto per le Opere Religiose (IOR). The middleman for the transaction was Michele Sindona. Menini's old patron at the Vatican's IOR was Paul C. Marcinkus, a Vatican finance and executive-protection specialist; the present Vatican leadership, i.e. Cardinal Casaroli, had wanted Marcinkus out of Vatican investment management for some time, and succeeded only recently. Nonetheless, Marcinkus still has a seat on the board of directors of the Ambrosiano Overseas Bank headquartered in the Bahamas.

What emerges are 1) a virtual identity between the finances of a handful of Italian oligarchical families and the finances of *one side* of the Catholic Church, that is, the side associated with the Jesuits, Sindona, Menini, Marcinkus, and the Pick cousins; 2) the muscle that this Church-and-family-money combination wields in Latin America in particular; and 3) an extraordinary reliance on the Bahamas.

Franz Pick confirmed that the Bahamas is an important overseas money-washing center. By a factor of two, the Bahamas are bigger than any of the other "off-shore" banking centers in the Western Hemisphere. Most banks there conduct only foreign business, i.e., they may not take deposits or issue loans in the islands themselves. A handful of banks, however, have domestic banking privileges in the islands, including the big British and Canadian banks, Bank of America, Citibank, and—as of this month—the Banco Ambrosiano Overseas Bank.

Domestic banking privileges there are important for

one reason. Unlike the United States, where gambling casinos are among the most regulated of institutions, the Bahamian casinos and the big casino complex on Paradise Island can do virtually anything they want. Under these circumstances, the Bahamas casinos maintained by Resorts International and other large casino companies are among the largest cash-laundering operations in the world.

Apart from casino business, the concentration of insurance companies and commercial banks in the Bahamas facilitates large cash transactions that are otherwise cumbersome under the domestic banking laws of most countries.

In the United States, any cash deposit of \$10,000 or more must be reported individually to the Treasury Department's Internal Revenue Service. The deposit forms required under the 1974 Banking Secrecy Act have provided Treasury agents with an audit trail to banks that have accepted alleged drug deposits. Treasury investigations produced a wave of indictments during 1980 involving a relatively small group of banks, and a new investigation has turned up the names of some large institutions. One, cited in Florida news accounts reporting the objects of Treasury investigation, is Southeast Banks of Florida, whose board includes Carter White House Counsel Lloyd Cutler.

Hooking into the United States

The biggest bottleneck to the "subterranean economy" of the United States is the final requirement to convert cash into some transferable instrument that may be hidden from official scrutiny. Racetracks, casinos, restaurants, department stores, and other businesses that handle large volumes of cash are convenient devices for laundering cash derived from the \$100 billion-plus annual volume of sales of narcotics in the United States.

However, even the most foolproof cover runs the gauntlet of official reporting at some stage. These considerations have driven much of the cash laundering business offshore, to the Bahamas. Presumably, the banks who specialize in converting large amounts of anonymous cash into bank transfers or investments are the ones with authority to conduct domestic banking business.

It is interesting to note the wide range of big American financial institutions that became involved in formation of the casino business in the Bahamas, what ultimately became the Paradise Island complex of Resorts International. Resorts' international security subsidiary, the scandal-ridden International Intelligence Inc., boasted a staff composed of former National Security Agency and Justice Department special agents, and a board of directors on which were represented R. H. Macy's and Prudential Life Insurance.