Business Briefs

Banking

$100 million narcotics bust the largest ever

Drug Enforcement Administration and Customs officials arrested nine individuals including Colombian "coffee trader" Eduardo Orozco in an alleged $100 million dope-money-laundering operation in New York, the largest such operation ever cracked. Also arrested was a Citibank account manager who allegedly failed to report mammoth cash transactions made by the laundering ring.

The Nov. 16 arrests may only be the first of many, knowledgeable sources report.

The operation apparently used a commodity trader's account, through which huge amounts of money pass daily, as a screen for "laundering" cash derived from sales of narcotics in the United States and elsewhere, a mechanism detailed by *EIR* in 1980, and substantiates *EIR*'s argument that the principal money-laundry is not the relative small Florida banks, but the New York banks and commodity houses.

Public Policy

A call to revive Fascist economics

Italy's most prestigious daily newspaper, *Corriere della Sera*, published a call Nov. 14 by anglophile journalist Paolo Glisenti for a revival of the economic policy of Mussolini's Finance Minister, the Venetian Count Volpi di Misurata. According to Glisenti, Volpi's freeze of the domestically held public debt is the only appropriate way to deal with today's outstanding Treasury debts of at least $70-$100 billion.

" 'The nation will welcome the operation consolidating the public debt with a sense of relief since the Treasury bonds represented an imminent danger to monetary circulation and therefore to the value of the lira, that is to say, to the conditions of life of all the Italian people.' With these words," says Glisenti, "on Nov. 6, 1926, the Minister of Finance of the regime, Court Volpi di Misurata, explained the decision taken by the Mussolini government to render [the treasury bonds] non-convertible for 10 years. . . .

"Fifty-six years hence," asks Glisenti, "will we hear a minister of the republic make the same announcement?"

The recent announcement that Amintore Fanfani, agent of the oligarchic Pallavicini family, will replace Giovanni Spadolini as Italy's Prime Minister brings with it the possibility that the top economics minister will be Olivetti Corporation President Bruno Visentini, author of a plan, now close to realization, for a government of technocratic experts—code words for fascism—to replace the old-style politics of the parties and trade unions.

Should Fanfani follow Glisenti's advice and the "unpopular" measures of Mussolini's government, the resulting crash will be far worse than the one in 1926.

Labor

Indonesia boxes in the oil multinationals

The Indonesian government has ordered petroleum companies operating in the country to replace the 3,000 foreign technical workers in their employ with Indonesians by January 1983. The order, conveyed several weeks ago by Indonesia's state-owned oil concern Pertamina, has provoked outrage and hysteria.

"It's insane, absolutely insane," the *Wall Street Journal* quoted one oil major's manager. "There isn't any way on Earth to meet that deadline. All the government's going to do is further alienate companies that are already feeling tension in other areas."

But Pertamina spokesman are not sympathetic. Indonesia has had an open policy of "Indonesianization" for several years, they say, and those screaming the loudest are the ones who have refused to train Indonesians for the jobs in question.

The offended multis are already issuing threats of retaliation. With the economy under pressure, and oil production being cut and prices dropping under the glut conditions, carrying out the order may result in "chaos" in the fields and further discourage foreign investors, some are saying.

International Credit

L.A. governments fight high interest rates

Colombia President Belisario Bentancur met with leaders of that nation's private banks Nov. 16 to demand they lower interest rates. In a very tense meeting, Bentancur attacked the bankers for failing to carry out an order, issued the week of Nov. 8, to lower interest rates 3 percent. One banker informed the President that they would comply with his order only if he declared an "amnesty" on their dealings with funds generated by Colombia's illegal drug economy. The amnesty would allow deposits of any size without having to declare the origin of the funds.

In its first 100 days in office, Bentancur's government has jailed a number of bankers and nationalized or liquidated their banks, after investigations revealed that Colombia's private banks were heavily involved in laundering funds from the drug trade and issuing fictitious loans.

Venezuela has been the site of a similar confrontation between the nation's central bank and its private banking sector in recent weeks. Venezuela currently loses $50 to $70 million per day in flight capital. The central bank is threatening to investigate private bankers' collusion with offshore banking operations in the Caribbean as a primary route of capital flight.

A Citibank official in New York stated Nov. 17 that "the only thing Venezuela can do to discourage the flight of capital is to increase interest rates, cut the public budget, and devalue the bolívar."

Foreign Exchange

Peter Peterson warns of dollar collapse

Lehman Brothers-Kuhn Loeb Chairman Peter G. Peterson, a Nixon administration cabinet member, warned in a London press conference Nov. 18 that the dollar is "20 to 25 percent overvalued." Peterson's remarks prompted comment in the British press concerning the present weakness of the pound sterling, which has fallen to only $1.61, a six-year low, against the U.S. dollar.

London *Guardian* economics editor Hamish McRae commented in his column Nov. 19 that the recent explosion of the U.S. money supply implied potential weakness for the dollar, and a possible recovery for sterling, which fell as a result of the decline in British oil revenues.

Peterson also repeated his frequently stated warning that the United States must cut its budget deficit. British observers believe that a dollar crisis may be the trump card in arguments inside the Reagan administration over the budget issue.

Debt Crisis

Dissension at Georgetown banking meeting

An ultra-exclusive meeting of Georgetown University's Center for Strategic and International Studies' International Counsellors Nov. 19 broke up in dissension, conference sources report. The meeting, called by Georgetown CSIS chairman Henry Kissinger, discussed "The Current Vulnerability of the International Banking System."

Some participants, including Lehman Brothers-Kuhn Loeb official Nathaniel Samuels and Dutch IMF delegate Jacques Pollak, were reportedly furious at an argument presented in the principal background paper for the meeting, prepared by CSIS economist Penelope Hartland-Thunberg, warning that "revival of the world and U.S. economies would be a mixed blessing," because recovery would mean higher interest rates and inflation. The CSIS paper, commissioned by Kissinger, said that the safety of the financial system depended on

1) A "distant early warning system" for debt problems among major borrowers;

2) Forcing borrower nations to come to terms with the International Monetary Fund;

3) Increased bank lending to the developing countries following IMF agreement.

The dissenting view, presented by Nathaniel Samuels, argued that the world financial situation is too far gone for such measures to work. One conference source derided the Kissinger affair as " a lot of reassuring noises" from speakers including IMF Managing Director Jacques de Larosière and West German central bank chief Karl-Otto Poehl. "For these proposals to work, there would have to be totalitarian governments in the West," the source commented.

Law

Crucial U.S. suit against the Bank of Nova Scotia

Montreal financial sources believe that the Justice Department suit against the Bank of Nova Scotia, alleging conspiracy, tax fraud, and mail fraud, is merely the opening salient against the "offshore" activities of Canadian banks.

Canadian banks' West Indies and Latin American operations are a principal conduit for flight capital and narcotics funds, according to the 1978 bestseller *Dope, Inc.*, by *EIR* editors Jeffrey Steinberg and David Goldman.

Suit was filed against Nova Scotia in October in U.S. Colorado District Federal Court, alleging that Bank of Nova Scotia laundered funds for a dubious Colorado investment company speculating in non-existent coal reserves, whose business amounted to evasion of U.S. federal taxes.

Although the scope of the suit is fairly narrow, Montreal stockbroker R. G. D. Lafferty believes the probe may extend to the Caribbean operation. In a report to clients dated October 1982, Lafferty, a long-time critic of the large Canadian banks, noted:

"This is the first time that the United States has moved against a foreign bank in cracking down on fraudulent tax shelters. . . . [I]t must be recognized that the Bank of Nova Scotia has substantial assets in the United States with agencies in Atlanta, Boston, Miami, New York and San Francisco. . . .

"In a 1976 federal case in Miami involving another Canadian bank in the Caymans, the authority of the United States to fine or jail foreign banks or bankers operating in the United States was established. That judgment stated: 'This court simply cannot acquiesce in the proposition that the U.S. criminal investigations must be thwarted whenever there is conflict with the interest of others states.' "

Briefly

- **WEST GERMANY's** Foreign Trade Association warned in a Nov. 18 statement that debtor countries could not be blamed for the present crisis, and called for additional state-backed credits to permit them to resume purchases of industrial nations' exports.

- **THE GROUP OF TEN** leading industrial nations will meet Dec. 9 on the fringe of an OECD ministerial meeting to discuss modification and expansion of their joint checking account, the General Arrangement to Borrow, in order to provide emergency funds fast for bankrupt developing nations. But the increase in the GAB, now at $10 billion, will be modest.

- **THE CONSUMER-LED** recovery retreated further into myth in October, when spending on personal consumption rose only 0.1 percent, less than the rate of inflation.

- **THE OECD** forecasts the first decline in total industrial nations' industrial output since 1974 during the current year, and no increase in output during 1983.

- **BRAZILIAN** Economics Minister Delfim Netto will go to Japan next month in a last-ditch effort to gain sufficient financing to meet this year's obligations, after receiving a flat refusal from European bankers.

- **JAPAN AND FRANCE** are considering extending joint low-interest official financing to an international consortium which will export a cement plant to Niger, according to the *Nikkan Kogyo*. This will be the first plant deal covered by a package of loans supplied by the two nations.