

Business Briefs

Banking

FDIC chief fears too many bank failures

William Seidman, the new chairman of the Federal Deposit Insurance Corp., said Nov. 20 in an informal press conference that the agency faces a difficult task in deciding how to handle insured deposits in the large number of bank failures that are expected to continue next year.

The FDIC, he said, is considering several options: covering all deposits; covering only up to \$100,000; or covering a percentage above \$100,000.

He said he is disturbed at the irregular way insured deposits have previously been handled in failed banks—covering all deposits for large banks such as Continental Illinois, but not for smaller banks where the repercussions would not be so great.

Banking

Who is blocking U.S. money-laundering probe?

Richard Deveraux Hill, former chairman of the Bank of Boston, is currently heading the private bankers' cartel which is controlling all negotiations of European and U.S. banks with Third World debtors. Intelligence sources believe that he may be using this position to squelch U.S. government investigations into dirty money-laundering.

Hill's bank was found guilty last year of willfully failing to file reports on \$1.2 billion in cash transactions abroad—funds which Treasury Department and other investigators believe were "laundered" from the drug trade. In a plea bargain arranged by Boston U.S. Attorney William Weld, Bank of Boston was fined a token \$500,000, and the matter was dropped.

According to London financial sources, the financial negotiations around the so-called Baker Plan to inject some \$20 billion in new lending to keep the Third World debt crisis from exploding, is being run by Hill's cartel, known informally as the Ditchley Group, formally as the Institute for Inter-

national Finance.

London sources characterize Hill's IIF, as a "private IMF" because of its extraordinary power. Other founding members include the scandal-ridden Lloyds Bank of London and Crédit Suisse, which absorbed part of the White Weld investment firm of the family of U.S. Attorney Weld, and which was correspondent for much of the Bank of Boston's unreported cash transactions.

"I would not be surprised if there is a connection between the administration's hopes for cooperation on the Baker Plan from the banks of the Ditchley Group and your report that the government has backed off of pursuing money-laundering cases against banks such as Bank of Boston," a well-placed London banker told *EIR*. He speculated that the Ditchley Group is being used by Bank of Boston, Chase, and other banks to black-mail the Reagan administration on the issue.

Austerity

García rejects budget cuts

Peruvian President Alan García has rejected cuts in the government budget that would gouge the living standards of the Peruvian population. "It would make no sense for me to be preaching all over the world that foreign debt payments had to be limited, if, doing that, we were to freeze all the funds saved. We are advancing toward national development and that money has to be used in the people's benefit. That is my credo and that is what I am going to defend."

García made his statement in response to statements from Peru's bicameral budget commission that the budget would be cut from 54 to 45 billion soles. The commission is dominated by Communist-leaning members of García's APRA party.

García has placed a limit on debt-service payments of 10% of foreign-exchange earnings, and has disavowed the previous government's agreement to meet debt service payments to the Soviet Union by export of chickens. A Soviet cargo ship will leave Peru without the chickens they expected to receive, Finance Minister Luis Alva Castro

told the Soviet ambassador on Nov. 14. The chickens will be used to feed hungry Peruvians, Alva Castro told the Russians and the chicken producers who met with him.

Invisible Hand

BIS is quashing drug-money investigation

The Bank for International Settlements in Basel, Switzerland, is "putting the lid on" any major investigations into drug-related money-laundering, a London insider told *EIR* Nov. 18.

"Here and there, the worms are coming out of the wood about what is going on with this money-laundering," he said, "but very quickly, the lid is put on by the central banks, because of the great uncertainties in the international financial system caused by the debt crisis.

The BIS is operated privately as "the central banks' central bank."

Commodities

Bank of England hosts tin meeting

The Bank of England Nov. 16 hosted a meeting of all tin-dealing members of the London Metal Exchange (LME), together with the 35 banks directly involved in financing tin trade, to come up with a rescue package to be proposed to the International Tin Council, the association of tin-producing nations.

The ITC is estimated conservatively to owe at least £600 million to creditor banks, largely as a result of a four-year-long arrangement whereby the tin-producers borrowed to purchase their own tin in quantities sufficient to keep the price from collapsing. The arrangement itself collapsed at the end of October, and the tin-producers announced they could not repay the debts accrued in this fashion. The tin windows at the LME shut down and have not reopened.

The Bank of England was concerned to finalize some position to permit the LME to resume trading in tin on Nov. 18. An agreement with the banks reportedly gives the ITC a five-year "moratorium" on debt repayment to the banks and possible new loans of up to £300 million. The sticking point for the banks, however, is their insistence on loan guarantees from 22 member-nation governments of the ITC. Tin trading, therefore, did not resume Nov. 18.

To date the Bank of England is limiting its intervention to its "good offices," refusing to put up any money to resolve the crisis.

Finance

Israelis competing for dirty money

Israeli banks are trying to take the place of Swiss banks as vehicles for money-laundering, an Israeli investigator told *EIR*. He said that for the past five to six years, Israeli banks have been trying to outflank the Swiss, by offering favorable interest rates and opening up branches all over North and South America.

Israeli mafia figures will smear as "anti-Semitic" anybody trying to investigate their involvement in money-laundering, and that is a contributing factor in the hesitation of Washington officials to investigate, he added. He cited as a model of the cover-up, Manhattan District Attorney Robert Morgenthau's quashing of investigations into the crooked operations of banker David Gravier several years back.

International Credit

Mexico 'guinea pig' for Baker plan?

"The guinea pig for the Baker Plan is to be Mexico, not Argentina," said Argentina's Secretary of Economic Coordination, Adolfo Canitrot, in an address to a private foundation in Buenos Aires on Nov. 19. The

Baker Plan proposes \$20 billion in new private bank funding to prevent an explosion of Third World debt, using the World Bank as a vehicle in place of the hated International Monetary Fund. In turn, it demands the "restructuring" of the economies of the debtor countries.

Speaking in the name of the economics ministry, Canitrot said: "The real test of the Baker Plan will not be in Argentina. The theme of that plan is the Mexican situation, and in that respect we are in continuous contact with the authorities of that country.

"We Argentines should not feel ourselves in the center of the plan, because the Mexican question will show if the Baker Plan is effective or not. Thus, the Argentine government will not issue any judgment on the merits of the plan."

Development

Fight in Bonn over aid to Peru

"Yes, there is pressure to freeze aid to Peru," reported a Bonn government official to *EIR* on Nov. 15, when asked about the ongoing dispute over the 71-million-deutschemark deal signed with Peru in early November. Especially from the finance ministry, efforts are being made to freeze the money despite the fact that the money has already been officially promised to the South America country.

"We are aware that [Peruvian President Alan] Garcia has frictions with the creditors, but a lot more must happen, before we don't pay the money we have promised," said the official.

He continued: "Garcia's program for agricultural improvement looks very promising, and we are going to co-fund that, and most of the 71 million will go into the construction of a dam to supply water for irrigation."

The project referred to is Gallito Ciego, which includes the construction of a dam, roads, electric power stations, and new villages for Peruvian farmers whose current homes lie in the area to be covered by the waters built up behind the dam.

● **NICHOLAS DEAK**, frequently cited in congressional investigations as a money-launderer, was shot dead in his office Nov. 16 by an alleged vagrant. Deak's firm, a specialist in gold bullion and foreign currency, handled flight capital on every continent. A former OSS officer, Deak maintained close ties to the Central Intelligence Agency, handling covert money transfers for intelligence operations, and also possibly acting as a "window" on Soviet dirty-money operations.

● **CHINA** offered visiting Peruvian trade officials a \$200-million credit for "reactivation of the agricultural sector" on Nov. 16.

● **SWISS BANKS** could finance "free enterprise zones" whose creation is now being discussed in Brazil, according to sources in Buenos Aires. The zones would be created through provincial governments. Certain West German and Miami banks are also offering favorable loan terms to the provincial governments for "investments." The areas under discussion are havens of drug smuggling.

● **BANK OF BOSTON** has granted a \$50 million credit to an Israeli "film company" that is "100% involved in organized crime activities," an Israeli source told *EIR*. The company, called "Cannon" in English and headed by one Nahum Golan, has hired E.F. Hutton as its broker.

● **AGRIDEV**, an Israeli firm, will help Grenada develop and market exotic fruit, according to the island's agriculture minister, George Brizan. Financing of \$5 million will come from the World Bank. The same kind of project failed in Puerto Rico, and the government was forced to take over two Israeli-sponsored agro-projects after nearly \$40 million in loans.