

How the traffickers launder drug money

by Gretchen Small

After the world supply of drugs has been produced, processed, distributed, and consumed, there is one further step in the process that completes the "Dope, Inc." cycle: The \$558 billion per year in gross revenue must be "laundered" through the international banking system. This is the most serious logistical problem faced by the drug trade, where it is most vulnerable; yet no government has dared touch it!

Take it from the beginning. A dealer sells cocaine on the streets of the United States for cash, some \$100 per gram. He then pays off his supplier, who may supply a network as large as a hundred or more dealers. This supplier may accumulate tens or hundreds of thousands of dollars per week, most of it in \$20, \$50, and \$100 bills. But he can't just go to a bank and deposit it. Under U.S. law, banks must report all deposits of \$10,000 or more.

Traffickers have turned to high cash-turnover businesses—such as hotels, casinos, restaurants, and sports events—to launder their money. Since banks don't have to report deposits made by these businesses, drug profits are simply mixed in with legal cash flows.

Cash is also frequently shipped out of the United States. Often planes which fly cocaine into the U.S., fly back loaded with \$20, \$50, and \$100 bills. The bills can then either be deposited directly in offshore banking centers—where no questions are asked—or in remote bank branches in the drug-producing countries. These funds are then wire-transferred out to the offshore banks, into secret accounts where there is no government supervision.

Only a tiny portion (at most 10%) of the drug revenues ever stay in the producer countries—and virtually none of that benefits those nations' productive economies. It is simply a lie to say that the drug trade is a "bonanza" for Ibero-America.

Although no precise figures are available, a leading anti-drug prosecutor in Switzerland, Paolo Bernasconi, told Italy's *La Stampa* newspaper in January 1990 that the leading money-laundering centers include the United States (Miami and Wall Street), Canada, Great Britain, and, of course, Switzerland.

Today many Ibero-American governments, including Venezuela and Mexico, are rushing to change their banking laws so that they can capture some of these "hot money" flows. They foolishly view this as a way to help pay their foreign debt, and solve their financial crises.

Drug-dependent economy

The world financial system is now as addicted to drug monies as a junkie is to heroin. Without the regular flow of those monies, the system would collapse.

As the London *Economist* wrote proudly in June 1989: "It is obvious . . . that drug dealers use banks. . . . The business . . . has become part of the financial system. . . . If you had morals or ethics in this business, you would not be in it."

U.S. finances are so dominated by money laundering that Treasury officials cannot locate 80% of all the dollar bills printed by the U.S. Treasury. Cocaine plays such a predominant role in the U.S. financial system that a significant majority of all \$20 bills show physical traces of cocaine dust on them!

Yet no government has ever touched the *system* which allowed this to occur. At best, a few accounts here and there have been seized. To this day, money laundering is not even a criminal offense in 8 out of the 15 industrialized nations. In the United States, the center of the problem, government action is a joke: No top management has *ever* been charged or prosecuted for criminal money-laundering activity.

The banks didn't just take advantage of the drug trade profits; they have *promoted* their "right" to make use of them. As one banker stated in an off-the-record discussion in London in 1986: Dope "is the biggest source of new financial business in the world today. . . . I know banks which will literally kill to secure a chunk of this action."

The banker worked for one of Wall Street's biggest investment houses, Merrill Lynch. The chief executive officer of Merrill Lynch for 12 years was Donald Regan, who served as Treasury Secretary and Chief of Staff of the White House for seven years of the Reagan presidency.

The bankers have also sponsored the campaign to legalize drugs. "Cocaine is indeed clearly the most profitable article of trade in the world," the *Economist* wrote in August 1989. "Vast untaxed profits amass in the conspirators hands." The time has come to legalize the dope trade, the magazine argued.

Instead of prosecuting drug-bankers, this crowd has prosecuted anyone who has acted against the drug trade, such as Lyndon LaRouche, the American economist who commissioned the book *Dope, Inc.*, which first exposed how the bankers set up the dope trade.

In 1986, in Panama, Gen. Manuel Noriega closed down First Interamericas Bank after it was proven that the bank was owned by the Cali Cartel. In December 1989, U.S. occupation forces invaded Panama on the pretext of the lie that Noriega himself was a drug runner—and proceeded to place four members of the board of that same First Interamericas Bank in power—as President, Attorney General, President of the Supreme Court, and Minister of Treasury. The result: Drug running in Panama has *grown* since Noriega's ouster.