

Drug-money crackdown hits City of London bankers

by Jeffrey Steinberg

The Clinton administration, as a by-product of its crackdown on drug-money laundering, is in the process of rolling back key features of the banking deregulation frenzy that has helped bring the international financial system to the brink of disintegration. In taking this initiative, the President has launched another crucial front in his “war and a half” against the British Crown and the Club of the Isles, by directly tackling their offshore hot-money centers.

At the end of October, the President signed Executive Order 12978, which declared a state of “national emergency” to combat the “unparalleled violence, corruption, and harm” brought upon the United States by the Cali cocaine cartel of Colombia. But in accompanying White House fact sheets and press releases, the administration made it clear that the state of emergency dealt with a far broader enemy network than simply the cocaine-trafficking organizations in Colombia. Indeed, on Oct. 21, President Clinton signed a secret Presidential Decision Directive, PDD-42, specifically targeting 50 international money-laundering centers, all around the globe. The directive, portions of which were leaked to several American and British journalists, ordered the secretaries of the treasury, defense, state; the chairman of the Joint Chiefs of Staff; and the heads of every federal law enforcement agency, to use all the legal means at their disposal to shut down these centers.

James Adams, the Washington bureau chief of the *Sunday Times* of London, candidly admitted that the Presidential action directly targets the City of London, which, he confessed in a Nov. 12 column, is rapidly “becoming the money-laundering capital of the world.” Adams reported that the sovereign British territories of the Cayman Islands and the Turk and Caicos Islands are at the top of President Clinton’s list of hot-money centers to be shut down. In fact, the list is unques-

tionably dominated by British-run offshore banking centers.

The thesis of the book *Dope, Inc.*, by the editors of *EIR*, which has sold 150,000 copies since 1979, was that the City of London financial establishment and the British Crown were the ultimate controllers of the world’s illegal drug business, that drugs and terrorism were synonymous, and that the most efficient means of destroying the narcotics trade was by cracking down on the banks that launder the drug profits.

What is significant is that the Clinton administration has taken some serious steps aimed at taking out precisely those narco-banking centers.

The Clinton initiative also goes after the so-called “asteroid” networks of rogue American intelligence agents, many with long-standing ties to former President George Bush, who themselves became an integral part of the international narcotics structure. While the Bush administration talked about “fighting a war on drugs,” all the while they were protecting their own ties to the “asteroids,” and blocking any effective anti-drug action. President Clinton is far less encumbered by ties to these rogue intelligence circles, which, sources say, are now under heavy attack under PDD-42.

Operation roll-back?

One of the first indications of the existence of PDD-42 came from former *Washington Times* editor-in-chief Arnaud de Borchgrave. In the Nov. 3 *Washington Times*, he purported to quote from sections of PDD-42 which hint that the Clinton administration is also initiating a roll-back of the past 17-year process of deregulation of the U.S. banking and financial system. That deregulation opened up the U.S. banking system, and the U.S. economy, to a nearly fatal takeover by speculators and flight capital—including hundreds of billions in narco-dollars.

De Borchgrave reported: "Among the actions ordered by the President are negotiations to close down about 50 money-laundering centers in the world, most of them in tiny sovereign nations and members of the United Nations. If these negotiations are unsuccessful, the directive said, 'these centers will then be denied access to the American financial system.' "

Prior to the onrush of banking deregulation beginning in the late 1970s, the United States maintained a policy of strict "transparency," meaning that no foreign banks could operate inside the United States if the banking laws in their home countries were not in conformity with American regulations. That kept a great deal of illegal capital from penetrating the American banks, and forced organized crime to go through elaborate contortions to hide their illicit profits, and eventually "wash" them back into the U.S. banking system.

To roll back deregulation, even on a selective basis, sets a critical precedent for a long-overdue return to sound national banking practices.

On several fronts, the President has already backed up his words with deeds. Simultaneous with the announcement of E.O. 12978, the Department of the Treasury Office of Foreign Assets Control issued a list of 33 companies and 47 individuals involved with the Cali Cartel. American companies were barred from doing business with those listed, and the Cali Cartel assets were simultaneously banned from doing business in the United States. At least one of the Colombian companies listed was a pharmaceutical outfit that did an enormous amount of business with such U.S. companies as Proctor and Gamble.

Sources familiar with the recent expansion and transformation of the international drug trafficking organizations say that the move to ban these companies from having any dealings with the United States could be crippling for the top levels of the illegal narcotics business. Increasingly, Dope, Inc.'s corporate chiefs have been investing their funds in legitimate businesses, kept separate from their money-laundering front companies. These businesses range from textile factories in China, to manufacturing firms in Colombia, to recently privatized industries in eastern Europe and Russia. Due to the near-slave-labor conditions in many of these areas, these companies are generating large profits—independent of the narco-business that generated the initial capital. In the long term, these sources say, there is a grave danger that honest governments in many parts of the world will find themselves beholden to the dope cartels—without even knowing it.

Nowhere is the danger of this phenomenon greater than in eastern Europe and the nations of the former Soviet Union. Even with the preliminary crackdown on the British offshore banking centers, some of the hot-money centers have been relocated to Russia, Poland, Hungary, and other nations. In Moscow alone, there are over 3,500 foreign banks, operating under no restrictions. If the United States is to truly forge a strategic partnership with Russia, as the recent Clinton-

Yeltsin Hyde Park summit promised, then it is an urgent priority that the money-laundering problem be solved.

Rubin in Argentina

Dec. 2 and 3, Treasury Secretary Robert Rubin chaired a hemispheric conference on money laundering in Buenos Aires, Argentina. In a briefing he gave in Washington just before his departure, he reiterated President Clinton's commitment to crack down on dope bankers, adding that he would press for all of the governments of the hemisphere to create special law enforcement units focused on the money-laundering problem.

In several Ibero-American countries, there are already signs of cooperation in the U.S.-led crackdown. In Brazil, the government has launched an investigation into flight capital and money laundering by several banks associated with Edmond Safra, the owner of Safra Bank and Republic National Bank of New York. Back in 1989, Safra was publicly linked to two of the world's biggest money-laundering organizations, the Medellín Cartel's "La Mina" operation, which used Uruguay as a base for hot-money laundering, and the Shakarchi Trading Company, a Swiss-based Lebanese outfit that handled enormous amounts of cash for the Bekka Valley Syrian heroin and hashish mafia. At the time, with Bush in the White House and the war on drugs "dead on arrival," Safra was able to skate out of trouble. The Brazilian probe, focused on Safra Bank and Excel Bank (owned by several of Safra's cousins), suggests that things are once again heating up for the "don" of the Aleppo, Syria-based Jewish community worldwide.

On Nov. 15, Swiss authorities arrested the sister-in-law of former Mexican President Carlos Salinas de Gortari, as she attempted to withdraw \$93 million from a Swiss bank account using false papers. On Nov. 25, a senior official of the Mexican Attorney General's office told the daily *El Financiero* that her husband, Raúl Salinas, "used Citibank of Mexico City to make deposits which were channeled to diverse bank accounts in Switzerland and other European and Latin American countries. . . . We have the documents which prove the establishing of corporations and businesses for the laundering of money from drug-trafficking." It has also been publicly acknowledged that the Salinas investigation and money-laundering crackdown is a cooperative effort of the Mexican, Swiss, and American authorities.

The Clinton administration, according to sources, is committed to carrying out PDD-42 and the other anti-drug-money-laundering initiatives with full respect for the sovereignty of the governments with which it is collaborating. As a result, many people in Washington are not aware of the scope of the administration's crackdown, because the leading actions are being taken by nations all over the globe. Given that the Gingrichites in the Congress are in bed with the dope legalization lobby, led by George Soros, and might therefore oppose these measures, that is probably the best approach.