

Brazil's Cardoso risks all to keep 'stability' myth afloat

by Geraldo Lino

Although it was officially announced on Jan. 6, the purchase of the failed Banco Economico by the consortium made up of the Banco Excel and Union Bancaire Privée (UBP) of Geneva, Switzerland, was only finalized on April 17, through the direct intervention of Brazil's President Fernando Henrique Cardoso. The delays in finalizing the deal were due, in large part, to government fears, especially those of the central bank, of openly linking itself to banking institutions which are so blatantly involved in "irregular," that is, illegal, activities.

As *EIR* and other Brazilian journalists have documented, the UBP is under investigation in three countries for involvement in money-laundering, and Banco Excel, linked to the notorious Safra family, can hardly be considered clean. In fact, *EIR*'s revelations on UBP's unsavory activities provoked its president, Edgar de Picciotto, to write letters to the major Brazilian media, accusing *EIR* of launching a "slanderous campaign" against his bank.

De Picciotto retailed the lies circulated by the Anti-Defamation League of B'nai B'rith (ADL), a right-wing, racist hate-group, claiming that *EIR* and its founder Lyndon LaRouche are "neo-Nazis" and "anti-Semites." A similar slander against LaRouche came from *Atenção* magazine, in its November 1995 issue. Most revealing is the fact that one of the magazine's sponsors is the Sirotsky family, also linked to circles close to the ADL. It is one of the important backers of President Cardoso's free-market reform program.

Cardoso chose to ignore the implications of the UBP-Excel deal, and rammed it through—by Presidential decree no less. Since foreign participation in Brazilian financial institutions is prohibited by the Constitution, except in specific cases of public interest, Cardoso issued a special decree which guarantees UBP's right to control up to 49% of Banco Economico's capital. Thus, Cardoso is personally taking responsibility for any future consequences of UBP's activities in the country.

Why is the Brazilian President taking such a risk? Certainly it wasn't just to protect this one deal, or the specific banks involved. The fact is that the inflow of funds from foreign banks is crucial to bailing out Brazil's entire banking system, which is just as bankrupt as those in the rest of Ibero-America. Contrary to statements of Brazilian financial authorities, the likelihood of a Mexican-style blowout in the country is real. So, with the central bank stalling on the deal, and the Congress

threatening to set up a CPI, or parliamentary commission of inquiry, to investigate the entire financial system, Cardoso couldn't wait any longer. He opted to risk an enormous amount of political capital, to ensure that the myth of Brazilian "financial stability" be maintained, no matter what.

The finalization of the UBP-Excel deal had been delayed since April 4, when the central bank announced the conclusion of negotiations with the consortium. Virtually every day, the central bank's directors found some small "technical" detail, to justify not signing the agreement, and making clear that they had no intention of assuming sole responsibility for the operation. On April 16, the central bank president, Gustavo Loyola, announced he had sent the agreement to the National Monetary Council for approval. Aside from himself, the council includes Finance Minister Pedro Malan and Planning Minister José Serra. Serra would not sign the agreement, and finally, Malan approved it in the name of the council.

This nervousness is justified by the high political risk the Excel-UBP-Economico deal implies. It is largely linked to President Cardoso's promises to the international banking community to maintain Brazil's "financial stability." As a high-level officer of the Industry and Commerce Ministry admitted to *Tribuna da Imprensa*, reported April 16, "the government's priority is to attract investments to Brazil. Only secondarily, can development be considered."

To "clear the field," and prevent an eventual impasse on the Economico deal from "contaminating" the rest of the banking system, in which several banks are already close to bankruptcy, Cardoso used every possible means, including a scandalous handing out of favors, to prevent the CPI from materializing.

Documentation

EIR responds to UBP bank's desperate attack

The following is the press release issued on April 2 by EIR's bureau in Rio de Janeiro, in response to a slander by UBP bank. The subhead has been added.

Edgar de Picciotto, one of the owners of the Union Bancaire Privée (UBP) in Geneva, Switzerland, sent a letter to the Brazilian news media slandering the weekly magazine *Executive Intelligence Review*, because the latter had released the information that UBP is being investigated for money laundering by the authorities of various countries. De Picciotto claimed that the report was part of “a defamation campaign” undertaken by the German magazine *Focus* and *Executive Intelligence Review*. In his letter, De Picciotto, whose UBP, in partnership with Excel Banco of Brazil, is attempting to buy out the bankrupt Banco Economico, slandered *Executive Intelligence Review* as an “anti-Semitic, neo-Nazi, and extreme right-wing organization.”

The editors of *EIR* want to make clear that no collection of slanders and invective can hide the fact that individuals linked to UBP are, in fact, under investigation by law enforcement authorities in at least three countries: the United States, Switzerland, and South Africa.

UBP is under investigation

- In the United States, there is an open case in the state of Florida against UBP executives Jean-Jacques Handali and Jeckiel E. Valero, who are charged with complicity in drug money-laundering operations.

- In Switzerland, at the request of U.S. authorities, the Swiss Federal Banking Commission has opened an investigation into UBP’s activities.

- In South Africa, at the end of 1994, justice officials in Johannesburg discovered that a gang that was smuggling gold into Europe was laundering its ill-gotten proceeds through UBP and Banque Multi Commerciale.

Any one of these questionable activities, by itself, is enough to disqualify UBP from engaging in a transaction that, if it goes through, would place one of Brazil’s main financial institutions under the direct control of an insidious international apparatus, feeding a pattern of predatory economic activities whose results can be seen in the recent Mexican financial crisis.

As to the slanderous characterization of *EIR* as “anti-Semitic” and “neo-Nazi,” it comes from two organizations whose malice toward our publication is notorious: the Anti-Defamation League of B’nai B’rith (ADL) and the São Paulo Forum. Both of these have been spreading slanders against *EIR* because of the latter’s proven commitment to the defense of the sovereign nation-state as the institutional pillar for the organization and progress of people, and for its combative opposition to the untrammelled speculation that has transformed the world’s financial and monetary system into a veritable casino, to the detriment of the real economies of all countries.

The ADL is a racist, extreme right-wing organization, which, while pretending to defend Jews against anti-Semitism, in fact promotes racial hatred. It has a long history of criminal activities, as demonstrated in April 1993, when law

enforcement officials in San Francisco raided the offices of the ADL and discovered documents proving that the ADL was engaging in espionage against civil rights and other organizations, and subverting government agencies.

The ADL is engaged in promoting the so-called counter-culture, and providing cover to individuals linked to organized crime, particularly to the international dirty money-laundering apparatus. For example, Kenneth Bialkin, honorary president of the ADL, is the lawyer of notorious drug money-launderer Robert Vesco, the fugitive from U.S. justice who lives in Cuba under the personal protection of Fidel Castro, as is documented in the book *The Ugly Truth about the ADL*, published by *EIR*.

The ADL is also tied to extremist groups opposed to the peace accords between Israel and its neighbors in the Middle East, groups whose actions paved the way for the assassination of the late Israeli Prime Minister Yitzhak Rabin. One of the main sponsors of these groups is Edmond Safra, who controls several banks whose involvement in money laundering has been proven. Among these, is National Republic Bank, which was the base of operations for Ezequiel Nasser, Safra’s nephew, before he founded Excel Banco of Brazil.

In fact, UBP itself is the result of a merger between Edgar de Picciotto’s Compagnie Banque et d’Investissements (CBI), and Safra’s Trade Development Bank (TDB). Both Excel and UBP were established in 1990.

Lyndon LaRouche, the founder of *EIR* who is currently seeking the Democratic Party’s Presidential nomination in the United States, has been a frequent target of the ADL’s invectives. In Brazil, the ADL was the main source of the slanders against LaRouche and his movement that were published in *Atenção* magazine in 1995. It should be noted that LaRouche has been working toward peace between Israel and the Palestinians since at least 1975, when he presented a peace plan based on the development of joint infrastructure projects for the region. An updated version of the LaRouche plan was recently presented at international forums, where it was warmly received.

Regarding the São Paulo Forum, this curious creation of Fidel Castro groups narco-terrorist organizations from all of Ibero-America, who huddled together in the wake of the fall of the Soviet Union. Although seemingly opposed ideologically to the ADL, the São Paulo Forum shares several traits of the former, particularly its hatred of the institution of the sovereign nation-state.

It is not coincidental that one of the main detractors of LaRouche in Brazil is Jair Krischke, president of the so-called Movement for Justice and Human Rights of Rio Grande do Sul, where he maintains notorious links with both the ADL and the São Paulo Forum.

In light of the foregoing, Mr. Edgar de Picciotto ought to try to come up with a more creative and credible explanation to justify the questionable behavior of his bank and its interest in the Banco Economico of Brazil.