

Britain's premier drug bank muscles in on Brazil, Mexico

by Silvia Palacios and Dennis Small

Like a deadly parasite invading a vulnerable host, the flagship bank of the global drug-trafficking enterprise properly known as "Dope, Inc.," the century-old Hongkong and Shanghai Bank Corporation (HSBC), has just bought controlling interest in two major banks in the failing Brazilian and Mexican banking systems.

HSBC, or HongShang, as it is widely known, is the fifth largest bank in the world. With headquarters in London, and branches around the world, HongShang is the crown jewel of the British oligarchy. Founded in the middle of the last century to serve as the backbone of the financial network of the East India Companies, it financed the Opium Wars against China, in which the modern narcotics trade actually began. Since that time, it has served as a kind of rediscounting facility for laundering dirty money from the drug, gold, and diamonds trade. HSBC has kept up this tradition to the present, as *EIR* has documented in its bestseller book, *Dope, Inc.*

As for the nations which HongShang is targetting, Brazil, the largest country in Ibero-America, has increasingly become a center for cocaine laboratories, drug transshipment, and money-laundering. And Mexico, under the Presidency of Bush partner Carlos Salinas de Gortari, became the preferred route for 60-70% of the cocaine shipped from South America to the United States; today, its banking system launders tens of billions of dollars every year.

HSBC already owns banks in other Ibero-American countries, including Banco Roberts in Argentina, Banco Santiago in Chile, and a recently acquired bank in Peru. But the Brazilian and Mexican purchases signal an entirely new dimension of HongShang activity in this hemisphere—and of British colonial assault overall. As Michel Geoghegan, recently named as president of HongShang in Brazil, says, the HSBC's Brazilian acquisition "will be the centerpiece for the development of our business in the region." "We want to be the Banco del Mercosur," he asserted, referring to the regional trade pact of Brazil, Argentina, Chile, and Uruguay. As for Brazil itself, "We don't reject the possibility of acquiring other financial institutions." He added omi-

nously, "We have been in several countries for more than 100 years, and it won't be any different here."

The fact is, the HongShang move into Ibero-America involves more than just drugs. It also has to do with a global resource grab by London-centered financial interests, and their related political offensive—which is designed to shatter the nation-state concept, and specific nation-states, and finally, to carve up particularly Third World regions for plunder. As *EIR* founder Lyndon LaRouche told a radio audience on April 1, "It's simply part of the raw-material assets grab process of the HongShang Bank. . . . They plan to do to Brazil, what you see being done by the British Commonwealth in Africa. Carve the base up, condemn most of the place to *terra incognita*, into so-called primitive indigenous peoples' areas, and grab off the assets, the iron, the greatest iron mine in the world, essentially, things of that sort—carve them up among the speculators. And the HongShang is moving in to carve up that turkey. It's a sign of the times, and it stinks."

"The greatest iron mine in the world" to which LaRouche referred, is the giant Carajas project in Brazil's Amazon region, which is currently owned and operated by the state-sector company Companhia Vale do Rio Doce. The Vale is to be auctioned off by the government for a pittance—that is, "privatized"—later in April.

Highway robbery

In early March, HSBC bought a controlling 20% share in Mexico's Banca Serfín. Serfín, the third largest bank in Mexico, was about to go under, as a result of the fact that it was holding huge amounts of non-performing debt in its portfolio (as is the case more broadly, with the entire Mexican banking system). In fact, despite \$29 billion in government bailouts, nearly 50% of what Mexican banks have on their books—still—are non-performing debts, a state of affairs brought about by the insane economic and financial policies imposed on Mexico by the International Monetary Fund (see article p. 14).

In the case of Serfín, the Mexican government (that is, Mexican taxpayers) once again came to the rescue, purchasing about \$1.3 billion in bad loans that Serfín was holding. After eating all the garbage, the government turned around and handed over to HSBC control the juicy remainder of the bank, for the measly investment sum of \$300 million.

A nearly identical operation was carried out in Brazil during the last week in March. The Central Bank took advantage of the banking holiday declared during Holy Week to announce, surprisingly, the government intervention into Bamerindus, the fourth largest bank in the country, and its sale to HSBC, in a secretive financial operation entirely favorable to the foreign bank. In the end, Bamerindus was sold for a billion dollars, while the government—through a program grandly called "Stimulus to Restructuring and Strengthening of the National Financial System"

(PROER)—disbursed \$5.7 billion to cover Bamerindus's rotten portfolio.

This radical intervention by HSBC into the Brazilian banking system bothered even the former owner of Bamerindus, Jose Eduardo Andrade Vieira, who commented with surprise that he did not understand why the Central Bank had proceeded in this manner, selling to a foreign bank, when two Brazilian banks had proffered good bids for Bamerindus.

But there is no great mystery behind the bank handover. Very simply, President Fernando Henrique Cardoso is complying with the extensive political and financial commitments he has undertaken toward Great Britain—and, as one intelligence source told *EIR*, “You don't play around with the British Empire.”

In fact, Banco Bamerindus's delivery to HongShang was achieved through the personal intervention of President Cardoso, by means of a decree published in a special edition of the *Official Daily*. That decree asserts that up to 100% foreign participation by HSBC Holding and its subsidiaries in Bamerindus is deemed to be “in the interest of the Brazilian government,” despite the fact that the transaction violates the Constitution, which prohibits the entrance of foreign banks into Brazil without reciprocity. Cardoso had already used the same formulation last year, when he authorized the Swiss bank Union Bancaire Privée (UBP)—also notorious as a dirty money laundry, one owned by a family of the Aleppo Mafia—to participate with its Brazilian partner Banco Excel, in the purchase of Banco Economico.

According to Presidential spokesman Sergio Amaral, the government is going to authorize investments in the financial system any time those investments are in “the national interest,” confirming that other banks are in trouble, and also hinting at the possible fate of the various state banks that are waiting their turn to go to the slaughterhouse.

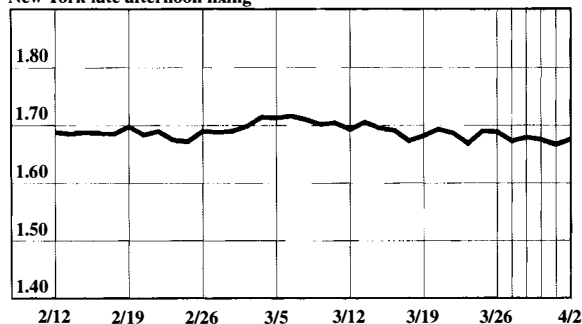
Instead of “national interest,” read the government's desperate need to maintain a constant inflow of speculative capital into the country, for reasons documented elsewhere (see article p. 11). This urgency has increased due to the recent hike in U.S. interest rates. Thus, the Brazilian government has opened the door to all kinds of funds from abroad, no questions asked, even if this means playing host to narcotics.

In offering shelter to these financial interests, Brazil is converting itself into one of the world's largest drug-money laundries. The general coordinator of the Analysis and Investigation Division of Brazil's federal tax authority, Deomar Vasconcelos de Moraes, said as much when he opened a recent international seminar on money-laundering, held in Brasilia. In Brazil, he said, monetary stability, deregulation of the economy, and local rules on bank secrecy have turned into a “sufficiently attractive combination” for drug money. And, he added, the speculative capital that has entered Ibero-America's emerging economies is nothing but legalized “narcodollars.”

Currency Rates

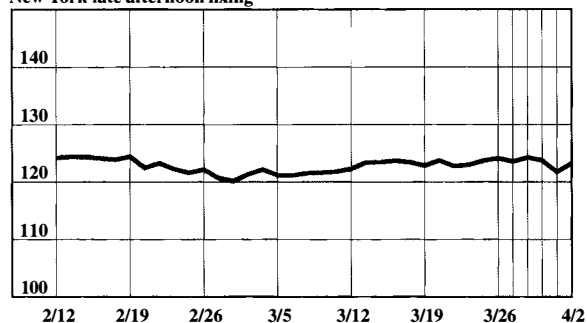
The dollar in deutschemarks

New York late afternoon fixing



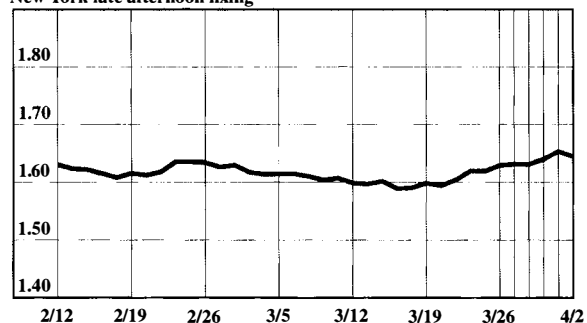
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

