

UN Drug Office: Dope Cash Rescued Banks

Antonio Maria Costa, director of the United Nations Office on Drugs and Crime (UNODC), singled out the role of drug money in propping up the disintegrating financial system, in an interview published in the Jan. 27, 2009 Austrian weekly Profil, and in his blog entries on the UNODC website on Nov. 19, 2008. Costa also firmly opposed the idea of drug legalization, medical decriminalization, and Britain's proposal to purchase the Afghan opium crop from local farmers. Here are excerpts of Costa's remarks:

From the Profil interview:

The drug trade at this time could be the only growth industry, with little unemployment. The money is flowing only partly back into illegal activities, in parts of Asia, Africa, and South America, where it is used to bribe politicians, buy elections, or finance insurgents, such as the Taliban in Afghanistan, the Tamil Tigers of Sri Lanka, or the FARC in Colombia. . . .

[The rest of the money] is fed into the legal economic circulation through money laundering. We do not know how much, but the volume is imposing. As such, seen from the macroeconomic effect, this is simply bringing in investment capital. There are indications, that these funds also ended up in the finance sector, which has been under obvious pressure since the second half of last year. . . .

It appears that interbank credits have been financed by money which comes from the drug trade and other illegal activities. It is naturally hard to prove this, but there are indications that a number of banks were rescued by this means. . . .

In many cases, drug money is currently the only liquid investment capital, to buy real estate, for example. In the second half of 2008, liquidity was the biggest problem the banking system had, and therefore, this liquid capital became an important factor. . . .

To get around the electronic surveillance of bank transactions, criminals stash their funds in cash sums which can be up to hundreds of millions of dollars. . . .

We have to consider the interdependence of drugs and criminality; anything else would be irresponsible. . . . Legalization would inevitably send abuse way

up. . . . [When the British gave out over 100 million euro to compensate Afghan farmers for their opium crops] it had the opposite effect. Within one year, the cultivation doubled, because the farmers knew that if the drug traders did not buy their opium, then, "I'll get my money from the British."

From Costa's blog:

Today, the financial crisis is providing an extraordinary opportunity for even greater mafia penetration of cash-strapped financial houses: with the banking crisis choking lending, these cash-rich criminal groups have emerged as the only sources of credit.

Bankers' . . . greed, arrogance and deception have shaken people's confidence in their profession and the trust of the institutions that conspired with them to cause the crisis—hedge and investment funds, insurance companies, rating and audit agencies. During September and October [2008], within about 60 days, the world's financial architecture as constructed in the past 60 years, collapsed. And we are just at the beginning of the drama, as jobs, markets, revenues and production are also being destroyed by the crisis.

Not only have bankers created monstrous financial instruments whose size, complexity and ownership nobody could understand or master. So many of them have engaged in something both stupid and diabolical. They have allowed the world's criminal economy to become part of the global economy. Investment bankers, fund managers, commodity traders and realtors—together with auditors, accountants and lawyers—have assisted syndicates to launder the proceeds from crime and become legitimate partners to business. In most cases the predicated crime was mafia-type: namely, violence against individuals, business and property. In other cases the predicated crime was corruption: namely, a silent yet pernicious violence against national treasuries and against public services that remain unfunded.

Greedy banks have taken in and hidden this blood money. Complex financial instruments have made financial markets deliberately less transparent and more accessible to wrong-doing. Thanks to bankers, accountants and lawyers, criminal groups have become multinational corporations: a sort of mafia borghese, or white collar syndicate. Today, the financial crisis is providing an extraordinary opportunity for even greater mafia penetration of cash-strapped financial houses: with the banking crisis choking lending, these cash-rich criminal groups have emerged as the only sources of credit.