Venezuela's 'Boston connection': A tale of drugs, debt, and capital flight

by Gretchen Small

Explosive new investigative leads in the First National Bank of Boston's dirty-money laundering scandal were revealed Feb. 28 in Caracas, Venezuela. According to *El Mundo,* "the majority of the money exported [by the Bank of Boston] came from deposits made by Venezuelan politicians and businessmen, among whom appear some ex-presidents."

First National Bank of Boston's illegal financial dealings are already under investigation by six different U.S. federal agencies and institutions (see page 55). El Mundo's revelations open up a new angle: Bank of Boston's role in channeling the massive capital flight which has drained Ibero-American nations, including Venezuela, of billions of dollars over the past five years. An estimated $20 billion left Venezuela alone, a goodly portion of it believed to stem from "laundering" of drug monies.

El Mundo political-intelligence specialist José Cupertino Flores reports in his column "Supersecreto" Feb. 28, that Boston investigators say Venezuelan deposits moved en masse into the Bank of Boston from October 1983 until Feb. 18, 1984. A Boston newspaper editor told Cupertino Flores, "As I understand it, the politicians and businessmen from your country had, and still have, more than $12 billion in capital which fled [through transfers] from Caracas, Valencia, Barquisimeto, and San Cristobal." Valencia, Barquisimeto, and San Cristobal are nodal points in distribution of narcotics in Venezuela. Caracas has, for the past several years, been the drug mob's happy money-laundering grounds.

El Mundo suggests that a study of the "passenger lists of flights between New York and Miami and the Boston airport would find famous [Venezuelan] names and surnames," although "others come by private jet. . . . After last year's intervention into Continental Illinois, the funds of innumerable personalities of our country were transferred with due speed to the vaults of the Bostonian institution."

El Mundo adds: "The $500,000 fine [imposed on Bank of Boston] is limited to only 1,163 cash transfer operations carried out between July 1980 and September 1984, amounting to $1.218 billion dollars. No record is kept of operations, other than cash ones. Federal inspectors suspect that Venezuelan deposits in Chicago, New York, Boston, Dallas, and Miami banks exceeded $18 billion as of Dec. 31 of last year."

Ibero-American speculators, drug-money launderers, and private interests used every loophole they could find to get "their" money out—no matter what happened back "home." In that big business, the amounts flowing through and out of Venezuela were even more spectacular. Federal Reserve member Henry Wallich revealed in February that amounts estimated at 90% of Venezuela's foreign debt left the country in recent years!

Of course, that doesn't stop anyone from demanding the nation pay that debt—no matter that it never saw productive use. Venezuela is a case study in how the same bankers who so merrily lent billions to Ibero-American nations and businessmen and then facilitated its return flight to their bank vaults, are now using their titles to that debt to demand these countries turn over the title to the country itself.

On Feb. 11, top debt negotiator Carlos Guillermo Rangel announced that the last round of talks with the country's creditors had been "very positive," and that only "technical details" remained before the long-sought global refinancing package covering some $20 billion in public sector debt could be signed, sealed and delivered.

Ah, but how those "technical details" can hurt.

On Feb. 14, UPI reported that an International Monetary Fund (IMF) technical team has issued a report demanding that Venezuela further "liberalize" prices, lift all import restrictions, and immediately unify exchange rates, eliminating the bottom 4.3 tier in the exchange rate system—in effect, a sharp devaluation. Venezuela's finance minister duly called a press conference to reject the demands.

Then, Venezuelan debt negotiators in New York nearly walked out when the commercial banks demanded some form of written "guarantee" of private-sector debt obligations before any public-sector package would be accepted. The response within Venezuela was hot. It would be "treason" to accept the banker's conditionalities, stated Paulina Gamus, a leading congresswomen from the ruling Accion Democratica party.

That point has yet to be resolved, however, and may prove the stickiest. With international bankers projecting a collapse in the price of oil in the second-quarter of the year, and the dollar's value dropping, no banker is in any rush to sign an agreement based on conditions that may disappear practically upon signing. The demanded guarantees allow the banks to stall until the collapse hits, while inching the government, towards accepting a full restructuring of the economy along lines that the bankers are demanding.

In effect, the demanded restructuring is nothing but a scheme to turn Venezuela itself into one big drug-money laundromat—as Miami once was. "Debt for equity" is the mechanism by which this is to be achieved.

Determined to get a bank agreement quickly, the economics team within the government has acceded to the pressure to the extent politically possible, signalling the banks that they expect to force their government to accept the demanded "debt-for-equity" exchange. On Feb. 27, Alfredo Gonzalez Amare, superintendent of foreign investments (SIEX), announced that a "debt for equity" plan has been in effect since September for seven private companies. New percentages allowed for foreign capital to associate with local capital were announced at the same time.

The "debt-for-equity" scam was put together at a secret meeting in Vail, Colorado in August 1982 which was led by Henry Kissinger. Under its terms, foreign creditors can claim title to shares of local companies as "payment" for foreign debts which they cannot meet otherwise. Under current world depression conditions, the scheme means that control of major chunks of the country will be turned over to foreign financial interests in short order, and on that basis, has been fought valiently throughout the continent.

So far, the largest debt paid through a debt-for-equity arrangement is that of the Cerveceria Nacional, which turned over $18.3 million worth of stock to 17 American banks to pay off loans, but more can be expected shortly. As Amare made his statements, Caracas papers reported that U.S. banks had initiated suits against eight Venezuelan companies for non-payment.

Bankers hope Amare's faction of the government can force through the changes in foreign investment laws by the April refinancing deadline. The changes under consideration include allowing unlimited numbers of foreigners to be named to local-company boards, larger profit remittances, and "investor" guarantees against local currency devaluations.

It is this foreign investment plan which brings the story full-circle back to *El Mundo*'s shocking revelations of Venezuelan billions funding Bank of Boston's laundromat. Last November, Gonzalez Amare had described the intent of his proposed changes as that of having "the Miami effect over the Venezuelan economy."

From the late 1970s until the imposition of exchange controls in February 1983, billions of dollars poured into Florida real estate, hotels, construction, stores, restaurants, and anything else buyable. The majority of that capital wore a "Venezuelan" tag—although investigators knew the astronomical funds involved came from Ibero-America's drug trade as a whole using Caracas as its laundromat.

If Gonzalez Amare and the foreign bankers for whom he works have their way, that money, extracted at high cost to the nation, will now "buy" out Venezuela again, which will become their laundromat.

Argentina's IMF agreement unravels

by Cynthia Rush

A group of Peronist legislators has introduced a bill into Argentina's national congress calling for the confiscation of all assets "belonging to the United Kingdom and Northern Ireland in the territory of the Republic of Argentina."

Introduced on Feb. 21, the bill cancels payment of interest due or coming due on all public and private debt contracted by the Argentine state, public or private companies, or individuals with British banks, financial entities, insurance or reinsurance companies. The bill's authors state that it will remain in effect "as long as the circumstances which created the situation of belligerency between the Republic of Argentina and the United Kingdom"—referring to the 1982 military conflict between the two nations over the Malvinas islands—"continue to exist." The bill stipulates that one-third of the funds deriving from the public administration of these confiscated assets will be allocated to the national emergency food program; one-third will be allocated to the medical and social assistance for veterans of the Malvinas war, and one-third to bolstering the budget for the armed forces.

This bill, which must be debated in committee and go to the entire congress for a vote, was introduced at a time when president Raul Alfonsín is under pressure on two fronts: to make a deal with Britain's Margaret Thatcher on the Malvinas issue—accept a "cessation of hostilities" so that normal diplomatic relations can be restored; and impose the International Monetary Fund's austerity program so as to ingratiate himself with the United States prior to his scheduled March 19 meeting with President Ronald Reagan.

The legislation is a sharp reminder that the Argentine population isn't likely to tolerate either of these two items.

The nailing down of a tough IMF program was a virtual precondition for Reagan meeting with Alfonsín this month. U.S. Treasury and State Department officials are expected to further blackmail Alfonsín with offers of "private investment" and other of David Rockefeller's pet themes when the Argentine President arrives in Washington.

Jacques de Larosière, the director of the Fund, has launched a new round of debt crisis throughout the continent. He was first reported to have said that he was "fed up with Brazil" and credits were abruptly suspended. In quick succes-