

# Without the banks, there would be no drug trade

by John Hoefle

The recent trip of the New York Stock Exchange's Richard Grasso to Colombia to meet with the top leadership of the narco-terrorist FARC, puts out in the open what the LaRouche movement has said for years: At the top, the global financial system and the global drug trade are run by the same people. In our blockbuster exposé *Dope, Inc.*, first published in 1978, we revealed that the international narcotics trade was run by the British-centered international financial oligarchy as a *political* weapon against sovereign nations, and that a large section of the international banking system was devoted specifically to the laundering of the revenues from this illegal trade.

Consider for a moment the volume of cash—not just the dollar amount, but the volume of actual bills themselves—taken in by drug dealers each day, in any major metropolitan area. Just handling the money is a major logistical problem, and without a sophisticated money-laundering apparatus, the drug trade would quickly choke on its own cash. Besides, it would be a little too obvious were the drug dealers to start shipping tons of \$20 bills to their masters in the City of London. Somebody might notice.

The key to laundering drug money is to get it into the banking system as quickly as possible, at the local level. One method of doing this is to set up a number of fronts—restaurants, parking lots, sports concessions, and the like—which take in large amounts of cash, mix in the dope money with the business revenue, and deposit it all in the company's bank account. Once it gets into the banking system, it can be transferred through a maze of banks and accounts around the world.

All of this is known to the bankers, their regulators, and law enforcement. The Federal Reserve's own figures showed how the cash piled up in the Federal Reserve Bank in Miami and then, when the law enforcement interdiction operations in the Southeast United States caused the drug trafficking to shift to the Southwest, the surplus shifted to the Fed's branches in Los Angeles and San Antonio. It was obvious to all, that it was drug money.

The role of the banks in the drug trade is nothing new. The infamous Hongkong and Shanghai Bank, the main British bank in the British Crown Colony of Hong Kong, financed the opium-trading companies led by Jardine Matheson, and

the opium-shipping companies such as the Peninsular & Orient Steam Navigation Co. and Canadian Pacific. British networks operating through Canada, then moved Asian opium and heroin into the United States. When the decision was made to set up a marijuana- and cocaine-production operation in Ibero-America, it was the Canadian banks which took the lead in establishing the offshore banking infrastructure in the British Commonwealth islands in the Caribbean, to finance the trafficking and launder the proceeds.

The overlords of Dope, Inc. would have us believe that the cocaine trade is run by the Colombians, and the trade in crack cocaine is run by inner-city gangs, a myth akin to believing that the oil cartel is run by gas station operators. Those who handle the dope, are relatively low-level employees, and expendable; to find out who runs the drug trade, follow the money, through the banks to the boardrooms of Dope, Inc. They don't ever touch the drugs, but they always take the money.

Many of the figures who seemed so powerful in their day, from Meyer Lansky, to Bernie Cornfeld and Robert Vesco of Investors Overseas Services, to junk-bond king Michael Milken, were nothing more than front-men for the financial oligarchy's dirty money apparatus, dangled like puppets on a string for public consumption. The same holds true for today's titans, such as hedge-fund operator and drug-legalizer George Soros.

The banks, on the rare occasions when they are caught laundering drug money, shed crocodile tears and claim they were victimized by devious dope dealers; if the evidence is too damning, they point their finger at the lowest-level employee plausible. But the fact is, that, not only do the banks knowingly handle drug money, they compete avidly for the business. Whole sections of banks, law firms, accounting firms, and consulting firms, have been formed to set up and run money-laundering operations; it is a big, and lucrative, business.

## The Bush league

Take the case of E.F. Hutton, the prestigious Wall Street investment bank which got caught in the mid-1980s in the infamous "Pizza Connection" heroin case, laundering money for the mafia. Hutton pleaded guilty in 1985 to 2,000 counts of mail and wire fraud, and was subsequently taken over by Shearson. Hutton's president at the time was Scott Pierce, the brother of Barbara Bush; the chief of the Treasury Department's law enforcement division at the time was John Walker, Jr., a cousin of George Bush, and whose family firm, G.W. Walker, had once employed Pierce.

Then there's the case of Citicorp, and its involvement with Raúl Salinas, the brother of former Mexican President Carlos Salinas de Gortari. During the early 1990s, Raúl Salinas made a fortune from the drug business and laundered the money with the help of Citicorp, whose private banking

division helped him set up bank accounts in Switzerland. At the time, the bankrupt Citicorp was secretly being run by the Fed, which scrutinized all major transactions.

Bankers Trust—which cheated its customers so blatantly in 1994 that one, Procter & Gamble, accused the bank in court of racketeering—recently pleaded guilty to felony charges of misappropriation of unclaimed deposits, and was slapped on the wrist. The plea was timed to coincide with the bank’s

takeover by Germany’s Deutsche Bank.

In case after case, commercial and investment banks caught laundering drug and related dirty monies have received only minor punishment, while leaving the laundering capability intact. These same banks have fought bitterly against efforts by law enforcement to follow the money chain, thereby heading off any serious blows against Dope, Inc.

# Wall Street and the State Department’s new allies: Colombia’s ‘Third Cartel’

by Dennis Small and Gretchen Small

As U.S. leader Walter Reuther used to say, “If it looks like a duck, walks like a duck, and quacks like a duck, then it just may be a duck.”

So, too, it can be said, that the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN) guerrillas are *drug-runners*. Not “freedom fighters” with whom to discuss, but *drug-runners*. In fact, they are Colombia’s “Third Cartel,” superseding both the largely defunct Medellín and the Cali cartels of the 1980s and early 1990s.

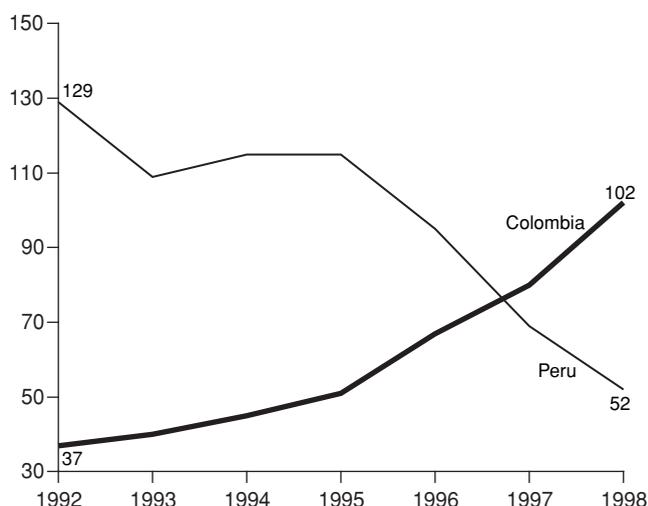
Yet, about the only official voice in Washington that has been willing to yell “duck!” has been drug policy adviser Gen. Barry McCaffrey (ret.), who, as far back as 1996, said about the FARC and the ELN: “They’re guarding drugs, they’re moving drugs, they’re growing drugs. . . . They’re a narco-guerrilla force, period.”

## Start from reality

How do we know this? Review the snapshot summary of zooming drug production in Colombia, provided by the following graphs.

Only three countries produce all of the world’s coca crop (the raw material for cocaine): Bolivia, Colombia, and Peru—all in South America. Until the mid-1990s, Colombia was in third place in coca leaf production, although it was always the region’s top processor of coca leaves into refined cocaine for export. Since that time, under the successive Ernesto Samper (1994-98) and Andrés Pastrana (1998-) administrations, Colombia has been catapulted into the number-one spot, in terms of area under cultivation, doubling over the last three years, from 51,000 hectares in 1995 to 102,000 hectares in 1998 (see

FIGURE 1  
**Coca area harvested**  
(thousands hectares)



Sources: U.S. State Department and U.S. General Accounting Office.

**Figure 1).** Colombia today harvests 53% of all coca area worldwide (see **Figure 2**).

Colombia’s cocaine output (measured in tons of HCl equivalent, the psychoactive ingredient in raw coca) has also skyrocketed, rising by 154% over the last five years (see **Figure 3**). Whereas both Bolivia and Peru have engaged in