sounded all the less credible, when Deputy Mayor Gysi declared in a radio interview on Jan. 23, that "Berlin cannot afford more than one university clinic," and that the other one, the renowned Charité, would be the one to survive. Taking into account the scope of investments that urgently have to be made in the Charité, after decades of non-investment in crucial departments, even its survival is not secured, as long as budget-cutters run Berlin.

Budget Cuts Increasing the Deficit

The insanity of budget cuts, as an ostensible means of reducing fiscal problems, were exposed, on Jan. 15, in an interview on Inforadio station, with Dietrich Vesper, of the Berlin DIW econometric institute. Vesper said the budget-balancing approach was extremely shortsighted, as the fundamentals of the Berlin economy were totally neglected by the Berlin Senate's politicians. Cutting funds for a crucial institution of the Berlin science-research sector (such as the Benjamin Franklin Clinic) was suicidal, he said.

That sector, funded by the Senate with 1.1 billion euros (roughly $920 million) per annum, generates economic incentives of altogether 3.4 billion euros, through the hundreds of highly specialized, small and medium-size firms that work for Berlin's science and research institutions, Vesper said. All these firms pay corporate taxes, and all their employees and workers pay income taxes, to the city-state. Therefore, budget cuts like the planned 100 million euros for the Franklin Clinic will put an estimated 300-400 million euros in tax revenue at risk, and instead of balancing the budget, the planned cuts will unbalance it, Vesper warned.

Another aspect of the picture, is the role of the national government, in denying extra funds for the city-state of Berlin on grounds that it was "just a state like any other of the 16 states of Germany." However, Berlin is the national capital, with special functions that none of the other big cities has. Obsessed with keeping its cash-box closed, and with strictly observing the budget criteria of the European Union's 1992 Maastricht Treaty, the German government has watched Berlin's debt grow to more than 40 billion euros (at the end of 2001), without acting during the past years.

The only action by the SPD-run German federal government, has been to push the Berlin SPD into breaking the coalition with the CDU last June, and entering the coalition with the PDS. This was done to give the planned new round of Berlin budget-cutting a "leftist" aura and thereby make it more acceptable to the labor unions. This is not working well, however, as one can see: German labor is mobilizing against the Berlin Senate, as it is mobilizing against the national collapse with factory occupations beginning in the east of Germany.

And hardly had the new SPD-PDS Senate been sworn in, when rumors were leaked to the public that more of the hidden debt would soon come to light. For example, there was mention of another black hole of 200-250 million euros at the Bankgesellschaft Berlin, the default of which had luckily been postponed last Autumn, when the Senate coughed up an extra firefighting fund in the range of 1.9 billion euros. As this adds to the impoverished city-state's debt, the taxpayer assumes the burden.

This also implies that the Senate will soon call on the Berlin citizens, not only to accept the layoff of 4,000 workers of the 16,000 employed at the Bankgesellschaft (a step already decided), but also to accept new budget cuts to "balance" the new debt. The next step would then be to propagate the sale of the state-owned Bankgesellschaft to some private consortium like Texas Pacific, an American group that has tried to take over the bank and pay the Berlin Senate up to 2 billion euros for it.

Labor unions, frustrated and enraged SPD party members, medical personnel, and other sections of the Berlin population have begun to mobilize against that final sellout of the German capital. The programmatic intervention of the LaRouche movement's BüSo party for a bankruptcy procedure and debt reorganization, plays a crucial role in making sure that this political and economic struggle is successful.

French Banks Target Israeli Money Laundering

by Dean Andromidas

Société Géneral and Crédit Lyonnais, two of France's largest banks, announced in January that they will no longer accept checks from their Israeli correspondent banks. The move is in reaction to the fact that Israel has now been officially designated as one of the biggest money-laundering centers in the world. This fact has been known for decades, as Israel's own homegrown mafia and financial institutions have been an integral part of Dope, Inc. for decades. It is also well known that the key promoters of the career of Israeli Prime Minister Ariel Sharon are major international organized crime figures. This latest move is an indication that French authorities, perhaps with a nod and wink from the French government—which has taken the lead in European attempts to prevent a Middle East war—are taking the lead in applying sanctions against Israel.

The decision by Société Géneral follows the recent arrest of its chief executive officer, Daniel Bouton, because of the bank's involvement in a criminal money-laundering scheme involving hundreds of millions of dollars channelled through Israeli banks. According to sources close to the investigation, which began in 1998, the case involves French accountants transferring checks from clients to money-changers in Israel and the Palestinian Authority, who then cashed them in Israeli banks, and sent the proceeds back to the accountants in France. The case also involves allegations of insurance fraud.

Three of Israel's largest banks are involved: Israeli Discount Bank, Bank Leumi, and First International Bank of Israel.

Israeli Discount Bank is owned by the Recanati family, one of the oldest banking families in the Levant, which exercises considerable influence in Israeli business and political circles. The bank specializes in financing the Israeli diamond industry, Israel's second-largest export earner after weapons and military equipment; this industry is notorious as an integral component of the international money-laundering cycle.

Bank Leumi, whose origins date back to an initiative of Theodore Herzl, the founder of Zionism, is among the world's largest banks. Last November the Swiss Federal Banking Commission ordered the dismissal of Bank Leumi's Swiss branch manager for violation of money-laundering laws. The Swiss had discovered that the branch held several bank accounts which contained a substantial portion of the $110 million that former Peruvian President Albero Fujimori's intelligence chief, Vladimiro Montesinos, had allegedly stashed away. The Swiss authorities accused Bank Leumi of flagrant violation of Swiss money-laundering laws.

The First International Bank of Israel is owned by the Safra family, whose patriarch, Edmund Safra, died in a mysterious fire that destroyed his Monte Carlo penthouse. Although a servant was arrested for the crime, it was widely rumored that the fire was arranged by his clients, the Russian mafia.

Israel Is on List of Money-Laundering States

Even more significant is the decision by Crédit Lyonnais, to stop accepting checks from Israeli correspondent banks and other companies that are on the blacklist of the Financial Action Task Force on Money Laundering of the Paris-based Organization for Economic Cooperation and Development (OECD). Israel was placed on this list of 19 countries back on June 22, 2000, along with other notorious money-laundering centers, including Panama, Cyprus, the Cayman Islands, the Bahamas, Russia, and Liechtenstein. Although some have been removed from this notorious status after implementing credible anti-money-laundering laws, Israel remains, high on the list.

In an interview shortly before Israel was put on the list, Commander Yossi Sedbon of the Israeli Police Investigations Division had warned that Israel was becoming a center of money laundering. "Israel is a promised land for money launderers; it is easy to become a citizen. You need a Jewish mother, but if you don't have one, you can create one," he said. He pointed to the Israel banking and real estate sectors and the diamond industry as key facilitators of money laundering. After the fall of the Soviet Union, Israel welcomed Russian immigrants, especially members of the Russian mafia and "tycoons," many of whom claimed to have Jewish mothers. According to U.S. Congressional testimony, during 1995-96 alone, $1 billion a month on average of Russian mafia-linked money was laundered through Israeli banks. The situation is believed not to have changed.

To send a clear message to the Israelis, the announcement that Crédit Lyonnais had cut off Israeli banks was made while Yehuda Sheffer, the head of Israels anti-money-laundering authority, was in France trying to convince French authorities that Israel had enacted new laws to prevent money laundering. It is expected that other French banks will take similar action, which could seriously affect the financing of bilateral trade. France is one of Israel's leading trading partners.

Jail the Money Launderers

According to reports, OECD officials have told Israeli authorities that they are not impressed by Israel's simply changing the law, but would take Israeli efforts more seriously if they started to put some money launderers in jail. The problem for the Israeli authorities is that the most obvious place to start would be from among members of Sharon's government.

Minister of Infrastructure and ultra-right-winger Avigdor Lieberman has been the target of an Israeli police investigation for his links to the Russian mafia. Leiberman, who is a Russian émigré and was the right-hand man of former Prime Minister Benjamin Netanyahu, is said to be particularly close to top Russian mafioso Grigori Lerner. Lerner is currently sitting in an Israeli jail after being convicted of bank fraud. Lieberman, who is also the darling of the Jewish settlers, has become infamous for his extremist statements, including calls for Israel to bomb Cairo and Tehran, if Egypt and Iran continue to support Palestinian Authority President Yasser Arafat.

Israeli Interior Minister Natan Sharansky, the head of the ethnic Russian Yiseral B'Aliyah party, also has connections to the Russian mafia. Non-profit organizations affiliated with his party reportedly received $100,000 from the Russian mafioso Lerner.

But the real investigation must start with Sharon himself, whose major financial backers are among the top executives in Dope, Inc. These include American Jewish "philanthropists" Max Fischer, Meshulam Riklis, and Edgar Bronfman. None of them have seen the inside of a prison, yet they head companies that have all been suspected of, or investigated for, involvement in money laundering or drug trafficking. It was under Sharon's initiative, in the 1980s, that Israel implemented changes in banking laws that facilitated the massive transfer of money of questionable origins into Israel. Sharon funnelled billions of dollars into the Jewish settlements in the West Bank and Gaza. Some of it even found its way into helping him personally purchase a 1,000-acre farm in the Negev. It is these laws that Sharon helped to get passed, that the OECD is demanding be changed.

Sharon is currently under criminal investigation for financing one of his election campaigns with funds from foreign donors, a criminal offense under Israel's election laws. According to an investigation by the Israeli Comptroller's office, he used a front company, Annex Research, to launder the money into his campaign. The money came from American donors who are under investigation.