

Drug Money Laundering Keeps the Banks Alive

by Richard Freeman

Feb. 20—Three stunning developments during the past month, focused attention on the world narcotics trade and the laundering of its proceeds, which is virtually the sole source of funds propping up the hopelessly bankrupt Anglo-Dutch world financial system. Were governments to shut down the enormous flow of laundered narco-dollars, which pass primarily through off-shore centers such as the Cayman Islands, the Jersey Islands, and the City of London itself, the financial system would seize up, and the world drug trade would come to a dead stop.

- On Jan. 27, in an interview in the Austrian weekly *Profil*, Antonio Maria Costa, director of the UN Office on Drugs and Crime (UNODC), made clear the indispensable role of drugs in holding up the world's banking system. "In many cases," Costa said, "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 [of drug money



UN/Evan Schneider

Antonio Maria Costa, head of the UN Office on Drugs and Crime, told an interviewer, "Drug money is currently the only liquid investment capital. . . . In the second half of 2008, liquidity was the biggest problem the banking system had, and therefore, this liquid capital became an important factor."

TABLE 1

Foreign Positions Held in Offshore Banks, by Country

	Liabilities June 98 (Billions of \$)	Liabilities June 08 (Billions of \$)	Population (Thousands)
Offshore			
Bahamas	16	439	306
Bahrain	2	44	586
Bermuda	16	105	67
Cayman Islands	127	1,903	48
Guernsey Islands	N.A.	222	66
Hong Kong	64	627	7,109
Isle of Man	N.A.	97	76
Jersey Islands	N.A.	590	91
Netherland Antilles	43	159	189
Panama	30	106	3,310
Singapore	16	502	4,608
West Indies of the U.K	32	251	3,000
Europe			
Luxembourg	44	1,011	486
Netherlands	127	1,085	16,645
Switzerland	68	1,472	7,582
United Kingdom	134	5,386	60,944
Mideast, Africa			
Israel	17	50	7,184
Kuwait	16	47	3,400
Saudi Arabia	54	161	27,601
United Arab Emirates	47	90	4,621
Total	851	14,347	147,919

Source: Bank for International Settlements.

flows] became an important factor.” On his personal website, the UN’s top drug fighter asserted, “with the banking crisis choking lending, these cash-rich criminal groups have emerged as the only sources of credit.”

• On Dec. 11, 2008, FBI agents arrested Bernard Madoff of Madoff Investment Security LLC, on charges of “securities fraud,” in connection with a global \$50 billion Ponzi scheme. Harry Markopolos, a money manager, testifying Feb. 4, 2009, before a hearing of the House Financial Services Committee’s Subcommittee on Capital Markets, isolated the dirty money that was the bedrock of Madoff’s operations. Markopolos said:

“Mr. Madoff was running such a large scheme of unimaginable size and complexity, and he had a lot of dirty money. Let me describe dirty money to you. When you’re that big and that secretive, you’re going to attract a lot of organized crime money, which we now know came from the Russian mob and the Latin American drug cartel. . . .

“The feeder funds that were offshore in tax haven nations attract dirty money. . . . The only reason you go offshore is if it’s dirty money. . . . And just given the size, it’s statistical. If 5% of the world’s currency comes from organized crime, well, Mr. Madoff was going to be at least 5% organized crime for his investors.”

• On Feb. 17, the U.S. Securities and Exchange Commission charged billionaire and George W. Bush ally Sir Allen Stanford with fraud and multiple violations of U.S. securities laws, for “massive ongoing fraud” involving \$8 billion in certificates of deposit, and associated investments. Stanford based his operations on the tiny British-run island enclave of Antigua, in the Caribbean. Functioning through his Stanford International Bank, the Bank of Antigua, and related companies, Stanford’s aggregate businesses claimed 30,000 clients, based in 130 countries. The FBI-led multi-agency team raided the Texas-born Stanford’s U.S.-based offices in Houston, Miami, Memphis, and Tupelo, Miss.

On Feb. 19, ABC-TV reported, “Federal authorities tell ABC News that the FBI and others have been investigating whether Stanford was involved in laundering drug money for Mexico’s notorious Gulf Cartel.” Mexican authorities detained one of Stanford’s private planes, and, according to officials, checks found on the plane are believed to be connected to the Gulf Cartel.

The Madoff, Stanford, and many other offshore operations now surfacing, are annexes of an international network, under the command of the Anglo-Dutch financial oligarchy, flourishing in scores of offshore centers, that enables the movement of immense volumes of drug money into the world’s financial centers. Without the big banks, the drug trade would choke on the physical dollars, and could not get them “out of harm’s way” into secured secret locations. The idea that the banks are being taken advantage of by “outside



U.S. Virgin Islands

Bush family retainer Sir Allen Stanford is under investigation for drug-money laundering for Mexico's notorious Gulf Cartel.

swindlers” should be laughed off the stage—the reality is that drug money laundering is top down, not the other way.

Just how large is the drug money laundering? The accompanying table looks at 20 “offshore” centers, which process the vast majority of the world’s dirty money. When money is deposited in a country’s banking system by a non-national, it is classified as a “bank’s foreign deposit.” Deposits are a subset of a bank’s liabilities. Therefore, in the table, we report the offshore banks’ “foreign liabilities,” mostly composed of money that foreigners deposited. Liabilities and assets roughly match, so we could have used either one. Note that between June 1998 and June 2008, the offshore banking centers’ foreign liabilities increased from \$851 billion to \$14.3 *trillion*, an increase of 17 times! This reflects the massive swelling of the monies of the drug trade, and other dirty money, as well as the hedge funds, which operate offshore. The two sources of money are highly intermixed.

The combined population of the listed countries, most of which are Anglo-Dutch satrapies, is 147.9 million, only 2% of world population, but the banks domiciled here control 44% of the world’s foreign liabilities, and a nearly equivalent amount of its assets. *EIR* estimates that the world’s drug flow, and associated criminal activity, such as illegal weapons, contraband, etc., amounts to \$2 to \$3 trillion. The offshore centers are the engines of this operation. Shut them down, and the narcotics trade would go up in smoke.