
THE BANKING CONNECTIONS

A map of the financial powers that control P-2 operations

by David Goldman, Economics Editor

Italian banking has been more international in character than any other country's since the 14th century, and it is not likely that a scandal implicating the board chairmen of every major Italian bank could fail to have worldwide ramifications. In fact, the publication of P-2 Grand Master Licio Gelli's membership list sent shock waves out to Canada, Hong Kong, and the Caribbean. The evidence now in the public domain comes very close to demonstrating the existence of a tightly coordinated world network for dirty money transactions—a "Dope, Inc.," as this publication first characterized it in an October 1978 feature.

Not merely the major Italian banks, but Bank of America and Chase Manhattan in the United States, the Hongkong and Shanghai Bank, and major institutions in most European countries are up to their ears in the scandal. This result is not, ultimately, surprising: in a world where international banking has come to be dominated by a \$1.5 trillion unregulated "offshore" market, and this market dominated by a \$200 billion *per year* flow of narcotics revenues plus uncountable amounts of so-called flight capital, large institutions had to be involved in witting "money-laundering" operations. Only large institutions could handle the volume. Italy, where 20 percent of the national economy runs "underground," and where old oligarchical family links to the Caribbean and the South China Sea run back centuries, is an appropriate starting point.

Of special importance are Banco Ambrosiano Chairman Roberto Calvi, now awaiting trial for illegal currency operations in a Milan jail; the Siena-based Monte dei Paschi Bank, a 400-year-old institution with \$20 billion in assets; and the giant Banca Nazionale del Lavoro and Banca Commerciale Italiana. The latter is now negotiating the purchase of the \$2 billion Long Island Trust Co., whose vice-chairman of the board resigned some months ago to become director of the Central Intelligence Agency. Its chairman, former finance minister Gaetano Stamatì, is on the P-2 list, along with colleagues from the above-cited and other major institutions.

Roberto Calvi—whose arrest with a handful of others started the whole affair—gives the investigator an un-

precedented opportunity to work through the Chinese boxes of money-laundering from the inside outwards. The most prominent financier of the Italian Socialist Party, Calvi built the \$6 billion Banco Ambrosiano as the core of a \$20 billion international empire of merged and associated companies. But Ambrosiano itself fits tightly into a larger series of boxes, a publicity-shy but powerful international syndicate known as "Inter-Alpha," among the first. It includes West Germany's BHF-Bank, France's Swiss-connected Crédit Commercial, the Kredietbank of Luxemburg, and the British combination of Williams and Glyn's-Royal Bank of Scotland, the latter about to merge with the Hongkong and Shanghai Bank.

Ambrosiano is thoroughly Italian in character, but not in ownership. Crédit Commercial de France, the successor to the 1894-founded Banque Suisse et Française, and BHF-Bank together own a controlling share, along with fellow Inter-Alpha member Privatbank of Denmark. "They are not just a consortium," said a senior Ambrosiano official. "They have ties of mutual ownership and interchangeable management as a matter of policy." Apparently the Italian leg of the international syndicate functioned as a lightning rod for dubious operations. A Milan-based officer of Ambrosiano's international department comments, "We knew for some time that we were on the watch list of the bank regulators. Ambrosiano had trouble explaining some of its operations. Very large deposits would suddenly appear on its books and move halfway around the world, usually for investment in an Asian or Mideastern country. These investments looked awfully risky, although the bank somehow made money on them."

In fact, Inter-Alpha was founded in 1972 to become the premier flight-capital conduit between the Far East and Latin America "offshore" markets, with special expertise in the transfer of very private and very large old family fortunes. Although Inter-Alpha maintains a common real-time computer operation in Europe, its only full-service banking operations are conducted in Asia, through a finance company in Singapore and a bank in Hong Kong. These, in turn, are owned by a holding company in Luxemburg, which provides an interface

with the Latin American markets. A profile of Inter-Alpha's members and current operations indicates that the syndicate has a specialized and highly elite role in the circulation of the multi-hundred-billion-dollar annual volume of illegal money transfers. Unlike, say, the Caribbean branches of several leading Canadian banks, it does not handle petty transfers for nationals of Third World countries who wish to evade exchange controls. The boxes-within-boxes of Inter-Alpha are a glittering array of Swiss, French, and German family fortunes, who require a vehicle for anonymous international movement. We will review the relevant names below, after starting from the top.

Inter-Alpha and the Club of Rome

Ambrosiano, Williams and Glyn's, BHF-Bank, Cr dit Commercial de France, Kredietbank, Nederlandsche Mittelstand Bank, and Privatbank capitalized a joint securities venture as an Inter-Alpha project in the late 1970s. It still operates in New York and Z rich under the name "Ultrafin." Details of the subsidiary's formation were left to Roberto Calvi of Ambrosiano and his close friend Aurelio Peccei, the former Fiat Corporation Argentina chief who had founded the Club of Rome in 1966. According to sources close to Calvi, it was at Peccei's suggestion that Calvi hired then Columbia University Prof. Richard Gardner as the group's "chief of intelligence," under cover of a board position at the New York offices of Ultrafin.

Gardner, whose wife, Daniele Luzzato, hails from one of the oldest (and once most-feared) families of Venice, subsequently left the post to become the Carter administration's ambassador to Italy. At the time of his employment with Ultrafin he was the leading economic light of the Rockefeller-funded Trilateral Commission, and a partner in the Coudert law firm in New York. His connections to Fiat chief Gianni Agnelli, a fellow member of the Trilateral Commission and board member of Chase Manhattan Bank, were responsible for his assignment to Calvi, reports an Ambrosiano officer who claims to have been the go-between for the Milan banker and Agnelli. Gardner prepared monthly reports "on the world political situation and its impact on Inter-Alpha," the sources at Ambrosiano explained.

This set of facts would be of remote interest except that 1) Fiat employee and Trilateral Commission member Carlo Bonomi was arrested for illegal currency dealings in the same sweep that netted Roberto Calvi; 2) also arrested was the head of the Venetian Industrialists Association and former head of the Venetian Chamber of Commerce, Mario Valeri di Manera, a business partner of Calvi's in an Ambrosiano subsidiary, Banca Cattolica di Venezia. Valeri di Manera is a leading figure among the surviving Venetian oligarchy, who bears the nickname, "the last Doge of Venice." He

is a business partner and intimate of Richard Gardner's in-laws, the Luzzato family. He is also linked to the Loredano clan, who provided a thousand years' of rulers and diplomats to the old Venetian Republic until it moved to Argentina in 1977.

Banker Calvi's personal role affords a view, in one glimpse, from the level of policy-makers like Gardner and Peccei down to the pit of dirty-money operations and hired terror. His arrest led to the raid on Grand Master Licio Gelli's mansion, said a friend of Calvi's, because "everyone knew that Calvi was guilty as all hell, that he was running the biggest flight-capital operation in Italy. Gelli was the connection to Argentina. He was close to the last military government there and to the present one. If you wanted to move money between Italy and South America he was the guy you had to go to."

When the case officer for Calvi and Gelli died in a terrorist set-up last fall, Italian press noted that the murdered Judge Alessandrini was holding two case-books: Calvi's and that of the so-called Front Line branch of the terrorist Red Brigades. Well-informed Italian law enforcement sources say that Calvi was financing Prima Linea privately, while he bankrolled the Socialist Party in public. Surprisingly, this accusation does not faze friends of Calvi. "When Alessandrini died I naturally assumed that Calvi was behind it," said a senior officer of Banco Ambrosiano.

Inter-Alpha's world nexus

After every world war since Napoleon, titles to ownership of areas subject to conflict have gone underground and re-emerged in new corporate formats—although the "beneficial ownership" has changed much less than casual observers think. Dozens of private banks and private fortunes found it convenient to cease to exist for purposes of record in the late 1930s. Europe's master quick-change artist, Hans F rstenburg of the BHF-Bank, moved to Switzerland in 1938, bringing with him the fortune that the Rothschild family left in Germany when it closed the Frankfurt branch of the family bank in 1902. The family interests associated with BHF as of the 1923 board of directors included the Goldschmid-Rothschild private bank (part of the 17th-century British fortune Mocatta Goldschmid); the Von Metzler and Oppenheim private banks, which still maintain their independent operations in West Germany today; and the Rothschild-related Oppenheim fortune, still embodied in Sal. Oppenheim in Frankfurt, perhaps West Germany's premier private investment bank at the moment. Although Hans F rstenburg left for Switzerland at the publication of the Nuremberg laws, BHF functioned intact throughout the war, reaching the status of number-five bank in Nazi Germany in 1939.

The Soviets shut down the bank, then known as the

Berliner Handelsgesellschaft, in 1945. It remained moribund for the first years of occupation, until Herman Jannsen, who had meanwhile been the manager of the Reichskredit Gesellschaft AG in Berlin, invited BHG to take over its offices and staff, since the Russians would not permit the Nazi-associated bank to reopen. Jannsen was an old employee of the Goldschmid-Rothschild private bank, part of the consortium that controlled BHG before Hitler; today he is chairman of the (merged) Berliner Handelsgesellschaft und Frankfurter Bank's Supervisory board of directors. Another octogenarian, Hans Fürstenburg, remains chairman of the managing board.

What family fortunes are buried in these private banks which kept one foot in Switzerland and the other in Nazi Germany throughout the war is not known. However, the BHG (later BHF) network became the principal pied-à-terre for a branch of U.S. Army Intelligence directed by German emigré Fritz Kraemer, the creator of Henry Kissinger and Alexander Haig. G-2 officer Kraemer recruited young Heinz Kissinger into his British-controlled branch of American intelligence. Kraemer, whose reputation in print as a postwar "super-spook" has come to rival that of James Angleton, told a reporter last year that his networks in West Germany operate out of the BHF Bank.

Re-founded in 1893 with the name of a 16th-century Milan bank, Banco Ambrosiano is a joint project of the families associated with BHF and the Crédit Commercial de France. The latter, founded in 1894 as Banque Suisse et Française, has been France's most important "Swiss connection" for most of a century. It also absorbed a dozen of the most influential French private banks, including the Banque Savoie, Banque George Morhange et Cie., Banque Privée de Dépôts et Crédit, and, most important, the Banque Ribaud. Apart from its stock in Ambrosiano, it also owns a significant chunk of its Inter-Alpha Group partners Kredietbank, Privatbanken, and BHF itself. Its other international interests include 80 percent of the West German subsidiary of the South African-British investment bank Hill Samuel, and 1 percent of Italy's giant Mediobanca, whose chairman Renato Cuccia has been the principal financier of the Agnelli interests and the Italian contact for Lazard Frères for the past two decades.

Crédit Commercial de France binds together those French interests who overlap—through Switzerland—with fellow syndicate member BHF Bank. Its biggest stockholder (with over 15 percent) due to a postwar merger is Eduard de Ribes, Chairman of the CCF subsidiary Banque Ribaud, manages what used to be the French connection to Indochina. At one point after World War II, Banque Ribaud controlled two-thirds of narcotics-producing French plantations in Indochina. CCF's vice-chairman of the board, Ambroise Roux, is

also the chairman of France's Compagnie Générale d'Electricité, and also Henry Kissinger's closest friend in France.

Without underrating the global standing of the Venetians associated with banker Roberto Calvi in Milan, the above-named banks are his owners, in the juridical sense. Together they represent a private intelligence and financing apparatus which transcends two world wars, with a charter more enduring than that of any existing intelligence agency. Without this background it seems implausible that Henry Kissinger would have dispatched Alexander Haig to Italy in 1969 to found a secret freemasonic lodge for irregular political dealings. But through Fritz Kraemer and the networks that rewired postwar Germany, Kissinger is as much a creature of P-2 as P-2 is a creature of Henry Kissinger.

Hong Kong and the American banking connection

The British leg of the Inter-Alpha Syndicate, Williams and Glyn's is only (due to peculiar British banking laws) the English name for the Royal Bank of Scotland. Royal Bank, since the turn of the 19th century, has been the principal financier of the Scottish "Hong's" or Far East traders who founded the world opium traffic in its modern form, and ran it, as a matter of public record, up through the end of the Second World War. In a 1978 bestseller, two editors of *EIR* demonstrated that the Scottish "Hong's" did not abandon the narcotics traffic after the war, but merely transferred it—through the arbitration of the Far East section of the Royal Institute for International Affairs—to Chinese junior partners.* Principal among these Scottish "Hong's," and a dominant force on the board of the Hongkong and Shanghai Bank, was Jardine and Mattheson (the "Noble House" of the latest Richard Clavell novel).

Today, Royal Bank of Scotland's Chairman Sir Michael Young-Herries is a veteran of 19 years' service with Jardine Mattheson in Hong Kong. In Scottish financial tradition, he returned to Scotland in 1976 as a reward of sorts for long service in Asia. Young-Herries became a director of Jardine Mattheson in 1959, and chairman and managing director in 1963. In the meantime he served as chairman of Hong Kong University and as a member of the Hong Kong legislative council. Between 1972 and 1976 he chaired the Jardine Japan Investment Trust.

Inter-Alpha's British partner is the top level of control of the Hong Kong market, the world's biggest source of illegal funds. More than \$10 billion in illicit narcotics revenues passes through the city every year, most of it through the Jardine-controlled Hongkong and Shanghai Bank, the book *Dope, Inc.* documented. The present merger negotiations between Royal Bank of Scotland and Hongkong and Shanghai Bank repre-

sent a proposed consolidation of financial networks that have cooperated for more than a century.

Hong Kong is both the freest and most tightly controlled market in the world. It may have minimal law enforcement and draw freebooters' money from all of Asia, but the Hongkong and Shanghai Bank, which prints the island's currency, has say-so over who may take deposits and make loans there. When Chase Manhattan decided to go after what bank officers euphemistically called "mafia money" in the Hong Kong market in 1966, it did not find the going easy. Until Chase brought Hongkong and Shanghai Bank board member and leading shipowner Y. K. Pao onto its own board of directors several years ago, Chase was in no position to conduct the spectacular expansion in Hong Kong market funding that it subsequently enjoyed.

San Francisco's Bank of America took the same course—and got in on the ground floor. Old A. P. Giannini maintained close ties to the financial crowd who later formed the P-2 lodge throughout the Mussolini years. He and his daughter, Mrs. Claire Giannini Hoffman, lived in Fascist Italy for several years in total, maintaining a large Italian branch network through the Banca d'America e d'Italia. The Italian subsidiary of Bank of America (which changed its own name from "Bank of Italy" half a century ago) became the number-three private bank in Italy during the 1970s. Responsible for Italian operations in the postwar period for Bank of America is the bank's recently retired Vice-Chairman Rudolph Peterson, who received the Grand Order of Merit of Italy for his efforts.

Bank of America provided an early source of support for Ambrosiano Chairman Roberto Calvi's expansion drive. Together with the Banca Nazionale della Agricoltura, the Banca d'America e d'Italia capitalized a joint venture with Calvi's Ambrosiano, the \$3 billion Interbanca Spa.

Banker Peterson defends Bank of America's involvement with Calvi. "Banco Ambrosiano is a fine upstanding bank of good reputation," Peterson said in a recent discussion with a reporter. "I'm sure this scandal concerning them will wash away. Even when there is chaos all around them, the bankers and especially the central bank know how to get through. The banks and central bank will continue with their direction, while they pull through and the scandal washes away." But Peterson, in a more important sense, is a walking measure of the power of the financial network responsible for P-2. When he became Bank of America president in 1963, the bank had only 5 percent of its assets abroad; when he retired in 1976, the figure had risen to 33 percent, with massive involvement in Asia and Latin America. Peterson, who now heads the Asia Foundation, is a leading architect of what has been called the "Pacific Basin Strategy." At Bank of America, he arranged a

\$100,000 per year stipend for the Asia Institute at the University of California at Berkeley, and brought in the Stanford Research Institute's Asia specialists in the early 1960s to help reorient the bank's international lending strategy.

Bank of America's major Asian involvement began in Hong Kong after World War II, Peterson said. "The Hongkong and Shanghai Bank is the dominant institution there, but we found a way to work with them so that they wouldn't see us as a threat," the banker explained.

The apparent drawing power of the immensely profitable, and patently illegal, money flows of the Hong Kong market is enough to make institutions the size of Chase and Bank of America deal on the terms set by the dominant force in the Hong Kong market—which happen to be the controllers of the ugly little P-2 Masonic lodge. That such dealings took place is not surprising, considering that the political networks who appeared to direct the deployment of P-2's nasty capabilities included men like Aurelio Peccei and Richard Gardner, intellectual stars of the Club of Rome and Trilateral Commission. Numerous P-2 members are also members of the Trilateral Commission.

But the case of Hong Kong and Inter-Alpha shows how the power of flight capital and the old financial families has stood up against what, on paper, looked like growing financial domination of the American banks. Experienced European bankers know better. One well-informed West German banking source described Inter-Alpha this way:

This is a bank with an aristocratic background. It is made up of private bankers who do not meddle with just anybody, and, in fact, it is not really a public bank. The partners are not the important guys. They just manage the business. There are silent partners, sleeping partners, whose names are not known to the public, and it is their money which is really the bank. You would be astonished at the fundraising power of that bank; even though they participate little in the interbank market, it is enormous.

Now the anonymity, at least to some extent, is no longer intact. Along with the names of Mussolini-vintage political scum, the P-2 affair has raked up Mario Valeri di Manera, the Luzzatos, the Loredans, and some other very old names. It is only a start, but enough to pinpoint who is really calling the shots in the \$1.5 trillion offshore banking market.

**Dope, Inc.: Britain's Opium War Against the United States*, by David Goldman and Jeffrey Steinberg. Benjamin Franklin House; New York 1978 (scheduled for 2nd edition in 1981).