

Report from Rio by Silvia Palacios

State Dept. rehabilitates Garnero

Shultz & Co. once again use U.S. policy to protect dirty-money laundering networks from scrutiny.

In the second week of December, the swindler Mario Garnero, owner of the Brasilinvest firm, and stooge of the European oligarchist families, was politically and economically rehabilitated under U.S. State Department and Trilateral Commission pressure. Garnero's rehabilitation came at the same time that the Brazilian government caved in to the pressure from international banks, and agreed to pay 50% of the foreign debt of the three banks which had been put into receivership by the government in November—as had happened to Brasilinvest last April—for having defrauded savers and for speculative practices.

On Dec. 26, William Rhodes, chairman of the committee of Brazil's creditor banks, sent a circular to the foreign creditors of the Comino, Maissonave, and Auxiliar banks, to report the government's agreement to pay their bad debts.

In May 1985, the state court of Sao Paulo started proceedings against Garnero; in late November, it went into the final phase to prepare for sentencing. At that very moment, the State Department mounted a pincers operation to alter the course of justice. First, the Italian Feruzzi group got the Central Bank's nod to buy out Brasilinvest. This not only exonerates Garnero from any trial for fraud, but covers up the dirty-money laundering operations linked to Brasilinvest. Next, the line went out through State Department channels in the mass media that Garnero is "our man," and from now on he will move back into the

ranks of "men above all suspicion."

The Feruzzi industrial group is headquartered in Ravenna, Italy; the head of the group, Raul Gardini, known in Europe as the "sugar king," lives most of the time in Entre Rios, Argentina. Feruzzi has financial operations in Brazil, Luxembourg, Belgium, Paris, and the United States. He owns 800,000 hectares of land divided between Paraguay, Brazil, and North Carolina and Louisiana (U.S.A.). The feudal policy of substituting alcohol fuel for oil, imposed in Brazil by Garnero and company, was such a huge boon to Gardini's sugar business, that covering for Brasilinvest's losses is doubtless a minimal cost compared to the profits he has reaped.

The anglophile magazine *Senhor* and the daily, *Folha de São Paulo*, the latter famous for promoting Fidel Castro and the pagan cult called Liberation Theology, took it upon themselves to run interviews with Garnero of such length that they could have financed several editions as paid advertising.

In the interview in *Senhor*, Garnero admits to being the State Department's man in Brazil, stressing his friendship with Kissinger Associates partner Bill Simon, and his business partnership with George Shultz. In Garnero's words, together with Shultz and Michael Deaver (then White House public-relations chief) he ran Ronald Reagan's trip to Brazil in 1982, by-passing then-Foreign Minister Saraiva Guerreiro.

So as to leave no doubt about his backers, in reply to a question on the reaction of George Shultz and Thomas Enders when they learned of the proceedings against him, Garnero said: "In the international area people's behavior has not changed. For example, I am a member of the boards of American University and the Americas Society, formerly Council of the Americas, and my relations with these entities underwent no change. I continue to get the normal invitations, including from Gerald Ford and David Rockefeller."

The State Department's conduct in Brazil corresponds to the Reagan government's behavior in investigations into the laundering of narco-dollars and illegal flight-capital money. In Washington, the attorney general and Treasury have dropped investigation into dirty money laundering from drug trafficking, in which, as *EIR* has documented, major financial institutions like the Bank of Boston and Merrill Lynch are involved.

Garnero's rehabilitation was imposed by the State Department to get the Brazilian state to stop investigating the hazy origins of institutions like Garnero's or the three banks put in receivership in November; this is because Brazil is seen as a key link in the illegal financial structure run out of Switzerland and other banking centers.

The State Department has also meddled in Brazil with heavy-handed backing for the machine that elected the psychotic neo-Nazi Janio Quadros as mayor of Sao Paulo, especially for the group around Afiff Domingos, president of the Association of Merchants of Sao Paulo, a rabid Friedmanite liberal who heads opposition to any effective government action against the International Monetary Fund. He has been a faithful chum of Garnero, through thick and thin.