Donald Regan and the art of laundering drug dollars

by an EIR Investigative Team

On March 2, 1986, White House Chief of Staff Donald Regan's firm, Merrill Lynch, was blackballed from the management committee of the London Stock Exchange. Exchange member firms voted against including Merrill Lynch in its Rules Committee, citing a long history of "disreputable practices" at Merrill Lynch, which Regan headed for 12 years.

Among the practices cited was frequent "churning" of accounts, i.e., unwarranted buy-and-sell transactions whose sole purpose is to speculatively alter the value of accounts.

However, Donald Regan's firm merits more than blackballing; its activities over the entire period since Regan's 12-year reign at its head are more than "disreputable." Donald Regan belongs in jail. The grounds? Merrill Lynch, and Donald Regan personally, are at dead center of the banking networks which control a $400 billion annual flow of narcotics revenues, acting as America's number-one drug bank and protector of drug-money laundering.

So charged presidential candidate Lyndon H. LaRouche during a press conference at Washington, D.C.'s National Press Club April 9. He told the press that the components of the Regan file would be made public during the course of the week—as we do here, now.

In response to pressure from the media and from concerned citizens after LaRouche's charges were aired on nationwide television, the White House felt compelled to issue a denial that Chief of Staff Regan is a "drug money launderer."

"The charge is as outrageous as its source," the White House said April 10.

Regan's record

When Donald Regan was first appointed White House chief of staff, newsletter publisher Howard Phillips reported that he was, "on the one hand, a member of the Council on Foreign Relations, the Business Roundtable, and the Committee on Economic Development (run by the Rockefellers), at best a pro-Establishment Wall Street Republican." Phillips also gave damning evidence that "Regan positioned himself during the 1970s to become Secretary of Treasury in a Democratic administration," donating thousands of dollars to Democrats, to the Carter-Mondale campaign in 1979, and to Carter personally.

However, Ronald Reagan won the presidency, and in the course of ensuing deal-making with the Eastern Establishment, Regan was appointed treasury secretary. That, as we shall document, was like placing Dope, Inc. in charge of the U.S. Treasury.

Not only had Regan, while at Merrill Lynch, transformed that institution into a drug-money laundry; thereafter, at the U.S. Treasury Department, he was a principal influence on economic and financial policies of the U.S. government which ensured that the entire U.S. banking system would fall into dependency on that margin of liquidity they acquired from illegal narcotics revenues.

Top Reagan administration officials have railed against drug-money laundering:

Charles Harmon, executive director of the now-defunct President's Commission on Organized Crime, said in a March 18, 1985 article in *Business Week*, "If they [bankers] choose not to help in the efforts to prevent narcotics trafficking, they

NSIPS/Stuart Lewis

Guatemalan troops pile up seized marijuana for burning after February 1985 jungle raids, as reporters look on. The marijuana was bound for the United States. So long as men like Don Regan remain in office to sabotage the U.S. side of the war on drugs, these men are risking their lives in vain.

should know that every dose of heroin or cocaine, every bribe, every bullet which finds its way into the bodies of federal agents, is paid for by the cash which they never opened their eyes wide enough to see."

On June 13, 1985, Edwin Meese, the attorney-general, wrote to Vice-President George Bush: "Organized criminal groups, from drug trafficking rings to more traditional organized crime 'families,' could not operate as successfully as they now do without the means to launder money, thereby making cash generated by criminal activity appear to come from a legitimate source and hence available for investment in other businesses."

Yet, can such statements be taken seriously, when White House officials defend Don Regan's record?

We emphasize that the material presented below is only that which is available in the public domain. *EIR* enjoyed no access to the secret recesses of financiers' board-rooms and computer banks. This is only a trail, where a thorough investigation of Donald Regan would begin.

In this report, we document:

• *The Merrill Lynch, Crédit Suisse, White Weld Connection*. In 1978, during Don Regan's chairmanship of Merrill Lynch, the Wall Street financial house entered a series of joint ventures with the New York- and Boston-based White Weld Securities and the Zurich-based Crédit Suisse. That combination now dominates the $140 billion-a-year Eurodollar market, a principal haven for hot money, largely drug revenues. It is merely exemplary that Crédit Suisse was the principal recipient of more than $1.2 billion in "unreported cash transactions," in violation of federal law, from the Bank of Boston in one 18-month period in 1982-83.

• *Merrill Lynch and narco-terrorism*. According to a November 1984 report by the President's Commission on Organized Crime, titled "The Cash Connection: Organized Crime, Financial Institutions, and Money Laundering," Merrill Lynch was one of the premiere Wall Street financial institutions to open its doors to the dope mafia, both during and after Don Regan's tenure as chairman. Merrill Lynch, said the President's Commission, was key to the "Pizza Connection," a Sicilian mafia network inaugurated in 1981, stretching from Palermo to Milan to the New York-New Jersey area, where it operated through pizza parlors, and which flooded the East Coast of the United States with high-grade Golden Crescent heroin from Iran, Afghanistan, and the Northwest Frontier Province of Pakistan, currently controlled by Soviet-sponsored separatists.

• *Donald Regan and dirty money inflows*: As Treasury Secretary, Donald Regan sabotaged money-laundering law enforcement, and protected known offshore havens for dope money, in order to protect the dirty business dominated by his old firm, and its partner, Crédit Suisse.

I. Merrill Lynch and the Pizza Connection

Donald Regan's Merrill Lynch laundered at least $4.9 million in small bills for Sicilian mafioso *Franco Della Torre* beginning in March 1982, part of what has become known as the "Pizza Connection" case. According the President's Commission on Organized Crime report on "The Cash Connection. . .," Merrill Lynch provided special services to help Della Torre launder the proceeds of heroin sales:

"In making large cash deposits at Merrill Lynch, Della Torre's practice was to request that security personnel accompany him from his hotel to Merrill Lynch offices. After several such deposits . . . arrangements were made to escort the money from Della Torre's hotel directly to Banker's Trust, where Merrill Lynch maintained accounts."

Della Torre had an account in the corporate name "Traex" with Merrill Lynch for a year. A bag man for the Pizza Connection ring, Della Torre laundered an estimated $20 million through Merrill Lynch and other brokerage houses—into sheltered accounts at Crédit Suisse in Zurich. Della Torre, according to the Commission report, brought his gym bags and cardboard cartons full of small-denomination bills to a suite in New York's Waldorf Astoria Towers, where top executives of Merrill Lynch would regularly make pickups of the cash for deposit in the Merrill Lynch accounts at Bankers Trust. The Merrill Lynch officers even arranged for security guards to accompany Della Torre to the hotel.

During this entire period, Della Torre's deposits were under observation by federal Drug Enforcement Administration agents. Yet, to date, no action has been taken against Merrill Lynch.

Italian magistrates are now prosecuting some 440 top mafiosi in Italy in relation to the "Pizza Connection." Their operations tie into more than 100 murders—including those of top law-enforcement officials such as Carabinieri (national police) Gen. Carlo Alberto Dalla Chiesa, chief investigator of the links between organized crime, drugs, and the Red Brigades terrorists in Italy.

The Pizza Connection also cuts directly into the KGB's Bulgarian drug and assassins bureau, through Masullulu Yasar Avni, the Turkish mafia boss, who operates out of Sofia, Bulgaria. Masullulu's heroin-shipping and gun-running operations in Zurich were funded out of the Swiss accounts into which Merrill Lynch funneled money.

Italian sources are convinced that the recent death in prison of Vatican banker Michele Sindona was the latest assassination ordered to protect the Pizza Connection.

II. Crédit Suisse, the world's dirtiest bank

In testimony entered in the June 27, 1985 *Congressional Record,* Sen. Jesse Helms (R-N.C.) linked the June 14, 1985 hijacking of TWA Flight 847 by Lebanese Shi'ites to 100 million Lebanese pounds earlier delivered to the Shi'ites by the Iranian "Martyrs Foundation." Helms had the following to report on the source of these funds:

"It is unclear whether these funds were delivered as actual money or whether they were delivered in the form of a banking instrument which could be drawn against the Martyrs Foundation accounts held, for example, by the Marine Midland Bank in London or by Crédit Suisse in Switzerland."

In September 1978, Merrill Lynch chairman Donald Regan arranged Merrill Lynch's takeover of **White Weld Securities.** This placed Merrill Lynch in effective business partnership with **Crédit Suisse** in the money-laundering business internationally, since White Weld was effectively controlled by Crédit Suisse, through its joint venture with White Weld, **Crédit Suisse White Weld,** which provided White Weld with 75% of its annual earnings.[1]

Crédit Suisse is accused of laundering the bulk of the $1.67 billion in heroin traffic at issue in the "Pizza Connection" case. Merrill Lynch is accused of having laundered $3.9 million of this.

For Crédit Suisse, this is nothing unusual. It is one of the dirtiest banks in the world, according to U.S. federal prosecutors. It has been cited repeatedly as the recipient of narcotics or other dirty money from American banks. During the 12 months dating from the spring of 1985, Crédit Suisse turned up at the top of the list of banks cited by U.S. Treasury investigators for receiving illegal cash deposits from American institutions. On Feb. 7, 1985, when the Bank of Boston was cited for illegally accepting $1.219 billion in cash deposits from a New-England-based organized crime family, without reporting these deposits to the Treasury, also cited as the principal recipient of these illegal funds abroad was Crédit Suisse—$270 million of the $1.2 billion.

In the Bank of Boston case, the U.S. Attorney charged with prosecuting the case had a most glaring conflict of interest. He was **William Weld,** son of White Weld partner **David Weld.** Federal statutes permit the courts to seize all the illegal money laundered, that is, the entire $1.2 billion, in addition to fines. But William Weld asked and got a mere $500,000 fine on Bank of Boston, and nothing was confiscated. The fine imposed by Weld equals 4/100ths of one percent of the money
billion.

The partners who dominated White Weld's money-laundering operations were **Robert Genillard** and **George S. Moore.** William Weld's father, David Weld, died prior to the 1978 merger with Merrill Lynch, but was personally responsible for putting Robert Genillard in charge of White Weld's international department, i.e., its relationship with Crédit Suisse. These became Donald Regan's business partners after 1978. Genillard remains an employee of Crédit Suisse today. On Sept. 12, 1983, he became president of the **Clariden Bank,** wholly owned by Crédit Suisse. Genillard and Moore remain close associates; they jointly helped form **Ingram Worldwide Investments** in Monaco, with **Frederic Ingram,** a Louisiana "businessman" convicted in 1977 on 29 counts of bribery. Both are still directors of the Ingram firm.

On paper, Merrill Lynch sold to Crédit Suisse White Weld's 30% of its joint venture with Crédit Suisse. Crédit Suisse, in turn, formed a joint venture with **First Boston Corp.,** and the old Crédit Suisse White Weld became **Crédit Suisse First Boston.** Crédit Suisse bought 40%, and effective control, of First Boston.

Merrill Lynch and Crédit Suisse First Boston now jointly:

1) dominate the Eurobond market, the principal repository for dirty money on a global scale;

2) manage the finances of Spain, and opened the door for reportedly narcotics-linked Venezuelan financial interests to move into Spain;

Moreover, there is a revolving door between the major offices of the two institutions.

III. The Cisneros group and Manuel Ulloa

Regan's business partner George Moore is the officially listed "international adviser" of the **Organización Diego Cisneros (ODC).** The Venezuela-based Cisneros group, according to the exhaustive documention published in the 1985 book *Narcotrafico, SA* (now being released in English as *Dope, Inc.*) has extensive ties to financial interests who launder money for the South American narcotics traffic. *Dope, Inc.* contains the following report concerning the Cisneros interests:

"On July 20, 1984, the Venezuelan magazine, *Resúmen,* reported on a story alleging that a member of Venezuela's Cisneros family, one of the country's most powerful monied families, was up to his neck in dope-money laundering in Florida. According to the story, taken wholly from left-wing journalist Penny Lernoux's book *In Banks We Trust,* Oswaldo Cisneros Fajardo had been associated with the World Finance Corporation, an international money laundromat. Caught in one scam too many, the WFC eventually collapsed, and its Cuban-American president, Guillermo Hernández Cartaya, landed in jail on lesser charges of income tax evasion. Details of the seamier side of the WFC operation—arms for drugs in the Caribbean, financial capabilities made available to the Castro government in Cuba—were included in the story. Interest was heightened by the fact that a Caracas newspaper, *Diario de Caracas,* had just printed a picture of Venezuela's President Lusinchi reading the Lernoux book with two of his advisers: The caption asserted that the readers were concentrating on the Cisneros links to the drug world.

"This provoked as much outrage as if *Newsweek* had accused David Rockefeller of laundering dirty money. The Organización Diego Cisneros, the Cisneros family holding company, published full-page advertisements in the Caracas press denying any connection to World Finance Corporation, Credival, or Mr. Hernández Cartaya. Oswaldo Cisneros, in an interview with *Resúmen* magazine telling 'his side' of the story, admitted he had hired Hernández Cartaya in 1975 to reorganize the investment company, Inversiones Fenix, later renamed Credival, and that the two had jointly incorporated a subsidiary of the WFC in Caracas. But he insisted that that was the last of their business association and that he had no knowledge that Hernández Cartaya was involved in drugs or drug-money laundering.

". . . From the beginning, according to various accounts, WFC was a money laundromat. By 1977, it owned nine companies plus a bank in Miami, as well as subsidiaries in eight Ibero-American countries. A Panamanian subsidiary, Unibank, controlled outlets in the Netherlands Antilles, Cayman Islands, London, the United Arab Emirates, and Texas. WFC's balance

tence, was more than $500 million. A bad (and allegedly illegal) investment in the United Arab Emirates brought the group down in 1977, costing investors $55 million. Cartaya fled the country using a phony Colombian passport. The collapse of the WFC revealed, upon investigation, that a 98%-owned subsidiary, the National Bank of South Florida, was involved in money-laundering, so-called insider loans, and sundry other abuses.

"But before any of this happened, the WFC obtained a $2 million loan from the Moscow Narodny Bank in 1975. From the available evidence, Cartaya had done more than enough to earn it.

"WFC's network included the scum of the continent's financial underworld. The Colombian representative of WFC's Panama holding group, Unibank, was Jaime Mosquera, a Colombian banker jailed for fraud in 1982. Mosquera was a contact of Cartaya's since both worked for Citizens and Southern, Mosquera as C & S's representative in Bogota. One of WFC's first actions was to buy a small Colombian bank, Banco del Estado, and install Mosquera as chairman. In 1975, Unibank negotiated for a lead-managing role in a $100 million loan to Colombia's state-owned agricultural institute, Idema, with the inside support of Mosquera's brother Christian, then Colombia's banking commissioner. According to testimony to a U.S. congressional committee investigating the WFC scam, Cartaya was also acting as a covert representative of the Cuban government, and sought to use the loan as an incentive for the López Michelsen government to cooperate with Cuba on the 'northern' drug routes.

"WFC's ties into major narcotics traffickers were extensive.

"Drug Enforcement Administration files record that one of Cartaya's closest associates was a narcotics wholesaler working with the Santos Trafficante mafia group. In any case, a finance company linked to Trafficante, Dominion Mortgage Corporation, listed its offices at the same address as Cartaya's WFC. The DEA also claimed that a WFC employee named Enrique 'Kaki' Argomaniz was a suspected drug- and gunrunner, and the brother of a known drug wholesaler, Alberto Argomaniz.

"Oswaldo Cisneros confirmed to Venezuela's *Resumen* magazine on Aug. 12, 1984, that he had worked with WFC's Cartaya, but insisted, 'I never knew, nor can I affirm that Cartaya has been tied' to the drug trade. According to his account, Cartaya and Cisneros did indeed jointly found a subsidiary of WFC in 1975-76; the relationship lasted a year, after which Cartaya's relationship with Inversiones Fenix ended, and nothing more allegedly was ever heard from them."[2]

Manuel Ulloa, the former prime minister of Peru, introduced economic policies which encouraged the staggering growth of Peruvian cocaine traffic, according to *Narcotrafi-*

co, SA. While Ulloa's policies aided the dope traffic, his principal economic adviser, as a matter of public record, was Merrill Lynch. Ulloa lost a libel suit against the distributors of this book in Peru, the Anti-Drug Coalition, in 1985, and a Peruvian appeals court ruled in March 1986 that the book had, indeed, not been libelous in asserting that Ulloa's policies fostered the dope traffic in the Peruvian jungle.

The first ruling, on Oct. 17, 1985, which absolved the head of the Anti-Drug Coalition of all charges against him, gave de facto juridical legitimacy to the public's widely held but unspoken belief that Ulloa was "the Godfather" of the Peruvian dirty economy. Ulloa's appeal for a reversal of that ruling convinced no one, much less the Superior Court judges, who were forced to consider such pathetic arguments as Ulloa's claim that he could not be held responsible for the drug trade in Peru since it preceded his term in office!

The three judges who heard Ulloa's appeal concluded in March 1986:

"Having seen and heard the oral testimony and the arguments of the sentence which was appealed, and having considered that the spirit of the publications in question . . . is criticism of the economic policy which the plaintiff executed during his service as a public official, as a politician and as former prime minister of the post of economy and finances, and which is described as 'superliberal' . . . [and] whose policy permitted the proliferation not only of the drug trade, but also of bingo, finance companies, [and] real estate, which are interconnected and which make up the 'illicit economies.'"

Ulloa became prime minister in July 1980, and hired Donald Regan's Merrill Lynch as Peru's official adviser on the matter of developing the Peruvian jungle provinces—the center of the cocaine traffic. In 1982, Merrill Lynch published a study for "foreign investors" in cooperation with Ulloa's National Investment Commission.[3]
commissioned by Ulloa's right-hand man, Robert Danino.

Latin America Newsletters reported on Nov. 12, 1982, "Merrill Lynch, the New York brokers and financial consultants, have just produced an update on their survey of Peru for investors. The pamphlet, written in close collaboration with Conite
Extranjeras), the ministry of economy and finance's investment promotion agency, provides valuable insights into how the Belaúnde administration has set about putting the economic nationalism of the military government into reverse. The policy has been to 'bend over backwards to attract foreign investment,' says a Lima investment consultant, as part of a general aim to liberalize the economy."

Ulloa's ties extend past Merrill Lynch itself, to Donald Regan's circle of business partners from the 1978 reorganization of the Eurobond market. Ulloa has been associated with Regan business partner George S. Moore for 30 years, since Ulloa was employed by **W. R. Grace and Company,** and Moore, then president of Citibank, was a director of Grace. Moore and Ulloa have remained friends through to years' standing of the Cisneros group, which Moore advises.[5]

Ulloa's closest tie to international finance is through First Boston Corp. **Pedro-Pablo Kuczynski,** president of the First Boston subsidiary, **First Boston International,** served with Ulloa in two governments, and continues to meet with him frequently.[6] First Boston also works closely with the Cisneros group, the close associates of Ulloa and George Moore.

First Boston arranged the sale of Spain's largest department-store chain, Galerias Preciadas, to the Organización Diego Cisneros, in December 1985. The chain was part of the present.[4]
the bankrupt **Rumasa** group, and First Boston continues to manage the sale of all the group's assets. First Boston is also the investment banker to the Kingdom of Spain, in combination with Merrill Lynch. **Merrill Lynch Capital Markets,** the Merrill Lynch division formed to incorporate White Weld, jointly managed a $225 million bond issue for the Kingdom of Spain on Aug. 26, 1985. In July 1985, Merrill Lynch and First Boston jointly managed a $450 million commercial-paper issue for the Kingdom of Spain.

IV. Regan hands Treasury to the dope pushers

Donald Regan's 1978 deal between Merrill Lynch and Crédit Suisse set in motion a process by which the United States financial system has fallen to the mercy of dope traffickers and other sources of shady money. He presided over the virtual collapse of the American banking system during the Third World debt crisis of 1981-83, and its replacement by the so-called Eurobond market, a vehicle for the washing of international dirty money.

In 1981, when Donald Regan became U.S. treasury secretary, international bank lending reached a peak of $500 billion. Most of this occurred through the banks' own offshore operations, in a market subject to crisis. However, the banking system retained some link to national government policies, through the exercise of central banking measures. By 1985, international bank lending had fallen to less than $80 billion. What replaced the banks was the Eurobond market, the sale of paper to faceless investors, usually hiding behind numbered Swiss bank accounts. From barely $20 billion a year in 1981, the Eurobond market grew to $140 billion at present rates. The International Monetary Fund described the situation in its *Survey* of March 31, 1986:

"An important feature of capital market activity in 1984-85 . . . was the increasing substitution of international bond and securities issues for syndicated bank
this substitution, lending through the international bond and securities markets reached record levels in 1984-1985. . . . To a large extent, the changes in banking activity in 1984-1985 reflect commercial banks' attempts to cope with a deterioration in domestic loan performance and with the difficulties of major developing country borrowers in servicing their external debt."

In plain English, the banks were in big trouble and stopped lending after 1982, when Mexico ran out of money. The U.S.

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official who bears principal responsibility for the disaster in the banking system is then-Treasury Secretary Donald Regan. As the Mexico crisis broke, Regan went on a rampage against developing-nation borrowers at the September 1982 meeting of the International Monetary Fund. At his press conference on Sept. 5, 1982, the following exchange occurred with reporters:

Q: Mr. Regan, the nine largest banks in the U.S. have lent amounts surpassing 40% of their capital to Mexico. It is estimated that $240 billion in debt must be financed this year. You have said the IMF will not be expanded. What is the alternative to the IMF? What will you do about the U.S. banks?

A: They'll get along just like any other banks. Take Poland. The Poles haven't paid their debt, but their bankers are getting along fine. They've had rescheduling and stretch-outs. These things can be handled. You don't get a default and total collapse of the banking system. We'd like to see the IMF handle it, but there are many other ways it can be done.

Q: But Mr. Secretary, Mexico cannot pay its debts.

A: Mexico has been over-ambitious. You have to cut your cloth to suit your pattern, and if the pattern is less revenue, you have to cut back. We've had to cut back. We don't have unlimited money. Others will have to do it, too. It's tough.

Q: But Mr. Secretary, what about the so-called "IMF riots?" Doesn't the IMF cause political instability?

A: Look, belt-tightening is something everyone has to go through, and it's up to the political leaders of these countries to explain that to their people.

As a result of the belt-tightening Regan demanded, the United States lost 2 million jobs that formerly produced exports to developing nations, the developing nations went into a tailspin, and the banking system ceased to function. The Treasury and Federal Reserve have managed to maintain only the legal fiction of banking solvency since then, and even that is now coming unglued.

The present situation, in which normal international banking functions have disappeared, and international dope money has replaced the regular flow of credit, is the immediate result of Donald Regan's actions in 1978 as head of Merrill Lynch, and his actions in 1981-85 as secretary of the treasury.

Merrill Lynch and its partner since 1978, Crédit Suisse, dominate the "Eurobond" market, a $140 billion per annum market in which corporations and governments sell their paper to anonymous bank accounts. U. S. Federal Reserve officials acknowledge that narcotics traffic is a principal source of funds for this market. During the first half of 1985, more than two-thirds of America's $120 billion-per-annum balance of payments deficit was funded by parties unknown. $50 billion came in through so-called "errors and omissions," i.e., was not tracked by the government. Another $35 billion came in from American corporate borrowings on the Eurobond market.

According to the House Select Committee on Narcotics Abuse and Control, the following amounts of illicit drugs will enter the United States during 1986:

Heroin	12 tons
Cocaine	150 tons
Marijuana	30,000 tons

Virtually no heroin or cocaine is produced in the United States, but a substantial amount of marijuana is. A conservative estimate is that domestic production would increase the House Committee's estimate by one-third, giving a total of 40,000 tons.

The street value of these drugs, using standard estimates for street value, can be calculated as follows:

	Total volume	Street price	Total value
Marijuana	40,000 tons	$100/oz.	$128 bn
Heroin	12 tons	$5 million/kg	60 bn
Cocaine	150 tons	$240/gram**	45 bn
Subtotal			$233 bn
PCP	n.a.	n.a.	
"Uppers"	n.a.	n.a.	
"Downers"	n.a.	n.a.	
Hallucinogens	n.a.	n.a.	

* Diluted to street-level purity of 4%
** Diluted to street-level purity of 20%

Heroin, marijuana, and cocaine account for *potential* sales of $233 billion. No accurate data are available for other drugs, which may be produced cheaply in domestic laboratories, or siphoned from the stream of otherwise-available prescription drugs. A rough estimate of the street value of all available narcotics is $300 billion. Assuming that what accounts call "inventory shrinkage" reduces total sales by a considerable margin, we can estimate that total narcotics sales in the United States are somewhere between $200 and $250 billion. Worldwide narcotics traffic is in the range of $500 billion or more.

American dope pushers funnel most of this money abroad, by depositing cash with cooperative firms such as Merrill Lynch or the Bank of Boston, or by loading cash into cardboard boxes and flying it out of the country. Then they use these funds to anonymously purchase Eurobonds, or other totally anonymous vehicles for dirty money.

The same offshore vehicles through which American corporations borrow by issuing Eurobonds launder a large portion of the world's dope money. In order to enable secretive Eurobond purchasers to avoid American taxes, U.S. corporations borrow through subsidiaries in the Netherlands Antilles, a semi-independent Dutch colony in the Caribbean. As early as April 12, 1983, the General Accounting Office of Congress told the House Government Operations Subcommittee on Commerce, Consumer and Monetary Affairs, that the Antilles were a haven for tax evasion and money laundering, and asked the Treasury Department to cancel America's tax treaty with the island. Treasury Secretary Donald Regan ignored the GAO report, and upheld the tax treaty with the Netherlands Antilles, thus protecting the dope-money-laundering empire he had been instrumental in creating in 1978.

Secretary Regan's defense of the Netherlands Antilles laundromat in 1983 permitted the island haven to become "the new hideaway" for dirty money, according to an April 7, 1986 *Forbes* magazine cover story. Forbes wrote:

"Both U. S. and Antillean officials publicly minimize the role of the semi-independent island chain in international money laundering, pointing instead to places like Panama and Hong Kong, where illicit cash first surfaces in bank deposits. From such places, the funds are often wired to their ultimate destinations via a front or shell corporation in the Antilles.

"In fact, even as Panama and Hong Kong continue to thrive, the one-time Dutch colony grows increasingly more important as a place where money can flow freely, not just for free-lance drug and arms smugglers but for everyone from dictators seeking to hide their plundered treasure, to the Croesus-rich kingpins of organized crime.

"Why the Netherlands Antilles? Two words—stability and secrecy—tell it all. Drug dealers aside, the Netherlands Antilles has long been a haven for U.S. businesses legitimately seeking lower tax rates on overseas earnings. Import-export agents, film distribution companies, independent oil companies, banks, and many other such firms have found doing business convenient and congenial. Even the copyright to *Rambo* resides in the Antilles.

"Now the money launderers have arrived, and, like the legitimate businesses before them, their spokes run everywhere, often intersecting with wholly above-board currency and capital transactions like those involved in the Eurobond business. In 1981, the only year for which figures are available, nearly $1.4 billion in income, such as dividends, passed from the U. S. through the Netherlands Antilles, making the islands the largest recipient (albeit in intermediary role) of U.S. source income in the world. Historically, the bulk of the multi-billion-dollar Eurobond market has flown through the Antilles, although lately at a significantly reduced rate. Still, in that flood of money, much can be concealed."

In reality, both the Eurobond operations of U.S. corporations, and the front organizations for organized crime based in the Netherlands Antilles and elsewhere, provide a vehicle for *Dope, Inc.* to turn the profits of the $500 billion per annum international dope traffic into seemingly legitimate investments in the United States.

The London *Financial Times* wrote on April 6, 1985, "The typical Eurobond purchaser is popularly seen as a corrupt Third-World government official with black money to salt away, or a Belgian dentist concealing his wealth from the tax man or from an estranged wife, or from both. This image, encouraged by the secrecy surrounding the bondholders, may contain a grain of truth. . . . Eurobonds are issued in bearer form. Your name will not be registered anywhere—considered an advantage by those seeking to evade tax," the account concludes, but also by those seeking to hide narcotics revenues.

During 1985, Crédit Suisse First Boston and Merrill Lynch were, respectively, the number-one and number-two underwriters on the Eurobond market. Crédit Suisse handled $19 billion of Eurobonds, and Merrill Lynch handled $8 billion. Between them, the two partners control one-seventh of the entire market. As noted, Merrill Lynch continues to operate in tandem with the Crédit Suisse First Boston combination, as in the case of Spain.

There is a revolving door between the overseas offices of Merrill Lynch and Crédit Suisse. On Jan. 23, 1984, ten top officers, including three board members, of Crédit Suisse First Boston's London offices shifted to Merrill Lynch's London offices. Merrill Lynch's old boss, Donald Regan, continues to use his power not merely to protect the Eurobond market, but to protect the dope-trafficking networks which fund this market in the first place.

The London *Economist* wrote on March 16, 1985, "In the Eurobond market, the bank which dominated underwriting last year (as it has for each of the past five years) was Crédit Suisse-First Boston (CSFB). As the name suggests, CSFB is a joint venture between the big Swiss bank Crédit Suisse and the American investment bank, First Boston. It was put together in 1977, principally to do business in the Euromarket. . . . CSFB's distribution network includes Clariden Bank, a wholly owned private bank in Switzerland, and First Boston, which distributes securities in New York. But its real strength is the connection with Crédit Suisse, which manages billions of dollars on behalf of rich investors, many of whom like to have their money tucked away in a safe haven and managed conservatively. A recent estimate suggested that as much of 80% of new Eurobond issues can end up in Switzerland."

As Treasury Secretary, Donald Regan presided over America's fall into dependency on faceless international hot money—and Merrill Lynch, along with its post-1978 partner Crédit Suisse, took the lion's share of commissions on this sellout.

Moreover, as the major American banks were becoming laundromats for drug money through the Eurobond market, Regan was helping to arrange for these drug banks takeover of all domestic U.S. banking, in a cartelization process begun by Citibank's brash invasion of the state of Maryland in March 1985. Behind the cartelization was a deal cut by Regan, the Treasury Department, Citibank's then head, Walter Wriston, his successor John Reed, and Chase Manhattan's Willard Butcher.

In 1983, at the height of the Mexican and Brazilian debt crises, then Treasury Secretary Regan convened a private meeting with IMF Director Jacques de Larosière, Wriston, Butcher, and the top 10 U.S. bankers. A "secret compact" was drawn up, in which Citibank, Chase, and the commercial banks were each given regional "zones of expansion," fiefdoms in which, regardless of law or regulation, they would be allowed to expand and take over all banking activities. (Citibank and Chase drew the Eastern seaboard.)

In exchange, Regan got what he wanted for Merrill Lynch and its friends at White Weld, American Express, et al. The commercial banks agreed to give investment banks expanded powers to enter the banking business.

Regan's Treasury Department in the previous year had approved interstate bank cartelization when Comptroller C. Todd Conover announced that the megabanks could set up over 200 "non-bank banks" in a dozen states. These are normal banks except that they are not supposed to accept deposits. They do so anyway, under numerous loopholes. Washington sources winked at the Treasury Department's action: "There is nothing 'non' about non-bank banks. They are banks."

Thus, as savings and loan and regional banks head toward collapse, it has been arranged by Regan that the entire U.S. financial system will be gobbled up by Dope, Inc.'s megabanks.

V. Regan sabotages drug enforcement

On Feb. 28, 1984, then-Treasury Secretary Regan was grilled by a congressional committee after he cut $18.8 million out of drug enforcement funding, in order to increase his office renovation account by $18.5 million. The funds Regan slashed from the Customs budget were earmarked for 14 radar surveillance planes, designed to locate and help interdict aircraft illegally carrying narcotics into the United States.

At the hearings, Rep. Glenn English (D-Okla.) stated, "What happened is, the Secretary of the Treasury got caught with his hand in the cookie jar trying to switch funds from the drug program into his office account."

Outraged congressmen attributed this to Regan's well-known self-absorption. But in the light of Merrill Lynch's role in money-laundering, and Donald Regan's personal role in fostering dope banking, there is reason to suspect a deeper motivation for this sabotage.

Notes

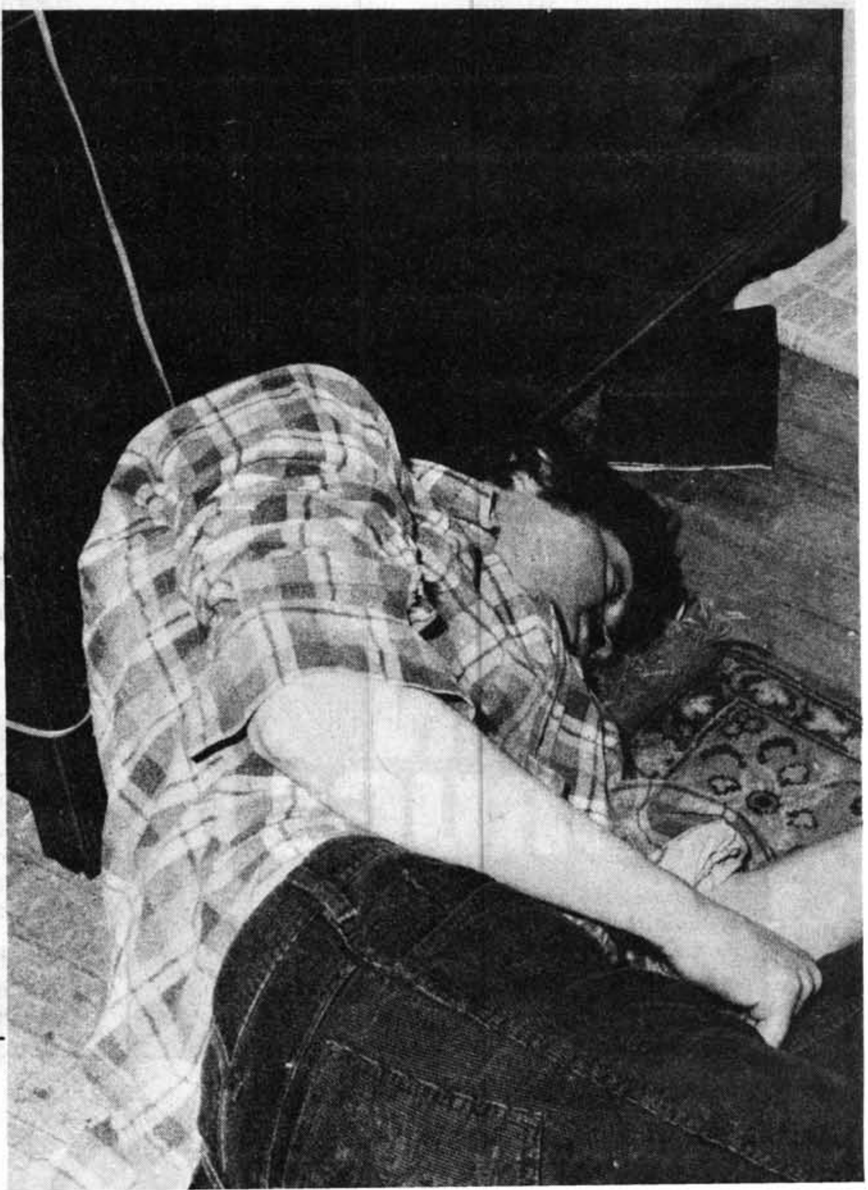
[1] London *Economist*, April 22, 1978, p. 126.
[2] *Resúmen* of Caracas, July 20, 1984.
[3] Latin America Regional Report: Andean Group, November 12, 1982, p. 3.
[4] Interview Dec. 4, 1985 with Spanish banker Ignacio Fierro. Fierro is an associate of Ulloa of 20 years' standing.
[5] *Ibid.*
[6] Interview with former president of Peruvian Banco Andino, Alvaro Meneses, Dec. 5, 1985.

(a)

(b)

(c)

(d)



Don Regan and the world's dirtiest business

The producers: Left, top to bottom: (a) Opium growing in the Northwest Frontier Province of Pakistan, now under control of Soviet-run separatists. Processed into heroin, this opium earned billions of dollars for the "Pizza Connection," much of it laundered by Merrill Lynch. (b) South American peasants have been driven into cocaine cultivation by international banks' debt demands. (c) Cocaine refining lab in Caquetá, Colombia, part of the narco-terrorist business empire. (d) Rancho Búfalo in Chihuahua state, Mexico, the world's largest marijuana plantation, directed at the U.S. market, raided in November 1984. **The consumers:** Bottom, center: a young Montreal heroin addict, dead of an overdose. Center, right: a drug lobby activist in New York City's "pot parade" in 1981. **The protectors:** Left above: Donald Regan, for 12 years chief executive of Merrill Lynch, the premiere Wall Street financial institution to open its doors to the dope mob. Top, right: Merrill Lynch which merged with Crédit Suisse (shown, its Zurich headquarters) and with White Weld. Bottom, left to right: William Weld, U.S. Attorney for Massachusetts, of the White Weld family, who let the Bank of Boston off with a slap-on-the-wrist for $1.2 billion in money-laundering through Crédit Suisse; some Regan business associates: Pedro-Pablo Kuczynski of First Boston International, indicted in Peru in 1986 for illegal oil deals; Gustavo Cisneros of the Venezuelan Cisneros clan which has extensive ties to financial interests who launder money for the South American narcotics traffickers; Manuel Ulloa, former Peruvian prime minister, whose policies favored the growth of the illegal drug trade in Peru.