

The ‘Banco Santander Syndrome’: City of London’s Sucker Game

by Dennis Small

“A great fraud has been shaping international relations, including relations of Russia with the United States, which I have some privy insight into,” said the world’s leading economist Lyndon LaRouche on Feb. 6. “What is going on, is the Russians have been induced to believe, that there’s a vast pool of international money, centered in institutions such as the London-controlled Spanish bank, Banco Santander, which were going to be the resource for the Russians, when the British, and these fellows, succeeded in bringing down the United States. That is why we’ve been having some resistance from some Russians on looking at cooperation with the United States, in my Four Powers proposal to use the combined political and economic power of the United States, China, India, and Russia to replace the current bankrupt international *monetary* system, with a new *credit* system to foster high-technology development.

“They have been convinced to believe in the fraud that Banco Santander, and similar, related institutions of the British imperial system, have this vast amount of resources, which was going to secure the existence of Russia, at the point that the United States disintegrated.

“Now, I don’t agree with letting that go that way—as you may know. So, since I knew, not by figures, but by the nature of the situation, that Banco Santander, and its vast empire extended into South America, especially Brazil, and other places, was one giant fraud, that there are no solid assets, survivable assets, associated with a network of banks, which are grouped around a Spanish-speaking British bank called Banco Santander. So this week, I did the obvious.”

LaRouche was referring to his warning first made public on Feb. 2, that a full-fledged meltdown crisis was underway throughout the Eurozone, that could bring down Brazil, and hit Russia—and everything in between. “You have a euro crisis,” LaRouche said, “which will hit Britain and Brazil, notably, as well as

Spain and other parts at the same time. So, people should be warned. This is now in progress. The Greek situation is a minor also-ran. This could be the chain-reaction collapse of the euro system.”

The debt numbers show it. For example, the total exposure of German banks throughout the Eurozone is some EU540 billion, but the Greek share is only 8% of that total, or some EU43 billion. German banking exposure to Spain, on the other hand, is 44% of the total, or EU240 billion.

“The whole Atlantic community of nations is in a British-directed crash of the entire euro system,” LaRouche said. “The whole system is going down.” In fact, LaRouche added, a widespread wave of bankruptcies is to be expected, possibly led by the meltdown of Santander, whose own debt began to be downgraded by Fitch and other rating agencies in early February. These things are coming to the surface and being exposed now, LaRouche said, because the entire international financial system is coming down.

On the eve of a Feb. 11 European Union summit to address the crisis—with an agenda centered on British-scripted calls for bailing out the entire bankrupt London-centered banking system with massive austerity, and by imposing a top-down supranational dictatorship along imperial lines—LaRouche warned European leaders: “Do not make the mistake that the U.S. made in bailing out Wall Street. If you do that in Europe, you are going to sink Europe, because Europe is more vulnerable than the United States. It is the high-gain creditors, like the London-run Spanish Banco Santander, that are going to have to take the main burden of the hit. Anything else would just reproduce in Europe a far worse form of the crisis we have experienced in the United States.”

Which BRIC?

London-centered enemies of LaRouche’s Four Powers proposal have been countering LaRouche’s



The London-run Banco Santander in Spain is at the center of the Euroland financial crisis today. But, as LaRouche notes, “It may be about to blow,” despite British schemes to bail it out.

policy by puffing the so-called BRIC alliance of Brazil, Russia, India, and China.

“People think the ‘B’ in ‘BRIC’ is Brazil,” LaRouche said. “I’m informing them, it is not. The ‘B’ in ‘BRIC’ stands for British. Santander is part of the British Empire, and it is the instrument of a precarious, British financial bubble. It may be about to blow, and the current British manipulations may be involved in trying to bail it out. That’s why I took the step I did.”

In fact, Banco Santander has its very own BRIC project, which is run through the Marcelino Botín Foundation, the personal foundation of the Botín family, which has run Banco Santander since its inception in 1857. From 2006 to 2009, the foundation, headed by Santander CEO Emilio Botín, held a forum at Botín Foundation headquarters in Madrid, centered each year on a different member of the BRIC countries, pulling in leading figures from the governments and policymaking circles for private discussions with members of the foundation and Spanish figures, on what each country’s strategic orientation should be. The first seminar, in 2006, was dedicated to China in the 21st Century; in 2007, India was the topic; 2008 was the year to discuss “the political, economic and strategic adjustments to be

made by Russia today”; and, in 2009, the cycle concluded with a forum on Brazil’s role as an “emerging nation” on the global scene.

“The notable point to be emphasized,” LaRouche commented, “is that the three-power bloc of the real-life Russia, China, and India, is not to be confused with the BRIC, as physical economies. It is the fat monetarist parasite sitting on top of them presently, which is the problem.

“My problem is to rescue Russia, China, India, and even Brazil itself (which has useful physical-economic relations with the bloc of Russia, China, and India), from this British swindle.”

Santander and the Stench of Empire

By the end of the week that began with LaRouche’s warning about the impending Santander blowout, that bank’s stocks had tumbled by over 10%, with similar plunges of other Spanish bank stocks, and the European and Brazilian stock markets, in general. Particularly ironic, is that the Santander collapse began the same day (Feb. 4) that the bank announced its much-ballyhooed 2009 results, with reported international profits of EU8.943 billion (about \$12.43 billion), up 1% from

2008. The two main sources of its profits were Brazil (20% of the total) and the United Kingdom (16% of the total). In both cases, those profits are about as stable as quicksand—as we shall demonstrate below.

So, just what is Banco Santander? Santander's meteoric growth over recent years has made it the number one bank in the Eurozone—recently surpassing London's Hongkong and Shanghai Banking Corporation (HSBC)—and the ninth-largest in the world, based on market capitalization. It is also the single largest banking group in Ibero-America, with some 10% of the area's total banking assets—dominating a region whose primary economic activity is drug trafficking. In 2007, Santander finally achieved a major position in the coveted Brazilian banking system as well, where it now controls about 11% of the system's bank assets.

Santander is nominally an old-line Spanish bank, founded in 1857 by Emilio Botín López, and run today by the original Botín's great-grandson, Emilio Botín-Sanz de Sautuola y García de los Ríos—often listed as Spain's richest man. But Banco Santander today is run, top-down, by the City of London, through the British monarchy's Royal Bank of Scotland (RBS) and related institutions, and by old Venetian financial interests associated with the notorious insurance firm, Assicurazioni Generali, which helped put Benito Mussolini in power in Italy. Santander, in a word, is an instrument of ancient, imperial, feudal financial interests.

Santander has had a “strategic alliance” with the RBS since 1988, one year after Emilio Botín took control of the bank. As *EIR* documented, in a July 2, 2004



Banco Santander was founded in 1857, by Emilio Botín López, and run today by the original Botín's great-grandson, Emilio Botín-Sanz de Sautuola y García de los Ríos—often listed as Spain's richest man. The illustration, from Goya's Caprichos, No. 39 (1796-97), is titled, “And so was his grandfather.”



feature, “Empire Strikes Back: Spanish Banks Recolonize Ibero-America,” excerpts of which we publish below, Botín and his Santander were considered so trustworthy by the British monarchy, that, in May 2003, RBS sold all of the Ibero-American branches of its international private banking division, Coutts & Co.—the Queen's personal banker—to Santander.

Santander and RBS are both part of a broader international banking network called the Inter-Alpha group, with tentacles extending across Western and Eastern Europe, and beyond (see below).

Botín is tight with the British monarchy and related financial aristocrats, beyond the RBS axis. For example, Botín has a multi-faceted relationship—business, social, and more—with Maj. Gen. Gerald Grosvenor, the 6th Duke of Westminster, Britain's richest man by some accounts, and the United Kingdom's top owner of real estate. The duke is a cousin of Queen Elizabeth II, and “is one of Prince Charles's best friends. Grosvenor also is Prince William's godfather,” according to an ar-

ticle published in the March 12, 2008 issue of the New York *Daily News*, which also reported that Grosvenor “was a customer of the same high-end prostitution service patronized by [New York] Gov. [Eliot] Spitzer ... [and] hired four hookers over a six-week stretch in late 2006.”

But pornography is the least of it. The stench of imperial decadence is all-pervasive in this world of the British royals and their foreign lickspittles.

For example, both billionaires—Botín and Grosvenor—hold enormous feudal estates near the city of Ciudad Real in the Castilla-La Mancha region of Spain, about 100 miles south of Madrid, which are exclusive hunting reserves. The Duke of Westminster’s “La Garganta” estate is about 15,000 hectares (57 square miles) in size, and has, on occasion, hosted super-private parties for the British Princes William and Harry. Botín’s nearby estate, El Castaño, is some 30 miles from the duke’s, and a tad smaller, at a mere 11,000 hectares (42 square miles). In total, there are some 7 million hectares (25,000 square miles) of private hunting land belonging to estates in Castilla-La Mancha, according to ElDigitalCastillaLaMancha.es of May 13, 2009—over 80% of the land area of the entire Castilla-La Mancha region, the third-largest in Spain.

This world “is not within reach of all; power, money and land go hand in hand. It is the businessmen, the bankers and the aristocrats who control cynegetic ‘high society,’ a class which has majority residence in Castilla-La Mancha,” the Spanish electronic publication explained. “You can attend these hunting events by invitation. The proprietor organizes the hunt, which becomes a social event where meetings occur among the partners in wanderings and business, and the fact of hunting becomes secondary.” Among the regular visitors to these hunt country estates is Spain’s King Juan Carlos.

Botín’s estate reportedly received a different kind of visitor on April 25, 2008, according to accounts in the Spanish daily *El País* and Bloomberg news wires. A light plane crashed while attempting to land at the private airport on Botín’s estate that day, killing both men on board. The plane was reportedly carrying 200 kg of hashish from Morocco (or 200 kg of cocaine, according to other accounts), and the person waiting for the plane in a truck at the landing strip was arrested—and was subsequently spirited out of the country. Spokesmen for both the Santander Group and the Marcelino Botín Foundation—both headed by Emilio

Botín—denied that any member of the Botín family was involved.

This was not the first time that Botín’s name had come up in connection with the drug trade. On Sept. 5, 2004, veteran British journalist Hugh O’Shaughnessy reported that the U.S. Senate’s Permanent Subcommittee on Investigations had “issued a fierce warning to the banks” Santander and HSBC, for lax money-laundering procedures and receiving suspicious wire transfers in excess of \$35 million from a suspected drug-runner in Equatorial Guinea.

Besides aristocratic hunting—long a central social, political, and business nexus of British imperial interests (see “The Coming Fall of the House of Windsor,” *EIR*, Oct. 28, 1994)—Botín and the Duke of Westminster are joined in other business activities. In July 2008, the duke’s British property group Grosvenor, with \$26 billion in real estate assets under management (including those of the duke himself), traded the first Spanish property derivative—and teamed up with Banco Santander for that auspicious occasion. As a Reuters wire explained at the time, “Property swaps enable investors to rapidly increase or hedge exposure to real estate without having to buy or sell bricks and mortar in costly and often time-consuming transactions.”

Grosvenor pioneered this new form of speculative bubble in the U.K. in the mid-2000s, and then spread it to the U.S., Germany, France, and Hong Kong. In 2007, Grosvenor extended this novel speculative disease to Australia, Japan, and Italy, all in the middle of the global financial bubble, whose immediate trigger (not its cause) had been the U.S. mortgage frenzy.

The importance of the 2008 Spain joint venture, was that it constituted an urgent effort to build a *new* bubble on the already collapsing British and Spanish real estate bubbles. As Reuters put it: “Supporters of Europe’s fledgling property derivatives market also hope the [Grosvenor-Santander] trade will inspire investors to use property swaps to help offset potential losses stemming from sharp corrections in UK and Spanish commercial residential property prices.”

At the time, Grosvenor and Santander trumpeted their intention to go hog wild with property derivatives. A release issued by Grosvenor reported that, “Andrew Fenlon, Global Head of Property Derivatives at Santander Global Banking & Markets said: ‘We see this as an important first step for the Spanish property derivatives market, and a sure sign that this market will develop along the same lines as the French, German

and even the UK markets. We are very pleased to work with Grosvenor who have shown themselves keen to complement their substantial property investment business and embrace the synthetic property market.’”

The “synthetic property market?” Are these the kind of phony assets that Russians and others are being suckered into betting on, strategically? The more one delves into it, the more Santander begins to look like an AIG-type financial shill for the wildest forms of British imperial financial speculation.

So, let us delve a bit further.

Dirty Acquisitions

The day after Santander’s Feb. 4, 2010 release of its 2009 Annual Report—which trumpeted its profits and tried to argue that its ratio of non-performing loans (NPLs), while rising by 60%, from 2.04% to 3.24%, over the year, was still lower than Spain’s average—a London *Financial Times* blog, on ft.com/alphaville, took note of the sharp drop in Santander stocks that day, and asked: “So what could have spooked shareholders?” One blogger’s laconic reply hit the nail on the head: “In general, I would be wary of companies that have had acquisition-led growth, and be more mistrustful of their NPL figures.”

If ever there were a bank that grew by scandal-laced acquisitions, and with non-performing and other phony assets galore, that bank is Santander.

In 1999, Santander and Spain’s Banco Central Hispano (BCH) announced a “merger of equals,” to form Banco Santander Central Hispano (BSCH). But differences quickly arose, and Botín drove the former BCH executives out, greasing the skids with a EU164 million



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Maj. Gen. Gerald Grosvenor, the 6th Duke of Westminster, cousin of Queen Elizabeth II, and Britain’s richest man, by some accounts. In July 2008, the duke’s British real estate group teamed with Santander to trade the first Spanish property derivative. The resulting speculative bubble spread across the world. Goya’s Capricho 45, “There is plenty to suck.”



“severance payment.” Botín was subsequently charged with “misappropriation of funds” and “irresponsible management,” but, in April 2005, he was cleared of all these charges. Later that year, Spain’s public prosecutor’s office also cleared Botín of separate charges of insider trading.

Then, there is the notorious case of ABN Amro bank. In October 2007, Santander, its long-time strategic ally RBS, and the Dutch-Belgian bank Fortis, outbid Barclays and other major banks to acquire the failing giant Dutch bank. As part of the deal, ABN Amro’s Brazilian subsidiary, Banco Real, went to Santander. With that move, Santander became the third-largest private bank in the Brazilian market, controlling 11% of the country’s banking assets—a long-coveted prize. In Dutch parliamentary hearings on

Feb. 3, 2010, former ABN CEO Rijkman Groenink confessed that the Santander-RBS-Fortis consortium had acted in a way that was “so bizarre and irresponsible, I couldn’t have imagined.” According to a Dow Jones wire, Groenink also said that the three banks were poorly informed beforehand, and that the price they offered was absurd. “The due diligence was limited, and they based most of their information on the past. They didn’t know what they were buying,” Groenink said.

Groenink added that a merger with Barclays would have made much more sense: “It’s likely that this combination wouldn’t have required a substantial amount of state aid. It would have entered the crisis with the highest solvency. In that case, the Dutch state wouldn’t have spent 30 billion euros on ABN Amro”—which they did, to help clean up the assets for Fortis, to the delight of Santander and RBS.

Groenink stated: “I shouldn’t have taken responsibility for the acquisition because I was against it. Up to this day, I regret that we weren’t able to prevent it.” He did admit, however, that his regrets were tempered by a departure package of tens of millions of euros that Santander et al. gave him.

One Santander alliance that went a bit awry, however, was with Bernie Madoff, with his well-known links to dirty money laundering, where the Spanish bank reportedly lost over EU2 billion.

Santander has also “picked up some of the pieces of the weakened British banking system,” in the words of the *Financial Times*, with its 2004 acquisition of the U.K.’s Abbey bank, followed by Alliance & Leicester and Bradford & Bingley in 2008. In 2009, they were all merged and “rebranded” under the Santander name, taking advantage of Santander’s much-publicized promotion of Formula One driver Lewis Hamilton. For 2010, Santander is reported to be placing a bid to buy 318 branches, put up for sale by its own beleaguered strategic ally, RBS, now 84% owned by the state.

‘Bolha Brasil’

Santander’s 2009 Annual Report is filled with glossy charts designed to impress the casual reader and other suckers. One of them presents the world’s ten most profitable banks from 2006 to 2009, which shows Santander going from #7 to #3 in that period, surpassed last year only by two Chinese banks, ICBC and CCB (which were not even in the top 10 in 2006). Even the

notorious Goldman Sachs came in slightly behind Santander in 2009 reported profits. Thus, between 2006 and 2009, Santander leapt ahead of Citibank, Bank of America, HSBC, JP Morgan, Royal Bank of Scotland, and Union Bank of Switzerland in annual profits reported.

Santander is using these figures to argue that it, and it alone, has managed to navigate in the troubled waters of the international financial crisis.

Hardly.

Although the Spanish domestic market still accounts for about 30% of Santander’s business, its 2009 profits came largely from two “growth” markets: Brazil and the United Kingdom. Brazil was the source of 20% of Santander’s attributable profits, rising from \$2.370 billion in 2008 to \$3.013 billion in 2009—a 27% increase. And the U.K. delivered 16% of total profits, rising from \$1.550 billion to \$2.402 billion in the same period—a 55% increase. Both of these prize Santander markets are built on the same house of cards.

Take the case of Brazil. In October 2007, Santander closed on the ABN Amro deal that finally gave it a major position inside the coveted banking system of Brazil, which is South America’s largest country, both geographically and economically. As part of the deal, ABN Amro’s Brazilian subsidiary, Banco Real, went to Santander, making it the number three private bank in the Brazilian banking system.

This capped years of intense activity by Santander designed, as a Bloomberg wire put it, to “Build [the] ‘Republic of Santander’ in Lula’s Brazil.” As *EIR* documented at the time, Santander poured almost \$1 million into Lula da Silva’s 2002 Presidential campaign, and, later, maintained an open \$2 billion trade credit line, when other foreign banks stopped lending to Brazil, for fear that Lula might default on the country’s debt.

In early 2007, Santander succeeded in insinuating two of its “former” executives, Miguel Jorge and Mario Toros, into the sensitive posts of Brazil’s Trade Minister and Central Bank Director of Monetary Policy, respectively. When President Lula da Silva met Spanish Premier José Luis Rodríguez Zapatero on Sept. 17, 2007, in Madrid, a beaming Emilio Botín, Santander’s president, was also present, and offered an affectionate hug to Jorge.

Santander is now reportedly considering acquiring Brazil’s ninth-largest bank, Safra bank, owned by the infamous narco-banker Edmund Safra (see “New York

Fed Is in Bed with Safra and the Russian Mafia,” *EIR*, Feb. 2, 1996). That would allow Santander to leap from the #6 to the #4 position in Brazil, and hold 13% of total banking assets.

How does Santander make its money in Brazil? The same way all the other banks do: by feeding at the public trough through a highly profitable international carry trade, which is looting Brazil to the bone.

For example: In 2009, foreign speculative capital flooded Brazil’s stock market (which rose by 83% over the year) and Treasury bills, to the tune of a net inflow of \$80 billion, between March and October of 2009 alone, according to one economist from the Jubilee South network in Brazil. The way it works is that international banks and other speculators borrow money at near 0% interest rates in the U.S., Europe, and Japan, and then “invest” that money in Brazilian government bonds, which carry a tidy 8.75% interest rate.

But that’s not the half of it. The Brazilian currency, the real, has also been appreciating at an annual rate of about 27% in 2009. That means that carry traders bringing in dollars in January 2009, that they placed in government Treasury notes, left the country at the end of the year with 35.75% more dollars than they brought in—27% from the appreciation, 8.75% from interest payments. Where did such an incredible profit margin come from? From the Brazilian population—which is being looted mercilessly through payments on the government’s Treasury bonds.

The Brazil bubble—“bolha Brasil,” as they call it there—did not start in 2009. As *EIR* wrote in 2004: “In point of fact, the Brazilian banking system is on life support from the government treasury. Brazil’s total public debt at the end of 2003 had risen to a staggering 913 billion reais [\$311 billion, at the exchange rate of the time]. . . . This public debt pays the highest real interest rates on the planet.”

Brazilian banks generated most of their profits from that activity then, and they still do today. The total net debt of Brazil’s public sector is today, 1.345 trillion reais, about 44% greater than what it was in 2003. And because of the appreciation of the real, the dollar equivalent of that public debt exploded from \$311 billion to \$770 billion at the end of 2009—a staggering 138% increase in six years.

Squatting in the middle of this speculative scandal, is Banco Santander.

Surreal Estate in Spain and Britain

As the world financial system entered a terminal disintegration in the second half of 2007, British financial interests turned to their trusted Santander operation as a platform for financially bolstering the City of London. At the end of 2007, Spanish banks, including Santander, massively created securities which had no markets, largely based on toxic real estate assets they were holding, for the sole purpose of depositing them at the European Central Bank in exchange for fresh loans, after the ECB issued new, looser regulations for collateral. The operation amounted to an ECB-orchestrated bailout of the Spanish banking sector and, through it, of their allies abroad. LaRouche, knowing Santander’s intimacy with the House of Windsor, commented at the time: “They are bailing out the British royal family.”

The sums involved were substantial. It was reported that, in December 2007 alone, Spanish banks borrowed EU63 billion through the ECB Repo facility. In March 2008, *EIR* wrote: “Since last September, the Spanish banks alone represent 9% of the volume of refinancing conducted by the ECB, whereas they comprised only 4-5% before then.”

Spanish banks got EU27.7 billion in liquidity injections from the ECB between mid-2008 and late 2009, according to a chart published by Santander’s controller, the Royal Bank of Scotland. This amounts to 12.1% of total ECB injections in the Eurozone. Germany, which is twice the size of Spain, got roughly the same amount—EU28.5 billion.

Santander has plenty of toxic assets, in real estate and other sectors, to dump on the ECB—or anyone else foolish enough to buy them. More than mortgages per se, the biggest bubble is in Spanish real estate developer debt, which today amounts to some \$450 billion. Santander is the bank with the greatest exposure, holding about 10% of the total. Anywhere from 50-70% of the entire developer debt bubble of \$450 billion is thought to be bad debt. In fact, the bubble is so out of control that the president of the Spanish Mortgage Association, Santos González, pronounced the sector’s de facto bankruptcy in a Jan. 26, 2010 speech to the national convention of the Association of Real Estate Developers of Spain: “A sector which doesn’t generate enough to pay the interest on its debt is a sector which is bankrupt,” he lamented.

A source consulted by *EIR* noted: “The real estate



sector in Spain has so far collapsed only 20%; therefore, it still has a long way to go.”

In fact, overall bad loans in the Spanish banking system, as of December 2009, had doubled over what they were a year earlier.

That Spanish real estate and property development sector is now about to drop off the face of the Earth, and with it, the banks that are holding all the bad paper. Spain’s General Judicial Council is forecasting that last year’s 115,000 foreclosures will jump by more than 50% to 180,000 this year, according to Property Wire, a real estate news service, and that banks will have to write off about 50% of the valuation on their books.

“That’s a vast underestimation on both counts,” LaRouche commented.

Already, in 2009, Santander had to increase loan loss provisions by about \$1.45 billion, which essentially came from their IPO sale of 16% of their Brazilian subsidiary for about \$2 billion. Santander is reportedly quietly preparing for a far, far worse meltdown of assets in 2010, and is considering selling up to 25% of its U.K. and U.S. holdings in similar IPOs.

During the 2007-09 period, Santander also moved directly into the British market, especially its bankrupt real estate sector, using its newly acquired British banks—Abbey, Bradford & Bingley, and Alliance & Leicester—as a platform. By the end of 2009, Santander accounted for half of all new mortgages issued in the United Kingdom, according to the *London Guardian*. The bank’s share of gross lending, which includes remortgaging, stood at 20% of total market share.

Overall, Santander today has 1,300 branches in the U.K. and about 15% of the retail banking market. Emilio Botín last month stated that he wants nothing less than to make Santander Britain’s #1 bank, as measured by market share, profitability, and efficiency.

Such a hunter’s trophy is one that Botín, and his British superiors, would no doubt be proud of—even as their entire international financial system disintegrates into oblivion. But this Santander Syndrome is a deadly swindle that patriots in Russia, China, India, and elsewhere, would do well to steer clear of.



Domingos Tadeu/PR

Santander spent years of intense activity designed, as Bloomberg put it, to “build [the] ‘Republic of Santander’ in Lula’s Brazil.” In fact, Santander poured almost \$1 million into Lula’s 2002 Presidential campaign, and, later, maintained an open \$2 billion trade credit line, when other foreign banks stopped lending to Brazil, for fear that Lula might default on the country’s debt. Shown: Botín (left), and a dubious-looking Lula, in Brasilia, September 2006. Goya’s Capricho 19, “All will fall.”