International Credit by Renée Sigerson

Dirty money moves onshore

Why are billions of dollars being lent to U.S. borrowers below market rates by Swiss banks and other funds?

In a 1981 survey, *EIR* demonstrated ("Venetian Funds Recolonize the United States," July 21, 1981) that covert money flows into the United States had accumulated holdings of U.S. equity at least half-again as much as Treasury estimates, i.e., in the range of $225 billion rather than the $146 billion reported for 1980.

The flood of "flight capital" into the United States since 1980, reflected in the $40 billion "errors and omissions" item on the United States' 1982 balance of payments, has raised that sum considerably. Indications are that the sudden influx of flight capital from Western Europe reflects a move onshore by dirty-money operations which cannot easily survive the next several months of financial crisis.

Available evidence shows a general flow of international dirty-money operations centered in the Caribbean, Switzerland, Hongkong, and elsewhere into the United States proper, in anticipation of a generalized banking crisis. The evidence is of two sorts:

1) Sudden merger and stock-market activity among institutions long associated with management of "underground" capital flows, and

2) Tens of billions of dollars' worth of below-market-rate loans coming into the United States.

Starting in the fall, a set of pre-crisis symptoms emerged which look suspiciously like the rearrangement of oligarchical shells which occurred in 1973-74 period, during which the Soviets were cut into the British, Swiss, Lebanese, and Hong Kong dirty-money operations at the expense of IOS's Bernie Cornfeld, BCI's Tibor Rosenbaum, et al. The principal events include:

1) The October collapse of the Israeli currency—through the collapse of the stock of the major Israeli banks, which are active in dirty-money operations and are more important outside than inside Israel;

2) The collapse of the Schroeder-Münchmeyer-Hengst banking house, either due to internal decisions to redeploy funds, or American pressure, or both;

3) The collapse or reorganization, under Canadian government pressure, of most of the top Canadian trust companies;

4) The collapse of the Hongkong currency, along with the Carrian real-estate group.

With the new year, the collapse of European currencies appears to have entered a new phase, with the DM again below 2.80 (see Foreign Exchange, page 13).

At least billions, perhaps tens of billions of dollars, are being lent back into the United States at well below market interest rates. Dollars are being lent to U.S. borrowers at 3 to 5 percent below market rates by major Swiss institutions. Such offers of below-market rates have, in the past, often been associated with scam specialists who absconded with down payments. Now real money is involved.

Federal Reserve officers are encouraging such transactions, on the grounds that there are hundreds of billions of dollars out there whose origin is not known, but which the Fed would love to bring back onshore. (This has been Fed Governor Henry Wallich's principal theme during the past five years.) There are reportedly hundreds of such transactions in the works.

Nominally, such transactions are explained as money-laundering, i.e., that owners of illegal or semi-legal funds abroad will sacrifice income for the security of bringing such funds onshore. The contrary is probably true; below-market transactions draw attention to themselves, and are inherently less secure than conventional investments. It does not make sense that they represents mere money-laundering; it is easy enough to buy U.S. Treasury securities or any other financial instrument through a Swiss or Leichtenstein or Canadian nominee, without a chance of such funds being traced under present Treasury procedures. Rather, the form of the transactions indicates money-laundering for specific purposes.

An apparent reshuffling of the deck in U.S. institutions believed to conduct large-scale untraceable money movements indicates what this purpose might be. For example, Carl Lindner, Max Fisher's business partner and the financial center of the Lansky business network, has reportedly purchased 4 percent of the stock of American Express—which bought out super-secret Lebanese financier Edmond Safra's financial operations last January at the expense of giving Safra about the same amount.

It is also curious that American Express, Financial Corporation of America, and other shady entities are variously identified as the buyer of 5 percent of the shares of Eagle Star Insurance—coming in as a "third force" in the current negotiations between British American Tobacco and Allianz Versicherung. Eagle Star was identified in the 1978 bestseller *Dope, Inc.* as a leading conduit for international narcotics revenues.