

The Frankfurt mafia: Part II

Volker Hassman, European Labor Party candidate in Hesse, pursues the West German side of the organized-crime banking empire.

This article first appeared in Neue Solidarität on May 6, 1982. Part I investigated the dirty-money operations of Dr. Tibor Rosenbaum, whose Swiss-based Banque de Crédit Internationale (BCI) functioned as the "central bank" for the international drug trade until its collapse in 1974. In this installment, Hassmann begins to unravel the dope lobby's operations in the West German state of Hesse, following the trail which leads to the factional opponents of Chancellor Helmut Schmidt in all three of West Germany's major parties.

Who were the late Tibor Rosenbaum's cohorts in the BCI?

- On the board of the BCI sat Ernest Israel Japhet, president of the Bank Leumi, Israel's largest bank. His family's trading company, Japhet Company, is involved in the diamond trade between Israel and Hong Kong. Precious stones are exchanged for opium in the same "Golden Triangle" where the Japhet family began its career with Dope, Incorporated 150 years ago.

- One of the trustees of the Bank Leumi is Baron Stormont Bancroft, deputy chairman of Cunard Shipping Lines, which is suspected of transporting heroin along its Asian and Middle Eastern routes.

- The BCI maintains close ties with the Bank Hapoalim, the second-largest Israeli bank. According to French author Jacques Derogy's investigations into the Israeli mafia, this bank also plays a role in the diamond and drug trade. Illegal proceeds from the Israeli-Thai exchange of diamonds for opium were first channeled into a trustee account in London and then into bank accounts in Johannesburg. From there they were redirected by Bank Hapoalim to accounts with the BCI.

- Rosenbaum effectively took over yet another bank, the Swiss-Israeli Trade Bank, also headquartered in Geneva. This bank controls the shipping lines of the Paz business group, which in turn has a monopoly over Israel's oil and petrochemicals industry. In 1978 the New York police seized a ship belonging to the Paz group which was about to unload a cargo of liquid hashish. Another partner in this group is Max Fisher, one of the big-shots in American organized crime. The list of directors of the Swiss-Israeli Trade Bank reads like a *Who's*

Who of the British-Israeli Mossad networks.

- Then there was the intermeshing of the BCI with the Permindex organization in Switzerland, the assassination bureau directed by British intelligence veteran Louis Mortimer Bloomfield. Permindex was behind the murder of John F. Kennedy and the assassination attempts against French President Charles de Gaulle. After the war Bloomfield had become a Canadian citizen, and ran the local affiliate of Crédit Suisse, a Swiss banking operation deeply involved in these same financial networks.

The remnants of Dr. Rosenbaum's financial empire, which was liquidated in 1975, still exist today, albeit listed under different addresses.

Siamese twins

According to the team of Israeli authors Eisenberg, Dan, and Landau in their biography of Meyer Lansky, *The Mogul of the Mob*, there was more to Rosenbaum's dirty business: a special friendship bound him with Bernie Cornfeld. It is virtually impossible to establish just where the BCI left off and Cornfeld's swindle operation Investors Overseas Services (IOS) began. Already in 1960 and 1961 the two would meet for planning sessions in Monrovia, the capital of African Liberia, to draw up their joint strategy. In the Federal Republic of Germany the IOS scandal is remembered only too well, since it cost quite a few political necks.

On the surface the IOS was an international investment fund, run first by Cornfeld and later by Robert Vesco. But upon closer examination it turns out to be nothing but a giant pool for the laundering of dirty money. Cornfeld's "representatives" would travel the world over, often carrying with them large sums of cash. The official version has it that this was the investment deposits of countless anonymous depositors. In reality it was money fleeing countries where strict regulations governed foreign-currency exchanges. Many of these alleged "small investors" were actually the local point-men for Lansky's Israeli mafia networks.

Rosenbaum and Cornfeld reached a special agreement at their meetings in Monrovia. IOS customers could either buy IOS certificates directly or open an

account with the BCI. *Der Spiegel* magazine reported at the time that the BCI itself gave credit to investors who then used it to buy IOS paper. The pair of Siamese twins complemented one another magnificently. When the BCI got into trouble in 1967, Cornfeld came to its rescue with a respectable sum. Rosenbaum reciprocated, paying Cornfeld's bond when the financial swindler was arrested after the breakup of IOS in Switzerland.

The Swiss have a reputation as extremely well-scrubbed and fastidious. But one can scarcely avoid the impression that the Swiss authorities must have abandoned this national virtue of cleanliness when investigating the case of IOS, since its true character as a revolving door for the transfer and "recycling" of hot money from the worldwide drug trade never came to light.

There was also another side to the IOS: Cornfeld as "the people's capitalist." Countless ordinary individuals, dreaming of making a killing, threw their savings into this murky money-canal, and all of them had lost even before they received their first certificate. Only after the great crash did they realize that they were floundering in a net spun by Cornfeld, Vesco, and Rosenbaum, the money-launderers of organized crime.

But what about the German reputation for fastidiousness? When the Hessische Landesbank (Helaba) joined up with the BCI in 1972, Helaba chief Wilhelm Hankel claims to have known no "concretely incriminating facts" about it. But he knew very well with whom he was dealing, having personally conferred with Rosenbaum in Bonn. He knew that Rosenbaum and Cornfeld were zeroing in on the Federal Republic during the second half of the '60s. The danger of competition for the German *Grossbanken* [the big three commercial banks—ed.] from the earliest activities of Cornfeld's and Rosenbaum's "representatives" in the investment business was by that time a widespread subject of discussion. The German banks were seeking the protection of Bonn legislators from the aggressive IOS apparatus, since the hard-selling methods of the gate-crashers were resulting in steep success curves for the new market operation.

During 1966-69, IOS's turnover in the Federal Republic amounted to half of the total volume of business of the swindle empire. This was not least to the credit of Dr. Erich Mende, Vice-Chancellor under Chancellor Erhard and a prominent Free Democratic Party (FDP) politician. A party colleague and former director of the Gerlin Company, Dr. Pohl, had enlisted him for Cornfeld.

It seemed that the FDP was particularly well suited for business practices such as these; Mende's party colleagues, former minister Viktor Emanuel Preusker (from the Bankhaus Preusker & Thelen in Bonn), was likewise involved. He himself founded the IOS's Orbis



Meyer Lansky

Bank in Munich, assisted by Hubertus Baron Digeon von Monteton, who had left the central offices of Deutsche Bank to take this job.

Mende made himself into a sales king, and one might surmise that he found his political relations with representatives of all party colorings very useful. He alone built up 200 IOS agencies and gave more than 100 speeches per year during the course of his activity as evangelist for Rosenbaum's partner. Many prominent people were among his customers, including the wife of a well-known politician from Bavaria, who these days is considered the finance minister in a Christian Democratic Union/Christian Social Union shadow cabinet, and who would certainly be expected to have more experience in finance policy than his acknowledged credentials would indicate [a reference to CSU chairman Franz-Josef Strauss—ed.].

Back to Wilhelm Hankel, the economics professor and *spiritus rector* of all the banking reforms of the social-liberal coalition [the Social Democratic-Free Democratic coalition which has governed in West Germany since 1969—ed.] The German banks, helpless in the face of Cornfeld's success, were demanding an "IOS law." It was Hankel who, after his appointment in 1968 as Ministerial Director of the Money and Credit Department in Karl Schiller's Economics Ministry, took the teeth out of the law against foreign investment companies. In the phrasing of his legislation one could even read that the Federal government "welcomes the

activity of foreign investment companies in the Federal Republic.”

Rosenbaum's and Cornfeld's success relied to a considerable extent on a wide scope for action in the Federal Republic. And who in the Federal Republic would be considered dishonest if involved with such successful businessmen? Contributions of large sums and other favors, about which nothing was ever dragged before the public, facilitated these deals greatly. Had the German public known at the time just who this Dr. Rosenbaum really was, just whom Hankel had met with in Bonn, it would hardly have been possible for Hankel, right after that meeting, as the newly-named head of the Hessische Landesbank, to join up with the BCI without any resistance and later to say, with a shrug of the shoulders, that there was no way one could have known what “mysterious darkness” one was getting mixed up in.

Rosenbaum found Helaba's participation very useful. His business deals since the beginning of the '60s had not been going too well, as he was having no end of trouble with some extravagant real-estate failures in Liechtenstein. A good thing then that he knew Wilhelm Hankel, who in the meantime had been named a board member at the Neu Mainzerstrasse in Frankfurt Square. Hankel was interested in giving Helaba, which was too provincial in his eyes, an international reputation. His motto, “Big is Good,” flashed in advertisements in all the German newspapers. Hankel began to put this slogan into action. He had the main floor of the bank renovated for 300,000 marks, and cynics said that this was the cheapest decision he ever made for Helaba.

Fast expansion—that was the way the bank's balances would be increased. Big deals. International business. But it was never explained why this should exclusively involve Luxembourg, the Far East and the Bahamas, and—with BCI participation—Switzerland, where Helaba was already represented by the Banque Worms, considering that Geneva was not a preferred location for raising foreign funds. Yet Hankel persisted with his “offshore” markets and the BCI. It did not seem to bother him in the least that his counterpart Rosenbaum was considered a mafioso by certain Swiss bankers and had gotten acquainted with prison facilities from the inside.

Hankel acquired 36.4 percent of the shares of BCI, but was granted 50 percent of the voting rights. Behind the BCI, which was increasingly falling into disrepute, now stood the Hessische Landesbank, backed up by the state of Hesse. And who would think twice about the BCI when Helaba's chairman of the board and Hesse's governor Albert Osswald sat on its board of directors? The channels of influence that Rosenbaum had built up since the '60s in Germany stood him in good stead.

To this day it has not been explained how the multi-

party arrangement came about through which Hankel, right out of the Economics Ministry, was deemed suitable for the Helaba post—although his senior, Economics Minister Karl Schiller, had fallen into disfavor with his own Social Democratic Party (SPD).

The Economist of London on Feb. 26, 1977 found Helaba's involvement with “the tiny BCI” a “highly peculiar investment.” The magazine suggested that perhaps the close ties between Chancellor Willy Brandt's SPD and the Israeli Labor Government were the decisive factor in establishing links to such an ambitious Israeli financier.

The Tzur connection

The *Frankfurter Allgemeine Zeitung* reported at one point about the diverse functions carried out by Rosenbaum's bank. A group of lawyers in Geneva had presented evidence in 1974 showing that the BCI was a haven for German tax evasion. Hankel knew this, and he knew more. Michael Tzur, an old friend of Rosenbaum, showed him how Germans could attain tax-free status through the BCI, taking advantage of German laws intended to promote investments in developing countries. Officially the BCI had been founded to finance trade with Africa and with other developing countries. Yet this was, as we have already documented, just one side of Rosenbaum's double bookkeeping.

Who was Hankel's advisor in this matter? Tzur was a high official in the Israeli Foreign Trade Ministry and the chairman of the foreign exchange commission, an important institution in a country with strict exchange and capital controls. He played an important role in the work of the Israel Corporation, a company that administered millions of dollars in contributions from around the world for the economic development of Israel. The Israel Corporation had invested a portion of these contributions in Rosenbaum's bank, and an enormous scandal broke out in Israel when it became known that Rosenbaum had used the funds for his risky real-estate deals.

Tzur himself had cashed a total of \$1.4 million in bribery money while transferring company funds to the BCI. That cost him a prison sentence of 15 years. But what never came to trial was the fact that Tzur was one of the bigwigs in the diamond trade. According to Jacques Derogy's book *The Israeli Connection*, the diamond trade has an important function in “laundering” dirty money. Nevertheless Rosenbaum's primary task was to function as the meeting ground between the diamond trade and the drug trade, which were acquiring a bigger and bigger share in Israeli foreign trade.

The next installment takes up the political consequences of the BCI affair in toppling the government of the state of Hesse.