

Banking by Renée Sigerson

Trudeau protects BNS from America

A U.S. subpoena of records from the disreputable Bank of Nova Scotia has created a new Marc Rich case.

The Bank of Nova Scotia—the most notoriously dirty of Canada's international banks—is being officially backed by the cabinet of Pierre Elliot Trudeau, in an attempt to keep U.S. authorities from examining BNS's offshore books.

In mid-November, U.S. officials obtained a court order directing BNS to hand over records from its Cayman Islands branch. The order was issued on behalf of a Florida grand jury, which is investigating "The Latin Connection," a cocaine ring in Colombia that uses the Cayman Islands to launder dirty money. The grand jury asserts that some significant amount of these funds was conduited through the BNS outpost in the Cayman Islands, where banking secrecy laws protect such criminal actions from being scrutinized.

As made public last spring, through a study on offshore bank secrecy issued by the U.S. government, U.S. authorities have a huge dossier implicating BNS in tax evasion, drug money laundering and other dirty money activities. Of all the Anglo-Canadian and Hong Kong banks known to be part of the worldwide Dope, Inc. network, BNS is the institution most often cited by U.S. experts as involved in dirty-money activities.

Thus, the reaction of the Canadian cabinet to the case can only be characterized as startling.

On Nov. 17, Minister of External Affairs Allan MacEachen rushed to the defense of BNS, arguing in press statements that U.S. authorities had no right to invade the bank secrecy

laws of the Caribbean. Paralleling the arguments used recently by the Switzerland-based trading company Marc Rich to resist handing over tax evasion records to the U.S., MacEachen claimed that the subpoena "raises the whole question of extraterritoriality, or a conflict of jurisdiction."

As one official of the Canadian embassy elaborated on MacEachen's point, Washington was forcing BNS to choose "which country's law to break."

The affair is being treated by the Canadians as if it were a showdown of their national security vs. U.S. self-interest. MacEachen reported that he has gone so far as to involve U.S. Secretary of State Shultz in the case.

On Nov. 23, the Cayman Islands government effected a temporary resolution of the affair, by giving BNS an exceptional right to answer the subpoena, and to override the bank secrecy guidelines. But both the Canadians and the administration of the Caymans, which is a British crown colony, have publicized that they have no intention of letting the matter rest. Following the example of the Swiss authorities, who went so far as to pay the fines exacted against the Marc Rich trading company by the United States, the Commonwealth governments have decided to make the case a matter of principle.

"We find totally unacceptable the unilateral and coercive U.S. actions, making it impossible for a multinational company to obey the laws of the country it is operating in," a legal spokesman for the Canadian foreign

ministry stated after the records were released. The government has since underlined that it considers the case "alarming."

Both the Canadian and Cayman Islands governments are now expected to file "supporting briefs" in behalf of the rights of the dope-money laundering BNS.

It is not accidental that this affair has erupted in the aftermath of the Grenada invasion.

Leading up to and during the invasion, the United States imposed a full-scale blackout on any information going into Canada on its plans—despite Canada's position as a Commonwealth member exerting considerable influence in the Caribbean. Observers in Ottawa claimed the United States probably had good reason not to trust the Canadians—considering that, during the Iranian hostage taking, the office of Pierre Elliot Trudeau was a continuous source of uncontrolled leaks to the press.

The BNS affair may eventually have repercussions in the City of London, where a takeover battle is being fought over control of the Eagle Star Insurance Group (see article, page 11). Several of Eagle Star's founding directors, including Sir Kenneth Keith and Sir Kenneth Strong, have also held long-term directorships at BNS.

Eagle Star was created as a chief coordinating network for Anglo-Canadian intelligence operations in North America and the Caribbean, with BNS a leading tentacle for executing dirty-tricks and financial laundering operations. The fact that the entire Canadian government could be mobilized to come to the defense of a notoriously dirty operation like BNS is thus not surprising, since any complete disclosure of BNS's activities would have to lay bare the trail to Eagle Star and the City of London.