

Israeli bankers cited for corrupt practices

by Mark Burdman

The banking centers of London, Geneva, Zurich, and New York are quaking with terror. An Israeli commission of inquiry, headed by a courageous supreme court justice, has issued a report indicting the heads of all the major Israeli banks for having willfully acted to undermine the Israeli economy, and has called for their resignation by the middle of May of this year.

Two of the banking chieftains, Raphael Recanati, chairman of the board of Israel Discount Bank, and Ernest Japhet, chairman of the board of Bank Leumi and Union Bank, come from centuries-old European families. Although the report does not specifically mention laundering of drug-related dirty-money as the crime investigated, it does urge Israel's attorney-general to set up a committee to investigate banks' illegal activities.

The Commission of Inquiry's 600-page report was compiled by a group of prominent Israelis under the direction of Supreme Court Justice Moshe Bejski, and was released publicly late in the evening of Sunday, April 20. As news of the report spread around the world, sensitive financial centers were quick to react. The April 22 *Financial Times* of London commented, "The earthquake which rocked the Israeli banking system late on Sunday evening probably measured a good 8.5 on the Richter scale." The report was an indictment of the "financial mores and morality of the nation's leading figures," and "nothing quite like" it "has happened before in Israel."

The *Times* of London said the banking community in Israel is "in a state of deep shock after the publication of the devastating findings."

The tremors extend way beyond Israel itself. U.S. sources say that the constantly expanding corruption scandals in New York City are intimately tied to corrupt Israeli banking prac-

tices, particularly by Bank Leumi.

Should the same ruthlessness applied by Bejski in Israel be applied by U.S. authorities, many "respectable" figures, starting with White House Chief of Staff Don Regan and Chase Manhattan's David Rockefeller, may soon find themselves in extraordinary trouble.

At the same time, the commission report opens up greater breathing space for the realization of the Marshall Plan development of the Middle East proposed by Israeli Prime Minister Shimon Peres. Peres's biggest Israeli factional opponent on this question is Minister of Trade and Industry Ariel Sharon; as documented in *Moscow's Secret Weapon: Ariel Sharon and the Israeli Mafia*, a recently-released EIR Special Report, the dirty banking circles of Recanati, Japhet, and others, are co-extensive with Sharon's international support.

Peres himself, immediately after the issuance of the report, traveled to Paris over the April 22-23 period to speak with the French government, and before the European Parliament in Strasbourg, to make an appeal for European support for his Marshall Plan.

The subject of the Bejski Commission of Inquiry is the Israeli bank-share collapse that occurred in October 1983. During that month, shares held by Israeli depositors in the major banks—Bank Leumi, Discount Bank, Bank Hapoalim, United Mizrahi Bank, and others—collapsed, and the Israeli shekel plummeted.

The Bejski Commission was the outgrowth of an investigation initiated by the Knesset (Parliament) Ethics Committee, headed by David Libai. Libai is said to be a close political ally of Peres.

In simplest terms, the Commission charges the big bank heads with willfully swindling the Israeli population. It claims

that the bank chieftains engineered the bank-share collapse of October 1983, by manipulative insider-trading practices, that allowed the banks to speculate in foreign currency, buying dollars and selling shekels, in some cases by using their special relationships with their own branches in major financial centers abroad. One bank head, Aharon Meir of the National Religious Party-linked United Mizrahi Bank, is also charged with extensive falsification of documents; in the report's actual wording, "We found irregularities at United Mizrahi Bank which were graver than those found at other banks."

London's *Financial Times* reported April 22 that it "calls in the strongest terms for a bevy of the most senior bankers in the country to be banned from banking for life."

On Ernest Japhet, the chairman of the board of Bank Leumi and Union Bank, the report asserts that his activities in connection with manipulation of bank shares were "unacceptable in every way from start to finish, and contributed to the crisis of October 1983." Therefore, "Mr. Japhet is not suitable for his position in Bank Leumi and Union Bank, or for any other senior position in the Israeli banking system, in any of its branches here or abroad." It recommends that he resign from his post.

On Raphael Recanati, chairman of the board of IDB Bankholding Co., and its subsidiary, Israel Discount Bank, the commission says that he "is not suitable for his position in Bank Discount or in IDB, or in any other senior position in the Israeli banking system, in its branches here or abroad."

By April 22, two of the individuals named in the report, Bank Hapoalim head Giora Gazit and Bank of Israel Governor Moshe Mandelbaum, had tendered their resignation. Recanati, Japhet, and Meir have, by contrast, decided to defy the report's recommendation of resignation. Israeli law, as presently constituted, prevents firing of a bank director, and to change the law would require a parliamentary action. Not only would this take a long time, but these three all have what is tantamount to paid operatives in the Knesset, Meir among the National Religious Party parliamentarians, and both Japhet and Recanati among various parliamentarians of the Liberal and Herut blocs of the Likud Party.

Former Finance Minister Yitzhak Modai, a Liberal, is, for example, a close ally of Recanati and reported recipient of Recanati family "political largesse." It is believed by more than one Israeli political observer, that Peres insisted on Modai's sacking earlier in April, precisely to open up the political climate for release of the Bejski document.

The indictment of Recanati will have enormous international repercussions. The Recanati family is an ancient "Hofjuden" ("Court Jews") family, based essentially in Salonika, Greece, but with extensive connections in Venice and other capitals famous for skullduggery. Recanati family-Venetian sponsorship of projects to revive the mystical-gnostic "Cabbala" dates back to the 13th and 16th centuries. The Recanatis today might best be termed "merchants of the New Venice," not only representing the cruel usury excoriated by

Shakespeare, but because they are attempting to turn Israel, today, into a "New Venice" in the Mediterranean.

Said one Jerusalem source, in an April 22 discussion with *EIR*: "The Bejski report will not be pleasant for Raphael Recanati, nor for his reputation in Switzerland. His family appears on the exclusive aristocracy list of European families, the so-called Gotha' list of all the top aristocracy of Europe. His family is large, and has many international connections."

Sholom Aleichem's revenge

Despite the efforts of the Anti-Defamation League of B'nai B'rith and associated extortion rackets to claim that anybody who accuses a Jewish-name banker or gangster of criminal activities is an "anti-Semite," it is historically the case that ever since Moses came down from Mount Sinai and saw the Hebrews worshipping Baal, the greatest indictments of Jewish-name gangsters and usurers have come from Jews themselves.

In modern terms, this is one of the underlying themes in the tradition represented by the author and dramatist of the last century's eastern European, primarily Polish, "Yiddish Renaissance," the great Sholom Aleichem. His plays and short stories were aimed at ennobling the Jewish "common man." It was the type of Jew portrayed by Sholom Aleichem, that has always been despised by the "Hofjuden," or "Court-Jew" bankers.

The "revenge of Sholom Aleichem" might be a clue to the vehemence of the Bejski report. Said a Tel Aviv insider: "You have to understand Bejski. The key to him is not power, it's something else. He's of Polish origin, he's one of those very honest, traditional Polish types."

Another insight into the same mentality is expressed in an April 22 *Jerusalem Post* op-ed, entitled, "A Sacred Cow Slaughtered," written by *Post* finance reporter Pinhas Landau, in the form of a "Thank you" letter to the Bejski Commission: "You . . . got to the heart of the matter: that in a country governed by the rule of law, no group of people, be they bankers, or senior civil servants or whomever, can get away with selling the public an entire financial system based on misrepresentation, distortion, lies, breach of trust, and even fraud, and then, after its collapse, maintain that it was all beyond their control and continue with business as usual. . . . And if, as the optimists among us believe, *this great blow against the economic oligarchy that has ruined us*, and on behalf of freedom and its accompanying rewards and punishments, extends itself throughout our society, and even to the delinquent political system that holds us in its thrall, then that, too, will be partly your doing. . . . For the moment, as we prepare to celebrate the festival of freedom [Passover], there is that unmistakable feeling of being at a turning point, that the moral degeneration at the top has been exposed and will be exorcised, however painful that may be. You, the genuine representatives of the people, have reassured our sovereignty. . . . Thank you."