

Guinness affair terrifies London's dirty-money men

by Mark Burdman

During the month of January, 10 influential figures in the City of London business-financial world were removed from their posts, in the biggest financial scandal to hit the City in decades. The scandal erupted around the Guinness PLC brewery giant and its boss, Ernest Saunders, and quickly implicated such prestigious institutions as Morgan Grenfell bank, Henry Anspacher bank, the Alexander, Laing, and Cruickshank brokerage house, the Bain management-consultant group, and many more.

What is involved in "Guinnessgate" is something bigger than a reported \$1 billion in illegal transactions Guinness was allegedly involved in when it bought the giant whisky company, Distillers. In the wake of the Oct. 27, 1986 deregulation of financial markets, what the City knows as the "Big Bang," international speculators, corporate raiders, and dirty-money-laundering institutions were about to take over the British economy. But as Guinnessgate unravels, it might change all that. It might contribute in an important way to a reorganization of the international financial system.

Not coincidentally, the Guinness affair is intimately connected to the "insider trading" scandals that erupted in the United States at the end of 1986.

Boesky talks

The Guinness scandal was triggered by the Nov. 14, 1986 confessions of Ivan Boesky, the publicized arbitrageur and corporate raider. Among Boesky's admissions was that he had provided \$100 million to Guinness PLC, to help the brewery giant outbid Argyll, Ltd. for Distillers. Boesky proceeded to describe an incredible web of illegal financial transactions. Officials of the British Department of Trade and Industry raided the offices of Guinness, its stockbroker, Cazenove, and related entities. It emerged that, after receiving Boesky's \$100 million for the Distillers buy-up, Guinness invested \$100 million in a trust fund set up by Boesky in the United States!

What happened is this:

In competing with Argyll to buy up the rich prize of Distillers, Guinness PLC's "war cabinet" arranged to have certain financial interests buy up Guinness stock, and to buy

down Argyll stock, so that Guinness would be in position to be awarded the takeover bid. Guinness PLC siphoned off money to a financial concern or individual, who then used the money to buy Guinness stock.

One principal in such transactions was Anthony Parnes, nicknamed "the Animal" in the City of London. Until late January 1987, Parnes was associated with the firm Alexander, Laing, and Cruickshank. He spent the last days of January and the first days of February confessing. Some of the transactions involved:

- The cited Boesky transaction.
 - Meshulam Riklis, of Schenley and Rapid American, who also put \$100 million into the Guinness buy-up of Distillers, in return for being made the American distributor of Distillers' U.S. subsidiary, Dewars. Atlantic Investors Group, a front under Riklis's control, purchased shares of Guinness in amounts exceeding the 5% allowed by City of London regulations.
 - Unspecified amounts of Guinness stock were bought by the New York-London L.F. Rothschild house.
 - Unspecified amounts of Guinness stock were purchased by a financial front of Mirror newspaper-chain magnate Robert Maxwell.
 - Bank Leu of Zurich bought \$130 million in Guinness shares, the largest reported block, and in return, Guinness deposited funds in a European subsidiary of Bank Leu. (Bank Leu chairman Albert Fürer was a director of Guinness PLC until mid-January; he remains Bank Leu chairman.)
- Of 11 other transactions involving £25 million for various services associated with the Distillers buy-up, most mediated by Anthony Parnes, two involved financial concerns associated with Gerald Ronson of Heron International, one of the highest-salaried "executives" in Britain. Ronson has vast holdings in the entertainment industry, Spanish and French real estate, etc. Ronson is connected to the Great Britain Sessakawa Foundation, which is the creature of Japan's Ryiochi Sessakawa, a funder of the Moon sect. This foundation is headquartered in the offices of Robert Maxwell's Mirror chain. Ronson, too, has been confessing, and led investigators to Parnes.

One-third of the 11 transactions, involved a concern headed by Sir Jack Lyons, also the head of Bain-U.K., the British affiliate of the Boston-based Bain concern. It is the second-largest management-consultancy firm in the world. His partner in this and other enterprises is one Major Nigel Chamberlayne-Macdonald, a gentleman usher to Queen Elizabeth II.

One-fourth of the 11 transactions involved Lord Spens, of the Henry Anspacher bank, formerly with Morgan Grenfell, who was involved in siphoning off money for "services" from Guinness to Grenfell. Grenfell was Guinness PLC's bank.

'Junk bonds' and corporate raiders

Ivan Boesky is one of several individuals who gained notoriety in the 1980s for "raiding" big industrial corporations in the United States. Because of the "post-industrial" depression in the West, many manufacturing concerns are in very bad shape. One credit-rating agency in the United States, for example, gave 97% of American corporations a failing investment grade—"fair game" for the raiders.

One of the favored techniques of the raiders has been "junk bond" financing. A group of people put money into very high risk, high-yielding bonds that are pooled to fund raids on targeted corporations. One estimate places 1986 junk-bond financing at \$120 billion.

Among Boesky's frequent cohorts in such dealings have been top Israeli/U.S. mafia figures:

- **Meshulam Riklis**, of the Schenley and Rapid American corporations;
- **Carl Lindner**, of United Brands/United Fruit, and a former partner of Riklis in Rapid American.
- **Armand Hammer**, of Occidental Petroleum, a Soviet agent for seven decades.
- **Victor Posner**, of the Sharon Steel interests of Pennsylvania, often rumored to be the mob successor of Meyer Lansky.
- **Kenneth Bialkin**, of the Willkie, Farr, Gallagher New York law firm, counsel to Robert Vesco, former chairman of the Anti-Defamation League of B'nai B'rith, and a pioneer of "corporate raids" in the late 1970s.

The money of this network, U.S. officials believe, has been integral to funding a component of the U.S.-Israel-Iran arms traffic. In many ways, some not yet known, the corporate-raider structure is co-extensive with the political networks now being exposed in America's Iran-Contra scandal.

'Wild oats are being sown'

Bank of England head Robin Leigh-Pemberton has insisted that the Guinness affair betrays nothing about City of London financial operations as such, but has solely to do with certain individuals. In fact, the affair has provoked impassioned, even hysterical defenses of the City of London and the "Big Bang." The fact is, the dirty financial magnates are terrified.

The *Daily Telegraph* op-ed of Jan. 22, by economics professor Patrick Minford, states: "Awkward as this spate of City scandals is from a public relations point of view, one must not confuse them with the underlying realities that will continue to make the City grow as one of the three key financial centres of the world. The recent surge in share prices should have reminded us that in the economy as a whole, life goes on more profitably than ever. . . ."

"This is perhaps the most significant single measure of the economy's advance, and it gives the lie to the accusation that declining manufacturing has damaged the wealth-creation potential of the economy, on which all else depends. Manufacturing has diminished, absolutely as well as relatively, since 1979; it now accounts for only 25 per cent of our output and employment. But other industries, and especially services, have grown to replace it, and add further to economic growth."

The Jan. 25 *Sunday Telegraph* weekly published a lead editorial by Chief Editor Peregrine Worsthorpe, "Save the City From Political Humbug and Envy." Worsthorpe wrote:

"Britain is very fortunate to have the City of London. Every other nation in Europe would dearly like to enjoy this golden asset, which is now a major growth point in the economy, creating untold wealth and much employment. What North Sea oil was to the 1970s and 1980s, the City could be to the 1990s—a miraculous turn-up for the book. So far as heavy manufacturing goes, Britain, more than most developed countries, has been falling behind the underdeveloped countries. What a blessing, therefore, that in the nick of time this country should have developed a skill—marketing money—which the underdeveloped world has not yet begun to acquire. . . ."

"What must be prevented at all costs is draconian legislation, introduced as a result of political panic, which will nip the City bloom in the bud, before it has had time to flower. For it cannot be too vehemently emphasized that the City's ills today are those of adolescence, not of senility; of vitality, not of decadence. Wild oats are being sown, and those should on no account be confused with rotting mould. . . ."

"The City of London arouses prejudicial reactions from both the Left and the Right, rather as do the Jews. . . . One must hope that Mrs. Thatcher will show her customary resolution, in resisting precipitate and ill-considered calls for new legislation. Aches and pains always accompany fast growth. But that is no reason to amputate the affected limb. What is happening in the City of London today is a sign of health, not of sickness. By all means, let us exert discipline, on the principle of spare the rod and spoil the child. But let the discipline be designed to help and educate rather than to punish and demean."

In the London National Gallery hangs the magnificent painting by Rembrandt, of Belshazzar at a lavish banquet, at the point that the handwriting appears on the wall. Perhaps, at last, the handwriting is on the wall for the financial interests that have made the City of London what it is.