

## New York Fed is in bed with Safra and the Russian mafia

by Jeffrey Steinberg

Every day of the week, between \$100 million and \$1 billion in U.S. hundred-dollar bills, are flown from New York's Kennedy Airport to Moscow, where they are funnelled through a string of unregulated, sleazy banks, into the hands of Russia's leading mafiosi, helping to fuel the biggest organized crime boom since U.S. Prohibition helped jump-start the late Meyer Lansky's National Crime Syndicate. According to a cover story in the Jan. 22, 1996 *New York Magazine*, these crisp, new "C-notes" are sold by the New York Federal Reserve Bank to Republic National Bank of New York. That bank's owner, Edmond Safra, has had more than one run-in with U.S. federal narcotics authorities. Back in 1989, the U.S. Drug Enforcement Administration and the U.S. Customs Service linked Republic and Safra to major money-laundering schemes by the Medellín Cartel and by the Swiss-based Shakarchi Trading Company, a laundromat for Syrian and East bloc heroin profits.

*New York Magazine* writer Robert I. Friedman, who authored the Jan. 22 story, is no stranger to the cross-currents of bigtime politics, finance, and the underworld. He has written a very unauthorized biography of the late Rabbi Meir Kahane, founder of the terrorist Jewish Defense League and Kach Movement, and he has catalogued the activities of the Jewish underground in the Israeli Occupied Territories. Last September, he released a *New York Magazine* interview with Edmond Safra's own "spiritual adviser," Brooklyn, New York Rabbi Avraham Hecht, in which Rabbi Hecht put out a religious death order against Israeli Prime Minister Yitzhak Rabin, for pursuing peace with the Palestinians. When Prime Minister Rabin was assassinated on Nov. 4 by a religious fanatic from the Jewish underground, Rabbi Hecht became a focus of international scorn and Israeli government investigation.

But, in the complex and often perplexing world of Israeli politics, Edmond Safra, who helped place the Lubavitcher Rabbi Hecht at the helm of the wealthiest Syrian Jewish synagogue in America, was given a seat of honor at the Rabin funeral. Part of Safra's secret of success is his "deep-pocket" relationship with the Anti-Defamation League of B'nai B'rith (ADL), a public relations arm of the Lansky syndicate and its successor networks. On one occasion alone in the mid-1980s, Safra handed over a \$1 million check to the ADL, and his overall contributions to the group far exceed that figure.

The latest revelations about the role of Safra and the New York Fed in facilitating the money-laundering operations of the Russian mafia, may at long last place the Syrian-born Safra beyond the pale of respectability, despite his status as the "king and kingmaker" of the super-wealthy, worldwide Aleppo Jewish community. One of Safra's Israeli partners, Jack Nasser, recently broke with Safra, and spilled the beans on the Republic Bank chief's illegal takeover of an Israeli bank several years ago. And in Brazil, U.S. authorities are apparently pressing government officials to probe Safra family involvement in a billion-dollar flight capital, and possible money-laundering scheme, involving several Brazilian and Panamanian banks.

Safra's dirty business in Brazil may also implicate another Aleppo banker, the Swiss-based Edgar de Picciotto, whose Union Bancaire Privée has also been implicated in massive flight capital operations by Russian spooks, communists, and mafiosi. De Picciotto is the Swiss banker of preference for Italy's Carlo De Benedetti, and he sits on the board of Prince Philip's elite 1001 Club, the secret financing arm of the World Wide Fund for Nature (WWF).

## **EIR said it all along**

The revelation about the role of Safra and the New York Fed in the dollar export scheme, should come as no surprise to longtime readers of *EIR*. On Oct. 8, 1993, *EIR* published a cover story, titled "Secret NAFTA Accord Threatens U.S. Sovereignty," which named both Safra's Republic National Bank of New York and Citibank as the principal conduits in a New York Fed drive to "globalize" the U.S. dollar. At the time of the story's publication, Citibank was under virtual Fed receivership. The Citibank involvement also implicated speculator George Soros, who one month before the story's publication, had reportedly used inside information, provided by "friends" at the New York Fed, to make a \$2 billion killing on British pound sterling and Italian lira trading.

The architect of the "globalization" scheme, the newly installed New York Fed chairman, William McDonough, had been earlier identified by Rep. Henry Gonzalez (D-Tex.) as the U.S. official who negotiated the secret banking sections of the North American Free Trade Agreement (NAFTA) accords, which threaten to end the role of the U.S. dollar as the sovereign currency of the United States and transform it into the reserve currency for the global underground economy.

The *EIR* study reported that in the last decade, the amount of U.S. hard currency outside of the United States had more than doubled. Of the \$311 billion in Federal Reserve Notes in circulation, over \$190 billion—61%—was abroad in 1993! More recent estimates place that figure above 70%.

According to a report in the Jan. 25, 1996 *Washington Post*, there are over \$20 billion in U.S. greenbacks in Russia today. That averages \$400 per Russian household. Eighty percent of those bills are C-notes.

## **Growth of organized crime**

Obviously, the bulk of those U.S. \$100 bills are not in the hands of average Russian citizens. According to the Friedman report, a total of over \$40 billion has been shipped to Moscow over the past two years. Much of that cash has been used by Russia's growing mafia establishment to buy privatized enterprises, to purchase villas in all of the most posh continental European resorts, and to amass a fleet of the world's most luxurious automobiles and private jets.

According to a 1994 Central Intelligence Agency study, which identified 10 leading Moscow banks as fronts for organized crime, Russia has replaced Panama as the favorite money-laundering center for the Colombian drug cartels and the Italian Mafia.

According to several recent studies cited by Friedman, since 1993 there have been at least three major world crime summits in Yerevan, Armenia; Prague, Czech Republic; and Puerto Rico. These sessions reportedly brought together top officials from Ibero-America, Russia, Europe, North America, the Middle East, and Asia, to chart out an ambitious expansion of global crime, including drug trafficking, arms trafficking, white slavery, and, reportedly, the underground

theft and resale of plutonium and human organs.

The glue that holds together this now \$1 trillion underground economy, is the U.S. greenback, and the willingness of the Federal Reserve to practice a policy of benign neglect. According to Friedman, late last year, officials of the Fed and the U.S. Treasury convened to discuss the massive dollar exports by Republic National Bank to Russia. The Fed officials vigorously defended the Safra scheme, claiming that it was the only way to defend the sagging ruble, short of direct U.S. government loans and investments. They also argued that, as long as the \$100 bills remained abroad, they constituted a de facto "interest-free loan" to the U.S. Treasury. For every \$100 bill sold abroad, the Fed argued, the Treasury makes a \$99.96 profit. That totals over \$15 billion a year in net profit from the Fed's printing presses.

According to one participant in the meeting, "There were people there from the Fed who have no common sense at all." Another participant from the Office of the Comptroller of the Currency told Friedman: "What I understand is that they [i.e., Republic] are aiding in organized crime activities out of the former Soviet Union through their so-called correspondent bank relationships." A subsequent study concluded that Republic was engaged in trade with Russian banks that is "consistent with money laundering," but even those findings were seriously watered down, reportedly also at the urging of the Fed officials.

## **A challenge to U.S. policy**

Behind the rhetoric of the Fed's defense of suspected narco-banker Safra, lies a policy of dollar globalization that all but excludes any effort to tackle the growing menace of international organized crime. At a recent Heritage Foundation conference on international crime, even some of the die-hard free marketeers admitted that the globalization of financial markets—the radical deregulation of the Carter-Reagan-Bush era—is the biggest single obstacle to a crackdown on the drug cartels.

This poses a serious challenge to the Clinton administration. Since October 1995, when the President signed an Executive Order declaring international drug cartels "a national security threat" warranting a declaration of national emergency, the administration has been pursuing an aggressive campaign to shut down the 50 biggest hot-money centers in the world. The details of this assault were spelled out in a still-classified Presidential Decision Directive (PDD-42). Recent cooperation with the Mexican government in tracking hundreds of millions of dollars in suspected drug proceeds through the personal bank accounts of members of former President Carlos Salinas de Gortari's family, is but one example of this reinvigorated effort.

But, to deliver a death blow to the apparatus that *EIR* long ago labeled "Dope, Inc.," will require a frontal assault against the deregulated global financial market. And that means that the policies of the Fed have got to end.