Business Briefs

Banking

A mystery in the Bahamas

Treasury officials are conducting a study to determine why $4 billion worth of U.S. hundred-dollar bills has accumulated in the Bahamas. "For some reason, they like hundred-dollar bills in the Bahamas. In Florida, all the extra cash is ten-dollar bills. We can't figure it out," a Treasury staffer involved in the project told *EIR*.

Last year, the Treasury released a study showing that $3.6 billion in cash over and above normal banking needs ended up in the Florida Federal Reserve district during 1979. The study's conclusion was that the buildup of cash was related to Florida's reported $13 billion annual volume of illegal narcotics traffic.

The Bahamas, according to well-informed banking sources, are a wholesale money-laundering center for illegal drug revenues drawn from the Florida and other retail markets.

Underground Economy

Kattan and the Florida connection

Newspapers in Bogotá revealed this week that a "travel agent" and "professional foreign exchange dealer" arrested earlier this year in Miami, Florida happened to be the most important "launderer" of drug monies for all of Latin America. Isaac Kattan was reportedly earning $100 million annually in clear profit on his drug money laundering business until U.S. federal agents picked him up in February 1981.

Kattan's arrest has just been made public, with a report in *Newsweek* as well as the Colombian press. However, the long delay in reportage indicates that his arrest will not be the occasion for a serious crackdown on the Florida-based narcotics-laundering industry, estimated at $80 billion annually.

Florida became a prominent drug entry-point in 1976, at the time Colombia harvested a bumper marijuana crop, and replaced Mexico as principal exporter after a paraquat-based crackdown on marijuana production there. The proceeds of Colombia drug exports were being laundered in Venezuela, which, as an oil-producer and large purchaser of U.S. dollars, was able to cover up the actual source of the reinvested revenues. In turn, "the Venezuelans single-handedly rescued Florida real estate," according to a New York banker, on the strength of Carter Democrat Gov. Robert Graham's "statewide banking deregulation." Graham was backed by the Southeast Banking Corporation of Lloyd Cutler, who was chief counsel to President Carter; the Florida National Bank of Edward K. Ball, who was linked to Billy Carter during the "Billygate" scandal; and the Barnett Banks of Charles Zwick, a military affairs adviser to Carter, plus Fred Schultz, a Carter appointee to the Fed whose specialty at Barnett was placement of foreign investments in Florida real estate.

Trade

Bonn to help finance Soviet pipeline deal

West German Chancellor Helmut Schmidt is willing to back his commitment to the long-negotiated natural gas pipeline project with the Soviet Union by government financing, according to West German industrial sources. Schmidt apparently ignored President Reagan's objections to the deal, based on the argument that West Germany's energy supply might become subject to Soviet political control, in discussions at the Ottawa summit.

About half of the 10 billion marks of financing required for the present stage of the project may be provided by the Ausfuhrkredit Bank, which would discount DM 5 billion of suppliers' credits from the major supplier of steel pipe to the project, Mannesmann. The official institution's export loans are pegged to the Bundesbank's discount window, currently the lowest-interest-tier of Bundesbank credit facilities, at a present interest rate of 9.5 percent.

However, no final agreement on details of the pipeline deal is expected immediately, as the German and Soviet side wrangle over price and interest-rate considerations. The West German consortium, led by Deutsche Bank, have answered Soviet objections to high German interest rates, which have risen since the negotiations began, by asking for a price reduction on Soviet gas.

However, federal government-supplied credits should be a plus for the success of the negotiations.

Stock Markets

New York exchange views 200 million-share days

John Phelan, Jr., president of the New York Stock Exchange, predicts a trading turnover of up to 150 million shares a day in the very near future and expects to gear the exchange for peak days of over 200 million shares. Elaborate computer systems whose capacities have been doubled and in some instances tripled recently will be adequate to handle the enormous pace of transactions according to NYSE spokesmen.

The expected volume surge is attributed to a lowering of the capital gains tax, a large influx of venture capital and recent mergers of large brokerages with industrial or financial conglomerates.

Security analysts predict a rapid "internationalization" of the securities markets as the markets attract large flows of flight capital into new ventures on the market.

In addition to large corporations turning to the securities markets to raise funds, like the $1 billion raised by AT&T, analysts believe that the recent mergers of brokerage houses was in part due to the acquiring company's desire to speculate in the market rather than merely facilitate the sale of securities. This could add a significant amount of funds to the markets with the NYSE gaining a large part of those funds.

Agriculture

Breakthrough near on coyote control

Environmental Protection Agency Administrator Anne Gorsuch has announced that hearings will be held on a possible repeal of a controversial ban on Compound 1080, a poison used by ranchers to kill coyotes. The hearings are scheduled for July 28-29 in Denver. Gorsuch has stated that she will make a decision on whether to revoke the ban after studying information supplied in the hearings.

In making the announcement, Gorsuch reported that sheep and cattle ranchers are complaining of losses from coyotes that are "well in excess of $100 million." Compound 1080 was banned in 1972 by President Nixon in an Executive Order that came from a rotten deal between the White House, the Department of Interior and environmentalists.

The federal predator control program was one of the first targets of the nascent environmental movement that went on to win the more highly publicized ban of DDT, an environmentalist "victory" that may also prove Pyrrhic. The Reagan administration is reportedly also reviewing the DDT ban now.

Environmentalists have insisted that the poison would kill eagles, condors and other endangered species in addition to coyotes and should therefore be proscribed, in favor of a variety of "natural" and other remedies which have proven ineffective.

During the seven years following the Nixon Executive Order, more than 10 million sheep with a value of more than $500 million were destroyed by coyotes. Ranchers argue that 1080 is not only safe, but can be tightly targeted for one species—the coyote. And there is no derth of studies backing them up—more than 5,000 on coyotes and predation and at least 207 on Compound 1080 itself.

Foreign Exchange

West Germany and Japan moot intervention policy

Japanese officials deny that an agreement is in force with West Germany for joint intervention on behalf of the Japanese yen, which reached a 14-month low on foreign exchange markets July 22, and the West German mark, the London *Financial Times* reported July 23. Nonetheless senior European foreign exchange dealers told *EIR* that the extraordinary volume of West German central bank intervention on behalf of the mark, in the volume of over $500 million in the last week, represents a break in the Bundesbank's pattern which could mean that such an agreement had been decided upon.

The dollar fell to DM 2.47 in trading July 20, as U.S. interest rates rose sharply, but rose back to DM 2.429 July 22 in response to heavy intervention. The mark stood at 2.445 at deadline on July 23.

Lending credence to reports of a German-Japanese deal is the following report published by Japan's Kyodo news service July 18:

"Japanese Finance Minister Michio Watanabe Saturday expressed his hopes for the opening of talks by specialists on America's high interest rates. Watanabe told newsmen that he would propose his wishes at a meeting of the finance minister accompanying the leaders participating in the seven-nation economic summit in Ottawa on Monday and Tuesday. . . .

"At a meeting in Ottawa with the finance ministers of the six other Western industrialized nations, he also intends to propose a joint intervention into foreign exchange markets in times of currency unrest, Watanabe said. He said he considers it necessary for the central banks to jointly intervene when the currency markets fluctuate widely due mainly to speculative reasons.

"Watanabe also said he proposed separate meetings with the finance ministers of the United States and West Germany in Ottawa."

Briefly

- **FEDERAL RESERVE** injections of liquidity into the credit markets the week of July 20 may have been motivated by cash problems of some bond dealers, Wall Street sources said.

- **CHASE MANHATTAN** Bank jumped the gun July 21 on interstate banking takeovers with a $125 million investment into Pittsburgh's Equibank, including an option to buy $75 million of the bank's stock if Congress passes legislation permitting it.

- **DURABLE GOODS** orders fell 0.8 percent in June, their first fall in nominal terms since January of this year.

- **FOOD AND ENERGY** prices will start rising again in the fall, Chase Manhattan's *International Finance* newsletter predicted July 20, raising the inflation rate from the 8.4 percent annual rate registered in May and June.

- **GOLD** remonetization is a major agenda item in White House deliberations, pending the October release of a report by the President's commission on gold.

- **CITIBANK** is poorly managed, overly aggressive, and, in its monetarist enthusiasm, guessed wrong that interest rates would fall at the start of the second quarter of this year, noted the July 17 London *Financial Times*. Last month Kuwait withdrew billions from its investment portfolio managed by Citibank because of the bank's performance.

- **RICHARD PIPES** dwells on the economic vulnerability of West Germany and Japan, sources say, when he complains to other National Security Council officials about their unaccommodating relations with the U.S. by comparison with the governments of Mitterrand and Thatcher.