THE WALL STREET JOURNAL MONDAY, MAY 15, 1989

Drug Smugglers' Dutch Treat

By Laura Bruschini

Three weeks ago, a conference was held in Curaçao, Netherlands Antilles, on money laundering. Among those in attendance were two members of the Medellín family, which has gained international prominence for—and pointed to alleged money laundering. Two of the family members have been indicted by the U.S. attorney for Puerto Rico, has set up shop (at times) in Aruba, another Dutch dependency, and travels in Europe, beyond the reach of U.S. law enforcement.

The speakers at the gathering included the commissioner of International Business of the Netherlands Antilles and the Americas of the Caribbean Division of the Netherlands Antilles. The bankers and compliance officers of the Netherlands Antilles are, to say the least, not noted for rigorous action against money laundering—nor are their Dutch counterparts.

'Very Peculiar Way'

In 1988, when Maurice Damman (center, above) Merrill Lynch's executive vice president in charge of its operations in Curaçao, he noticed that Peter Antonio Rada Rivarola, a Washington bank and a wholly owned subsidiary of the Peoples Bank Corp., which was a wholly owned subsidiary of Credit & Commerce American Holdings N.V., which was a wholly owned subsidiary of Credit & Commerce American Investments (Netherlands) N.V., which was in turn a wholly owned subsidiary of Credit & Commerce American Holdings N.V. in Curaçao.

Robert Morgenthau

"I said, 'What's going on here?'" Mr. Morgenthau recalls. "He's in a bank in Washington owned by this very peculiar way." I added in a friend who was an expert on loans. He said, 'Why don't you ask the bank?' They couldn't give me an explanation. That's what got us interested. We finally got some of the records, but it took a year in May to get the records we needed, and they could be wrong or incomplete."

In the end, the manner the Morgenthau found was fairly average. In the Netherlands and its dependencies, neither bank regulators nor law enforcement officials are armed with subpoenas or court orders—nor can get information about a bank's money laundering, but very little doing. "The Bureau case is emblematic. In the late 1980s, an investigator for Sen. John Kerry (D., Mass.) interviewing drug traffickers in a West Miami prison kept hearing about the Bureau. "Who has the Bureau?" he would ask. Answer: "The big family in London we used for laundering money and moving cocaine."

"Drugs has reached itself out to the last point," a U.S. government official told me. Money laundering is the island's biggest source of hard currency. When the U.S. Drug Enforcement Administration arrested Gen. Manuel Noriega, a ex-dictator, from Panama to Aruba, "the island of 60,000 residents has had $1.4 billion flow through its financial institutions in the past five years. Over three years in the early 1980s, $10 million went into banks from the U.S.—vs. $1 billion in the other direction. Transfers to the U.S. last year alone were more than $500 million.

A former federal prosecutor who worked on money-laundering cases says that Aruba, because it is near Colombia, has been a site for swindlers between billionaire traffickers and people from the financial industry in both hemispheres who exploit the ability to set up banks and businesses with little scrutiny. "Aruba is a paradise for the Colombian and Venezuelan wealthy," he explained. "It's close. There's sparkling beaches. They are business with passports."

This wasn't the first time Mr. Morgenthau would run into problems because of Dutch bank secrecy. "We had a case involving contracts to a vice president of ARCO overseas, the second biggest bank in the Netherlands, for sale of Third World debt," he told me. The officer was taking a "commission" and putting it in a Swiss account. Mr. Morgenthau told the Dutch "you're cooperation." The records finally arrived, a year after he asked for them.

At the Curaçao conference, a former Dutch prosecutor acknowledged that his government does a lot of thinking about money laundering. But it doesn't do much else. A 1988 Aruba Department report found that "drug traffickers have penetrated the highest levels of society and government institutions" in Aruba. A Dutch prosecutor coordinating Dutch-American efforts to combat drug trafficking in the Caribbean told the meeting: "The American Embassy is powerful. Sometimes that can only embarrass its work—if the new envoy is known to have another drug conviction—and can be government as a political issue." The conference recommended the hiring of Aruba's police chief and his top aides.

Prominent among those powerful families is the Maduro, who have been for a time of a police raid, north Jews. Mr. Maduro Junior's "The Eleanor Roosevelt" quality was praised at ceremonies for Caribbean banking, which was canceled last month by a government watchdog agency that studied corruption.

After the Aruba report, the Aruba government did hire two police officers. It also proposed an extradition law—which, critics say, is so convoluted that it would be impossible to prosecute someone whose been using extradition.

Could the Dutch do something about Aruba and Curaçao, as well as their own practices? The Dutch government indisputably has control over foreign-policy questions—and money laundering is international.

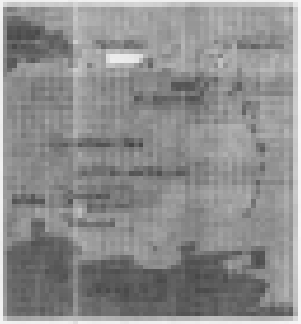
Could the Dutch do something about Aruba and Curaçao, as well as their own practices? The Dutch government indisputably has control over foreign-policy questions—and money laundering is international.

'High-Level Connivance'

The former prosecutor says he heard "high-level concern in the Netherlands" over whether cooperating in ending cut money laundering might undermine the nation's financial center. "A lot of good, well-connected members of the establishment, especially in Holland and Aruba, feel threatened because they are not able to be enthusiastic as they want you to your statement to money-laundering cases. That means they can't deliver a lot of drug money.

Mr. Morgenthau's solution: "The U.S. would say we won't go into foreign banks to open branches in New York if they indict on bank secrecy. We could say: You can't do business in this country."

Mr. Morgenthau plans to keep adding indictments of criminals who launder money through his jurisdiction. But the real power, as he recommends, is to end the system of bank secrecy, which covers up criminals, corrupt politicians and tax cheats. American bankers, overseas bankers and government officials want to stop pretending that hard-to-monitor cleaning of undisclosed suspicious activities will stop the growing world-wide criminal enjoyments of banking secrecy. Otherwise, whatever one Medellín family is indicted, another will quickly take its place.



Murder money from Colombian drug sales in the U.S. But U.S. authorities can't arrest them, because Aruba has no power to "intervening resolution" on the U.S. bank examination treaty. Last year the same men reportedly donated $500,000 to campaign chest to Colombian President Virgilio Barco. Barco, the

Ms. Bruschini is a New York journalist who writes about international affairs.