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Drug Smugglers' Dutch Treat

By Lucy Komisar

Three weeks ago, a conference was held in Curaçao, Netherlands Antilles, on money laundering. Among those in attendance were two members of the Manufacturers Hanover Trust Co. bank, which has ground international procedures for—not granted it—alleged money laundering. Two other family members have been indicted by the U.S. attorney in Puerto Rico, but still enjoy life in style in Aruba, another Dutch dependency, and travel in Europe, beyond the reach of U.S. law enforcement.

The assistant of the gathering included the commanders of international borders of the Netherlands Antilles and the supervisor of the Compliance Officers of the Netherlands Antilles. The bankers and compliance officers of the Netherlands Antilles are, to say the least, not noted for aggressive action against money laundering—nor are their Dutch counterparts.

'Very Familiar Way'

In 1988, when Manhattan District Attorney Robert Morgenthau started the investigation that led to the prosecution of officials of the Bank of Credit & Commerce International, he noticed that Peter Ammann Bank Bloema, a Washington bank, was a wholly owned subsidiary of the third largest Dutch bank, which has a wholly owned subsidiary of Credit & Commerce American Holdings in Tampa.

Robert Morgenthau

"I said, 'What type of bank is that?'" Mr. Morgenthau recalls. "We're a bank in Washington owned by one very familiar way?' I called to a friend who was an expert in banking. He said, 'Why don't you call the Fed?' They couldn't give me an explanation. That's when I got an interest." Mr. Dutch got wind of the records, but it took a year of fees to get the records we wanted, and they could be studied in a comprehensive."

In the end, the owners of Washington Bank was found innocent. In the Netherlands and the dependencies, neither bank regulators nor law enforcement officials—even armed with subpoenas or court orders—can get information about a customer. This was a true time Mr. Morgenthau would run into a problem because of Dutch bank secrecy. "We had a case involving kickbacks to a vice president of utility companies, the second largest bank in the Netherlands, for one of their World Bank," he told me. The officer was pushing "very aggressive" and pressing to a change in court. Mr. Morgenthau said the Dutch "gave no cooperation." "The records finally arrived, a year after he asked for them.

At the Curaçao conference, a former Dutch prosecutor acknowledged that the government does a lot of thinking about money laundering, but very little doing. The Bloema case is emblematic. In the late 1980s, an investigation by Sen. John Kerry (D., Mass.) interviewing drug traffickers in a West Miami prison kept hearing about the Bloema's "little bird in the Bloema?" he would ask, quarrel. "The big banks in London are used for laundering money and avoiding scrutiny."

"Drugs have evolved itself not to the last gram," a U.S. government official said that money laundering is the industry's biggest source of hard currency. When the U.S. Drug Enforcement Agency tracked the operations of Gen. Manuel Noriega, a ring of money moved from Panama to Aruba. The total amount of $5,000 transfers has had $1.4 billion flow through its financial institutions in the past five years. One crime years in the early 1980s, $40 million went into banks there for U.S. —vs. $2 billion for the other direction. Deposits in the U.S. last year alone were more than $200 million.

A former federal prosecutor who worked on money-laundering cases says that Aruba, because it is near Colombia, has been a gold for meetings between wholesale traffickers and people from the financial industry in both hemispheres who want to take dirty money for their customers. "Aruba is a playground for the Colombian and Venezuelan wealthy," he explained. "It's clean. There's gambling, beaches. They love business with gringos."

A 1988 Aruba Government report found that "drug trafficking takes predominant role in the economy" and that "drug traffickers have penetrated the highest levels of society and governmental institutions" in Aruba, a Dutch government commissioner had Aruban citizens on his holdings. "The Aruba Government is powerful because their per capita economy is very—it has the highest in South America drug cartels ... and run the government in various ways. The commission recommended the firing of Aruba's police chief and his top aide.

Fingerprint among those powerful Aruban is the Maduro, who built their fortune on liquor and cigarettes. They own Maduro Tobacco in Aruba and Curaçao, as well as the Aruba-based Santander and much of Aruba's real-estate plans, where there is no income taxation. They also have Panama shipping interests.

In 1984 the U.S. indicted cousins Jerry and Alan Maduro for using Greenland to

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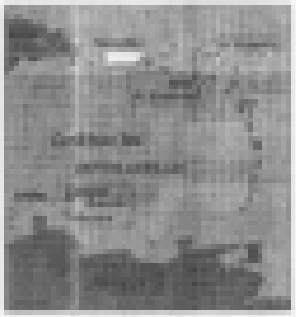

Boarded cutter from Colombian drug cartel in the U.S. But U.S. authorities can't arrest here, because Aruba has not agreed on "implementing legislation" for the U.S.-Dutch extradition treaty. Last year the same man reportedly travelled Bahamas to smuggle cash to Colombian President Virgilio Barco. Records also with of a cartel that sells cars. Mr. Maduro denied it. The Maduro subsidiaries were granted a monopoly on Colombian gambling which was canceled last month by a government watchdog agency that studied corruption.

After the press report, the Aruba government did not fire the police officials. It also proposed an amnesty law—which, critics say, is an unconstitutional ploy to prevent present officials from being prosecuted.

Could the Dutch do something about Aruba and Curaçao, as well as their own practices? They say they can't control the islands' domestic activities. But the Aruba-Colombia precedent shows a Dutch colony recruited them to the Bogotá. Moreover, the Dutch government indisputably has control over foreign-policy questions—and money laundering is international. In short, the Dutch government could act if it wanted to.

'High-Level Concerns'

The Dutch prosecutor says he found "high-level concern in the Netherlands" over whether cooperating in making out money laundering might undermine the nation's financial sector. "A lot of good, well-intentioned members of the law-enforcement community in Holland and Aruba feel frustrated, because they are not able to do enough politically as they want to do," John Andreas, a money-laundering lawyer, said. "That means they can't follow a lot of dirty money."

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

Mr. Morgenthau plans to have existing enforcement of criminals who launder money through tax jurisdictions. But the real power, as he recommends, is to end the system of bank secrecy, which exists in Caribbean, certain Caribbean and Latin American countries, Switzerland and Luxembourg. Bankers, businessmen and government officials want to stop concealing that. Instead, positive reporting of suspicious transactions will stop the growing worldwide criminal exploitation of banking secrecy. Otherwise, whatever was Mount Sandy is proved, another will quickly take its place.

Mr. Komisar is a New York journalist