

#15 Jack Blum: shrink-wrapped tons of currency

Jack Blum: What's going on? Are the Contras being supported by drug trafficking? Are they doing the trafficking? Who's doing the trafficking? How is this working?

Naomi Fowler: This is Jack Blum: The Corruption Diaries from the Tax Justice Network. I'm Naomi Fowler.

Jack Blum: And this of course, takes me into Miami in the middle of what has to have been one of the craziest periods in Miami history.

Naomi Fowler: Jack Blum has been persuaded out of private practice in order to investigate drug trafficking. This brought him right to the heart of the action.

Jack Blum: Drug trafficking had taken over everything, it seemed. There had been a situation where different groups of traffickers had gone to war with each other in Miami. A group of Cuban traffickers got into a gun battle with a bunch of Colombians. There was a war wagon that the Cubans put together. They came rolling in to an enclosed upscale mall in South Miami and shot up a store that was owned by the rival drug gang. And we're talking about a very upscale mall, and all of a sudden the traffickers had done something which really got everybody angry - they're interfering with upmarket shopping. So, it was at that point that the publisher of the Miami Herald led a delegation of Miami businessmen who said, gotta do something, he's ruining, it's ruining business. And that was the creation of what was called the South Florida Drug Task Force. The chair of the Drug Task Force was then Vice President, George Bush who was supposed to be the one who took charge of the figuring out how to stop this drug mess in Florida. We began digging into how the drug mess was operating and what the issues were.

One of the first hearings was about the Bahamas. That hearing, we found a guy who was the bag man who actually paid off Lyndon Pendling, who was Prime Minister of the Bahamas, to protect the use of the Bahamas as a center for distributing narcotics. This guy was then put in witness protection but he testified about how he had literally given the money to Pendling and the further into it we got, the more obvious it was that he was fully complicit. Because what had happened was the traffickers had gotten control of an island in the Bahamas called Norman's Cay. And Norman's Cay was the base that the traffickers used. Carlos Slater in particular used to bring major shipments from Colombia to Norman's Cay. And then they would split it up among many fast boats and small planes and transport it on to the United States. And this was just a massive operation, they were moving tons of cocaine. The wholesale price of cocaine had gone from something like 60, 70,000 dollars a kilo down to about 5,000 a kilo, to give you an idea of the volume.

The story of the corruption of Lyndon Pendling and the Bahamas was part of a larger saga. There was a trafficker who was also being protected, who the U.S. was trying to extradite from the Bahamas, and the Bahamas wouldn't give him up. And we had a hearing and asked the Justice Department, well, are you doing anything? Why, why hasn't this guy been brought back? And I can't tell you how many times Kerry just ripped into Justice Department people about the failure to really extradite the trafficker from the Bahamas to the U.S, which was serious business.

We also began to find people who were able to talk about what was going on on the money laundering side. So, we found a witness by the name of Ramon Millian Rodriguez. And Ramon Millian Rodriguez told a story about his role as an accountant for the drug traffickers and then his role as a money launderer. He probably exaggerated his own importance but the story he told was a story of how money laundering worked. He said all of the transactions that were being done in the drug trade were being done in cash. And he had the problem of what to do to get that cash into the banking system, because as currency, it was pretty difficult to handle. You can't handle tons of currency and do it easily and ship it and pay suppliers and pay all the people who need to be paid. You have to get it into the banking system so you can move it around and handle it. And he described how he was in charge of an operation that dispatched small planes to pick up loads of currency, and then the currency shipments would be consolidated, and actually shrink wrapped in heavy plastic and shipped on down to Panama, where they would go into the bank.

Now Panama uses the U.S. dollar as its currency. And this, of course, is what makes Panama kind of ideal to receive all of this currency that was coming in from the drug trade. We had an Eastern Airlines pilot come in and testify that every time planes took off coming out of Colombia, on eastern flights, the plane would be overweight.

Now, before a plane takes off, the pilots are supposed to know what the weight of the cargo on the plane is. And they base that on the number of passengers, the amount of baggage, and the pilot's given a number, and that is supposed to be the weight. The pilots testified that routinely, flights out of Colombia were 200 to 400 kilos overweight. And then they also testified that when they were flying to Panama they would be instructed to go to a freight terminal to unload part of the cargo before they unloaded the passengers. So, what was happening was these pallets of currency that were coming out of Miami were being offloaded before the passengers were when the plane got to Panama City. And the money was then being deposited in the bank. The presumption was that there were drugs coming out, money was going in.

We also had testimony and it was very credible and substantiated testimony that the money that was going in had come through, originally had gone through, Cayman. And this testimony came from a guy named Lee Rich, who held for a period of time a record as the largest smuggler of marijuana into the United States. He had something like 420 tons of marijuana in an ocean going barge. And he brought that up from Colombia to somewhere in North Carolina where he was going to unload that and it was going to go into 18 wheelers. Now he had been dealing in marijuana for years. He testified that it started sometime in the '70s but that he had gotten increasingly eager to have larger loads, which he did. And this barge was rigged up with anechoic tiles that had come from stealth aircraft so it wouldn't be noticeable on radar. Anyway, this barge came to a port in North Carolina. And the problem was that there were all these trucks lined up for it and people got curious what's going on here, and that's how he eventually got busted. But he said before that happened, he had gotten several loads in and, and the problem he had, he described this way, he said, we got all this cash, it was in duffle bags and we had the problem of where to put it. He said you couldn't exactly call the cops locally and say, hey, hey, keep an eye on this house, we've got a lot of cash in it, 'cause the question would be where did it come from? They wouldn't be able to hire some local people to guard it because they'd just shoot everybody and take the money. So he had to figure out what to do with this cash and what he came up with was to

put the money in picnic coolers and put it in a stash house and keep the picnic coolers below the window level of this rented house until they could organize an airplane to fly it down to Cayman where it would be put in the bank.

There was another guy by the name of Kalish who was also a smuggler, who also said the same things, essentially. And what was going on in Cayman was initially, they were bringing all of these tons of currency to Cayman, but the bankers in Cayman who were cheerfully counting it and depositing it and moving it on, now had the problem of the Federal Reserve looked at Cayman and said, where is all this currency coming from? You guys are taking in tons of currency and there's no obvious source. And in fact, we know you're not getting all this currency from tourists who are buying t-shirts coming off cruise ships, so you'd better cut this out, or we're gonna take some drastic action against the Cayman Islands.

It was at that point that Kalish and Rich and company go down to have a conversation with General Noriega. General Noriega said, have I got a deal for you, we've got a banker who's perfectly willing to take the money and that banker works for the Bank of Credit and Commerce International and they have a branch in the Cologne Free Trade Zone and you guys can put your money there and there won't be a problem.

Cayman then shifts from taking the currency in, to becoming a center for wire transfers coming from Panama and the bankers in Cayman began managing the money, rather than handling the currency. Capable of managing and constructing the structure necessary to bring all of this into useful shape for one of the traffickers.

So, it turned out that I had a perfect example of this in one of the sets of documents that I obtained. A trafficker had come up with a pile of money he needed to deal with so he goes to a lawyer in Miami. The lawyer in Miami contacts a banker in Cayman. The banker in Cayman says, well, sure, we can handle this, we'll set up a corporation and that corporation will take the money in. And then what we'll do is we'll move it to another bank probably in several different lots of money so that nobody recognizes the two transactions as being linked. And then, once it's in the other bank, we'll lend the money back to the trafficker so he can use it for what he wants. And this transaction was laid out and documented, and it turned out that it came into my possession because he turned the folder over to someone who gave it to me just before he was arrested. So it was like a window on the whole set of transactions beginning with the lawyer who set it up, through the couple of bankers, and you could see exactly how this money was now going to come back in the form of a loan to a business - actually, it was a business in Houston.

We're now beginning to put together how this entire system is working and need to begin to go after the money laundering. We also were getting information about the relationship between the drug traffickers and their effort to figure out how to buy some form of amnesty for themselves. I found a Florida judge who had been invited to become a middleman in an offer being made by the Medellin Cartel. They actually had this offer made to the FBI. He was to tell them that the Medellin Cartel would give \$10 million to support the Contras *if* the traffickers were allowed to get amnesty in exchange for giving up their trafficking business. And this judge was gonna convey that message to the FBI. The judge would have been a terrific witness because after all he's a judge, he's in court, all the rest of it. Well, the story was one that we thought, wow, this, this is one that really has to be corroborated some more

and although I had very good sources, I couldn't tell people that in fact my source came from inside the FBI where the offer was made 'cause I didn't want to endanger the agent who had passed that information along to me. Anyway, the story was there, and I'm thinking, how do we get this out as a hearing? The next thing I know, the judge, who was my witness, was arrested in his courtroom for taking bribes in a totally different case, so I thought, this isn't working out too well! But it was also indicative of the environment in Miami at the time.

Naomi Fowler: The Corruption Diaries is a production of The Tax Justice Network, made by Naomi Fowler and Jo Barratt. Interviews with Jack Blum were recorded over several days at Jack's home in Maryland by Zoe Sullivan.