

## Interview

### Banks are complicit in the drug trade

The Citizens Electoral Council's Jan./Feb. 1998 *New Citizen* newspaper published a feature headlined "Australia needs a Real war on drugs!", in opposition to the campaign to legalise dangerous narcotics which was being funded by financial mega-speculator George Soros. For that feature on 17 October 1997 the *New Citizen* interviewed Luke Cornelius, the National Secretary of the Australian Federal Police Association (AFPA), the union for federal police officers.

On behalf of its members, the AFPA was fighting against government policies that were raising the white flag of surrender to the global drug trade, including budget cuts to key agencies like the AFP, and the move to harm minimisation as a way to legalise drugs by stealth. What stands out in this interview is that, back in 1997, law enforcement had a clear perspective that the drug scourge could be defeated, if it were seriously addressed. But that didn't happen. Today it is a consensus that "the war on drugs has failed", but as Cornelius revealed, there never was a serious war on

drugs, which would involve not mass arrests of the end-users of the drugs, but massive resources to the agencies capable of stopping drugs from getting into the country. That approach was sabotaged by budget cuts and the drug legalisation push, and so, today, the drug trade is seen as an insurmountable problem.

The most important detail that Cornelius revealed is that the banking system was central to the drug problem, as banks were conspiring with organised crime to launder the proceeds. Twenty years later, the CBA money-laundering scandal, and the earlier revelations about the top British banks HSBC, Standard Chartered, and Coutts laundering drug money, has vindicated the strong charges Cornelius levelled at the banks. This interdependence between the banking system and the drug trade explains why there has never been a serious war on drugs, and holding the banks to account for their complicity in the drug trade is the key to finally defeating this deadly scourge that is tearing apart the fabric of society.

**New Citizen:** I understand your organisation recently passed a resolution calling on the federal government to increase its funding to enable you to fight the war on drugs. ... The basis for putting that resolution forward was overwhelming agreement that there has been a collapse in staffing numbers, resources and so forth. Could you give us some idea to what extent recruitment rates have fallen?

**Luke Cornelius:** Certainly. Since the Australian Federal Police was established in 1979, there has been a steady decline in the number of federal agents available to engage in a federal policing role at a national and international level. In particular, over the past five to six years we have seen a plummet in the number of federal police available to undertake investigation into international organised crime, including drug trafficking, to a point where we have seen staffing levels of those officers, collapse to pre-1983/84 levels. *That amounts to a decrease in some 700 federal police officers available to undertake national investigations. ...* (Emphasis added.)

**NC:** Would this mean that the interdiction rate of drugs and the conviction rate of drug traffickers has declined during this period of budget cutting?

**LC:** Well in actual fact, this current year we are seeing record seizures, of in particular, heroin and other imported drugs. This is not so much a reflection of greater efficiencies on the part of the AFP, it is more a reflection of the massive increase in the quantity and volume of drugs coming into this country. And because of the increased volume and the greater risks which criminals are taking with impunity, sure in the knowledge that resources to federal law enforcement agencies have been cut, mean that we have massive amounts of drugs coming into this country. Parallel to this increase in the number of seizures for this year, we also see a massive increase in the number of heroin overdose deaths...

#### 'Australia has never had a war on drugs'

**NC:** Your predecessor, the outgoing national secretary, stated that Australia has never had a war on drugs.

**LC:** That's quite right. When you bear in mind the Access Economics report released recently, states that there is \$7 billion in economic activity derived by illicit drug trafficking. Australia has never had a war on drugs—we've had a token effort where you've had high-profile seizures based on tip-offs. But let's compare the economic activity which is generated from drug trafficking with the actual investment of government into dealing with this problem. We know, if we are to accept the findings of the Access Economics report, which was released a week and a half ago [early October 1997], that the economic activity generated by illicit drug-trafficking amounts to some \$7 billion. The Australian Federal Police would be lucky to be able to commit \$15 million of its budget specifically to drug law enforcement. *Now \$15 million worth of investigation, into an enterprise which generates \$7 billion worth of economic activity is nothing more than a token effort.* (Emphasis added.)

#### Needed policy changes

**NC:** What would you like to see as the policy changes in order to stem the tide of illicit drugs coming into Australia?

**LC:** As I see it, we must improve the effectiveness of commonwealth law enforcement agencies to deal with the importation of drugs at its source. This entails a combined approach by government at various levels. If you actually look at the drug-trafficking industry you can see that it is broken into a range of different sectors. We have on the streets of Australia the so-called market. That is a potential new-user base and those likely to demand, or have a need for illicit narcotics. That is the potential market. Then we have those who are already abusers or addicts, and they obviously seize the profit that goes into encouraging people to actually consider being involved in the drug trade. Then we have the distributors and the traffickers. These are the people who supply and sell the illicit narcotics to users and introduce narcotics to potential users with a view to expanding their market. Then we have the growers, harvesters and refiners. These people are based overseas, and these are the people who cultivate

the root narcotic material. For example, the opium poppy, in the case of heroin and the cannabis plant in the case of the various cannabis products such as cannabis resin and also New Guinea Gold from Papua New Guinea. Then also we have the importers and the wholesalers. These are the people who basically get the commodity from the source country into the market place. Finally, we have the market managers. These are the people who arrange the financing and the resourcing of the illicit narcotics trade and these are the people who profit from it with impunity and who themselves aren't involved in the user end of the market, but see it purely as a profit-making exercise.

Now in terms of government response: in terms of dealing with the market or the potential users, that's clearly the responsibility of educative programs, and also health-based programs. However let us remember that this is a massive group of people—potentially the entire population of Australia, so any resources which are placed into dealing with

the drug situation at this end of the market, will have a limited penetration and will be high-cost—because of the spread that is required to deal with it. In terms of dealing with the traffickers and drug distributors within Australia, that is clearly the responsibility of State law enforcement agencies. But once again, dealing with distribution networks within Australia is a high-cost exercise. The Australian Federal Police and other Commonwealth law enforcement agencies have a primary objective in dealing with those who import the drug or indeed, taking up the investigation of drug-related activity overseas. It's here where the injection of resources would derive the most value in terms of fighting a war against drugs. The analogy that I use is a simple one, and that is a garden tap at a sprinkler. The Commonwealth should be directing resources to turning the tap off rather than trying to soak up the many droplets of water which have spread right across the country by the sprinkler—that is at the distribution-user end of the market. *So in effect, the Australian Commonwealth government has never really taken this drug problem seriously, because it has failed over the years of the existence of the Australian Federal Police since 1979, to effectively resource efforts aimed at turning off the tap of drug supply into this country.* (Emphasis added.)

If I might use a recent example. About a month ago, there was a major operation mounted in Queensland and New South Wales, in relation to the apprehension of people involved in an amphetamine and LSD distribution network. That operation required the deployment of some 250 [State] police officers over a 10-day period—basically to intercept a quantity of drugs, which could easily have been intercepted by Australian Federal Police had they been adequately resourced with say 10 to 20 officers put in the field to either intercept that commodity at the port, or at the airport, or indeed, if we had the capacity to effectively place our federal agents overseas to deal with the problem at the source.

### Money laundering

**NC:** Casinos have been referred to as honey pots for organised crime to launder their dirty money. Now the New South Wales government recently banned 30 reputed organised crime figures from the Sydney Harbour Casino—including two of its best customers who had spent, incredibly, up to \$35 million there. Then there are numerous reports that casino chips are being intercepted in Asia, heading back into Australia—the casino gambling chips being increasingly used as a form of underground currency. Could you comment on that?

**LC:** Money laundering relies on a number of techniques used to turn illicitly derived money or property into so-called clean money. The commodities which are used are diverse; you've mentioned casino gambling chips. Other favoured commodities in the money-laundering business include traffic in gold bullion; in South Australia—the traffic in jade; and in other locations around Australia, the traffic in other high-valued commodities. For example, expensive shellfish—of all things, abalone are used by many money launderers as a means of, I guess, washing their ill-gotten gains—because these items attract a very high premium in the Asian market. In terms of the kinds of business activities, which are used as vehicles by money-launderers for the laundering process: Gambling is a well-known and recognised money-laundering vehicle. It is for this reason government seeks to regu-

### Resolution

*On 25 August 1997 the Australian Federal Police Association's (AFPA) then National Secretary, Chris Eaton, issued the following "Communiqué from the National Office" to its membership.*

#### ILLICIT DRUGS OF DEPENDENCY, THEIR ILLEGAL IMPORTATION AND ABUSE

Contrary to populist dogma, the war on drugs is not lost. As a nation we just haven't been serious enough about it.

The poppy growing in the fields of Burma today becomes the heroin sold in the streets of Australia tomorrow. Breaking the link between these two events is the answer. If Australia is to be truly serious about its national social protection, it must take the war on drugs off its own back step and into the transnational criminals' front yard.

The AFP needs the resources to meet and stop the criminals, not the victims, on the transnational path between the poppy harvest and heroin street sales. Properly resourced and enabled, AFP federal agents can stop most serious drug importations before they reach Australia. This would not only have a major impact on domestic drug abuse in Australia, but within the Pacific and South East Asian regions also.

In fact, Australia can best protect itself by assisting in the protection of its international region. Those too close to the emotional impact of the problem, and those who tout *legalisation* must widen their view from the pain and suffering on our own streets. They must look to how serious the international problem is, and how so many other nations are in an even worse and less recoverable situation than us.

Australia cannot be a social island in the global social environment. Realistically and sustainably, we just cannot stand alone. ...

The so-called war on drugs can be won, with national commitment, community sensitivity and by resisting weak soft-option surrender.



late gambling activities, with a view to ensuring, to the extent they can, that that money which comes through those businesses is, in fact, legal. Now the way in which the government seeks to do that, is through arranging for the licensing of those people who provide these gambling venues, i.e. the casinos, and also through the casinos themselves, ensuring that their client base is not engaging in illegal activities. So for example, the New South Wales government banning certain individuals from casinos because they have supposed underworld links, is an example of this kind of regulation which is occurring. Now money laundering is effective in the gambling industry because: In order to be a successful gambler, you need a significant amount of money to invest in the first instance. The only people who make a living out of gambling are those who are prepared to invest—and I use that term lightly—large amounts of money into the gambling enterprise. And obviously, having a capacity, because of the scale of that investment, to lay their bets off, and so, balance their returns. Now that is all well and good for a gambler who has legally derived gains which he wants to invest. For those who have illegally derived money, going to a gambling institution, gives them an opportunity—basically, at a cost, in terms of losing some of the money they invest, of actually gaining a receipt from a casino, for their winnings and thereby legitimising the money they are in possession of. What organised crime figures are beginning to understand however, is that because of the high degree of government scrutiny and regulation of casino activities, in particular, questions are very easily asked of these people, because the casinos are able to track exactly how much an individual has invested in their business and how much they have won. So at the end of the day, if a person seeks to explain away large amounts of money, which aren't explainable by lawful means, they might attempt to point to successful gambling winnings. Law enforcement agencies, where these claims are made, have the capacity to obtain under warrant, from casinos, information about the gambling habits of these individuals. Which basically means that we are able to track the money right back to the point of their initial investment, which leaves these people with the problem of having to explain where they got the money for their initial investment in the gambling enterprise from. So in many respects, casinos can be a useful tool, which are used by law enforcement agencies for the tracking of money laundering activities.

The money laundering activities which are more difficult to track are those which involve the conversion of one form of finance into another. That is for example, best illustrated by the bullion trade. That is, one can go to a bullion dealer and purchase a quantity of bullion, obtain a receipt for that bullion and then effectively take that bullion overseas, use it as a basis for overseas investments and then basically be able to cream off any income generated from those investments as clean income. That activity of course, is now subject to regulation under what is called the Cash Transaction Reports Agency [now AUSTRAC] and the [Cash] Transaction Reports Act, which requires bullion dealers and other cash dealers to report transactions over a certain value. So there are ways in Australia of actually regulating, or trying to track, the flow of cash through the Australian economy. However, given that the Australian economy, on a daily basis, traffics in very large amounts of cash, this of itself is a difficult system to manage because of the sheer volume of



Casinos, like Melbourne's Crown, are "honey pots" for money laundering.  
Photo: Wikimedia

transactions which take place on a daily basis. So in many respects the use of that kind of intelligence is generally used by law enforcement agencies after their suspicions have already been pricked, in relation to the activity of individuals that they are investigating.

**NC:** Would you say, since the *Cash Transaction Reports Act* has come into force, that organised crime figures are getting around the Act? And if so, in what way?

**LC:** Yes that's why I highlighted the example of traffic in non-cash commodities. For example, bullion. Although there have been changes to the Act that would bring bullion into the definition of a cash transaction. Then there are other commodities such as, for example, shellfish, which is an odd one. Abalone for example, and also other mineral commodities such as jade, which is highly prized over in the Asian market and of course, in Australia, and in particular, in South Australia there are some of the best deposits in the world of black jade. These commodities because they are basically commodities derived naturally, from the sea or from the ground, are commodities which lend themselves to money laundering, because you don't have to explain away your initial investment—you can easily say, well I went fishing one weekend, to explain a haul of abalone; or I dug a hole, to explain a large amount of jade.

**NC:** How would the Australian Federal Police Association reconcile the fact that one person in the world by the name of George Soros, has mounted a \$15 million campaign in the United States, to declare a war on the government's war on drugs, and that this same person has recently diluted his holdings in Sydney Harbour Casino, from over 12 per cent to around 5 per cent, which makes him still one of the largest shareholders in the casino. How would you reconcile that?

**LC:** I am not personally aware of Mr Soros's alleged activities, but I must say that I would question the motives of anyone who is seeking to challenge or undo the hard work of law enforcement officers by seeking to suspend the war on drugs, and in light of that, I'd come much closer to home and point the finger at a very influential lobby group, namely Access Economics, and ask the question—well, what do they mean by suggesting that this \$7 billion of activity should be brought within the mainstream so that it can be taxed by the government. I mean that is a reprehensible social policy, not only because it entails surrendering to organised criminal interests, but also because Access Economics has failed miserably in discharging its social responsibility to the fabric of this community—by failing to balance against that

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\$7 billion worth of activity, the social cost and misery which is generated as a result of the illicit drug trade. ...

### 'Financial institutions conspiring with organised crime'

**NC:** You mentioned before our interview that your experience is in drug enforcement. The International Police Organisation have said for years drug barons have set up banks specifically to launder money, and using existing banks as well. I would use the example of the Nugan Hand Bank and various others. Given sufficient resources, how would you want to see that problem tackled of going after money laundered through the legal banking system?

**LC:** There is a preliminary question which must first be addressed, and that is, it must be recognised that any business which generates \$7 billion worth of economic activity on an annual basis, is having a significant impact on the Australian economy. Somehow that black money is becoming incorporated into the legitimate financial institutions in Australia. Financial institutions in Australia today cannot guarantee or be sure that their money is untainted. It is a sure bet that every financial institution in Australia, either unbeknownst to it, or with its turn-a-blind-eye approach, is happily dealing in, and engaging in transactions which involve tainted money. Financial institutions of course, will hide behind client and customer confidentiality, they will hide behind the traditional protections which financial institutions have hidden behind ever since Adam Smith came up with his fundamental principle of the guiding hand of the market, that is allow market forces to determine social policy and everything else will fall into place. *Financial institutions, in turning a blind eye to this real problem of dealing with tainted money, are conspiring with organised crime in Australia to the extent that the very integrity of the economic fabric of this country is under threat*, simply because, with money you buy power. And if financial institutions aren't prepared to take social responsibility for the transactions, which they are prepared to engage in, then they bear a responsibility for the capacity for organised crime to take over and direct social policy in this country. (Emphasis added.)

**NC:** Our research which we published some time ago, demonstrated that the Australian Drug Foundation which began as a benevolent society to help alcoholics after the war, has become the primary vehicle for promoting the legalisation of drugs, and our research shows that major contributors to the Australian Drug Foundation are the banks, and family charitable funds, wealthy foundations and so forth. Are you aware of that at all?

**LC:** I am not personally aware of that. I've got to say that I am always cautious about looking for conspiracy theories. It is probably the case that the [Australian] Drug Foundation is effective for lobbying business for corporate support, as many private or public interest groups seek support for its enterprises. I guess in terms of seeking to counter that degree of support that is coming from business, one needs to say to the business world, whilst these organisations espouse an educative approach in preference to a prohibition approach, it must be understood that the results of a consistent policy, at the Commonwealth level of preferring an educative approach, i.e. the 'say no to drugs campaign', over the past ten years, has been an abject failure, because parallel to the pursuit of that policy we have seen a massive explosion in the amount of drugs coming into this country, a massive



CBA knew its intelligent deposit machines were being used to launder billions of dollars related to drug trafficking and terrorism, which vindicates Luke Cornelius's 1997 charge that banks conspire with organised crime.

explosion in the demand or the consumption of those drugs, and an explosion in the number of people who are dying as the result of the availability of high-purity, high-quality drugs which have a very real capacity to ruin lives and kill people.

**NC:** What about people like Dr Alex Wodak, and Michael Moore [Independent MLA in the ACT] who promote legalisation of drugs.

**LC:** I am familiar with Mr Wodak. He has written fairly extensively over the years on the question of a decriminalisation policy. What concerns me about Mr Wodak, is that he comes from a health background, in terms of policy-making for the Department of Health, and in many respects, it was on the back of his policy advice that the then Hawke government was prepared to actually accept and pursue this policy of, I guess, social accommodation, in terms of taking a soft approach on drugs insofar as supporting a so-called education program as opposed to an enforcement program. I have some figures for you by the way on crimes against the Commonwealth, specifically drugs. In the 1994/95 reporting year the number of new matters referred were 1,811. In 1995/96, they fell to 1,364. The reason for this decrease was a decreased capacity on the part of the Australian Customs Service to actually detect drugs coming into the country. In terms of workload, in 1994/95 we saw 1,730 matters initiated, and in 1995/96 we saw 1,520 initiated. That's a reflection of the decrease in the number of matters referred. The total matters on hand for 1994/95 were 271. In 1995/96 there were 373 matters on hand, which actually gives you an indication of the actual increase in the number of investigations that are being undertaken. In terms of the total number of offences detected: in 1994/95, there were 1,734 offences detected. In 1995/96 there were 1,450 detected. Again that is a reflection of the decrease in the resources of the Australian Federal Police to actually detect crime. Now of course, in spite of that decrease in the number of offences detected, you have seen a massive increase or record levels of drug seizures. Now that is why I say that this reflects a massive increase in the volume of drugs coming into the country, because although the number of investigations that we can undertake has decreased, the actual size of individual seizures that we effect, have absolutely gone through the roof.