

THROUGH THE LOOKING GLASS

Vatican Politics, the Calvi Murder and Beyond

By Conrad Goeringer

Early on the morning of Friday, June 18, 1982, a body was found dangling from an orange rope underneath Blackfriars Bridge in London, England. Police recovered the corpse of a middle age man, about sixty, paunchy, in a gray suit. Pieces of rocks and brick had been stuffed into the pockets, along with \$15,000 in various currencies. A passport identified the victim as Gian Roberto Calvini, but soon it was learned that the dead man was really Roberto Calvi, chairman and managing director of Banco Ambrosiano in Milan, Italy. Calvi had mysteriously vanished from Rome on June 11, and his misfortune in London re-ignited media curiosity over a story which had already made headlines, and reverberated through the world's major financial and political institutions.

Calvi was only one of a cast of characters in that story that included organized crime interests, political groups, secret societies, drug dealers, major financial institutions, and perhaps most stunning of all, a little-known entity identified as the Institute for Religious Works, or IOR, the official bank for the Vatican. The collapse of Calvi's Banco Ambrosiano revealed that high officials within the Vatican and its bank had collaborated in building a network of offshore dummy corporations propped up under the Ambrosiano Group's line of credit, into which hundreds of millions of dollars disappeared. Some figures indicate that the Vatican's participation in this scandal exceeded \$1.25 billion dollars (and remember, this is the early 1980s).

It is a very complex story, so I want to divide this up into three sections. I want to begin by putting it in its historical context complete with a cast of actors; I want to try and tie this together and talk about the collapse of the Banco Ambrosiano and the involvement of the Vatican; and finally, I want to briefly discuss the aftermath of the Calvi scandal, and touch upon some areas that I see, anyway, as related to this notion of the Vatican as a very worldly institution and political animal—and perhaps the best place to start is by talking about the geographic and political entity known as the Vatican.

When you mention the Vatican, most people instinctively think of a religious institution, the Roman Catholic Church, when in fact the Vatican is really the latest incarnation of something known as the Papal States, Pontifical States or States of the Church. Less than six centuries after being constituted, the popes of the Church became the defacto political rulers of Rome and the surrounding regions; the Frankish king, Pepin the Short formally granted those lands to the church under Pope Stephen II, and by the 16th century, the papal holdings came to embrace nearly the whole of central Italy. Napoleon seized much of this, but in 1815 the Congress of Vienna restored the bulk of earlier papal holdings. Uprisings were put down by the Austrians who acted as surrogate troops and neighborhood watch for the papacy, but in 1870, the Vatican again lost control in the united Italy under Victor Emanuel II. Papal authority was confined to a

small area in Rome, and in protest a series of popes designated themselves as “voluntary prisoners.”

Benito Mussolini: Through Lateran Treaty, transferred \$85,000,000 to the Vatican state, guaranteed political autonomy and tax privileges

That changed when the fascist party of Benito Mussolini came to power; in 1929 the Lateran treaty or Concordant was enacted between the Italian government and the church. It formally recognized the sovereignty of the Vatican state, officially declared Roman Catholicism the state religion, nominally called for the papacy to remain neutral in international affairs, and made financial compensation for claims arising from the confiscation of papal lands. Strangely enough, estimates vary on exactly how much this compensation amounted to, but it was probably somewhere in the vicinity of \$85 million. In addition to this, the church was granted control of various properties outside of Vatican city, and those holdings were declared tax exempt. Mussolini’s government was even more generous with time; during the war, for instance, all Vatican investments in Italy were likewise given tax exemption.

A couple of things need to be said in connection with something which has deeply divided historians, and that is the role of the Holy See in World War II. At the very least, we know that the Roman Catholic Church flirted with the fascist regimes in Germany, Italy and Spain, and saw fascism as a counterweight to so-called atheistic communism. Many questions remain concerning this period of time, for instance, the Vatican’s role in sequestering gold seized from Jews in Eastern Europe, and the involvement of the church in operating the so-called “Vatican ratlines” which provided phony passports, shelter, money and transport for war criminals heading out of the European continent. It must be stated that the Vatican’s relationship with fascist regimes was often varied and ambivalent; the church was more comfortable with the authoritarian, clerical politics of Gen. Franco in Spain, for instance, but less so with the Nazi regime in Germany. There were Catholic resistance undergrounds in France and Germany, but the church leadership, especially in the early days of the war, may well have considered some fascist movements as the “lesser of two evils” in the fight against atheistic communism. Anti-semitism also played a role in all of this; before Kristallnacht and the Nazi penalties against the Jews, there were a long series of draconian laws which the church leveled throughout the Papal State in Italy during the 19th century.

In addition to the Concordant with fascist Italy, the Vatican also signed what can only be described as an franchise deal with Nazi Germany. This was the inclusion of the Roman Catholic Church in the notorious Kirchensteuer or “church tax” which was an income tax... and in 1943, in that year alone, \$100 million flowed into the coffers of the Vatican from that tax.

As a matter of record, it is next to impossible for outsiders to determine what the “net worth” of the Vatican really is. Some of this wealth is described as “illiquid,” meaning that it consists of art treasures, buildings and other holdings, and some of this is in the form of so-called perpetual trusts, which means that it cannot be sold off. But some of the wealth takes a different form, and when you look at these holdings as financial instruments, they are virtually indistinguishable from those of any modern bank, government or corporation.

Now, much of money from the Lateran Treaty was placed in the control of a church agency known as APSA, the Administration of the Patrimony of the Holy See; and after 1960, it's known that increasingly these investments were made outside of Italy. Another agency was created in 1942, the so-called Istituto per le Opere de Religioni, the Institute for Religious Works. IOR was reconstituted from another agency, the Administration for Religious Works, which had been established by Leo XIII in 1887. In June, 1942, Pius XII renames this agency and places it under the control of a financial wizard named Bernardino Nogara, who immediately goes to work using the Lateran Treaty, and begins investing Vatican monies in banks, real estate holding companies, and corporations. Nogara accepts the job, but only with the proviso that the Vatican Bank be permitted to begin loaning money at competitive rates of interests (something which most "Catholic banks" did not do because of a supposed biblical injunction against usury), and that he have autonomy in deciding when and where investments would be made. As a result of this, the IOR begins to establish ties with the leading financial institutions of the world including Morgan Guaranty, Credit Suisse, Chase Manhattan and the Chicago-based Continental Illinois. Soon the Vatican is gobbling up interests in corporations involved in steel production, agri-business, and insurance. The Vatican also buys a 15% interest in the giant real estate holding and construction company known as Immobiliare; that gives IOR a piece of the action in everything from the Watergate Hotel in Washington DC, to resorts in Mexico, and apartment complexes in Montreal. Working through Chase Manhattan, the Vatican Bank also begins purchasing stock in General Motors, Gulf Oil, Bethlehem Steel, TWA, IBM and other major companies.

Nogara retired in 1954, died in 1958 amidst relative obscurity, and during his lifetime had pyramided the money given to the Vatican by Mussolini's regime to nearly \$1 billion.

Financial historian Larry Gurwin in his book about the Calvi Affair noted that during the war, "IOR helped many Italians to protect their wealth from confiscation by the Germans, taking advantage of Vatican City's status as a sovereign state." That fact, along with revelations of the enormous earnings which the Vatican was making through the IOR attracted the interest of the Italian government which in 1962 proposed lifting tax exemptions which had been granted by Mussolini, but the Vatican objected and the idea quickly died. A government led by Aldo Moro, who was later supposedly executed by the Red Brigades, tried, it failed; and every so often this idea comes up, but it never seems to enjoy any success. In 1964, for instance, the Vatican threatened to sell off all of its Italian financial holdings, something which would have plunged financial markets there into chaos, should their earnings be taxed.

Now, after the war, starting in the early 1950s under Nogara the IOR began forming a "trust" of Catholic and non-Catholic financial advisors, who became known as uomini di fiducia, or "men of confidence."

Michael Sindona: Patron of Roberto Calvi; "Uomini Di Fiducia" (Man of Confidence) inside the Vatican.

In 1969, the Vatican brought into to its inner cabal of financial planners a man named Michael Sindona, who accelerated the move of Vatican investments to offshore holdings. This was because the Vatican was literally making a fortune, and there was no reason not to take advantage of modern financial instruments and strategies

Now, you need to know that there was already throughout Italy a dual-banking system. On one side were what we could call “regular banks,” but the church maintained a parallel banking system of what we informally known as “Catholic banks.” These were banks that throughout the country did business with the church and its officials, they were usually owned by Catholics, and they considered themselves as distinct from other parts of the financial community that they deemed “secular.” Beginning in the 1950’s, Nogara and the Vatican begin to harness and direct the financial power of these more conservative “Catholic” institutions and use that capitol for wider investment purposes. It’s a smart move financially, it’s also very legal, but it marks a distinct break in the history of the “Catholic bank” system, which is beginning to behave more and more like the financially savvy “lay” banks.

Who was Michael Sindona? Well, for starter, he was an early patron of Roberto Calvi. He grew up in Sicily, studied law and during the war became involved in the lemon business. Let me just read an excerpt from Luigi DiFonzo’s biography of Sindona. He’s discussing how after the allied invasion of Sicily in 1943, Sindona purchased a truck to transport lemons...

”To accomplish this task, Michele Sindona needed the protection of the Mafia because it controlled the produce industry and could supply him with the documents he needed to present to the border patrols. To this end, the bishop of Psatti got in touch with Vito Geneovese, a top-ranking member of the American Mafia who had helped to organize the American invasion of Sicily with the help of the Sicilian Mafia. Geneovese, a major international drug smuggler and boss of the New York crime family founded by Lucky Luciano, used his influence with the Sicilian Mafia dons and members of the American invasion force to arrange for fresh produce, forged papers, and a safe route for Michele Sindona.”

End of the war, Sindona moves to Milan where he has a letter of introduction from the Archbishop of Messina addressed to Giovanni Montini, who is high up in the Vatican power structure and would soon become the Archbishop of Milan. He also meets Prince Massimo Spada, who is a senior official at IOR, and by 1960 has purchased his own bank called Banca Privata which is receiving deposits from the Vatican bank. So, even before becoming a “man of confidence,” Sindona is working closely with the Vatican, using church money for leverage, laundering money back and forth between the IOR, and Banca Privata and other holdings. Three years later, his friend Archbishop Montini becomes Pope Paul VI. Sindona’s empire grows, fueled in part by deposits from the Institute for Religious Works. He and the Vatican invest in other enterprises such as Banca Unione, and the Swiss-based Banque de Financement. Sindona also began investing in the United States, becomes partners with David Kennedy, who is the chairman of Continental Illinois and who introduces Sindona into the Republican Party hierarchy. This is nearly three decades before the rumble about the soft money scandal and the Democratic party and foreign contributors.

All during this time, Sindona is also working with the Inzerillo crime family, which are cousins to the Gambino crime organization based in the United States. Sindona is not only trusted inside Vatican, but he is trusted by the Gambino-Inzerillo family and even attends a private reunion of the family on November 2, 1957 which takes place at the Grand Hotel des Palmes in Palermo. Working with layoff money from the Gambino group as well as funds from the Vatican, Sindona creates acquires everything from a Liechtenstein holding company named Fasco AG to, again, the Banca Privata Finanziaria, which had been founded in 1930 by a Fascist ideologue.

In 1968, Sindona comes up with new plans on how to shelter Vatican money in offshore investments; this comes because throughout Italy, there is again growing scrutiny and concern about the Holy Sees investments, it's learned that the Vatican has money in weapons manufacturing, even a Pharmaceutical firm that produces birth control pills, and in that year, there is another call for the Italian government to remove the special tax exemption for the church. Sindona begins working very closely with an American bishop (who would later become an Archbishop) named Paul Marcinkus.

Paul Marcinkus: Catholic Priest ordained in Chicago, works way up Vatican hierarchy; 1971, named head of Vatican Bank

OK, who's Paul Marcinkus? He was a priest ordained in Chicago, came to the Vatican Secretariat of State in 1952; in 1964, he is accompanying the Pope on international tours where he acts as a linguist, organizer and bodyguard. In 1970, he even saved the Pope's life during an assassination attempt, in 1971, the Pope names Marcinkus as head of the Vatican Bank. Remember that by now, Sindona's off-shore capital flight scheme is in place, IOR money is flowing out of the country to banks all over Europe, Latin America, the United States and the Caribbean. When Albino Luciani was elected Pope with the title of John Paul I, there was speculation that he was going to clean up the financial intrigue in the Vatican, and that included dismissing Marcinkus. Thirty three days after his election, John Paul I dies in his bed, presumably from a heart attack, and he is succeeded by Karol Wojtyla, John Paul II. Marcinkus has a new ally, and later is working with the US government to funnel huge amounts of money through the Vatican Bank to the Solidarity Union in Poland.

Now, Sindona is linked to a lot of the characters in the story, including Roberto Calvi. Calvi had grown up in Milan, served in the Italian army, and by the end of the war has a job cutting his eye teeth in the business at Banca Commerciale. In 1946, with the help of an old school chum, he transfers to Banco Ambrosiano, one of the network of "Catholic banks" meant to counter the influence of the so-called "lay" banks. Most of the bank's shareholders were Church-controlled institutions, and to prevent a takeover by the "lay" banks or non-church interests, no one individual could own more than 5% of the voting shares.

Banco Ambrosiano: "Catholic Bank"; Calvi begins work at Ambrosiano in 1946; 1960, Calvi forms Italy's first mutual fund; Sindona becomes Calvi's "patron" at Ambrosiano.
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Now, even with their very conservative and cautious banking policies, the Catholic banks prosper after the war in the economic boom of the 1950s; Roberto Calvi moves up the ladder at Banco Ambrosiano, the bank's chairman—a man named Carlo Canesi begins grooming him as a potential protégé. And Calvi creates in 1960 Italy's first genuine "mutual fund" company. That means that a group of individual investors can now join together, but it also means that control of all of that money is vested in the fund manager. Banco Ambrosiano begins to expand out of its role as a strictly "Catholic bank," it begins to acquire other institutions. By 1965, Calvi is a central manager of the bank, but he reached a dead-end in his career. In short, he needs a patron, and he is suddenly "discovered" by an Italian "master of the universe" named Michael Sindona.

Now, remember that in 1969, Sindona becomes a “man of confidence” in the Vatican, but he still maintains ties to other sectors of influence. And even before this, he had been working with the Vatican bank. In 1959, for instance, Sindona, the IOR and the Vatican’s principal American bankers, Continental Illinois Bank and Trust Company, had acquired the Banca Privata. For what’s it worth, notice the Chicago connection there between the Vatican, Continental, and Paul Marcinkus, who was really the Chicago archdiocese ’golden boy’ on the international scene. Sindona’s financial manipulations make a story of their own. One sector Sindona maintained ties to was organized crime. Gurwin notes that Sindona’s network of banks and offshore companies “proved to be a convenient vehicle for the laundering of dirty money earned from heroin traffic and other mob-connected businesses..”

Sindona also had another tie which is interesting, especially in light of how he got started in Sicily. The arrangement to deport Lucky Luciano, the American crime boss, in exchange for the Sicilian Mafia’s help in World War II, was just the start of a long relationship linking intelligence services, American foreign policy, and organized crime. A number of writers who probed the Calvi case maintain that Michael Sindona was a player here as well; RT. Naylor talks about this in his book *HOT MONEY AND THE POLITICS OF DEBT*, in a discussion of so-called “anstalten,” which is a term for a Swiss or Liechtenstein-based corporation with only one stockholder; it’s a very powerful financial tool if you want to move money around through anonymous conduits. He writes, “In the postwar period, Sindona, a pioneer in the use of the Liechtenstein “anstalten” allegedly put his financial skills to work channeling CIA money to the church and the Christian Democratic party, and laundering and reinvesting heroin profits for the Mafia.”

Liccio Gelli: Grandmaster, P-2 Lodge

Another link which Sindona had brings us to one of the most controversial characters in this story, a man named Liccio Gelli. Gelli was the Grandmaster of a Masonic lodge known as Propaganda Due, or P-2, and this secret lodge included in its membership rolls some of the most powerful people in Italy. Ranking members of the military and intelligence services were enrolled, so were leading industrialists, bankers and other business leaders, so were members of government agencies and probably some fairly high ranking Vatican officials might have had membership in P-2 as well, despite the church prohibition on freemasonry.

Gelli was a member of the Black Shirts Battalion in Italy and served with the fascists during the Spanish civil war. When World War II broke out, he attained the rank of oberleutnant in the SS and was named as liaison officer to the elite SS Herman Goring Division, and through this he came to the attention of the OVRA, the Italian secret service, as well as later the British Intelligence Service. After the war, Gelli became involved in the Vatican “Ratline” working with a Croatian priest named Krujoslav Dragonovic, and it is believed that Gelli was instrumental in smuggling out Klaus Barbie, the “Butcher of Lyons,” whose flight to the west was paid for by funds from the US Counterintelligence Corps. It is also believed that Gelli was a key member of what was known as “Operation Gladio.” This was a secret operation run by the CIA and NATO that established so-called “stay behind” networks all over Europe. The idea was that in the event of a Soviet land invasion, if the nuclear option was not be used on the continent, these networks which would have hidden stashes of military equipment and money, would operate as fifth columns behind the Russian lines until the Americans rode to the rescue. Somewhere around

15,000 operatives are recruited by Operation Gladio, but In fact, most of the “stay behind” network was really a bureaucratic farce, and in some cases the assets most likely served the interests of fascist groups, particularly in Italy. And there is another story about Liccio Gelli, and this suggests that Gelli was even spying for the Russians in exchange for their protection in him not being prosecuted as a war criminal.

Juan Peron : Gelli is friend of Peron Regime, backs Peron’s return to power in 1973; Gelli establishes branch of P-2 in Argentina, works with death squad leader Jose Lopez Rega; Arms-for-machinery deal with Libya, Italy, Argentina.

Anyway, after the war Gelli is linked to all of these different groups, he even befriends the Argentinean General Juan Peron and becomes an arms broker. When Peron returns to Argentina after the political turmoil there and becomes President of the country in 1973—something he did with the financial and political backing of Gelli and his contacts—Gelli was the official guest of honor at the inauguration; and Giulio Andreotti, the Italian Prime Minister who was there at the ceremony, said that he actually say Juan Peron kneel at the feet of Liccio Gelli and kiss his ring. Gelli established a branch of P-2 in Argentina, and like the lodge in Italy, it included some of the most powerful functionaries there. After Peron’s death in 1974, Gelli and Jose Lopez Rega, a death squad leader and Minister of Social Welfare, fly to Libya and broker a arms- for-machinery trading deal between Libya, Italy and Argentina. Incidentally, it was Liccio Gelli who basically obtained the materiel for the modern Argentinean military, including the Exocet missiles that he bought from the French that were used in the Falklands war. And during this period, he is also funneling information to the SID, the Italian Army Intelligence. service. Gelli is intimately involved in the Calvi story, and there is a quote attributed to him that I think it is fitting; Liccio Gelli “The doors to all bank vaults open to the right...”

I want to make a brief a brief segue here and talk about World War II and its aftermath... This period of time, starting with the end of the war, brought together several diverse interest groups in common cause. First were the allied strategists in the west who perceived the threat of Soviet power, and felt that they had to take appropriate action. No sooner had the war ended that both the west and the Soviets began scouring Germany for war criminals, but there were problems here because both sides came to see a need for the services of some of these same people. Both sides grabbed whatever personnel they could from the Nazi V-weapons program. Simultaneously, the Vatican was running what has been dubbed the “Ratline”—which transported Nazi and collaborators to safe havens in the US, Britain, Canada, South America and elsewhere. Another group capitalizing on the post war environment was organized crime. In Italy, Mussolini had cracked down ruthlessly on Mafia groups (and everyone else), not just for political posturing but because they constituted a threat to the supremacy of the fascist state; after all, if you accept the “maximum leader” premise, you can’t have non-governmental criminal syndicates operating on their own. In the invasion of Sicily, the Mafia become an invaluable source of intelligence and support. And in post war Italy and even France, organized crime control of labor groups served western interests as a check on perceived communist agitation. In the early 1960s, the US government turned to organized crime in an effort to assassinate Fidel Castro, who had helped to establish a beachhead in this hemisphere for the Soviet Union. The mob had also lost a considerable amount of money when Castro nationalized the casinos around

1959, and expropriated everything the Mafia had built under the corrupt regime of the former president, Fulgencio Batista.

We need to say something else, too, about organized crime. Since the 1931 conviction of Al Capone on tax evasion charges, criminal syndicates had become aware of the need to “launder” money gained from illegal activities. That urgency skyrocketed as groups affiliated with Meyer Lansky and Luciano moved aggressively into the illegal drug trade. And the mechanism was in place for laundering those profits, thanks to a scheme established by Lansky back in 1932 which took money generated from slot machines in New Orleans (this during the regime of Huey Long) and transported it to overseas accounts. By the 1950’s and 60’s, Lansky was funneling hundreds of millions of dollars, so called “layoff” money, into offshore accounts, dummy corporations, holding companies and mob-connected banks.

There is another piece in the puzzle involving Roberto Calvi and the Banco Ambrosiano, and this involves Freemasonry. The history of masonry deserves its own presentation, but for our purposes here, Masonic ideas and rituals are inextricably linked to the ethos of that period of time we describe as the Enlightenment. Freemasonry grew out of the old stonemason guilds of the middle ages, and in the 18th century was generally identified with notions such as religious tolerance, political republicanism, and an emphasis on universal brotherhood and standards of truth. For numerous reasons, the Vatican was highly suspicious of the Masonic lodges which it saw as fertile breeding ground for heretical discussion and ideas, and there have been numerous Papal declarations and Bulls excoriating the Masonic movement, rendering it off limits to Roman Catholics.

Very briefly, and compressing a good deal of history, in Italy the Masonic lodges served several functions. First, they became identified with the sort of nationalism and Republicanism which led to the disintegration of the Papal states, and its replacement by a unified Italian state. Second, it became identified with those social and economic interests that were a part of this new political reality. Masonry was usually heavily laced by members of the what we might call the commercial class, or the insurgent bourgeoisie; these were people who did not have ties to traditional clerical institutions of the Roman Catholic church, or they envisioned a relatively secular future for Italy. Another thing: many of the “lay” banks, the banks not part of the Catholic banking system, were operated by freemasons.

Now, there was another characteristic, too. If you analyze the different elements in the Italian power structure, in some cases freemasonry became the intersection between secular political and economic establishment, and the organized crime groups. In some cases, members of crime brotherhoods sought to become lodge members in order to cultivate contacts and establish themselves as respectable members of society. Sindona was a member of Liccio Gelli’s Propaganda Due Lodge, In the 1970, it is believed that Stefano Bontate who was a high ranking gangster became the master of a Masonic lodge, and tried to actively court Mafia family members.

It’s important in understanding this environment that we think less in terms of conspiracies and more from the analytical perspective of looking for common areas of interest . Understand that in the post world war II environment that became modern Italy, there were some common areas of interest which all of these different groups had in common. The greatest involved the banking

system, and the perceived need to shelter vast amounts of capital (whether it came from drugs, or the economic industrial boom, or investments, or funds, or the Lateran Treaty), from taxation. That involved elaborate schemes like the one that Calvi was part of to sequester literally hundreds of millions of dollars, move it offshore when necessary, or launder it through anastlen or offshore banks, or through the Vatican bank, in order to protect it.

So, you have all of these different groups united by this enormous stampede of capital moving through different and corporations. Some of its coming from organized crime, some of it's being generated by legitimated investments and banks and funds, which is all the better for everyone, some of it from expatriate Nazis, some of it from intelligence services, and its all moving through banks and money handlers. So, if you want to understand the world of Roberto Calvi and the Vatican bank, you have to appreciate this shadow-world environment of money that's moving around, and being laundered. In Calvi's case, for instance, it's more than just this "system" of overlapping interest—it's also individual behavior. For example, as the drug money came rolling in, flowing through Banco Ambrosiano, Calvi begins to illegally siphon off some of that, launders it through the Vatican bank, or moves it offshore to acquire more foreign banks, or loans it out.

In 1963, Liccio Gelli joins the Masonic movement in Italy, rises quickly through the degrees, and soon has the authorization to form his own Lodge. He begins to systematically recruit high members of Italy's military and intelligence services including Orazio Giannini who is head of the country's financial police, as well as leading industrialists and bankers. And Gelli goes beyond the limits of other Masonic lodges, and begins accumulating files on people that he targets for membership, and he blackmails these people into joining his lodge, which he christens Propaganda Due, or P-2. P-2 thrives, and soon has branches of its own in Argentina, Venezuela, Paraguay, Bolivia, France, Portugal and Nicaragua. Some of the henchmen Gelli brings into P-2 are tied to Klaus Barbi, for instance, or the juntas and death squads throughout Latin America, such as the notorious Jose Lopez Rega, head of the Argentinean AAA death squad who also ran a cocaine smuggling operation between that country and the United States.

Cardinal Paolo Bertoli: Member of Vatican's diplomatic corps; Introduces Liccio Gelli to Paul Marcinkus.

Gelli's door to the Vatican, and a possible member of P-2, was Cardinal Paolo Bertoli, a member of the church's diplomatic corps, who introduces Gelli to Archbishop Paul Marcinkus of the Vatican bank. Another entree into the Vatican for Gelli is an Italian lawyer and businessman who is also a member of P-2, and that Umberto Ortolani, who was an official during the Second World War in the Italian military intelligence. Ortolani's office is the 1969 venue for a meeting between Calvi, Sindona, Gelli and Ortolani, where a pact is established to accelerate Calvi's career up the ladder at Banco Ambrosiano. Sindona will serve as Calvi's business partner, Marcinkus will represent the Vatican bank in this new arrangement, and Gelli and Ortolani will handle political details.

Umberto Ortolani: Lawyer, businessman; Another Gelli contact inside Vatican; Member, P-2; Along with Gelli and Sidona, works with Calvi; Linked to the Knights of Malta, elevated by Paul VI to "Gentleman of His Holiness."
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Now, Ortolani had hosted an earlier meeting, and this one took place immediately prior to the election of Cardinal Montini as Pope Paul VI. Remember that Michael Sindona had the letter of introduction to Archbishop Montini back in Naples after the war. At Ortolani's palace on Via Archimede, Montini's supporters huddle immediately prior to the Vatican conclave—this is after the death of Pope John XXIII—Montini becomes Pope, and of course at that point several careers are assured, including that of Archbishop Paul Marcinkus. After his election to the papacy, Paul VI elevates Ortolani to “Gentleman of His Holiness,” one of a slew of Vatican noble titles. Ortolani is also a member of several elite Roman Catholic groups, including something called the Knights of Malta and the Holy Sepulcher, and he acts as official sponsor for Licio Gelli's membership in that organization.

There are a couple of historical backwater eddies that need to be mentioned here. The first concerns the Knights of Malta. They have a very convoluted history going back to the time of the first crusade in 1099, but it was Leo XIII who in 1834 allowed the Knights to establish their headquarters in Rome. The American branch was founded in 1927, in 1941 Francis Cardinal Spellman is the “Grand Protector” of the order, and a lot of the American knights are linked to the unsuccessful attempt to stage what amounted to a fascist coup in this country that was designed to put General Smedley Butler in power. Butler was tapped by these people to head up a new government but he blew the whistle and implicated a number of Maltese Knights including John Farrell, then the president of US Steel, and Joseph P. Grace. After the war, Spellman works with then-bishop Montini who is undersecretary of state at the Vatican in running the Vatican ratline. After the war, on November 17, 1948, the Knights award their Grand Cross of Merit to Reinhard Gehlen who served as the German Chief of military intelligence on Germany's eastern front during the second world war, and after the war Gehlen's organization became a paid subsidiary of the CIA. None of this should surprise anyone, after all during that period of time James Jesus Angleton, who later would become the CIA chief of counterintelligence, was also a member of this Catholic order.

Let me now turn to the collapse of Banco Ambrosiano. Basically, several things are involved here.

First, remember that Banco Ambrosiano was a Catholic bank where no one could own more than 5% of the stock. Calvi, who eventually rises, with the help of Marcinkus, Gelli and Michael Sindona, to be the head of the bank, begins diversifying and investing bank monies, and simultaneously seeks to acquire control of stock by establishing offshore dummy corporations. To do this, he not only begins moving IOR money around, he starts to skim from the mob money that is invested in Ambrosiano, so soon there is this bewildering array of foreign corporations and dummy companies, it's a kind of bubble that is funded by Ambrosiano-IOR money. This is a very simple, general picture of what was taking place.

Calvi was also moving capital outside of the country on such a scale that it violated Italy's banking laws. Some of the money is pouring into these offshore dummy companies, and this includes money from the IOR, it's invested, and a lot of the time it's used to make bad loans. In a lot of cases, the money simply disappears; and when the dust finally settles, Calvi and the Ambrosiano empire are on the hook for somewhere around \$1.25 billion, and at least \$400,000,000 is known to be missing, just gone.

Calvi's scheme of transferring money out of the country to these dummy corporations received a setback when he had a falling out with Michael Sindona, and when Sindona's own financial empire began to crumble. Sindona turns on Calvi. Now, this happened in 1974 when Sindona's flagship, which was a US bank known as Franklin National, collapsed. Sindona was over-extended, he had raided corporations for money to speculate on—this is remarkably similar to what took place later in this country with the S&L scandal—and the Vatican was on the hook. Here's just one example out of hundreds of cases of how Sindona worked.

In 1969, the Vatican feels that it is losing its battle with the Italian government over the taxation of dividends, and it decides to unload some of its major assets, including Immobiliare. The church offers its share to Sindona at double the market value which means the Vatican is making a killing. Sindona turns to the time-tested formula of UOPM, which is USE OTHER PEOPLES MONEY. He takes depositor money from Banca Privata, transfers it to a Zurich bank where the money is then sent to a private post office box which is run by a Sindona company, it's laundered through another Sindona corporation called Mabus Italiana, and then sent to the Vatican. The IOR is also using Roberto Calvi for the same purpose, to unload its Italian portfolio.

Now, all during this time, huge payoffs are being made to officials to look the other way at these illegal activities; Gelli is working behind the scene, because he has the connections inside Propaganda Due, which has been described as a "state within a state." He also has enormous intelligence files on anyone of consequence in Italian society. So, Ortolani is arranging the deals, like the sale of Immobiliare from the Vatican to Sindona, Calvi and Sindona are moving this money around, and Gelli is providing the protection. At one point, Sindona was pouring billions of lire into secret accounts of officials linked to the ruling Christian Democratic party, he was also buying off opposition officials including Communists, Sindona even purchased a newspaper called The Daily American which had been backed over the years by the CIA.

Sindona's downfall began in April, 1974 when stocks and exchange rates begin to tumble, and Franklin National Bank which is heavily vested in currency speculation begins to hemorrhage. In September Banca Privata loses \$300 million, the Vatican's loss is put conservatively at \$27 million. By October, news about Sindona's speculative and illegal offshore capital flight ventures leaks, and Licio Gelli tips off Sindona to his arrest warrant. Later in the month, Sindona skips to Switzerland, Franklin Bank collapses, the Vatican exposure on this debacle is up to \$240 million. And the Vatican begins damage control as Italian authorities begin to unearth the church's role in what amounted to an enormous effort to funnel capital out of the country by questionable means. At this time, and even afterward, church officials, including Archbishop Marcinkus even go as far as insisting that they don't even know Sindona, and that they haven't lost any money.

Now, the rupture between Sindona and Calvi occurs because Calvi does not step in to use the full resources of Banco Ambrosiano to prop up Sindona's empire. Remember that Sindona had been Calvi's patron, Sindona had introduced Calvi and Marcinkus, and Marcinkus even sat on the board of Ambrosiano-controlled companies such as the Cisalpine Overseas Bank. The Vatican and Calvi had made fortunes from Sindona and their mutual associations; for instance in one transaction, in 1971, the Vatican sold to Roberto Calvi's group 37.4% of the stock, and received the equivalent in today's dollars of \$1.15 billion.

Sindona makes his way to the United States, and back in Italy is investigated and sentenced in absentia by a Milan court to 3-1/2 years in prison, on 23 counts of misappropriating. In September, 1976 he is arrested by US authorities, released on bail,

Now, after Calvi refuses to bail out Sindona, a blackmail campaign begins in Milan which includes posters, and pamphlets and copies of an itinerant underground publication which basically exposes Calvi's banking scheme. One writer noted that it was more interesting to read the walls of the city than the daily newspaper. But Calvi is also overextended, and some of the foreign corporations he established through Ambrosiano are in trouble, so in September, 1981, Archbishop Marcinkus and the Vatican Bank step forward and provide Calvi with a series of documents that are known as "letters of patronage." Under the banner of the IOR, the Vatican admits that it controls in a partnership with Ambrosiano eleven ghost companies based in Panama, and guarantees all of their debts which at that time totaled roughly \$1 billion.

About this time, the intrigue surround Licio Gelli's Propaganda Due or P-2 lodge breaks, and the press latches on to the whole affair, charging that P-2 was, essentially, a "state within a state" organized with the intent of executing some kind of fascist coup. The membership rolls of P-2 are made public, and all of the characters in this story begin to be exposed.

Flavio Carboni: A "fixer" with ties to police, political groups, intelligence agencies, and the Vatican; Carboni uses his influences in an effort to deflect parliamentary investigation into Calvi and Banco Ambrosiano.

Simultaneously—and this is something that emerges after Calvi's empire collapses—the Vatican allegedly receives a document from Calvi acknowledging that the IOR would suffer no damages, and basically is not responsible for those debts! But what the letters did do was buy Calvi time and he now turns to a man named Flavio Carboni. Carboni is another shadowy character who has ties to everyone, including Gelli, the intelligence services, the Vatican, politics, criminal syndicates—you name it. Carboni is a "fixer," and exchange for his services to Calvi receives backing through Ambrosiano for a construction project in Sardinia. Meanwhile, all of the questions that are raised about Banco Ambrosiano's hemorrhaging overseas companies, especially in Panama, whether the questions come from the stockholder, or consultant, or the press or anyone else, the answer is the same—the Vatican bank is guaranteeing everything. Calvi says, "Behind those loans is the Vatican—the Pope."

Now, the parliamentary commission that in 1980 began investigating Michael Sindona, had widened its inquiry to the affairs of Roberto Calvi and beyond, including the Vatican bank. The Bank of Italy is concerned. An Ambrosiano group board member named Roberto Orson is shot on the street by a Roman gangster named Dailo Abbruciati, and at this point Calvi clearly feels that he no longer controls the situation. Things are even worse because the "letters of patronage" from the Vatican have an expiration date—which is all very curious. Meanwhile, Flavio Carboni is spreading money and threats around. Some very influential people are desperately seeking a way to either rescue or cover-up the Ambrosiano debacle, and this includes the new Grand Master of Italian Freemasonry, who is a man named Armando Carona, one of the most powerful newspaper magnates in the country, Carlo Caracciolo, the head of the Christian Democratic Party, Ciriaco De Mita, and Monsignor Hilary Franco who represents the Vatican. There is

some compelling evidence to suggest that the Vatican plan to rescue Calvi and basically cover their butts involved a secret Catholic group some of you might be familiar with called Opus Dei. This is an extremely conservative, relatively small group of Roman Catholics, mostly lay persons, who exercise considerable power within the church, and which is strongly allied with the current Pope, John Paul II.

Jose Escriva de Balaguer & Opus Dei; A Conservative Catholic group founded in 1928 with strong ties to John Paul II; Jose Mateos Opus Dei and P-2 member (Gelli); Calvi, associates claim that Opus Dei rescued Banco Ambrosiano.

Opus Dei was founded in 1928 by a Spanish priest named Jose Escriva de Balaguer—in fact one of the first things Karol Wojtyla did after becoming pope was to pray publicly at Balaguer’s grave, and he later elevated the status of this organization to that of “Personal Prelature,” meaning that it reports directly to the Vatican. Escriva was a believer in a conspiratorial view of history that taught that Jews and freemasons were trying to control the world, a theme that has resonated throughout many conservative religious ideologies and which even has found a new lease on life in the musing of Pat Robertson’s book THE NEW WORLD ORDER. In Spain, Opus Dei was closely linked to fascist and nationalist movements, including the regime of General Francisco Franco.

As an aside, let me point out that John Paul I, the 30-day pope who died under what some say was highly questionable circumstances, intended to rein-in Marcinkus and the Vatican Bank, and he was very much at odds with the structure and politics of Opus Dei.

Opus Dei has only about 80,000 members worldwide, but exercised considerable influence because it deliberately seeks out and trains recruits who move into key sectors of society, everything from newspapers to scholarly institutes, financial institutions, education and governments.

We know that one of the powerful financial backers of Opus Dei, a Spanish industrialist named Jose Mateos, was treasurer of Propaganda Due (this in spite of the explicit opposition of Opus Dei to freemasonry), and was a close associate of both Calvi and Licio Gelli. Cardinal Palazzini, who if not a member of Opus Dei certainly had the organization’s support within the Curia, was also meeting with Calvi to try and resolve Banco Ambrosiano’s financial problems.

Prior to his death, Calvi made very specific statements to his close associates that in exchange for 16% of Ambrosiano, Opus Dei was going to close the \$1.3 billion dollar hole that existed, and cover the debts of Ambrosiano’s—and the Vatican’s—overseas holdings. If that were true, that means that Opus Dei would ALSO have had to resort to some kind of financial intrigue, including capital flight and “peekaboo” corporations, because no one person or group could in theory own more than 5% of the stock. We know that Marcinkus didn’t like this plan, though, because that would have probably put a representative of Opus Dei in Marcinkus’s chair.

All of this intrigue culminated on the morning of June 18, 1982 when Calvi’s body was discovered dangling from a bridge in London. Sindona had gone down, the P-2 had been exposed earlier, now even more information about the Vatican’s involvement began to emerge.

Questions were immediately raised about the circumstances of Calvi's death—was it really a suicide? or was it a murder?

Let me end by discussing very briefly the significance of the Calvi affair, and put it in a more contemporary context. I also want to give you a “denouement” of at least some of the principles in this very complex, intricate story.

What was the Calvi affair all about? I think that it signified the intersection of several very powerful segments in Italian society that all had international connections. Beginning with Michael Sindona, you have this really fascinating involvement linking US and western policy with organized crime interests, starting in the waning days of World War II and reaching an apotheosis during the cold war. The cold was a collision not only of economic and political systems, but it also involved—especially for the Vatican—a titanic struggle between religious belief and what Rome perceived as godless communism. Sindona and Pope John Paul II are among the actors in this play—Sindona helps the US government funnel money to the Solidarity Trade Union in Poland, a key project of Pope John Paul, and that same government extends diplomatic recognition to the Holy See. As a result of this ambiguous status, the Roman Catholic Church remains the only religious organization in the world that is accorded this unique role of being officially recognized as a nation state.

There are plenty of theories about the Calvi Affair. One is that Banco Ambrosiano was used by Calvi and Gelli to funnel huge sums of money to regimes throughout Latin America which were friendly to both the US government and the Vatican. Some of these regimes, it is theorized, were also deeply involved in the international drug trade—hence the interest of organized criminal groups throughout Italy and elsewhere. It certainly wouldn't be the first time where the interests of nation states, gangsters, the Vatican and intelligence services overlapped. When Fidel Castro came to power in Cuba in 1959, for instance, all of these different groups were losers; the drug trade ground to a halt, casinos owned by mobsters were shut down, foreign corporations booted out, and thousands of Vatican priests hurried out of the country. We know that in just one transaction, this out of probably hundreds, Calvi diverted \$65 million from an Ambrosiano corporation in Peru to a numbered account in Zurich Switzerland which was owned by Licio Gelli. Another transaction diverted \$30 million to Flavio Carboni. Earlier, I mentioned that Gelli negotiated the sale of Exocet missiles from France to Argentina, that was paid for by another Ambrosiano-Calvi transaction, and some of it came from the Vatican bank. David Yallop, in his book about the death of John Paul I titled “IN GOD'S NAME,” says that over \$100 million was funneled from the Vatican to the Solidarity movement in Poland—and this was all taking place while Pope John Paul II, Karol Wojtyla, was excoriating Nicaraguan priests for getting involved in politics.

Another theory may well have been one that Calvi believed in, perhaps even up to the moment of his death. According to sworn depositions from his family, Calvi blamed “the priests”, men like Ortolani and Marcinkus, groups perhaps like Opus Dei, and certainly those men like Flavio Carboni who straddled the gulf between Licio Gelli and Propaganda Due on one side, and the Vatican on the other. By this theory, the Vatican “made a killing” and reaped huge sums of money by illegal offshore banking schemes, “peekaboo” finance, “anstalten” and other questionable financial devices. It also bought enormous political influence and protection, because every single political party in Italy, and this includes the Christian Democrats, the

Socialists and even the Communists, all of them were beholden to Banco Ambrosiano. And after doing all of that, it refused to bail out Roberto Calvi, and left him out to dry with a \$1.3 billion debt and the certainty of a life in prison.

DENOUEMENT

<p>Alberto Luciani: Elected Pope in 1978; Dies 33 days later under mysterious circumstances, body is quickly embalmed; Reportedly sought to dismiss Marcinkus, sever Vatican Ties to Banco Ambrosiano Group.</p>

- Alberto Luciani, Pope John Paul I died or was murdered sometime between 9:30p.m. on September 28 and 4:30 am on September 29, 1978 when his body was discovered. It is known that Luciani was already aware of the financial intrigue involving the IOR, that he intended to “clean house” and dismiss Archbishop Marcinkus, and end the association with Robert Calvi, Licio Gelli and Michael Sindona. It is known that the pope who replaced him, Karl Wojtyla as John Paul II, was closely linked to all of these men, maintained Marcinkus in his position, and kept “Vatican Incorporated” rolling. It is known, too, that plans to back Wojtyla were at least facilitated by Ortolani, who allowed his palace to be used as a clandestine gathering place for those members of the Curia and the rest of the Vatican elite who supported that objective.
- Licio Gelli was exposed as part of the government investigation into Propaganda Due and the Calvi affair. He was acquitted of plotting to overthrow the Italian government and convicted on lesser charges. In June of last year he vanished from his estate in Italy after Italy’s Supreme Court upheld his 12-year sentence. There is evidence that Gelli had been tipped off. Italian and French police finally caught up with the 79-year old Gelli who was in Cannes, and the latest word I have is that he is still awaiting extradition to Italy. A decade ago Gelli had been hiding out in Switzerland, there he disappeared from one of the country’s maximum security prisons. Nine days after disappearing, the Swiss government approves the extradition of Gelli back to Italy, but the government of Bettino Craxi announces that an “agreement” has been struck. Gelli receives immunity from anything having to do with P-2. The Banco Ambrosiano collapse was not covered in that agreement, but the P-2 immunity means that Licio Gelli, who I think is one of the most fascinating and evil men of our time, may beat this rap because of friends in high places, and what he knows. Bettino Craxi, incidentally, was a recipient of Gelli’s political largesse and occult contacts, and a member of Propaganda Due, and head of the Italian Socialist Party. In April, 1998, the Italian DIA, an investigative police agency, began a probe into the activities of Craxi and another former Prime Minister, Silvio Berlusconi, and their role in a bombing campaign which involved the use of Mafia hirelings. Among the charges being probed is that Craxi turned to the Mafiosi when he realized that he could no longer rely on so-called “deviated” elements in the Italian intelligence service. He is believed to have absconded with the equivalent of over \$160 million, and lives permanently in Tunisia.
- Archbishop Paul Marcinkus and his associates were protected from much investigational scrutiny and prosecutorial action by the Vatican, which cited its political autonomy and

diplomatic privilege. Investigators from the US Department of Justice, the Italian government and other official agencies were, literally, stopped at the Gate of St. Peter's. Two associates of Marcinkus who were involved in the Calvi Affair, Luigi Mennini and Pellgrino de Strobel had their property outside of the Vatican city state confiscated. Monsignor Donato de Bonis, the secretary of the IOR, continued to operate at the Vatican bank even after an investigation had begun into a \$1 billion tax evasion scandal. Another Vatican official who cited political immunity was the Cardinal Vicar of Rome, Cardinal Ugo Poletti—Alberto Luciani was also planning to remove him, and it was Poletti who recommended to the Italian Prime Minister that a Gelli operative and P-2 member named General Raffaele Giudice should be placed in charge of Italy's financial police. As for Marcinkus, he literally hid out in the Vatican for nearly seven years to avoid questions from authorities. He retired in 1990, and was sent back to the US where he resides today and remains silent on the whole Calvi affair.

- The Vatican emerged relatively untouched by the Calvi Affair. In mid-1984, the Italian government announced that an arrangement had been worked out where some international banks that had loaned money to the Ambrosiano-IOR group, would receive about 2/3 of their money, about \$600 million. Of that, about \$250 million was paid by the Vatican bank the basis of non-culpability.” The full amount of money made by the Vatican beginning with the Lateran Treaty of 1929, continuing through the administration of Bernardino Nogara and into the regime of Paul Marcinkus, Roberto Calvi, Michael Sindona and Liccio Gelli remains totally unknown, but surely runs in the billions of dollars. The last word I have concerning Marcinkus is that he returned to the United States, and
- At least \$400 million still remains missing, unaccounted for in the collapse of Banco Ambrosiano. In addition, the investigation into Propaganda Due was terminated prematurely because of the Italian elections. At least five members of the Christian Democratic Party running for national offices were members of the P-2 lodge.
- In June, 1998, an Italian Judge in Rome ordered the exhumation of the body of Roberto Calvi to determine whether the 1982 death was suicide or a murder. Flavio Carboni, the P-2 operative who was able to open so many doors in the Vatican and elsewhere, has been charged with conspiracy to commit murder in connection with the Calvi murder.
- In July, documents supporting that exhumation order emerged in Palermo, where it was learned that a Mafiosi turned government informant told a court that Liccio Gelli recycled money from organized crime groups through the Vatican bank. Francesco Mannoia, an ex-hitman and heroin refining expert, told the court that Roberto Calvi's death was ordered by Francesco Di Carlo, a Sicilian drug baron. It is known that three other individuals remain under investigation in the death of Roberto Calvi, including Flavio Carboni who was present with Calvi on his last trip to London.
- There is another inquiry which has convicted Carboni for his involvement in a scheme to sell contents from Roberto Calvi's missing briefcase to a bishop in Czechoslovakia. Bishop Paolo Hillica had been wiretapped by Italian authorities in conversation with Carboni negotiating for the briefcase believed to contain documents embarrassing to the

Vatican, including Swiss account numbers. There is a whole other story involving Bishop Paolo Hilica and the events which have taken place in Medjugore. Let me just say that the apparitions of the Virgin Mary at Medjugore have less to do with the supernatural and more with creating “visions on demand” for political and religious purposes, and Bishop Hilica is at the center of that enterprise. He is a key figure in the Marian movement, that is the veneration of the Virgin Mary.

- On Wednesday, December 16, 1998, the body of Roberto Calvi was exhumed and transported to Milan for an autopsy. The British coroner’s report had ruled Calvi’s death 16 year ago to be a suicide, but it was efforts of the Calvi family which in 1992 finally forced a new inquiry into the circumstances of his death. Ironically, the exhumation came on the request by lawyers of Flavio Carboni who was sentenced to 15 years in prison for his involvement in the Banco Ambrosiano collapse. Carboni has been freed provisionally. Two other defendants believed involved in Calvi’s death have not gone to trial, both men are linked to the organized crime group headed by Pippo Calo, a Sicilian mobster. The details of this autopsy will probably not be released until later in 1999.

Roberto Calvi’s insists that the Vatican knows more than it is telling, and was involved in some fashion with the banker’s death. The son, Carlo Calvi, told the Toronto Star in December, 1998, “My father had many enemies within the Vatican... They are not above suspicion. But I do not think that the sole explanation concerning my father’s death can be found exclusively alone. He added, “The Vatican was at that time effectively selling its extra-territoriality for profit. People don’t think about it now but they (the Vatican officials) were attracting funds from investors seeking to avoid tax and currency regulation.”

Calvi’s last days have been investigated, at least as much as they can be. Calvi had been sentenced to jail for the collapse of Ambrosiano, but was free on appeal. He sent his wife to Washington, DC telling her that he and the entire family were in danger. He obtained a false passport and in the company of Flavio Carboni made his way to Trieste, then to what is now Croatia, then Austria, where he called his daughter with instructions to meet him in Zurich. He never arrived. Five days later, Roberto Calvi was hanging from a rope underneath a bridge in London.