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The Safra Affair: A Saga of Corporate Intrigue --- The Vendetta: How American Express Orchestrated a Smear Of Rival Edmond Safra --- Top Aide to James Robinson Oversaw Two Who Spread False Stories World-Wide --- Officers Deny Doing Wrong

By Bryan Burrough. **Wall Street Journal**, Eastern edition [New York, N.Y] 24 Sep 1990: PAGE A1.

☐ Abstract (summary)

Mr. Freeman supervised and approved the hiring of the two American Express operatives who carried out the [Edmond] Safra campaign: One a private detective, the other a public relations executive who frequently worked directly for Mr. Robinson as an aide. For at least two years, the operatives investigated Mr. Safra and then spread rumors and news articles containing patently bogus information about him. The articles linked Mr. Safra to drug trafficking, money laundering and murder, and to criminal elements ranging from Colombia's Medellin drug cartel to the late Mafia figure Meyer Lansky. Mr. Freeman met often with one of the operatives, and approved expense vouchers for the other.

Mr. Robinson's efforts to bring Mr. Safra and TDB into the 21st century failed miserably. Mr. Safra abhorred memos; American Express demanded them. Mr. Safra emphasized longstanding relationships; American Express wanted more loans and higher margins. Mr. Safra deplored publicity; American Express thrived on it. American Express executives thought Mr. Safra high-handed and imperial; Mr. Safra felt excluded from Mr. Robinson's inner circle.

Mr. Smith, by his own admission, had become obsessed with stopping Mr. Safra. His aides began looking for anything that might harm Mr. Safra, investigating whether the banker might be using his corporate jet for personal trips -- although there is no evidence he did so -- and probing his U.S. tax situation for weaknesses -- although the IRS has never brought an action against Mr. Safra. "I said, 'If the son of a bitch competes with us, we'll turn him in to the IRS,'" Mr. Smith recalls. When Mr. Safra learned of these efforts, he protested to Mr. Robinson on a number of occasions between 1985 and 1987. With regard to such protests, Mr. Smith recalls telling aides, "Screw {Safra}, we've done nothing wrong."

☐ Full Text

Slowly, with a hint here, a comment there, a question began to dawn on some American Express executives: Was a top aide to James D. Robinson III, the company's chairman and chief executive officer, up to something they would be wise to steer clear of?

Harry L. Freeman was given to flashes of both brilliance and bad judgment, but Mr. Robinson's reliance on him was unquestioned. The two frequently began their day at 6:45 a.m. over a pot of coffee in the chairman's corner office. Special projects were Mr. Freeman's bailiwick, and associates say that didn't please the company's top lawyers, Gary A. Beller and Lawrence Ricciardi, who fretted that one of Mr. Freeman's operations might one day blow up in their faces. "We've got to stop this guy," Mr. Ricciardi said on more than one occasion. "He's going to destroy us."

Few knew quite what Mr. Freeman was up to this time, but it was clear he had targeted one of the company's thorniest competitors, the international banker Edmond Safra, a man who some American Express officials were obsessed with defeating.

When Matthew Stover, then an American Express public relations executive, asked about the project, he says, "I was always told, 'You don't want to know.'" Finally, in the summer of 1988, Mr. Ricciardi, the lawyer, confronted Mr. Freeman. "Harry, I don't know what you're up to," he said. "But if I were you, I'd stop what you're doing immediately."

The warning was apt, but it was too late. In a stunning disclosure, American Express admitted last year that it had engaged in a covert campaign to ruin Mr. Safra's reputation by spreading rumors and articles in the international press. The company made a painful, public apology for what its chairman, Mr. Robinson, called an "unauthorized and shameful effort," and paid \$8 million to Mr. Safra and charities he selected. As part of the agreement, details of this "shameful effort" were to remain secret.

Afterward Mr. Freeman announced his retirement, saying he had done nothing wrong, but taking responsibility for the affair because it had happened "on my watch." Company officials privately blamed the incident on a handful of unnamed low-level employees. Other top officials to this day insist, as one puts it, "no one did anything he believed was wrong or beyond his authority."

But a lengthy investigation by this newspaper reveals evidence suggesting the effort to smear Mr. Safra was in fact overseen from Mr. Freeman's office, only steps away from Mr. Robinson's.

Mr. Freeman supervised and approved the hiring of the two American Express operatives who carried out the Safra campaign: One a private detective, the other a public relations executive who frequently worked directly for Mr. Robinson as an aide. For at least two years, the operatives investigated Mr. Safra and then spread rumors and news articles containing patently bogus information about him. The articles linked Mr. Safra to drug trafficking, money laundering and murder, and to criminal elements ranging from Colombia's Medellin drug cartel to the late Mafia figure Meyer Lansky. Mr. Freeman met often with one of the operatives, and approved expense vouchers for the other.

For American Express, a company that has enjoyed a virtually unrivaled reputation for integrity, the Safra affair reveals a willingness to engage in unseemly corporate revenge when confronting a rival, and, at the very least a jarring lack of oversight on the part of top company officials.

Despite regular contact with one of Mr. Freeman's operatives, there is no concrete evidence that Mr. Robinson knew of the smear campaign against Mr. Safra. Indeed, he and other top American Express officials, including Mr. Freeman, have vehemently denied any prior knowledge of the anti-Safra effort. Instead, they argue that a legitimate investigation of a competitor's activities was simply taken too far by overzealous employees.

The Safra affair is a story of corporate intrigue played out on three continents. Suspecting that American Express was behind the outbreak of specious stories that began surfacing in early 1988, Mr. Safra hired numerous detectives who engaged the American Express operatives in a cloak-and-dagger pas de deux that resulted in proof of the company's culpability roughly a year later.

In response to repeated inquiries, American Express yesterday issued a statement denying that any of its employees knowingly spread false information. The company has steadfastly declined to discuss details of the matter. Instead, it turned to Arthur Liman, the noted New York attorney, who in two phone calls over the past two months said he would urge the company to sue this newspaper if it published defamatory statements about the anti-Safra campaign, suggesting that "this is a textbook case of what libel is about." Mr. Liman emphasized that to comment further would violate "the moral spirit" of the settlement with Mr. Safra. In early August, Mr. Robinson telephoned Mr. Safra and said he had "personally told my people," including Mr. Freeman, not to talk to this newspaper.

Last week, an attorney representing Mr. Freeman, John Walsh, wrote this newspaper to say that this article would be "actionable" if it contained any statements implying that Mr. Freeman had engaged in or covered up "any campaign of disinformation" against Mr. Safra.

This article was pieced together from interviews with dozens of people involved in the Safra affair, including American and European journalists, private detectives and more than 15 current and former American Express executives. Among the few executives willing to comment on the record was Robert F. Smith, former chairman of American Express Bank, who left the company under a cloud last year.

From Rivalry to Obsession:

A Merger Gone Bad

The feud between American Express and Mr. Safra developed soon after Mr. Robinson's decision in 1983 to buy for \$550 million Mr. Safra's Geneva-based Trade Development Bank, known as TDB, one of the crown jewels of the rarefied world of Swiss banking. Mr.

Safra, born in Beirut and descended from a long line of Syrian traders and bankers, had founded TDB's predecessor bank in 1956, after having founded his first bank in Brazil. In the 1960s Mr. Safra started a U.S. bank, Republic National Bank of New York, and the firms' rise made him one of the world's most influential bankers.

The union of American Express's international banking arm, American Express Bank, and TDB was doomed from the beginning, largely because of Mr. Safra's inability to function within the rigid framework of a multinational conglomerate. Associates say Mr. Safra might have stepped out of an 18th-century portrait, a formal, secretive billionaire whose Swiss bank offered unmatched personal service to its wealthy Middle Eastern and Latin American clients. Befitting his image, Mr. Safra lives in a castle-like villa, La Leopolda, the King of Belgium's former estate on the French Riviera.

In image and experience, Mr. Safra's new boss, Jim Robinson, could hardly have been more different. Mr. Robinson, a Harvard MBA and the son of a legendary Atlanta banker has in his 13-year reign generated generally strong financial results and reaped publicity so relentlessly favorable that, until this year's near-collapse of the company's Shearson Lehman Hutton unit, he was sometimes known as "The Teflon Executive." The formal, unfailingly polite Mr. Robinson speaks again and again of the importance of quality and integrity.

Mr. Robinson's image has had a paradoxical quality that has become more pronounced in recent years. Although he is portrayed as a hands on manager who pores relentlessly over briefing papers and knows the names of low-level employees at company field offices, he is also depicted as an executive who gives subordinates a great deal of leeway, a fact that has often forced -- or enabled -- him to plead ignorance when plans go awry.

Mr. Robinson's efforts to bring Mr. Safra and TDB into the 21st century failed miserably. Mr. Safra abhorred memos; American Express demanded them. Mr. Safra emphasized longstanding relationships; American Express wanted more loans and higher margins. Mr. Safra deplored publicity; American Express thrived on it. American Express executives thought Mr. Safra high-handed and imperial; Mr. Safra felt excluded from Mr. Robinson's inner circle.

After less than two years, the two men parted ways. In December 1984 Mr. Safra resigned as chairman of the TDB-American Express Bank combination, but agreed not to found a new Swiss bank until March 1988. Mr. Robinson, anxious to make the split appear amicable, gave him the means to do so, selling Mr. Safra some minor operations in Paris and London and, more importantly, TDB's Geneva headquarters, the symbol of Mr. Safra's Swiss power.

Simmering resentment burst into open hostility during Mr. Safra's severance negotiations, when the two sides couldn't agree on a price for the Geneva headquarters. Matters grew worse in the months following Mr. Safra's departure, when officials at American Express Bank suspected that Mr. Safra was hiring away employees with an eye to his 1988 re-entry into Swiss banking. Incensed, Bob Smith, the banker who succeeded Mr. Safra as chairman, launched a full-scale investigation, even hiring detectives to follow the employees in question. "I told Jim {Robinson} what we were doing," Mr. Smith says today. "I told him it was necessary to keep it secret."

Fear of Mr. Safra mounted as Mr. Smith constantly warned Mr. Robinson of the threat posed by Mr. Safra's looming return to Swiss banking. Inside American Express, the feeling spread that any effort by Mr. Safra to reclaim his former customers could be a death blow to the weakened bank.

Their worries were fanned by Mr. Smith's inability to trust his own executives, many of whom had worked for Mr. Safra, and by the bank's status as a poor-performing orphan within the American Express empire. Headquarters had tried to sell the bank in 1981; Mr. Smith and his aides also explored a leveraged-buy-out.

Mr. Smith, by his own admission, had become obsessed with stopping Mr. Safra. His aides began looking for anything that might harm Mr. Safra, investigating whether the banker might be using his corporate jet for personal trips -- although there is no evidence he did so -- and probing his U.S. tax situation for weaknesses -- although the IRS has never brought an action against Mr. Safra. "I said, 'If the son of a bitch competes with us, we'll turn him in to the IRS,'" Mr. Smith recalls. When Mr. Safra learned of these efforts, he protested to Mr. Robinson on a number of occasions between 1985 and 1987. With regard to such protests, Mr. Smith recalls telling aides, "Screw {Safra}, we've done nothing wrong."

Mr. Smith's anger spread to other American Express executives. In early 1987 American Express finally took legal action, filing a criminal complaint against Mr. Safra in Geneva for unfair competition, mentioning the stolen employees -- the banker's companies had hired as many as 23 American Express Bank employees -- and a key computer tape that turned up missing. When Mr. Safra applied for his banking license that May, American Express lawyers filed papers to block it.

Months ticked away. Then, in January 1988 Swiss authorities approved the licensing of Mr. Safra's new bank, rejecting the American

Express brief out of hand. The fight should have ended there, and to outward appearances it had: American Express declined to appeal, allowed its criminal complaint to lapse, and Mr. Robinson called and graciously congratulated Mr. Safra. In fact, it was only the beginning.

A Matter of Honor:

The Hunter Is Hunted

The summer of 1988 began joyously for Edmond Safra. In March, he opened his new bank at the site of his old one, 2 Place du Lac in Geneva, the city's pre-eminent banking address. In August, he invited thousands of guests, including Prince Rainier and Princess Caroline of Monaco, to his birthday party at La Leopolda.

The celebratory mood ended two weeks later, when Mr. Safra was shown a curious article in La Depeche du Midi, a French newspaper based in Toulouse. A jumble of fact and fiction, the story linked Mr. Safra to the Mafia, South American drug traffickers, the CIA and the Iran-Contra scandal. To Mr. Safra's surprise, it also referred to similar stories in Peruvian and Mexican publications, and to a previous article in La Depeche that March linking Mr. Safra to drug money-laundering.

Mr. Safra's alarm grew when the other articles crossed his desk. A Lima-based newspaper named Hoy had run a full-page article July 4 profiling Mr. Safra and his banks as the pawns of drug traffickers and tying him again to New York gangsters, the CIA and the Iran-Contra affair. "Mafioso bankers turn their eyes to the south," the headline read. Five days later, a left-wing Mexico City paper named Uno Mas Uno had reprinted much of the Hoy story.

The articles posed a potentially devastating attack on Mr. Safra's reputation for honesty and discretion. But they also thrust at the dark underside of Swiss banking -- the fact that its vaunted secrecy laws attract money from criminal enterprises of all stripes to its institutions, including, from time to time, Mr. Safra's. Too many people, his aides could see, might believe the stories.

As Mr. Safra's aides studied what to do, a bombshell hit. In Paris, an extreme right-wing, anti-Semitic newspaper named Minute published on Aug. 31, 1988, an article charging that Mr. Safra was actively involved with cocaine traffickers and the Mafia. "Billionaire of the White Stuff," the headline read.

Horrified, Mr. Safra summoned his top aides to La Leopolda to discuss what to do. The articles had a number of common elements, and the assembled executives agreed on one thing: If the articles represented an organized campaign, only American Express had the world-wide resources -- and the motive -- to carry it off. "But you know," Walter Weiner, Republic Bank's chairman, said at one point, "we'll never be able to prove that."

In the meantime, Mr. Safra sued Minute, but only after the paper published four more lurid articles that fall, alleging Mr. Safra's ties to Manuel Noriega, the Medellin cartel and Meyer Lansky. Then, when proceedings in the libel suits began later that fall, one of Mr. Safra's French lawyers made a startling discovery. Near the top of a 1967 Life magazine article on the Mafia, which never mentioned Mr. Safra but which Minute had produced to defend information in one of its articles, a fax "telltale" could clearly be seen: "FEB 25 '88 21:26 AMEX CORP COMM NYC." The article had been transmitted by a fax machine at American Express's New York corporate communications department.

The Safra camp's jubilation over the discovery was tempered when they realized that the "telltale" was far from conclusive. Among the few other pieces of evidence they had was a name: Tony Greco. It had come thirdhand, from the boyfriend of a Minute clerk. When Mr. Weiner, Republic Bank's chief, hired a detective to look into Mr. Greco, he found nothing.

Then, in February 1989, as the Safra forces pondered their next move, they got a break. The Miami office of Republic Bank of New York received a call from a Peruvian named Victor Tirado, who claimed to have information about an organized smear campaign against Mr. Safra. The call was forwarded to Republic's general counsel, Ernest Ginsberg, who then called Mr. Weiner and exulted: "I just got a call and I can't believe my ears!"

A Safra detective traveled to Washington to meet Mr. Tirado, who, to the Safra team's surprise, turned out to be deputy press attache at the Peruvian embassy and a former press secretary to the then-president of Peru, Alan Garcia. The rotund Mr. Tirado told the detective that a friend named Antonio Greco was behind stories about Mr. Safra in Peru, and probably in Europe as well.

Mr. Tirado's second contention was even more provocative: "Greco claims he's working directly with Jim Robinson." While that assertion was never proven, it gave the Safra forces added incentive to probe Mr. Greco's activities.

Mr. Tirado offered little more, but said he would if paid a \$10,000 "honorarium." After considerable soul-searching, Mr. Safra, worried about the propriety of paying a foreign diplomat, decided against making the payment.

It was the last time the Safra executives heard from Mr. Tirado, but his call persuaded them to bring in expert help. An even greater impetus was the continued spread of anti-Safra articles, which began appearing in U.S. publications that spring of 1989. Mr. Safra hired Stanley Arkin, a pugnacious New York attorney known for defending figures in Wall Street's insider-trading scandals, and charged him with stopping the articles.

Before he could stop the articles, Mr. Arkin saw, he had to know what was behind them. For investigative work Mr. Arkin turned to Palladino & Sutherland, a small but respected San Francisco detective agency known for work on behalf of fallen auto executive John Z. DeLorean. The firm is run by a husband-and-wife team, Jack Palladino, an attorney and former Ford Fellow, and Sandra Sutherland, who is also a published poet.

Mr. Arkin's charge was simple: Find out whether the anti-Safra articles represent an organized campaign. If so, was American Express behind it? And who was the mysterious Mr. Greco?

Aware that reporters don't typically turn over confidential sources to strangers, much less private detectives, Ms. Sutherland journeyed to Europe that spring under disguise. In visits to publications in France, Italy and Switzerland, she posed as an Australian free-lance writer researching Mr. Safra for a book on money-laundering. At Minute and La Depeche, journalists promised to put her in touch with their Safra sources. At both stops, she was shown the same strange, hand-drawn chart purporting to link Mr. Safra to many criminal organizations. Clearly, Ms. Sutherland reported to Mr. Arkin, the articles were coming from a single source.

Ms. Sutherland had hoped her inquiries might flush out the anti-Safra sources, and before long, she succeeded. Arriving in Geneva in April 1989, Ms. Sutherland had just checked into a hotel when her phone rang. A deep, ominous voice, speaking in Italian, told her: "I'm a friend. You don't know who I am, but we should talk." The talk went nowhere, but the American detective had a strong hunch her bait had been taken.

At the same time, Ms. Sutherland became aware that someone, perhaps the mysterious caller, was counterattacking, spreading rumors that she was working for the CIA. Some Swiss journalists canceled meetings with her as a result.

As Ms. Sutherland crisscrossed Europe, Mr. Safra's forces pressed parallel investigations in Latin America and the U.S. A Palladino detective was dispatched to Peru, where he posed as a journalist in search of information on Mr. Greco. In Peru, he found, Mr. Greco was known as an international businessman with a large home in Spain, outside Barcelona.

Mr. Arkin, meanwhile, was tipped that the elusive Mr. Greco had a second home on a secluded cul-de-sac in an Italian area of New York's Staten Island. The lawyer brought in a second detective agency, a Connecticut-based group of former FBI agents. These detectives kept Mr. Greco's home under surveillance and even went through his garbage. But Mr. Greco seemed to be constantly traveling, and they made little progress.

By May 1989, Mr. Arkin's luck was changing. In Paris, Ms. Sutherland had begun negotiations with a Minute reporter to meet the paper's source. One meeting fell through when the source didn't show. When the source finally arrived in early May, Ms. Sutherland was out of touch in Australia. In desperation Mr. Arkin directed that Ms. Sutherland's Parisian translator, an aging former starlet named Sophie Hardy, be sent to the meeting.

Identifying himself as "Jaime," a journalist based in Santiago, Chile, "the source" turned out to be a small, swarthy man of 50 or so who, over dinner at an expensive Chinese restaurant on the Champs Elysees, questioned Ms. Hardy intently about Ms. Sutherland. "He was a very strange person . . . acting like a spy," recalls Ms. Hardy. "He told me I had been duped, that {Ms. Sutherland} was working with the CIA." When Ms. Hardy was unable to reveal more about Ms. Sutherland -- she didn't know her true identity -- "all of a sudden he launched into this very brutal behavior" and abruptly ended the dinner, Ms. Hardy recalls.

When Ms. Sutherland reached Paris several weeks later, she showed Ms. Hardy pictures of several unidentified men, including a surveillance photo of Mr. Greco. "Yes!" Ms. Hardy exclaimed, pointing to Mr. Greco. "That's him!"

All that remained was linking Mr. Greco to American Express, something Mr. Safra's lawyers were uncomfortably aware they hadn't yet done. Frustrated, Mr. Arkin switched surveillance teams on Mr. Greco's Staten Island home, dropping the Connecticut detectives and hiring a third agency. Within days the new team got a break. An operative followed Mr. Greco's car to Bouley, a discreet, lower Manhattan restaurant, where Mr. Greco was photographed dining with an unidentified woman. Afterward the detective shadowed Mr. Greco as he dropped off the woman at an apartment building on Central Park West. On a hunch, Mr. Arkin put a second tail on the woman. The next day detectives followed her to work. As the surprised operatives looked on, the woman disappeared inside American Express headquarters.

Harry Freeman Launches

His 'Secret Weapon'

The woman's name was Susan Cantor, and she was a newly minted senior vice president at American Express Bank, specializing in wealthy Latin American clients. But as a former associate producer of investigative projects for ABC News, Ms. Cantor was no ordinary banker. More than a year before Mr. Greco's activities attracted notice, her mix of investigative and journalistic talents had made Ms. Cantor so valuable that Harry Freeman referred to her as his "secret weapon" in the fight against Edmond Safra.

Ms. Cantor joined ABC in the early 1980s after receiving a masters degree in international relations from Yale in 1981. Moving from posts in a documentary unit to World News Tonight to the investigative unit, she became known as an avid conspiracy theorist whose intelligence, ambition and Latin American expertise seldom translated into solid stories.

One of her former ABC supervisors describes Ms. Cantor as more adept at conspiratorial thinking than journalism. "She was great on the latest conspiracy theory coming off the Hill, the latest person running the secret war in Nicaragua," the supervisor says. "I would say, 'Susan go nail it down.' And she couldn't nail it down."

In a statement released yesterday, Ms. Cantor says she resigned in 1986 to pursue other opportunities. Some ABC co-workers say that decision came after her boss repeatedly suggested she wasn't suited for network news. Her failure to translate rumor and theory into usable Latin American stories had alienated a number of correspondents.

In early 1987, at a time when American Express's fear of Mr. Safra was approaching its height, Mr. Freeman interviewed and hired Ms. Cantor for a job in American Express's public relations department. Walter Montgomery, then the department head, told co-workers Ms. Cantor's television experience would be invaluable. But Ms. Cantor wasn't destined to do much P.R. work. Almost immediately upon her hiring, Mr. Freeman tapped her for a top-secret "special assignment."

When American Express Bank officials began raising the alarm about Mr. Safra in the mid-1980s, they had found a willing ear in Mr. Freeman. Trained as a lawyer, he had come to American Express in 1975 after years of government work as an executive for the Overseas Private Investment Corporation. Of the four top aides who shared American Express's 51st floor executive suite, Mr. Freeman was probably closest to his boss. Though half his duties were supervising the company's extensive government, advertising and corporate relations apparatus, Mr. Freeman always said the other half was "crisis of the day" work with Mr. Robinson.

Though his ideas could be innovative, as when dealing with international trade, his penchant for unorthodox projects worried American Express lawyers. In 1987, for example, Mr. Freeman was blamed internally when American Express admitted it had secretly funded a supposedly nonbiased newsletter's survey of credit card interest rates that The Wall Street Journal routinely referred to until it learned of American Express' involvement. Mr. Freeman said at the time he saw nothing wrong with funding the newsletter.

As bank executives in Europe probed charges that Mr. Safra was hiring away employees, Mr. Freeman grew convinced that Mr. Safra was intent on destroying American Express Bank. He began collecting the darkest rumors about Mr. Safra, that he was involved in money laundering, drug trafficking and had ties to the CIA and French and Israeli intelligence.

Ms. Cantor's "special assignment" to investigate these rumors initially centered on allegations reported by Swiss papers and the New York Times in December 1986, that a plane owned by Mr. Safra may have been used to transport former national security advisor Robert MacFarlane to Iran as part of talks in the Iran-Contra affair. Interviews with European journalists, as well as current and former American Express officials, suggest that in the coming months, Ms. Cantor's mission evolved from gathering information on Mr. Safra's plane, to helping reporters investigate him, to spreading rumors and negative articles on the banker's alleged drug ties.

Ms. Cantor said in her statement: "I never intended or sought to disseminate false information concerning Edmond Safra to anyone, and I never instructed, asked or engaged anyone to spread such information."

From the beginning, she sought to hide her ties to American Express. In February 1987 she traveled to Geneva, where she met with at least two journalists, including Maya Jurt, a veteran Swiss writer who had reported the story of Mr. Safra's plane two months earlier. When Ms. Cantor dined at Ms. Jurt's home on February 8, she didn't mention American Express. "She said she was writing a big piece on Iran Contra for Time magazine," recalls Ms. Jurt. "She wanted to know what I had {on Mr. Safra}, what kind of proof I had. I showed her all my documents."

By the time Ms. Cantor returned to New York, she had gathered quite a bit of information. A former ABC producer who kept in touch with her recalls, "She begins to blow in my ear, 'Hey, Safra this; hey Safra that; hey, MacFarlane and a plane that.' I said, 'Hey, if you can confirm any of this, I might be interested.' But she couldn't."

Her file on Mr. Safra bulging with European news articles and records from Geneva's corporate registry, Ms. Cantor next traveled to Washington to share it with the House select committee investigating the Iran-Contra affair. Joseph P. Saba, a staff counsel probing Oliver North's various Swiss transactions, met Ms. Cantor in a public room in the capitol one day when she arrived unannounced, file in hand.

Ms. Cantor identified herself "as a former journalist whose current employer knew nothing of what she was doing," Mr. Saba recalls. "She said she was doing it for primarily journalistic reasons."

The lawyer, accustomed to zealots with similarly vague explanations, took Ms. Cantor's file and promised to investigate. In coming months, as Mr. Saba followed lead after dubious lead on Mr. Safra, Ms. Cantor phoned and visited frequently. "It was always, 'Here's what I've got, what do you think?' And my answer was, 'Not much,'" says Mr. Saba.

At one point, Mr. Saba asked the committee's press liaison to find out more about Ms. Cantor. When he learned that she worked for American Express, "we said that was fine," Mr. Saba recalls. "Motive wasn't something I was interested in." When Mr. Saba confronted her, Ms. Cantor acknowledged working for American Express. She told him stories about her snooping trips to Europe, insisting her work was for personal reasons.

When not probing Mr. Safra, Ms. Cantor assumed a number of duties at American Express that placed her in direct contact with the chairman, Mr. Robinson. Former executives say Ms. Cantor spent much of her New York time working for Mr. Robinson on his much publicized plan to solve the Third World debt crisis. Among her jobs was assembling briefing books for Mr. Robinson and arranging Mr. Robinson's schedule for his Latin American trips; in this role, she once quizzed a Wall Street Journal international banking reporter on officials for Mr. Robinson to visit in Mexico City. A former banker in Shearson Lehman's debt group says she also took on heftier duties, mediating, at Mr. Robinson's request, a dispute between Shearson and American Express Bank over how to handle the bank's Third World debt.

Much of her focus, however, continued to be on Mr. Safra. In the months to come, Ms. Cantor punctuated her increasingly frequent European travels with whirlwind stops by American Express's London office, where her appetite for dirt on Mr. Safra was matched only by her willingness to talk about it. To other executives Ms. Cantor spoke excitedly of how she changed her hair color and appearance on her travels and of how she secretly photographed Mr. Safra's villa, La Leopolda.

In September 1987 Ms. Cantor returned to Geneva, where she met with Irene Hirsch, a Swiss-based economic correspondent for a Spanish paper. She told Ms. Hirsch she was working on a "top secret story" on the Iran-Contra affair to appear in The Washington Post. Ms. Hirsch, who knew Ms. Cantor actually worked for American Express, was confused. "Why was somebody working for American Express saying they were working for The Washington Post?" she wondered. "I felt in some way she was fishy."

Ms. Cantor's poses seemed to change from stop to stop. While dining at Maya Jurt's Geneva home September 1, she told the writer she was researching a book on Mr. Safra and the Iran-Contra affair.

Ms. Cantor denies ever having posed as an author, or as a reporter for Time or the Washington Post. She also denies ever having disguised her appearance.

Ms. Jurt, who was working on a second article on Mr. Safra, responded eagerly when Ms. Cantor, offering to help, referred her to Mr. Saba, the Iran-Contra lawyer. Eager to swap leads, Mr. Saba faxed Ms. Jurt copies of telexes pertaining to the use of Mr. Safra's plane. Ms. Jurt used this information in an article exploring the banker's possible Iran-Contra connections in Bilanz, a Swiss magazine, two months later. (By that time Mr. Saba had met with Mr. Safra's attorneys and concluded that neither the banker nor his plane had any significant role in the Iran-Contra affair.)

When Ms. Cantor faxed the names of pilots believed to have flown Mr. Safra's plane, Ms. Jurt was surprised to see an American Express "telltale" on the fax. "I asked her point blank, didn't she think it was very incompatible, what she was doing," Ms. Jurt says. "She said, yes, it was very difficult," explaining that she was working for American Express part-time because she needed the money, Ms. Jurt adds. "She was very smooth about the whole thing." Later Ms. Cantor boasted of her Latin American travels with Mr. Robinson, although she never said that Mr. Robinson knew of her Safra activities.

For his part, Mr. Saba, who learned the full dimensions of American Express's activities years later, says of his dealings with Ms. Cantor, "I'm a little pissed that I got used."

Irked as well, Ms. Jurt says she refused to follow up when, in coming months, Ms. Cantor slipped her articles from Peru, France and Mexico alleging Mr. Safra's ties to drug traffickers. "That stuff she gave me, I just said, 'I won't touch it,'" Ms. Jurt says. "It was ridiculous. Just because a paper reported something, that doesn't mean it's worth printing."

Ms. Cantor frequently telephoned Mr. Freeman from Europe in the presence of co-workers and journalists, and even told one journalist, Ms. Hirsch, she was working for Mr. Freeman. But some people sympathetic to Mr. Freeman insist he didn't know details of her work and didn't supervise her closely.

Trafficking in Rumor:

The Evolution of a Smear

By early 1988, when Switzerland approved the licensing of Mr. Safra's new bank, Mr. Freeman's concern about Mr. Safra had deepened. To him, the Swiss move only showed how powerful the banker was. By the time Mr. Smith and his aides began scrambling to keep customers from defecting to Mr. Safra that spring, Mr. Freeman had approved the hiring of a private detective, Antonio "Tony" Greco. His activities would lead American Express' campaign against Mr. Safra into a new, more aggressive phase.

According to several former American Express executives, Mr. Greco's employment was suggested by Paul Knight, a former federal narcotics agent and chief of American Express security for Europe and the Middle East. Mr. Greco was said to be a discreet, professional investigator. He had done work for American Express for more than a decade.

Police records in two countries, however, paint a different picture of Mr. Greco. The detective has a record of arrests and convictions in Italy and the United States going back to 1962. He has also, several former law enforcement professionals acknowledge, operated as a paid informant for a number of government agencies. A Wall Street Journal request to review his file at the Immigration & Naturalization Service's New York office was denied because, in the words of spokesman Charles Troy, "the file appears to be classified."

"Greco peddles information; he's fairly well known in the law enforcement community," says Michael Hershman, a former federal investigator and head of Fairfax Group, a private security agency. "There's a thousand guys like him around; he's not unusual. What is unusual is that a company like American Express would use someone like that. That strikes me as poor judgment."

Working with government agencies and American Express, however, hasn't kept Mr. Greco out of trouble. According to a computer printout that appears to be Mr. Greco's complete Italian criminal record, he was convicted in 1982 of conspiracy and handling stolen goods by a court in Genoa, Italy, and sentenced to three-and-a-half years in prison. Earlier, in 1980, the document indicates, a court in Rome had convicted Mr. Greco of theft and sentenced him to a year in prison. According to the document, both sentences were commuted as part of a general amnesty. In the U.S., Mr. Greco was arrested at least five times between 1968 and 1972 for a variety of offenses ranging from smuggling to carrying an unlicensed pistol; each of the charges was subsequently dropped. Mr. Greco couldn't be reached for comment.

It is unclear whether Mr. Freeman or Ms. Cantor knew of Mr. Greco's criminal record. For Mr. Freeman, hiring a detective wasn't unusual: American Express retains an estimated 200 or more investigators, many of them former New York City policemen and FBI agents, to combat credit card and travelers check fraud.

Some at American Express say Mr. Freeman believed that Mr. Greco was only gathering, not spreading, information on Mr. Safra, and Mr. Freeman has told friends he has never even seen the detective. There is evidence that suggests Mr. Greco reported to Ms. Cantor, who reported to Mr. Freeman.

Still, when Mr. Greco began traveling on his new assignment, it was Mr. Freeman who approved his expenses. According to a person who saw Mr. Greco's contract in 1988, the detective was paid \$15,000 a month, plus \$500 a day in expenses.

Full details of Mr. Greco's travels for American Express are presumably still in the company's files. But he can be linked to at least three of the most widely distributed articles charging Mr. Safra with criminal activities. At La Depeche, the French paper that alleged Mr. Safra's drug links in March and August 1988, reporter Jacques Bertrand acknowledges knowing Mr. Greco, at one point calling him his "ami," or his friend, but wouldn't elaborate.

According to a person who has known Mr. Greco for 25 years, in early 1988 Mr. Greco looked up his old friend Victor Tirado in Lima, Peru, and told him he was interested in placing a story in the newspaper Hoy, where Mr. Tirado had once worked as a columnist. Mr. Tirado, this person says, gave Mr. Greco a contact at Hoy, then thought little about the matter until seeing the paper's article on Mr. Safra's drug ties and remembering Mr. Greco's own comments about the banker.

The selection of Hoy may not have been accidental. The Peruvian newspaper, like the French newspaper Minute, has carried anti-Semitic articles, according to Morton Rosenthal, a Latin American expert for the Anti-Defamation League of B'Nai B'Rith. Mr. Rosenthal, who looked into the Safra affair at Mr. Safra's request, says the Peruvian article was reprinted in the Mexico City

newspaper, Uno Mas Uno, after being transmitted by a Lima representative of Prensa Latina, the official news agency of Cuba.

The most detailed version of Mr. Greco's activities comes from former journalists at Minute, the Parisian newspaper that printed articles linking Mr. Safra to criminal elements ranging from the Mafia to the Medellin Cartel. Jean Roberto, the senior reporter who wrote the articles, says in an interview that Mr. Greco first contacted Minute in August 1988, identifying himself as a detective probing money-laundering activities and hinting that he worked for the CIA or the FBI. Mr. Greco promised to supply information on a prominent banker -- who turned out to be Mr. Safra -- who was laundering money for, among others, former Panamanian dictator Manuel Noriega.

In coming months, Mr. Roberto says, he met regularly with Mr. Greco, often at his hotel, The Intercontinental. Each time Mr. Greco offered more sensational tales about Mr. Safra, complete with graphs charting his criminal contacts, and documents, including an Interpol inquiry on Mr. Safra's Iran-Contra links. Mr. Roberto printed the document alongside his first article on Mr. Safra, "Billionaire of the White Stuff."

When Mr. Greco claimed that Mr. Safra was living in fear of Colombian drug traffickers he had double-crossed, Mr. Roberto wrote in a second article that Mr. Safra was hiding out in his Riviera estate, "perspiring in fear" of the drug cartel's assassins. Mr. Greco also passed on clippings from Hoy and other newspapers as well as photos of La Leopolda, all of which Minute used in its increasingly lurid articles.

Whether by accident or design, the seed Mr. Greco planted spread to other publications, as Mr. Roberto shared his information and documents with other European journalists. Mr. Roberto, for instance, recalls "spending an afternoon" with Jean-Claude Buffle, a Swiss journalist who has since written extensively on Mr. Safra's supposed drug ties in a magazine named L'Hebdo. Mr. Buffle's stories, in turn, were followed by other Swiss reporters, who produced a spate of articles linking Mr. Safra to drug money in 1989. Mr. Safra has gained retractions from some publications; others, like L'Hebdo, he has sued.

"Mr. Greco had a lot of information about Mr. Safra, and that's why I had confidence in him," says Mr. Roberto, who has left Minute. Adds Jean-Claude Goudeau, Mr. Roberto's editor at the time: "Greco seemed solid." Asked why Mr. Greco would choose to pass information to Minute, which is known for anti-Semitism, Mr. Roberto says simply: "Because Mr. Safra is a Jew."

What Was Susan Cantor

Up To, Anyway?

As anti-Safra articles began appearing in international publications, the Safra effort encountered some internal opposition. In mid-summer 1988, James McGrath, then American Express' world-wide security chief, telephoned Mr. Ricciardi, the associate general counsel whose duties included overseeing the company's security force. Mr. McGrath was curious why Ms. Cantor had called and, invoking Mr. Robinson's name, told the London security chief, Mr. Knight, to return to New York "for a very important meeting."

After Mr. McGrath related the call, a puzzled Mr. Ricciardi phoned Ms. Cantor. According to a person familiar with the conversation, their exchange went like this: "Who are you investigating?" Mr. Ricciardi asked.

"I'm not sure I can say," Ms. Cantor replied. But when Mr. Ricciardi pressed, Ms. Cantor said it was Mr. Safra.

"This is very important," she explained. "I work for Harry Freeman. This is for Jim Robinson. This is his show."

Mr. Ricciardi seemed wary when Mr. Freeman's name was mentioned. "You tell Jim Robinson to call me if he wants to use Paul Knight," he told Ms. Cantor. There's no indication Mr. Robinson ever did so. It was at that point, however, that a worried Mr. Ricciardi, with Mr. McGrath in tow, went to Mr. Freeman's office and warned him to stop whatever he was doing.

In coming months Mr. Ricciardi repeated his concerns to Mr. Beller, and to his superior, Aldo Papone, head of the travel-related services unit, American Express' largest, and a member of the company's board. But those concerns weren't expressed to Mr. Robinson, the man in a position to stop the operation.

Despite intense secrecy, hints of the Safra project wafted through American Express. "We heard there was investigative work going on," says a former executive in travel-related services, "but the word coming down from corporate was, 'Don't get your noses in it.'"

One person who grew curious was Bob Smith at American Express Bank, who became Ms. Cantor's new boss when she transferred from public relations into a bank position with loosely defined duties in mid-1988. Mr. Smith says he hired Ms. Cantor after a phone

call from Mr. Robinson, who suggested she might be useful in courting Latin American clients.

Different people give different reasons for Ms. Cantor's transfer. Two people familiar with the move say Ms. Cantor was shifted after pressure from the general counsel, Mr. Beller, who purportedly wanted to distance her anti-Safra work from Mr. Robinson and other executives; Ms. Cantor told at least one bank executive this. Other people familiar with Ms. Cantor's work said they knew of no such pressure. Ms. Cantor, these people say, simply wanted a "line position" that would give her greater responsibility. "She told me Jim Robinson told her to get a line job, that it would be good for her career," recalls a former Shearson executive.

Whatever the case, in her new position Ms. Cantor continued reporting to Mr. Freeman, spending much of her time on the Safra project. Mr. Smith knew Ms. Cantor was investigating Mr. Safra, but says he was told her findings were to be passed on to Swiss and other European bank regulators, not newspapers. Ms. Cantor was handling payments to Mr. Greco, and at her request, Mr. Smith took over the task of approving them, sometimes in increments of \$30,000 or more.

"I did it because Harry Freeman had approved what she was doing," Mr. Smith says today. "{Cantor} was working for Freeman, a corporate vice president, who worked directly for Robinson. I had no need to protect my ass."

Mr. Smith was the only bank executive with an inkling of Ms. Cantor's actual duties, and below him, rumors about her swirled. Ignorant of banking procedures, Ms. Cantor embarked on a training regimen that was frequently interrupted by unexplained overseas trips. Soon other executives, hearing of her journalistic background and Latin American expertise, began whispering that Ms. Cantor was secretly working on an unauthorized book about American Express, or with the Nicaraguan Contras.

Even Mr. Smith had doubts. "To tell you the truth, I always thought she worked for the CIA," he says. Mr. Smith adds: "She was always with Freeman. She had lunches with Freeman. She was always off with him . . . or on some Robinson project."

In addition, Ms. Cantor helped the bank, making introductions in Mexico and Venezuela. At a Mexico City dinner celebrating the election of President Carlos Salinas de Gortari in 1988, "she knew everyone at the table," Mr. Smith says, including a dozen senior Mexican officials. "I never went to a cocktail party with someone who knew so many people."

The bank wasn't the only one Ms. Cantor helped. At one point, according to a former Shearson executive, she urged Shearson to hire Mr. Greco in an effort to secure the Peruvian government as a client. After wrangling for weeks over a fee -- Mr. Greco insisted on being paid by the hour -- the detective arranged a meeting in New York between Shearson executives and a group of Peruvian officials, including the finance minister. Though Shearson never got the business, at Ms. Cantor's insistence Mr. Greco received about \$15,000, says the former Shearson executive.

As Ms. Cantor settled in, Mr. Smith and his deputies watched the surge of negative articles about Mr. Safra. Soon customers were asking who was behind them. Mr. Smith was fairly sure he knew.

Worried that any wrongdoing might be blamed on the bank, Mr. Smith says he confronted Mr. Freeman about the Safra articles and Ms. Cantor's "special assignment" in the fall of 1988. "I said, 'What the hell is going on? Are you doing anything?'" Mr. Smith recalls. "He just kind of looked at me and smiled. I said, 'Look, if you are involved in this, you're out of your mind.'"

He continues: "I told Harry, I told Susan, I had no desire to know what they were doing. I didn't want to know. I wanted nothing to do with it." He says Mr. Freeman, while denying that he was spreading anti-Safra articles, told him: "'Well, Susan is so busy with her banking now, it's just about over.'"

After talking with Mr. Freeman, Mr. Smith says he began keeping a close eye on Ms. Cantor. "At that point in time, I said, 'Let's make sure this gal is real busy,'" he says. "We started to really crank up the workload on her. We said, 'Okay, you can't just fly off {someplace} if you feel like it. You've got to tell us why you're going.' From that point in time, she was pretty much under control."

Ms. Cantor was submerged in a crash course on banking and, by the fall of 1988, when Mr. Smith, Mr. Robinson and Ms. Cantor flew to Venezuela on an American Express jet, Mr. Smith was fairly certain her "special assignment" was over.

Final Confrontation: Safra

Plays His Trump Card

By the spring of 1989 anti-Safra articles were appearing in U.S. publications for the first time. Mr. Safra was so desperate to end the articles that he began weighing criminal charges against American Express. In an effort to avoid such a high-profile maneuver, the banker flew to New York to confront Mr. Robinson with his growing suspicions.

"We know it's your people, Jim," he told Mr. Robinson in a mid-March meeting at Mr. Safra's Manhattan apartment. Mr. Robinson said he would be "dumbfounded" if it were true, but promised to look into the matter. Ten days later Mr. Robinson told Mr. Safra he had checked and found no evidence of a smear campaign. American Express' explanation, spoken privately, has been that Mr. Freeman, ignorant of the extent of what Mr. Greco and Ms. Cantor were doing, told Mr. Robinson this.

Then in May Mr. Safra's lawyer, Mr. Arkin, suggested a more subtle threat. After a thorough review by Mr. Safra's aides, the lawyer published, in his regular column for the New York Law Journal that June, the hypothetical story of a corporate executive who "cherishes his Boy Scout image," but whose aides had spread rumors that a competitor was involved in the drug business. "Spreading false or malicious rumor or flat-out lies . . . may well amount to a criminal fraud," Mr. Arkin mused in the column.

According to a top American Express executive, neither Mr. Robinson nor his aides initially saw the intended shot across their bow. The fact that Mr. Safra was mulling criminal charges came to American Express's attention via a circuitous route: Then Shearson Chairman Peter A. Cohen learned of it from a top private detective, Jules Kroll, who had heard it from a friend of Mr. Arkin.

Days later, Mr. Safra was in his Geneva office when a secretary told him Mr. Robinson was on the phone. "Jim Robinson?" he asked in amazement. According to a person familiar with their conversation, an angry Mr. Robinson didn't mention Mr. Arkin's column, but told Mr. Safra: "I know you've been following my people, and I want a stop put to it."

When Mr. Robinson finished, Mr. Safra replied simply: "I've got you, Jim. We've got mountains of evidence. Don't tell me about following your people. We've got you."

A Deal and an Apology,

But Is It Over?

By the end of June American Express lawyers began negotiating a settlement with Mr. Arkin. To their inquiries of how much the Safra forces knew, Mr. Arkin's mention of a single name, "Tony Greco," seemed enough. American Express agreed to pay \$8 million, half to Mr. Safra, half to four charities, to avoid a lawsuit or criminal charges.

American Express's subsequent internal investigation sent a number of executives diving for cover. The general counsel, Mr. Beller, brought in representatives from three outside law firms, including a former U.S. Attorney, John Martin, Jr., to handle the questioning.

According to a senior company official, Mr. Martin encountered unswerving denials from a number of key executives thought to have knowledge of the Safra project. In London, Paul Knight, the American Express corporate security official, walked into a colleague's office and announced that his Safra file had mysteriously disappeared, a statement the colleague took as a signal that his file should disappear as well. Mr. Martin might have learned more had he interviewed journalists like Mr. Roberto and Ms. Jurt, but they weren't contacted.

At American Express Bank, Ms. Cantor found herself an outcast. "Susan became a member of the lepers colony," says a former bank executive. "People didn't want to be seen with her. You didn't go into her office for fear you'd get a call from Gary Beller." In June, when Maya Jurt, the Swiss writer, last saw Ms. Cantor, she was pregnant, concerned about her baby's health, and "she looked 10 years older," Ms. Jurt says.

Within a week of Mr. Robinson's public apology, Mr. Freeman announced his retirement. Mr. Freeman's fall was cushioned by consulting contracts with an estimated total value of more than \$100,000 a year. Privately, Mr. Freeman maintained that Mr. Robinson had tried to get him to stay on. He also said that Mr. Robinson pledged to make him whole financially if he did choose to leave. Afterward Mr. Freeman continued many of the same duties he had at American Express, including oversight of a lavish company-sponsored celebration of Dwight Eisenhower's centennial. Today, he is one of the most respected experts on the multilateral trade talks in Geneva.

The results of American Express's internal investigation were submitted to the audit committee of the company's board. That panel concluded, "while the people involved -- all of whom said they did not intend to disseminate inaccurate information -- were motivated by what they considered to be the company's best interests, their actions set off a chain of events that resulted in the maligning of a competitor." People familiar with the situation say the company has since tightened its internal controls and disciplined Ms. Cantor by withholding her 1989 bonus.

Ms. Cantor took a maternity leave, but if she thought she could leave the murky world of corporate espionage behind, she was wrong. As Edmond Safra sorted through the damage to his image, his operatives delved deeply into Ms. Cantor's life and reported

back on all they found. Susan Cantor ultimately had her baby, and Mr. Safra's detectives know where, when and how it was delivered.

Though Mr. Safra won a clear victory, he was far from satisfied. American Express refused to accede to a key request: Identifying publications where its operatives spread misinformation. To do so, American Express felt, might be tantamount to taking responsibility for rumors it didn't disseminate. Without that knowledge, Mr. Safra has been unable to try to counter negative articles until they appear. Today he is regularly forced to rebut charges of money-laundering and other nefarious activities. This spring Safra lawyers scrambled to counter old charges in a Guatemalan newspaper, a French newswire report and a Swiss author's book. Mr. Safra is said to be resigned to the fact that such allegations may dog him to his grave.

--- Chronology of a Three-Continent Vendetta

1983

January -- American Express agrees to buy the non-U.S. assets of Edmond Safra's Trade Development Bank.

1984

December -- Safra resigns after only six months as chairman of the merged American Express Bank-TDB, agreeing not to open another Swiss bank until March 1988.

1985

Fall -- By this time, American Express Bank, worried about Safra's re-entry into Swiss banking, begins a probe of Safra's hiring of its employees.

1986

Late in the year or in early 1987 Susan Cantor joins American Express's public relations department in New York where she is tapped for "special assignment."

1987

March -- American Express files a Swiss criminal complaint against Safra, which eventually lapses.

May -- Safra files for a Swiss banking license; American Express challenges the application.

1988

January -- Safra gets a Swiss banking license as the American Express challenge fails; he opens his new bank in Geneva in March.

March -- La Depeche du Midi, a French newspaper based in Toulouse, begins running unfavorable articles about Safra.

Spring/Summer -- Cantor transfers to American Express Bank, where she is named a senior vice president.

July -- Articles portraying Safra as a banker to the drug cartels appear in Peru and Mexico.

August -- Minute, a Paris newspaper, begins publishing articles linking Safra to drugs and the mafia.

Early September -- Safra holds a meeting with aides at his villa near Nice on the Cote d'Azur to map a strategy for dealing with the articles.

Fall -- Safra sues Minute; his lawyers discover American Express telephone numbers on documents faxed to Minute.

1989

February -- Peruvian diplomat tells Safra camp that "Greco" is planting unfavorable stories about Safra in South America. Safra hires Stanley Arkin, New York criminal lawyer.

March -- Safra confronts James Robinson. Anti-Safra articles appear in U.S.

April-May -- Safra detectives pursue leads in Europe and Peru.

June -- Arkin column suggesting criminal defamation published in New York Law Journal.

July -- James Robinson issues American Express apology to Safra and agrees to pay \$8 million to Safra and charities he selected.

Credit: Staff Reporter of The Wall Street Journal

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