

Bahamians Say Vesco Made Political Gifts That Recipients Now Find Embarrassing

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NASSAU, Bahamas, June 1—Robert L. Vesco has made major cash contributions and loans in the Bahamas similar to those he made to the Nixon election campaign in the United States and to political figures in Costa Rica, interviews here this week have shown.

But, just as happened in the United States and Costa Rica, the gifts and loans appear to have become embarrassing to the recipients and in the long run may prove to be counterproductive to whatever aims Mr. Vesco had when they were made.

Wednesday, at the weekly meeting of the House of Assembly, a member of the Opposition asked politically charged questions of Prime Minister Lynden O. Pindling and insisted that he wait until next week to answer.

The questions concerned whether Mr. Vesco and Norman P. LeBlanc, a Canadian who has been his close associate here, have been listed on the immigration "stop list," which would bar them from the Bahamas, and whether or not the Government thought their presence here would reflect favorably on the international reputation of the Bahamas, "particularly as a financial center."

Conflicts of Interest

Mr. Pindling was also asked to report whether there were potential conflicts of interest for himself or members of his Cabinet in any dealings with Mr. Vesco.

As pressure has mounted against Mr. Vesco's handling of the mutual funds he came to control when he took over Investors Overseas Services, Ltd., he has found his world shrinking despite the availability of a 707 jet plane that he has had outfitted for himself and his staff.

He can no longer go to Switzerland, where I.O.S. is headquartered. When he was last there, the Swiss put him in jail, and it took a call from John N. Mitchell, the former United States Attorney General, to help him to get out.

On May 10, Mr. Vesco, Mr. Mitchell and Maurice H. Stans, the former Commerce Secretary, were among those indicted in New York on charges of attempting to obstruct the Securities and Exchange Commission's investigation of Mr. Vesco's handling of the mutual funds.

Mr. Vesco has declined to return to the United States to face arraignment, and under the treaty between the United States and the Bahamas, the question of extradition on the charge is not clear. Mr. Vesco travels through the use of a Costa Rican passport that he acquired after he became associated in business deals with President Jose Figueres, who has been called upon repeatedly to explain his transactions with Mr. Vesco.

House Here Is Guarded

While his movements have become more and more secret, it appears that he still travels between Nassau and San Jose, Costa Rica. His plane could be seen this week on the ramp at the airport here on New Providence Island.

When in residence here, Mr. Vesco lives in a rented house that is guarded. He is general-

ly accompanied by Donald A. Nixon, 27 years old, a nephew of President Nixon. Those familiar with the relationship have said that the President's nephew is assigned minor tasks by Mr. Vesco.

The Bahamas is a small place—168,000 residents in the islands—and people here tend to know their neighbors' secrets. It is well known that when a bank controlled by Mr. Vesco took over Butler's Bank, Ltd., it acquired in the Butler loan portfolio a \$500,000 note on a building owned by Mr. Pindling, the leader of the Progressive Liberal party.

"I have sold the property," Mr. Pindling said in an interview in his office in Churchill House, a building surrounded at the wharf—a part of the tourist flow that the islands rely on.

Mr. Pindling, a stocky black man who is a British-educated lawyer, sat with his back to the windows through which five cruise ships could be seen tied at the Wharf—a part of the tourist flow that the islands rely on.

Banking Secrecy Is Tight

"I thought it was best to resolve this matter and that I would sell the property to do [so]," he said. Mr. Pindling said he did not borrow the money from Mr. Vesco or any Vesco associates, and that he resented the implications that were made when the Vesco bank, the Bahamas Commonwealth Bank, had come to own the loan.

The Prime Minister was asked to comment on reports that Vesco interests had made extensive loans to important figures in the Progressive Liberal party.

"I don't know about the subsidization of any individual," he replied, but he did not deny that some such loans might exist. Nor is it possible, given the strict secrecy of banking laws here, to identify political figures who might have loans from the Vesco bank.

What about the party itself? "There was a good contribution to the party," Mr. Pindling said. "We thought it was a substantial contribution."

He would not say how much, and the financing of political campaigns is not publicly reported in the Bahamas.

Mr. Pindling's party came to power in 1967 after overthrowing the United Bahamian party Government that had been hit with a series of scandals arising from ministerial activities in connection with the issuance of gambling licenses at Paradise Island and Grand Bahama Island.

Last September, the Progressive Liberal party was re-elected, winning 29 of 38 seats in the House of Assembly. Some of Mr. Pindling's former colleagues in the party had left to help form a new grouping called the Free National Movement, which includes some of the old United Bahamian party members.

One of these is Arthur A. Foulkes, who was minister of communication and tourism in the first Progressive Liberal cabinet in 1967. He was not re-elected last year and is now a Free National Movement Senator and an employe of that party. Senators are appointed by the party leaders and serve in a body that has only delaying powers.

"Vesco is no good for us,"

Mr. Foulkes said in an interview. "There are two things we have to live by—tourism and our reputation as an international financial center."

Mr. Vesco's operations here damage that reputation, Mr. Foulkes said he believed. In a recent column he wrote for The Nassau Tribune, Mr. Foulkes said it was "absolute nonsense" that Mr. Vesco came to the Bahamas "because he is interested in assisting developing countries" and that "certain people in the United States dislike him for this."

"I see it as a thinly disguised insult to the intelligence of the Bahamian people," Mr. Foulkes wrote. "It seems a vulgar attempt to take advantage of what he apparently believes to be the psychology of a persecuted, self-pitying black Government."

In the interview, Mr. Foulkes said he believed that the Pindling Government had shown favoritism in its enforcement of the expatriate work-paper rules so that the Vesco interests had none of the problems that other businesses endured here.

The work permits are a product of the Pindling Government's drive to upgrade employment opportunities for blacks, who make up about 88 per cent of the population. For generations, it has been the practice that in business operations, orders were given by white expatriates and carried out by black Bahamians.

While work permits were required in earlier years, obtaining them was a formality. So hotel clerks, store clerks, cashiers, and so forth were whites—usually holders of British passports. Cooks, waiters, maids, yardmen—and the unemployed—were black.

From 1967 on, work permits have been increasingly hard to get. Today, white faces are rarely visible in public places of employment—except for the dealers in the casino on Paradise Island. Law forbids gambling by Bahamians.

As the banking business here has grown, the Government refusal to allow trained outsiders to come in as staff has caused many problems. A banker said this week that he must bring in an auditor every month just to make certain that his Bahamian staff has made no major mistake. He has three work-permit holders on his staff of under 20.

Bank Helped Vesco

Mr. Pindling challenged the report that the Vesco interests have been favored. He said he was aware that there was a severe lack of trained accountants among Bahamians, but he said he had received no complaints from other banks charging favoritism to Mr. Vesco's interests.

When Mr. Vesco arrived in the Bahamas in 1971, the Progressive Liberals had just won a by-election that emphasized their strength. Many British and American whites then sent a lot of their money out of the Bahamas. The business community was chafing under the work-permit system, and banks were beginning to refuse to make loans.

Butler's Bank here played a major role in Mr. Vesco's takeover of I.O.S. by providing the \$5-million that he loaned to the management of the giant mutual fund operation when it was short of cash. Then Mr. Vesco parlayed the loan agreement

into a forced sale of controlling stock of I.O.S. by Bernard Cornfeld, its founder.

Allan Butler, who is married to Shirley Oakes, the daughter of Sir Harry Oakes who was murdered here in 1943, ran Butler's Bank. He also had constructed a small conglomerate called the General Bahamian Companies. The bank and other Butler interests were absorbed by the Vesco bank, the new Bahamas Commonwealth Bank.

The Butler interests included pharmacies, new car sales agencies, liquor stores, an interest in the Sonesta Beach Hotel, and a 20 per cent interest in The Nassau Guardian, the morning newspaper here. A very loose estimate places Mr. Vesco's investment here at about \$10-million.

At one point he was negotiating with James Crosby, who controls Resorts International, to buy out most of the hotel interests and the casino on Paradise Island. That deal was for about \$58-million, and would have given Mr. Vesco an important position here, for taxes from the gambling operation provided about \$8-million of the roughly \$104-million in Government income last year.

But early this year the Paradise Island deal fell apart. One explanation is that the Government could not give Mr. Vesco any assurance of the kind of arrangement it would make on the casino when the present license expires two years hence.

Money Possibly Stolen

Another explanation is that Mr. Crosby was given legal advice that if the Government prevailed in its suit against Mr. Vesco, any money paid to buy his property would be recovered from him because filing of the Securities and Exchange Commission civil action in New York last November against Mr. Vesco put persons doing business with him on notice that the Government contended that the money was stolen.

The S.E.C. charged that Mr. Vesco diverted \$224-million from the I.O.S. "Dollar funds" into shell companies and dummy accounts. In that complaint, Bahamas Commonwealth Bank is mentioned frequently as a way station through which the money passed.

Critics of the Pindling Government, such as Senator Foulkes, say the Government should not have licensed the Bahamas Commonwealth Bank. "The Government should have known it was Vesco's bank," Senator Foulkes said, "and they should have known what he was. They should not have given him the permit, nor should they have taken his money in gifts and loans."

"His Bahamas base is very tenuous," one man said of Mr. Vesco. "He has a limited personal future here. We can't get a reputation as a dirty money country."

This man was asked what effect the contributions to the Progressive Liberal party and the loans to party workers would have should Mr. Vesco be indicted in the United States for a crime that is extraditable under the agreement between the United States and the Bahamas.

"He would be extradited," was the reply. "He can pay as much as he likes, but he just can't buy as much as he thinks he can buy. He cannot buy the country. He cannot buy the Government."