side. Opium grown in Tajikistan is shipped north to Osh, a largely Uzbek city within Kyrgyzstan on the Uzbek border.

• In Uzbekistan, opium poppy and hashish are cultivated in the mountainous regions of Uzbek, particularly in the regions of Samarkand and Syrhandarya, reports the State Department. But Uzbekistan's use to Dope, Inc. is mostly as a brokering center and transshipment point for drug operations.

• In Turkmenistan, opium has traditionally been produced for local consumption. Most opium poppy is grown on the Iranian border in the Akhal Velayat, which contains Ashgabat, and in the eastern regions of Lebap and Mary. As the State Department explains it, "Opium is *bartered by the local producers for scarce commodities like bread and fuel*" (emphasis added).

• Kyrgyzstan is a traditional opium producer, and after the Soviet Union banned its cultivation in 1973, illicit cultivation, mostly in remote mountainous regions, continued. In 1995, authorities seized 1 ton of indigenous opium. Cannabis is also produced here.

• In Kazakhstan, police seized 6 tons of illegal narcotics in 1995. Marijuana is the most important drug crop, but ephedrine and opium production is on the rise. Most of this production occurs in the vast Chu Valley, which also spans part of the territory of Kyrgyzstan and Uzbekistan. According to some reports, there are some 40,000 hectares of opium fields in the Chu Valley, and 4.5 million hectares of hemp (marijuana). Ephedra plants, from which ephedrine is derived, grow wild in the Taldy-Korgan and Dzhambyule regions, with 2,000 tons harvested in a single summer.

Novosti further reported in 1995 that Russia itself is not immune from the narcotics cash-cropping. "In Russia, 1.5 million hectares of wild-growing hemp are registered. One hectare yields approximately one ton of narcotics material annually. Narcotics plants (hemp, poppy, oil-poppy) flourish in southern Russia, in the non-Black Earth territory, in the Far East, in Tuva, the Caucasus, Buryatia, Siberia, and other regions. *The annual growth of narcotics cultivation is 10-15%*" (emphasis added).

Perhaps nothing better illustrates the Dope, Inc. degradation of the Russian economy, than the way in which Russia, Poland, and other former Soviet satellites have become leading producers of amphetamines. Underground synthetic drug laboratories have become the major employers for thousands of chemists, thrown on the scrapheap by the Thatcher-Bush free-trade regimen, left to try to survive on $20 a month.

The Dope, Inc. invasion of the Russian economy

by Roger Moore

In November 1991, at a conference of the Schiller Institute, only three months after the breakup of the Soviet Union, *EIR* editor Dennis Small presented to an audience of 400 people a documented picture on the disaster that the application of neo-liberal "free trade" dogma, especially its "shock therapy" form, has brought to the countries of Ibero-America. Small warned the audience of representatives of 36 countries, including from eastern Europe and almost all the newly independent states (NIS), that if they accepted the "reform" policy being pushed from the West by such Harvard yuppies as Jeffrey Sachs, "this is what will happen to you." Small cited the case of Bolivia, where Sachs admits that the tin- and oil-sector workers, laid off as a result of his reforms, had gone to work for the coca growers. Now, in early 1996, we read about laid-off fish cannery workers in the Soviet Far East growing marijuana and bartering it for food.

Not only have the populations of Russia and the NIS been reduced to desperate impoverishment, forcing them onto the payrolls of Dope, Inc., as foot soldiers. It is under the financial framework of the shock therapy imposed on Russia and the NIS countries by British Prime Minister Margaret Thatcher and U.S. President George Bush, that the filthy lucre produced by the criminalization of these economies reaches its ultimate destination: the coffers of Dope, Inc., primarily in the West. Thanks to Thatcher and Bush, Russia traded in communism for the British Empire's dope-driven black economy—offshore financial centers, metals speculators, money launderers, crime networks, and drug traffickers.

Meanwhile, in the last six years, Russian industry has been shrunken to 40% of its previous levels. Russian flight capital, on the order of $300 billion, is locked into the global financial system's speculative nooks and crannies, and a vast black economy of smuggling and crime in Russia runs the scale from hard-core criminals to members of the *Nomenklatura* with Swiss bank accounts. But, as much as Russians are accountable for their own country's fate, the logistics for this criminal revolution came from the West, and the Russians who joined whole hog, were often already active in the East-West weapons-for-drugs economy, where the borders between the Warsaw Pact and NATO were faded.

Within Russia, all experts admit that the institutional chaos, associated with the shock therapy reforms, has led to uncontrolled borders, unregulated banking, unbridled smuggling, underpaid police facing mafias flush with dollars, and a collapsing health care system for addicts. How did this Dope, Inc. takeover of the Russian economy happen?

Bust the ruble

A crucial step in the looting of Russia was the destruction of the Russian ruble. This plan went into high gear in January 1992, with the Gaidar reforms. Prices were decontrolled, inflation soared to rates of 2,000% per year, and dollarization of the Russian economy began. By December 1992, the ruble had crashed from 1.81 to the dollar in 1991, to 500 rubles to the dollar. By December 1993, it was 1,250 to the dollar, and by December 1994, it was 3,306 to the dollar. "Doing business" in the ruble became a losing proposition, with the result that transactions generating hard currency became the name of the game. Anything that could get a price in Western markets was bought, stolen, or swindled out of the domestic economy and shipped out.

The street mafias, an outgrowth of black marketeering under the Soviet system, became institutionalized, under International Monetary Fund (IMF) reforms, when Gorbachov privatized much of the retail sales infrastructure in the Soviet Union. These so-called cooperatives were picked up by regional *Nomenklatura* figures and their appended assortment of criminal contacts. According to Yuri Dashko of Moscow's Academy for Economic Security, this was a conscious policy to "integrate the shadow economy into legal areas."

The flood of Western consumer products, increasingly out of the reach of the impoverished average Russian, poured in through the cooperatives, whose clients were the *nouveaux riches*—as the domestic consumer industry shrank. Import-export firms, linked to Western suppliers and staffed by former KGB agents and others, sat on top of the street mafias, and raked in the profits.

Today, estimates of Russian flight capital abroad go up to $300 billion. The October 1995 report of the Swiss Federal police, *Status Report East Money*, estimates that 40-50% of Russia's Gross Domestic Product is in the "shadow economy," and that large sums of Russian criminal money have landed in Swiss banks. In Switzerland, "international trade deals, particularly raw materials, are financially arranged, which never appear in the statistics," it notes.

Simultaneously, Russia was dollarized, reaching such levels that in 1994 and 1995, the New York Federal Reserve sold on a seignorage basis, close to $40 billion newly minted U.S. notes, primarily $100 bills, to the New York-based Republic National Bank of Edmond Safra. Safra had bought them for a select group of Moscow-based banks and their customers, and the dollars were literally flown to Russia.

Enter Marc Rich

Another step in Dope, Inc.'s takeover was to entice members of the Russian and Soviet *Nomenklatura* into get-rich-quick sell-offs of raw material wealth to the "global markets." Russia was sold a poisonous stew of Physiocratic doctrine, the "Bounty of Nature," and Adam Smith free-trade doctrines, that provided the basis for Russian shock therapy czars Yegor Gaidar and Anatoli Chubais, who took office in President Yeltsin's first government in late 1991, and began implementing the reforms in 1992.

After the Fall 1991 breakup of the Soviet Union, and the subsequent chaos in trade and ruble transfer payments among the new republics, Western raw material trading pirates such as Marc Rich, based in Zug, Switzerland, offered their extensive Russian contacts quick access to world market prices for Russian oil, aluminum, gold, and other products normally consumed domestically.

In his heyday, Rich, now a fugitive wanted in the United States, controlled one of the world's biggest commodity trading firms. By the early 1990s, Rich had a large Moscow office, set up by his London partner Felix Posen. From this office was begun the raw materials looting of Russia, which turned into an avalanche of smuggling. The Oct. 24, 1992 issue of the London *Economist* put it bluntly: Russia should shut down its raw-materials-consuming industries and instead ship everything out to Western markets. George Soros, speculator and pro-drug legalizer, boosted this plan.

Prior to his 1984 conviction in a U.S. court on charges of tax fraud, Rich had been a partner with oilman Marvin Davis in Twentieth Century Fox, with Henry Kissinger on the board. Rich was the perfect pied piper, having been the official Western representative for Soviet metals trading in the 1980s, and the architect of the illegal flow of Soviet oil to South Africa, in violation of international sanctions. He was also up to his eyeballs in the 1980s in the triangular trade in weapons, oil, and drugs around the Afghan and Iran-Iraq wars, and George Bush's Iran-Contra drug caper.

Rich was then in a perfect position, in the early 1990s, to set up massive legal and illegal exports of oil and other commodities out of Russia, as well as facilitating the offshore money-laundering channels so that this money stayed abroad.

After the 1991 collapse of trade among the former republics, Rich's contact base was the only network capable of putting together inter-republic trade deals. According to Vsevolod Generalov of the Russian State Committee for Metallurgy, in an April 1, 1996 London *Metals Bulletin* interview, "These companies were only interested in today's profit or 'hit and run' operations. There was a lot of speculation and illegal financial activity."

By 1992, according to the head of Rich's Moscow office, Daniel Posen, Rich and company were doing $2.5 billion in "natural resources" trading with the former Soviet Union. In 1992, Rich's Moscow contact, Russia's "commodities kingpin" Artyom Tarasov, head of the foreign trade ISTOK association, came under pressure and skidaddled off to London with a bundle of money. According to a 1992 *Izvestia* article, in December 1991, Rich was the main beneficiary of a top-down decision assigning substantial hydrocarbon supplies for export. The *Wall Street Journal* in 1993 estimated Rich's trade with the former Soviet Union at $3 billion, "about a tenth of his worldwide business."

Rich has never been shy in bridging the gap between the masters of British geopolitics and the sleazy underworld of the black economy. In Tajikistan, the drug crossroads of Central Asia, Rich's New York agent, Rabbi Ronald Greenwald, has been in charge of putting together aluminum trade convoys, protected by private armies drawn from the area's armed clans, many of which also traffic in heroin.

Since the late 1970s, Greenwald had worked with another Rich-connected operative, Shabtai Kalmanowitch, a KGB agent laundered into the organized-crime faction of Israeli intelligence. Kalmanowitch was adviser to Chief Mangope, head of South Africa's Bophuthatswana bantustan. "Bop," as the bantustan was dubbed, is known for its casino gambling and for being one of the world's biggest producers of platinum.

Arrested by the Israelis in 1988, Kalmanowitch was freed to return to Russia in 1993, where he took up business with the mafia-connected Duma member Josef Kobzon. Today, the Liat-Natalie firm founded by Kalmanowitch and Kobzon is involved in some of the biggest real estate and construction ventures in Moscow. According to sources, Kobzon hosts Rich whenever the latter visits Moscow. Kobzon and his network had been the focus of 1993 German police intelligence leaks exposing the stay-behind crime networks being built up around the Russian Western Group of Forces still stationed in Germany.

This network encompassed criminal cells, largely operating through import-export companies, that went from Moscow, to Berlin and Antwerp, a center for cutting of Russian diamonds; to Israel and Brighton Beach in Brooklyn, New York, where the Russian emigré mafia had perfected fuel tax frauds running into the billions. Israeli Police intelligence official Leber stated in the Oct. 2, 1995 *Newsweek*, that figures in this network, Boris Nayfield and Rachmiel Brandwain, are handling a heroin and cocaine business stretching from Ibero-America to Europe and Israel. According to a Russian weekly, Kobzon is friends with "thief-in-law" "Yaponchik" Ivankov, who was arrested by the FBI in June 1995 in New York City.

Enter Philip Morris and Transworld Metals

The import flood into Russia is small change, compared to the raw materials outflow to the West. Here, the volumes of wealth require offshore banking skills, metals market insiders, secure numbered bank accounts in the West, and protected opportunities for investing the proceeds outside Russia. The unique relationship between a small, London-based metals trading firm, Transworld Metals, the Russian aluminum industry, and Philip Morris, Inc., shows just how close Dope, Inc. has come to succeeding in its conquest of Russia.

The Anglo-Dutch families, grouped into the Club of the Isles, control the bulk of global raw materials production, as a cartel. The only significant area of the world not in their control is the extensive reserves and production capabilities in the former Soviet Union. The London Metals Exchange (LME), with the associated commodities trading houses grouped around it, like Rich and Transworld Metals, is the center for global metals trading. LME-connected metals traders operate like modern-day pirates, descending upon a target, buying, threatening, stealing, much the way the British Admiralty used the Barbary pirates in the 1700s.

According to Russian economics expert Vladimir Panskov, as quoted in the Vienna *Wirtschafts Woche* of Nov. 16, 1995, "20% of oil production, 34% of fertilizers, and 45% of non-ferrous metals are illegally exported out of the country." South American cocaine and Golden Crescent heroin and hashish turn up in the same Baltic ports that handle the metals outflow. The criminal commodities trade provides a means for laundering the proceeds of both raw materials and narcotics smuggling.

According to sources, London's Transworld Metals operates in combination with Rich. It is reportedly the world's third largest aluminum producer. Once owned, and perhaps still, by London interests around Henry Ansbacher Holding, it was assigned to take over the Russian aluminum industry based in Siberia. By 1995, Transworld owned the majority of shares in smelters in Bratsk (50%) and Sayansk (68%), and tried to take over the Krasnoyarsk smelter. These smelters, some of the largest in the world, used to supply the Russian aircraft industry. Within its current borders, Russia has no supplies of the raw materials alumina and bauxite. IMF pressure against Russian state subsidizing of industry made it impossible for these firms to import alumina.

In stepped Transworld, which provided the financing for importing alumina, rented the Russian factories, for about $500 a ton, took possession of "their" aluminum, which was shipped out of a Pacific dock Transworld built in Vanino on the Sea of Japan, and into Rich's market for "Russian" aluminum. Through the rental procedure, called tolling, little money went into urgent maintenance, and nothing was set aside for retooling up to current technological standards. Through corruption and threats, Transworld picked up from within the management, more and more shares of stock.

Most of the deals organized by Rich and others, used the foreign sale of raw materials commodities to launder money out of the country. Zug, Switzerland prosecutors are investigating, for criminal money laundering, the whole gamut of Russian deals by Zug-based commodities firms. The laundry works by falsifying billings, building into the commodity transaction price discrepancies which result in money leaving the country. The LME-connected trade in derivatives permits imaginative variations to the scheme.

With Philip Morris International, Transworld pioneered a variant on this. By September 1990, Philip Morris had made arrangements with Boris Yeltsin, then head of the Russian Federation, for the import of Marlboro cigarettes. Overnight, a black market in Marlboros and other Western brands sprang up in Germany where the Western Group of the Red Army was stationed until 1994. Billions of cigarettes were pumped through the military transportation system, and into the hands of Russian emigré and other mafia black marketeering rings.

Within Russia, Philip Morris was accumulating rubles from their retail and wholesale dealings. Transworld offered a service, used by probably 100 other companies, to unload rubles accumulated within Russia for hard currency abroad. Transworld would use Philip Morris's rubles to pay the tolling fee at the Russian smelters, and simultaneously Transworld transferred to Philip Morris, in a bank account abroad, dollars earned from the marketing of their Russian aluminum.

Transworld ran its alumina supply operation with its Monte Carlo-registered joint venture, Trans-CIS Commodities, a partnership with the Chernoi brothers from Tashkent, Uzbekistan. The Chernois now reside in Israel. Russian investigations into Transworld, Chernoi, and the flight capital scheme have generated press coverage, but no arrests.

But, opposition began to grow inside Russia. In January 1995, the newly appointed head of the State Property Committee, Vladimir Polevanov, who replaced IMF darling Anatoli Chubais, stated that it might be necessary for reasons of national security to renationalize some key industries. He meant the aluminum industry and Transworld, and, was promptly fired as a sacrifice to the IMF.

As 1995 progressed, opponents of Transworld Metals and its partners in Russia began turning up dead. One such opponent was Feliks Lvov. Lvov had been trying to put together with the New York-based AIOC metals firm and some Russian banks a new bauxite-alumina supply operation to break London's stranglehold.

In May 1995, Lvov had testified before a Duma hearing against the looting practices in the aluminum industry, pointing the finger at Transworld's Trans-CIS front, and the Moscow Menatep Bank which had worked with Trans-CIS. Menatep's head is World Bank darling Mikhail Khodorkovsky, who stated in an interview, "I am convinced that there is a chance for Russia to change from an industrial society into a post-industrial one."

In July 1995, two of the bankers working with Lvov were murdered. On Sept. 8, 1995, Lvov himself was gunned down outside Moscow. AIOC was slated for bankruptcy, and Rich began buying up chunks of AIOC's trading divisions.

Cyprus and the Balkan route

Philip Morris also paved the way for the Balkan route that brings drugs into Russia through the back door. From the 1960s on, Philip Morris sold container-loads of Marlboros to wholesale smugglers through Belgrade, Yugoslavia, and Sofia, Bulgaria, who then handled the smuggling to Italy's Camorra and Mafia. Another center for this smuggling was Cyprus, where cargo went by speedboat or ship into Adriatic ports. Beginning in the 1970s, these well-lubricated relations were used to handle a massive heroin pipeline from Southwest Asia's Golden Crescent to western Europe and the United States. With the escalation of the Lebanese civil war, a multibillion-dollar, drugs-for-weapons underground economy emerged, with Cyprus replacing Beirut as the eastern Mediterranean's dirty-money center.

Cyprus, home of two British military bases, is today the main jumping off point for the networks controlling Russia's raw materials trade and flight capital. Over 7,000 Russian offshore companies are registered in Cyprus, and 8 of the 26 foreign banks there are Russian. According to the *Wall Street Journal,* phone traffic between Cyprus and Russia dominates the island's modern telecommunications exchange. Cyprus was used in the 1991 sale of $1 billion in Soviet gold reserves from Tashkent. Cyprus has also conveniently been an outpost of British Empire intelligence operations since the days when the British fleet controlled the Mediterranean. London's Barclays Bank dominates Cyprus, along with France's Banque Nationale de Paris.

Most of Moscow's banks run their currency speculation via accounts in Western banks. Moscow's Stolichny Bank, one of the recipients of large New York Fed dollar sales, has a Vienna company, owned by Stolichny's president, Smolenski, which runs its currency and financial transactions primarily through the Dutch ABN Amro Bank branch in Vienna. Stolichny and its Vienna partners were investigated in 1993 in a $25 million fraud case.