Kissinger Associates: trading with the enemy

by Scott Thompson

While Lawrence Eagleburger, president of Kissinger Associates, negotiates on how long he must recuse himself from dealings with a dozen countries, if he is confirmed in his nomination to the post of Deputy Secretary of State, there is an entire issue from which Eagleburger would have to recuse himself because of a major conflict of interest: the expansion of East-West trade and credits. Such expanded trade, starting with the dispatch of Commerce Secretary Maurice Stans to Moscow in November 1971 by Henry Kissinger, had been a cornerstone of the Kissinger-Nixon "Détente I" period.

Now, there is a significant faction of pro-Soviet appeasers—such as James Giffen, the recently retired president of the U.S.-U.S.S.R. Trade and Economic Council, which was founded by Kissinger and others in 1973—who openly espouse transforming the Soviet Union into an "economic superpower" during the "I Love Gorby" gang's "Détente II."

Lawrence Eagleburger's clients at Kissinger Associates are now involved in negotiating multibillion-dollar joint ventures, trade deals, and loans, which, if they would not make the Soviet Union an "economic superpower," should at least help Gorbachov's *perestroika* campaign, that was initiated by the Soviet military circles around Marshal Nikolai Ogarkov to carry out modernization of the Red Army and permit a drive for Soviet global domination.

Several of the projects that Eagleburger's clients are involved with would, according to Pentagon sources, have "dual use." That is to say, they might have direct military applications contrary to their stated purpose, such as augmenting the Red Army's awesome chemical warfare capability. This should not be surprising to those who know about the maneuvers of Henry Kissinger during "Détente I," who signed off on the transfer of technology that built the Soviet trucks that mounted the 1979 Afghanistan invasion; that nearly permitted the creation of a Soviet surprise first-strike capability, when he gave the Soviets technology to MIRV their giant, land-based missiles, over Pentagon objections; and, that allowed the Soviets to stockpile grain for war at significant added expense to the American consumer in the 1972 "Great Grain Robbery."

Eagleburger caught in the act

The first sign that something was seriously wrong with Eagleburger's ties to East bloc trade came on Dec. 1, 1988, when U.S. Customs Commissioner William Von Raab announced the indictment and arrest of five individuals and the U.S. branch of a Yugoslavian bank on money-laundering charges, as part of a combined Customs-IRS "sting" codenamed "Operation Flying Kite." According to the Customs Service press release of that date, "The operation centered on the illegal international laundering of undercover government funds which the conspirators believed were owned by organized crime and were intended for use in the export of restricted high technology and implements of war."

Although he was not named as a co-conspirator, it eventually surfaced that Eagleburger was on the board of the indicted bank, LBS Bank of New York, whose chairman, Vinko Mir, had allegedly "agreed that undercover funds would be converted into bank checks," then, after this was done for sums of $50,000 and $76,350 by Mr. Mir, the bank chairman allegedly falsified the Currency Transaction Reports, which are the chief instrument of the Treasury Department to guard against such money laundering.

In an interview with *EIR,* Vinko Mir refused to divulge whether he had been the individual who coopted Eagleburger to the board of the LBS Bank, which was founded in 1986 as a wholly-owned subsidiary of the Ljubljanska Banka in Yugoslavia. But, he did acknowledge knowing Larry Eagleburger well. Eagleburger's bank not only faces a fine of $500,000, but Vinko Mir faces a similar fine and five years imprisonment, if he is found guilty. Eagleburger has refused comment on the case, but it is notable that he did not resign his position on the bank until five weeks after the indictment, when his nomination as Deputy Secretary of State was assured.

U.S. Commerce Department sources report that although Yugoslavia shares the same most-favored nation trading status with America as does Western Europe, there have been several instances of technological espionage where the product illegally obtained in the U.S. ended up in the possession of a Warsaw Pact country. Ljubljanska itself, the capital of a northern province, is a notorious center for smuggling operations that parallel the more infamous "Bulgarian Connection," of which Eagleburger, who virtually started his Foreign Service career in the American Legation in Yugoslavia and then returned to Yugoslavia during the Carter administration as U.S. ambassador, cannot claim ignorance.

During his position as Undersecretary for Policy in the beginning of the Reagan administration, Eagleburger frequently overrode objections from the Pentagon and other Executive branch agencies, to the general expansion of trade and credits to Yugoslavia by the United States. Sen. Jesse Helms (R-N.C.), the ranking minority member of the Senate Foreign Relations Committee, which will handle Eagleburger's nomination, has expressed a strong interest in probing just how far his knowledge of LBS Bank's alleged illegal activities went.

On record to expand trade and credits

Through his involvement with the New York-based Institute for East-West Security Studies, Eagleburger is already on record as favoring "the possibility of a qualitatively new level of East-West economic contacts." In October 1987, the institute released a report entitled "How Should America Respond to Gorbachov's Challenge?" which had been prepared by a task force including Eagleburger, whose co-chairmen were Joseph S. Nye of Harvard University (and the Dukakis campaign) and Whitney MacMillan of the Cargill Co., which does an annual multimillion-dollar business supplying the Soviets with the grain they cannot produce themselves.

Despite a growing bipartisan coalition in Congress, as epitomized by the Kemp-Roth Bill, which opposed growth of unrestricted trade and credits to the U.S.S.R., the institute's task force concluded: "It is thus a mistake for Western governments to prevent the U.S.S.R. from receiving private credits at commercial rates." The report goes on to endorse private credits, including especially "untied loans," which have been used by the Soviets to purchase advanced technology for modernizing their military, to fund KGB and GRU activities outside Russia, and to maintain the sinews of an empire through Soviet hard currency loans to such countries as Cuba, Nicaragua, and Afghanistan. It was precisely such unrestricted forms of lending that the Kemp-Roth bill was designed to curb, but the Reagan administration—influenced by the appeasement INF treaty and George Shultz's "regional matters" negotiations for a "global New Yalta"—would have none of it.

Even more alarming, the institute's report stated that "the U.S. government and Congress should consider bringing their policy into congruence with U.S. allies by reevaluating the Jackson-Vanik and Stevenson Amendments restricting trade and credit to the U.S.S.R. The West should aim to normalize the framework for trade with all Warsaw Treaty countries, on the basis of mutual and reciprocal interests." In the press statements accompanying release of the report, spokesmen for the institute specified that since emigration of Jewish refuseniks was increasing (last year it reached 20,000), the Jackson-Vanik Amendment should be abridged. Although the amendment was triggered by the Soviets' proposed tax on Jews seeking emigration, it has otherwise been consistently pegged to the sorts of human rights concerns more broadly addressed in the Helsinki Accords, not simply the question of Jewish emigration, which the amendment's authors thought should be at an annual rate more than twice what it is at present anyway.

Clearly, Eagleburger sides with those like Dwayne Andreas, the chairman of Archer Daniels Midland and of the U.S.-U.S.S.R. Trade and Economic Council, who merely see the question of Jewish emigration as a convenient ruse for expanding their business with the U.S.S.R., just as Andreas does now through massive grain sales to the Soviets despite their human rights record or war-winning military doctrine.

Perhaps one reason for Eagleburger signing off on this narrow interpretation of Jackson-Vanik is that, according to Britain's late Lord Harlech, Eagleburger's patron Henry Kissinger is part of a consortium that has been secretly buying land on the West Bank through Arab intermediaries, which would be used to build settlements for Jewish refuseniks, whom a faction in Israel would like to send to the occupied territories as cannon fodder in the Arab-Israeli conflict.

Eagleburger's Warsaw Pact portfolio

Eagleburger's top clients at Kissinger Associates are certainly not waiting for an improvement in the Soviet human rights record in their stampede for what they hope will be lucrative contracts with the U.S.S.R. The record of Eagleburger's clients includes:

- **Montedison S.p.A.** This Italian chemical firm is involved in the largest joint venture undertaken by the West to date in the U.S.S.R., specifically designed to export the Western technology that the CIA stated in a 1986 report would be essential for Soviet exploitation of the Tengiz oil and gas field near the Caspian Sea. In March 1988, Montedison joined a consortium that signed a protocol with the Soviet Ministry of Oil and Industry, which stated the intent to develop and operate a petrochemical complex there. Montedison's joint venture partners in the $6 billion project include: Soviet Trust agent Armand Hammer's Occidental Petroleum; Japan's Marubeni Corporation; and, the Italian firm of Ente Nazionale Idrocarburi (ENI S.p.A.). Presently, they are doing a feasibility study for a plant that would produce 500,000 tons a year each of polyethylene and polypropylene, as well as various polymers, co-polymers, and composites.

On June 17, 1988, according to TASS, the vice president of Eagleburger's client, Montedison, independently met with Vladimir Gusev, deputy chairman of the U.S.S.R. Council of Ministers, to discuss "the operation of a joint Soviet-Italian venture and . . . Montedison's possibilities of participation in retooling chemical operating facilities in the U.S.S.R." Giorgio Porta of Montedison said that an Italian-Soviet working group would examine such possibilites for "chemistry, petrochemistry, mineral fertilizers, pharmaceuticals and relevant machine-building."

A spokesman for the Pentagon told *EIR* that the activities of Eagleburger's client, Montedison, might decidedly benefit Soviet chemical warfare fighting capabilities by adding new processes in areas that are parallel to the production of such nerve gas agents as phosgene. Frank Ashley, the public affairs officer of Occidental Petroleum, called these charges "ridiculous," but he refused to answer followup questions submitted by *EIR*'s science editor, which explored the parallels between all petrochemical processes and the processes for the production of nerve gas. Also, Ashley would not entertain questions about how the supply of superphosphate that Occidental cornered in another $20 billion barter deal with the Soviets signed during Kissinger's "Détente I" had put a lock on this product, which, military sources report, can be used for production of advanced explosives.

• **ASEA Brown Boveri.** This Swedish client of Eagleburger's announced that in partnership with Germany's Kraftwerk Union AG, the nuclear power portion of Siemens AG, that it would seek to build a 200 megawatt high-temperature reactor (HTR) at Dimitrovgrad, 680 miles east of Moscow, by 1996, costing more than $560 million. An agreement for this was signed with the Soviet State Committee for Utilization of Atomic Energy, and ASEA is presently seeking licenses to build what would be the first Western nuclear reactor in the U.S.S.R. ASEA is presently confident that, despite expected objections from Washington, it can gain approval for the technology transfer from CoCom, the 16-nation group of Western countries and Japan that reviews delivery of sensitive technology to the Warsaw Pact and other countries. The HTR reactor would be in advance of any plant built in West Germany.

• **Midland Bank of the U.K.** Another Eagleburger client is Midland Bank, the fourth-largest commercial bank in Britain, which in December 1987, took part with three other banks at a conference in Moscow organized by the British Invisible Export Council, which was oriented toward supplying credits for trade and joint ventures in the U.S.S.R. In October 1988, Midland's deputy chairman, Sir Michael Palliser, told a news conference that his bank would take the lead in a consortium to provide a $1.7 billion line of credit, which would be 85% backed by the British government. Midland's partners were Moscow Narodny Bank Ltd., Barclays, Lloyd's Bank, National Westminster, Bank of Scotland, and Morgan Grenfell.

• **Fiat S.p.A.** Fiat chairman Gianni Agnelli has been on the International Advisory Board of Chase Manhattan Bank (a major financier of East-West trade dating back to the 1920s), whose chairman, upon his leaving public office, was Henry Kissinger. During Kissinger's "Détente I," Fiat built the "Togliatti plant" in Volgograd, which produced 600,000 Fiat-124s (exported as the "Lada"), that amounted to half of all Soviet automobile capacity. A Soviet analyst at Science Applications International has charged that the Soviets had Fiat redesign its suspension system, so that it would be the model for modern Soviet tank systems. Also, during "Détente I," Fiat's subsidiary Comau made $100 million out of subcontracts for machine tools for nuclear energy components manufacturing plants.

In October 1988, Fiat chairman Agnelli traveled to the U.S.S.R., where he announced that Soviet Prime Minister Nikolai Ryzhkov had asked that he modernize automobile production further. A new monster plant on the Volga, estimated to cost $5-6.5 billion, is now being studied that would produce 1 million 1-liter cars per year. Like the Lada, these cars might be exported to Western Europe, undermining the local auto industry.

• **Union Carbide.** In 1988, this Eagleburger client announced that it would sell polyethylene produced by a British-Soviet joint venture, Asetco, which would modernize and expand two plants at Budyennovsk and Kazan. Union Carbide is also licensing its most up-to-date production technology (Unipol) for the Soviet plant, which, again, might improve Soviet chemical warfare fighting capabilities. Financing for the project is to come from Moscow Narodny Bank Ltd. and Morgan Grenfell.

• **L.M. Ericsson.** Datasaab, a subsidiary of this Eagleburger client, was caught by the Reagan Justice Department in violation of the Export Administration Act. Datasaab pleaded no contest, and received the highest fine ever levied under the Act, $3.2 million. It transpired that Datasaab had, in violation of its licensing agreement with the United States, sent the programming center for an advanced radar system for three airports known as the Terminal and En-Route Control Automated System (TERCAS) to the Soviets. The Justice Department charged that the enhanced system increased the Soviet ability to defend itself against military aircraft and to coordinate air attacks on Western Europe. Former Commerce Secretary Malcolm Baldrige had called the violation one of the most serious incidents of illegal transfer of U.S.-origin technology to the Soviet Union since the imposition of export controls.

When L.M. Ericsson acquired Datasaab, it did report the violation to the U.S. government, and it agreed not to maintain the computer system in the U.S.S.R. Ericsson also hired attorney Edward Bennett Williams, a close associate of Henry Kissinger, to represent it in minimizing the penalty against Datasaab. And, during the process of negotiating this agreement with the Reagan administration, it also hired Kissinger Associates to be its consultant.

Eagleburger's portfolio of clients trading extensively with the Warsaw Pact countries, should, like his position on the board of the indicted LBS Bank, cause quite a stink during congressional confirmation hearings. Unlike the conflict-of-interest charges levied against Sen. John Tower for being a defense contractor consultant for two years, there is a definite "smoking gun" in the Eagleburger dossier. Should Eagleburger squeak through confirmation hearings, the least condition that should be placed upon him, is that he recuse himself entirely from the trade and credits issue, as he works to carry out the secret Kissinger agenda for full-blown reemergence of "Détente II."