

Congressional debate on Russia protects Bush

by Michele Steinberg

If the United States Congress persists in its present course of sanctimonious bashing of Russia for “corruption and money laundering,” then *EIR* founder Lyndon LaRouche’s warning of the advent of a nuclear world war due to the British monarchy’s “new NATO” adventurism against Russia, could well become a reality in the short term.

In three actions since Sept. 15, leading members of the House and Senate, from the Conservative Revolution’s stable of operatives of the British-American-Commonwealth (BAC) oligarchy, have targetted Russia for economic warfare and sanctions, at the very moment that British architects of the “Great Game” geopolitics are up to their necks in assisting terrorist operations inside Russia that range from the war in Dagestan, to the brutal city bombings that took more than 300 lives within two weeks.

The most flamboyant of these Washington Congressional actions so far, was the Sept. 21-22 set of hearings before the House Committee on Banking and Financial Services that heard more than 20 witnesses. One witness whom the Committee excluded was LaRouche collaborator Jeffrey Steinberg, Counterintelligence Director for *EIR*, whose testimony was submitted in writing for the record of the hearings (see *Documentation*, below).

Steinberg’s testimony provided evidence, in the form of several appendices, that are crucial for the Congressional deliberations, including an analysis by LaRouche of the role of former President George Bush, in the “Russian” corruption. In 1995 and 1996, LaRouche had been invited to Russia for meetings with members of the Duma (the lower house of Parliament) and other Russian leaders, including from the Russian Academy of Sciences, where he delivered prophetic warnings about the corruption of the free-market operatives and bankers in the West. LaRouche’s textbook, *So, You Wish to Know All About Economics?* has been published in Russia,

the Ukraine, and Armenia, and circulates throughout the Newly Independent States (NIS) of the former Soviet Union.

Steinberg also provided the Leach Committee with an interview with Russian economist Sergei Glazyev (from *EIR*, July 23, 1999), a Russian doctor of economics, who heads the Information and Analysis Department of the staff of the Federation Council, the upper house of Russia’s Parliament, where the country’s regional governors sit. Formerly the Minister for Foreign Economic Relations, Dr. Glazyev has also worked as chairman of the State Duma’s Committee on Economic Policy (1994-95) and at the Security Council (1996-97).

Renewed assault against Clinton

Against the backdrop of a massive British destabilization of Russia (see *International*), the BAC assets in Congress poured gasoline on the fire, declaring financial warfare against Russia, and then using the crimes of Al Gore to seize foreign policy away from President Clinton. The GOP leadership, in fact, acted exactly as LaRouche had warned they would do, when he said, on Aug. 28, “True, I have denounced Vice President Al Gore repeatedly in these dirty operations [e.g. “Gore Caught in Corruption with Wall Street Cronies,” *EIR*, Jan. 29, 1999]. However, the apparatus of former President George Bush is much, much dirtier than Al Gore.” LaRouche warned that the BAC apparatus, partially concerned to boost the election drive of George W. Bush, would use the Gore connections to the Bush/Thatcher free-trade policy to go after Clinton. And, the Conservative Revolution leaders did exactly that.

On Sept. 14, Rep. Dick Armey (R-Tex.), the “Bush league” thug who is the House Majority Leader, held a news conference to declare war on Clinton’s policy of attempting to forge a solid partnership between the United States and Russia. Armey demanded a freeze on International Monetary Fund (IMF) payments to Russia, on loans already negoti-

ated—a move of outright financial warfare. Armev said, “The unparalleled financial graft in Russia . . . marks the ineffective end of the Clinton-Gore administration’s approach to Russian reform. . . . *Russia has become a looted and bankrupt zone of nuclearized anarchy*” (emphasis added). He demanded the passage of the Iran Non-Proliferation Bill, which would cut off funds to the Russian Space Agency, pending an investigation of transfer of “technologies of mass destruction” to Iran. One day later, on Sept. 15, the Congress obliged, passing the bill with a unanimous vote. President Clinton had vetoed the bill last year, but Congressional Democrats voted with the BAC interests.

On Sept. 24, opening his Senate hearings on “Corruption in Russia,” Helms continued Armev’s assault on both Russia and the Clinton policy. Ironically, Helms borrowed precisely from the above-mentioned *EIR* article (without attribution, of course) about Gore’s corruption, in his opening remarks, when he said, “I confess deep concern that the policies pursued by the President and Mr. Gore, through the so-called Gore-Chernomyrdin Commission, may have abetted corruption in Russia. It has been widely reported that in 1995, the CIA sent a memorandum to the Vice President discussing corruption in the Russian government and warning that foreign aid funds were being diverted into the pockets of Russian officials. And the Vice President is said to have sent the memo back with a scatological epithet scrawled across it. *Emblematic of the administration’s policy, he apparently did not want to know.*” But true to profile, Helms, feigning horror about the alleged misuse of IMF loan money, only uses Gore to go after Clinton.

Completely absent from Helms’s “concern” about misuse of funds to Russia was naming the names of Western collaborators of the Russian “free traders,” including Robert Strauss, George Bush’s Ambassador to Moscow, who helped to set up special handling for Russian banks doing business in the United States; and speculator George Soros, who worked with Wall Street cronies to attempt to re-install Gore’s pal, Chernomyrdin, as Prime Minister of Russia after the August 1998 Russian default on debt triggered a panic among Western parasites who live off the financial bubble.

Policy drift

At no time have the confusion and crossed signals about an administration policy been more evident than during the Leach hearings, and in the press coverage of them. While Treasury Secretary Lawrence Summers was leading off the testimony, with an announcement that all financial assistance to Russia has been suspended except funds that are related to refinancing of loans, former Secretary of the Treasury Robert Rubin took to the pages of the *New York Times* in an op-ed, where he urges, “Don’t give up on Russia. . . . Engagement is a much preferred course of action to abandoning or isolating Russia.” Similarly, Rep. John LaFalce (D-N.Y.) called for “continuing constructive” discussions and relations with Russia, blaming Russia’s financial woes and corruption on the

privatization schemes that had looted the country since before the end of the Soviet Union.

Another counter to the Russia bashing came from former CIA official Fritz Ermarth, who said that speculators, both Russians and foreign nationals, “stripped” and “plundered” the Russia. “Foreign speculators,” said Ermarth, “essentially were allowed to plunder the state budget until it collapsed in August 1998.”

But these voices of relative sanity were lost amid the roar of the GOP assets of the British, who led the charge in pressing Russia’s back against the wall. And the fact that President Clinton has not ever effectively reversed the corrupt, insane free-market policy toward Russia that he inherited from George Bush, plays into the British gameplan. Tragically, the administration’s reaction to the GOP’s “Gore bashing” is to hype up how “tough on corruption” the United States is going to be against Russia.

The British financier oligarchy is out to blacklist Russia completely, something which they have wanted to do since August 1998, when the nation could not pay up on the usurious GKO government bonds, which Western speculators had lapped up because of the 300% interest rates that had been offered!

One of the suggestions made about how to “punish” Russia came from Rep. Doug Bereuter (R-Neb.), who suggested that the Bank of New York, one of the principals in the Justice Department investigation now going on, could close down *all accounts* with Russia. Bereuter suggested that Russia’s corruption could be curtailed if the United States were to essentially outlaw commercial accounts and treat Russia as a “rogue state,” like Cuba or Iraq. Another proposal, voiced by Reps. Curt Weldon (R-Pa.) and Jim Leach (R-Iowa), would be to cut off all U.S. financial relations with the central government and go for regional projects only. This proposal is closely associated with British operative Zbigniew Brzezinski, the mentor of Secretary of State Madeleine Albright. Brzezinski recently spent ten days on Capitol Hill, where he reportedly was pushing the idea of breaking up Russia into mini-states.

And, Treasury Secretary Lawrence Summers, a hard-core ally of the IMF’s rip-off of Russia, gave the GOP crazies virtual free rein. In announcing the U.S. suspension of all funds not related to loan refinancing, Summers echoed the ravings of Muddling Albright’s speech on Russia policy to the Carnegie Endowment on Peace the week before, where she scolded and threatened Russia for corruption.

Perhaps the coverup was all too obvious. A Russian witness, Duma member Yuri Shchekochikhin, an editor of the Moscow newspaper *Novaya Gazeta* and a member of the Duma Committee on Security and Anti-Corruption, testified briefly. He asked, “Why now?” since the corruption was “known for a long time.” He pointed out that U.S. favorites like Boris Berezovsky and Anatoly Chubais had led the looting. So, perhaps the investigation is just beginning.

Gore followed Bush's suit on Russia policy

The following testimony was submitted Sept. 21 to the House Banking Committee hearings on Russian banking, chaired by Rep. Jim Leach (R-Ia.), by Jeffrey Steinberg, Counterintelligence editor of EIR.

The ongoing investigation into the channelling of vast sums of money from Russia into accounts at the Bank of New York and other American financial institutions, has provoked a dangerously counterproductive, partisan “debate” over “Who Lost Russia.” A careful review of the public record demonstrates the fraud of this debate, and also demonstrates that, far from being “lost,” Russia still has the potential to emerge as a viable nation-state with a thriving economy and a vital foreign policy partnership with the United States. But, for this desirable outcome to be realized will require an honest reassessment and drastic overhaul of U.S. policy towards Russia, on the part of both the government and the private sector financial institutions.

The current deplorable state of affairs in Russia, viz. the corruption within the banking system, and the mounting evidence of a recurring pattern of theft and capital flight, orchestrated by individuals with strong ties to President Boris Yeltsin, former Prime Ministers Viktor Chernomyrdin and Yegor Gaidar, former privatization czar Anatoli Chubais, former Russian director at the International Monetary Fund Konstantin Kagalovsky, and scores of others, was a direct outgrowth of policies encouraged from outside of Russia, in some cases dating back to the mid-1980s period, long before the demise of the Soviet Union. Back during the 1980s, institutions associated with the Mont Pelerin Society launched a recruiting drive among a caste of young Russian economists, who were steeped in the free market ideology of Friedrich von Hayek, Milton Friedman, et al. Many of the individuals named above, who are now among the main targets of the corruption probes in Switzerland, the United States, and Russia, devised Russia's ill-conceived privatization and shock therapy policies, right out of the Mont Pelerin recipe books.

Furthermore, the U.S. government adopted a policy of encouraging those disastrous privatization and austerity schemes, and throwing support to the so-called “reformers” no later than the Presidency of George Bush. It was during the Bush Presidency that Russia was placed under enormous

U.S. government pressure to join the International Monetary Fund, and submit to the IMF's now thoroughly discredited recipes of austerity, takedown of industrial and agricultural production, fire-sale sell-off of former state assets, currency devaluation, and elimination of all protectionist measures. It was precisely through this process that the individuals now identified as the flight capitalists, mafia money launderers, and bribed public officials obtained their wealth and power.

When, in July 1991, on the eve of the final break-up of the Soviet Union, President Bush appointed Robert S. Strauss as the United States Ambassador to Moscow, the United States, in effect, threw its full support behind the already emerging caste of so-called “oligarchs” who have looted Russia blind—in league with an array of American, British, and continental European private financial institutions.

When George Bush was replaced in the White House by William Clinton, the new Vice President, Albert Gore, was soon placed in charge of certain key aspects of the U.S. government's relations with Moscow, where Gore frequently worked at cross-purposes with the President, as during the August 1998 crisis. The Gore-Chernomyrdin Commission, launched in late 1993, afforded the Vice President the opportunity to work intimately with one of the Russian officials deeply implicated in the corruption and looting. Indeed, according to the *New York Times*, in 1995, the Vice President was provided with a detailed U.S. intelligence report, showing that Chernomyrdin had stolen an estimated \$5 billion since coming in as prime minister in 1992. The Vice President reportedly sent the document back to its authors at the CIA “with a barnyard epithet” scrawled across the front cover. The message was clear: the Vice President was standing behind the “reformers” regardless of the mounting evidence of corruption and the wholesale looting of Russia's national patrimony.

Such actions as this have prompted many Republicans and some in the media to label Gore as the “man who lost Russia.” While Vice President Gore's betrayal of his responsibilities and his overt corruption, in his relationship with Wall Street speculators like George Soros, as well as his partner Chernomyrdin, certainly warrant severe criticism, and possible criminal prosecution, the fact remains: Gore continued the policies that were firmly set down by the Bush administration. Those policies, of backing the Mont Pelerin Society trained and IMF-embraced “reformers,” have been a disaster for the United States, and certainly, for Russia.

None of these developments was a mystery to regular readers of *Executive Intelligence Review*. Founding and contributing editor Lyndon LaRouche delivered a series of lectures in Moscow, during 1994-96, and wrote repeatedly in the pages of the magazine, that the Western governments'—including the United States government's—continuing support for the free market, shock therapy, privatization policies

of the Yeltsin administration “reformers” not only threatened the future survival of Russia. It set the conditions for an eventual strategic conflict, and a disintegration of the entire world financial and monetary system. The events of August-September 1998, when Russia announced the temporary moratorium on payments of its GKO government bonds, and froze commercial bank payments to foreign creditors—thereby triggering the near-collapse of Long Term Capital Management (LTCM) and the near-vaporization of the world financial superstructure—merely confirmed the accuracy of LaRouche and *EIR*’s warnings. To look at the Bank of New York money-laundering scandal outside of the context of those developments would be a grave error.

The prominent Russian economist Sergei Glazyev, in an exclusive interview with *EIR*, provided an important insight into how Russia began to effectively crack down on the corruption, and set in motion a process of recovery of the real physical economy, during the eight-month tenure of Yevgeni Primakov as prime minister. Ironically, most, if not all of the measures taken by the Primakov government, that began the process of economic recovery and the cutting down of the power of the mafia, were measures opposed by the IMF—and still violently opposed by the IMF to this day. Nevertheless, Glazyev’s account of the successful efforts of the short-lived Primakov government offers an encouraging picture of how Russia could quickly free itself from the vise-grip of organized crime lords and government kleptocrats.

But this also requires a complete overhaul of the policies of official Washington towards Russia, and to all other nations in a similar position. Without the strong backing of the Bush administration, the Thatcher government in Britain, and, subsequently, the Gore forces inside the Clinton administration, the mafia takeover of Russia would not have been possible.

To further aid in the work of this Committee, in attempting to divine a solution to the crisis in Russia, including the rampant criminalization of the banking system, I have taken the liberty of attaching a series of recent *EIR* articles, which provide a detailed chronology of the actions by the Russian “reformers” and their U.S. and other Western boosters, that led us to this present crisis situation.

References

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- “The Russian Economy Can Become a Miracle,” *EIR*, July 23, 1999.
- “Criminality Was the Policy in Russian Reform,” *EIR*, Sept. 3, 1999.
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U.S. gets North Korea to hold off on tests

by William Jones

William Perry, North Korea Policy Coordinator for the Clinton administration, in a press conference on Sept. 17 at the State Department, indicated that he had received clear commitments from the North Korean leadership to forgo further testing of their Taepo Dong missiles. Although the North Koreans had not made any public announcement about their commitment at the time of the Perry announcement, they had done so in negotiations held in Berlin. Perry said he expected them to “clarify their intentions on this in the weeks ahead.”

It was the firing of a Taepo Dong-1 missile over Japan last August, in what the North Koreans said was a failed attempt to launch a satellite, which created a total furor in Japan and triggered a Republican drum-beat in the United States for the rapid development of a national ballistic-missile defense system, ostensibly directed against so-called “rogue states” like North Korea.

On the same day as the Perry press conference, the White House said it was lifting sanctions against North Korea, many of which had been in place since the early days of the Korean War. The easing of sanctions will also permit regular commercial traffic between the two countries.

Perry made clear, however, that this was only the first step toward what he hoped would be a gradual normalization of relations between the United States and North Korea in the hope of establishing a regular dialogue between North and South Korea. “I am talking about only a small step at this time, but it is a step,” Perry said to reporter Margaret Warner, in an interview on the PBS News Hour on Sept. 17. “What our action is, is easing sanctions. . . . What we are seeking though is that that first step will lead to a full normalization of relations, both diplomatic and economic relations, between our two countries.”

In 1994, the Clinton administration succeeded in getting a framework agreement with North Korea, which had been in the process of building a plant at Yongbyon which could produce nuclear-grade plutonium, a project which had engendered fears of a possible North Korean nuclear weapons program. In the framework deal, the North Koreans agreed to a freeze of the nuclear activities at their Yongbyon plant in exchange for light-water reactors from the West which would secure their energy production, without the need for the fissile material. In connection with that agreement, the United States eased economic sanctions against North Korea in the areas of