Eagleburger, Kissinger promote Russians' high-tech trade scam

by Scott Thompson

Part II of an occasional series on Kissinger Associates "above the law." Part I appeared in our April 21 issue.

With almost no press fanfare, Attorney General Richard Thornburgh on April 15 took quiet steps to cover up a scandal that had implicated Deputy Secretary of State Lawrence Eagleburger, the former president of the global influence-peddling firm Kissinger Associates, in a money-laundering scheme that involved attempts by Yugoslavian intelligence to violate the Export Control Act—i.e., to conduct technological espionage against the United States.

On that day, the Attorney General called for a federal judge to review, entirely in private, surveillance tapes that involved Bahrudin Bijedic, Vinko Mir, and Vjekoslav Spanjol (all indicted on Dec. 1, 1988 through the joint IRS-Customs "Operation Flying Kite"), in which the defendants were discussing with U.S. government "sting" operatives posing as underworld figures how to smuggle U.S. technology to Yugoslavia. U.S. officials admit that Yugoslavia has frequently been the "pass-through" for such illegal technology transfer to the U.S.S.R. Spanjol, it has been alleged by co-defendant Hubert Francis Cole, is the number-two Yugoslavian intelligence operative in the United States.

While the Attorney General motivated this procedure for *in camera* review of the surveillance tapes, because, among others things, Spanjol allegedly said that he could tap into the computers of military contractors, there may be an even more sensitive issue raised on the tapes. This is, that Eagleburger had been on the board of the LBS Bank, a wholly owned subidiary of the Ljubljanska Banka in Yugoslavia, which was also indicted, along with the chairman of the board of the LBS bank, Vinko Mir, whom the tapes show as an alleged co-conspirator in the espionage case.

The question is posed, whether Eagleburger's name had in any way surfaced during the course of the "sting," especially since Eagleburger, who had been U.S. ambassador to Yugoslavia during the Carter administration, has been in the forefront of those lobbying for expanded credits and trade with Yugoslavia, including of the sort that would be beneficial to technological espionage agents like Spanjol. Amazingly, Eagleburger seemed so little affected by his association with a bank indicted for criminal money-laundering in regard to this alleged espionage case, that he remained on the board of the LBS Bank until Jan. 7, 1989, when it was clear that he would be named deputy secretary of state in the Bush administration. Eagleburger has thrown a sop to this violation of the Bush administration's Ethics Executive Order, which recently replaced the Johnson administration's Executive Order 11222, by stating that he will recuse himself from matters dealing with the bank until the litigation is complete. However, compared with the treatment meted out to former Sen. John Tower during his confirmation hearings as secretary of defense, Eagleburger's handling of this matter and the Attorney General's apparent coverup, point to a real fire behind the smoke and mirrors.

Bailing out Gorbachov

Just as Eagleburger had softened opposition within the Reagan administration to expanded trade with Yugoslavia, when he was undersecretary of state for political affairs, so today there is a concerted push for expanded trade with the Soviet Union, including the repeal or suspension of the Jackson-Vanik Amendment that precludes granting the Soviets most-favored nation status. While the "Scowgleburger duo" of former Kissinger Associates officials—Brent Scowcroft as national security adviser and Eagleburger at State—both refused to release the full list of the clients serviced by their former firm, there is sufficient evidence that they should both recuse themselves from dealing with the East-West trade issue, or else be prosecutable under the Ethics in Government Act (18 U.S.C. 208), which "prohibits participating in a particular matter in which the employee or specified other related persons, business associates, or entities has a financial interest."

Where the previous article in this series focused upon the potential conflict that would arise for this duo because of the major role played by their former Kissinger Associates clients who hold portions of Third World debt, it can also be said that Henry Kissinger's clients are in the forefront of East-West trade, providing credits and "dual use" technology that would, for example, significantly augment the ability of the Soviet Union to mount chemical warfare against the West. Kissinger used trade deals negotiated through the Departments of Agriculture and Commerce, as the opening gambit of his "Détente I," just as his cronies are seeking to have the Bush administration do during "Détente II."

When he was national security adviser, Henry Kissinger overrode the objections of the Pentagon and the U.S. intelligence community to the sale of technology that would augment Soviet military capability. He approved sale of the Centalign-B grinder, essential for miniature, precision ball-bearings in missile gyroscopes, which the Soviets had unsuccessfully sought to obtain for 20 years. While Kissinger's SALT I permitted the Soviets to keep their giant land-based missiles, this seemingly insignificant (in dollar terms) trade deal allowed Moscow to MIRV those missiles, helping them to develop a first-strike capability against U.S. land-based ICBMs.

Briefed on the 15 clients that Eagleburger admits to having at Kissinger Associates, and the East-West deals in which those clients are engaged, a member of the Republican Research Committee's task force on East-West trade said: "Here we are beating up our allies—the Western Europeans and the Japanese—because they have supplied technology that might help Libya build chemical weapons. I ask you, who is our number-one enemy? The Soviets. Right? Well, Henry Kissinger is giving the crown jewels of our chemical warfare technology to the Soviet Union, while we beat up the Western Europeans and the Japanese."

The Soviet chemical industry

One of the major deals in this regard involves Eagleburger's client Montedison S.p.A., which is involved in the largest joint venture ever undertaken under Gorbachov's new joint venture laws: a $5-6 billion petrochemical complex to be built by Montedison, Armand Hammer's Occidental Petroleum, the Italian firm of Ente Nazionale Idrocarburi (ENI S.p.A.), and Japan's Marubeni. The huge complex is to be built at the Tenghiz oil and gas field near the Caspian Sea, which the CIA had earlier estimated could only be developed with major inputs of Western technology. The plant on which Kissinger Associates and the Soviets are doing a feasibility study would produce 500,000 tons each of polyethylene and polypropylene, as well as various polymers, co-polymers, and composites.

On June 17, 1988, the Soviet news agency TASS announced that Montedison had entered negotiations to retool chemical facilities of all sorts throughout the U.S.S.R. A spokesman for the Pentagon stated categorically that these deals would potentially augment Soviet chemical warfare capabilities. A spokesman for Occidental Petroleum, Frank Ashley, dismissed the charge as "ridiculous," and refused to answer questions prepared by *EIR*'s medical editor on comparisons between the processes to create the deadly phosgene nerve gas and the processes employed by the Montedison-Oxy joint venture under study.

Another Eagleburger client, Union Carbide, a major U.S. defense contractor, has licensed its most advanced technology to a British-Soviet joint venture, Asetco, to modernize and expand two petrochemical plants at Budyennovsk and Kazan in the U.S.S.R. Financing for this project is to come from Moscow Narodny Bank Ltd. and Morgan Grenfell. Meanwhile, ASEA, an Eagleburger client in Sweden, through its ASEA-Brown Boveri subsidiary, has applied for licensing to build a 200-megawatt high-temperature gas-cooled nuclear reactor (HGTR) at Dimitrovgrad, by 1996, costing more than $560 million. This reactor, in advance of anything built in Western Europe, would be the first nuclear reactor sold to the Soviet Union, and ASEA is confident that it can steamroller over the CoCom restrictions on transfer of technology.

And of course, Chase Manhattan

There are many other Eagleburger clients from Kissinger Associates active in East-West trade deals involving dual civilian-military technologies, but the chief conflict of interest for the Scowgleburger duo may arise through Chase Manhattan Bank. Not only is Chase one of Kissinger Associates' leading clients, but Kissinger is the lieutenant of David Rockefeller on the Chase Manhattan international advisory board.

Chase has been at the center of trade with the Bolsheviks since the 1920s period of Lenin's New Economic Policy (NEP), when it was represented on the board of the American International Corporation, headquartered at 120 Broadway in New York City—the operational center of pro-Bolshevik financiers. Throughout the 1920s and 1930s, Chase functioned as an unofficial export-import bank, establishing a $30 million revolving line of credit for Soviet-U.S. trade. It also sought to smuggle tank engines to the U.S.S.R. in the 1930s.

More recently, when the Rockefellers' protégé Kissinger was national security adviser, Chase was the first American bank in 50 years to open a branch in Moscow, at 1 Karl Marx Square. David Rockefeller, who had advocated expanding trade and credits as the cornerstone of "peaceful coexistence" since a 1964 trip to Moscow, was also a cofounder of the U.S.-U.S.S.R. Trade and Economic Council, whose board today includes a lieutenant general of the KGB suspected of conducting Soviet technological espionage efforts. During the first détente period, at Kissinger's apparent urging, Chase took the lead in financing the multibillion-dollar Kama River truck factory, which, among other things, produced the trucks that led the 1979 Soviet invasion of Afghanistan.

On Dec. 9, 1988, during the Gorbachov-Reagan-Bush Governor's Island summit, TASS reported that Gorbachov had asked David Rockefeller to coordinate an effort by Soviet and American bankers to determine, "What are the forms, allocations, and legal foundations for financing joint Soviet-American ventures?" In short, while Rockefeller and Kissinger reexamine the gamut of credit issues linked to East-West trade and joint ventures, the Scowgleburger duo is placed in key administration positions to implement their policies—unless they are blocked by rigorous enforcement of the Ethics in Government Act.