Mystery surrounds Eagleburger's no-show at Senate hearings

by Scott Thompson

On March 8, Deputy Secretary of State Lawrence Eagleburger was scheduled to testify before the Senate Foreign Relations Committee on his new responsibilities as Presidential Coordinator for Eastern European Assistance, following his tour of that region from Feb. 20-27. At the last moment, the hearings were abruptly postponed by Eagleburger, and neither the Senate Committee nor the State Department could explain his decision.

One explanation for this mysterious cancellation may be the following: Just as Larry Eagleburger was about to leave on his inspection tour of Eastern Europe, the *New York Times, Washington Post,* and *Newsweek* had caught him in a major conflict-of-interest story involving his advice to the U.S. Ambassador to Hungary, R. Mark Palmer, that Palmer remain in that post until the moment he became chief executive officer of the Central European Development Corporation (CEDC) that set up shop to operate in Hungary on Jan. 25.

The scandal not only set a new low in sleaze for the Bush administration, but former U.S. State Department security and intelligence personnel say that at root this story may have everything to do with why alleged Soviet spy Felix Bloch has not been indicted. (See *EIR,* March 9, 1990, "Polygraphing PFIAB: the Bloch affair").

Ever since his confirmation hearings in March 1989 before the Senate Foreign Relations Committee, certain Committee members, including Sen. Jesse Helms (R-N.C.), have been trying to pin Eagleburger down on the conflicts they thought would arise from his previous job as president of Henry Kissinger's global influence-peddling firm, Kissinger Associates, Inc. Perhaps with Kissinger's resignation from the President's Foreign Intelligence Advisory Board (PFIAB) in late January under a cloud of conflict-of-interest charges, Larry Eagleburger thought that the next shoe to drop might be himself.

A new low in sleaze

The senators certainly have a lot to grill Larry Eagleburger on. As Thomas Friedman documented in a Jan. 27 article for the *New York Times* entitled "U.S. Envoy to Hungary Quits Over Investor Ties," when Secretary Baker learned of the potential flap created by Eagleburger's advice to Palmer, he demanded Palmer's immediate resignation as ambassador.

The CEDC, whose chairman is the Estée Lauder cosmetics heir and former U.S. ambassador to Austria Ronald Lauder, publicly launched its operations on Jan. 25 with the announcement that it had anted up $10 million for a 50% share in the Budapest, Hungary bank named the General Banking and Trust Company.

a business partner of booze baron Edgar Bronfman, namely real estate magnate Albert Reichmann of Olympia and York Development Corporation, Ltd. in Toronto, and investment manager Andrew Sarlos, who is also of Toronto.

Well-informed sources state that even while he is still employed by the U.S. State Department, Palmer is busy trying to put together a banking group that will transform Budapest into a shady financial services center like Beirut, Lebanon or Tangiers, Morocco, where anything and everything goes. Palmer's action, said *Newsweek* in its Feb. 5 issue, "seems especially blatant—and risks creating a new standard of impropriety. As one State Department employee says, 'The only thing everyone was asking was, 'Gee, I wonder if I can cut a deal like that?' "

This sort of scandal fits like a glove the practices of Henry Kissinger, who is allegedly a business partner of the CEDC. Since Henry's appointment to PFIAB in 1984 and especially with President George Bush's choice of Eagleburger to be number-two at State, and of Kissinger Associates vice-chairman Gen. Brent Scowcroft to be Assistant to the President for National Security Affairs, it seems Henry and the "Scowgleburger duo" have been shaping the policy of the Bush administration so that Henry could line his pockets with fat fees.

Nowhere was this more true than when Henry advised President Bush to kowtow to Deng Xiaoping after the June 4, 1989 Tiananmen Square massacre, because Henry's clients had billions of dollars of investment at risk if tougher economic sanctions of the sort voted for by the U.S. Congress had been imposed. In fact, Henry's potential conflict of interest was so great, that a member of the U.S. Office of Government Ethics suggested to *EIR* that a criminal complaint be filed with the U.S. Justice Department for possible violation of United States Criminal Code Title 18, Sec. 208—a felony count carrying a maximum two-year sentence. On Feb. 27, *EIR* investigators filed that complaint.

Now, after helping, in the words of Sen. Joseph Biden (D-Del.) "to dampen, if not crush the revolution in China," it appears that Larry Eagleburger intends to use his post in charge of Eastern Europe for Henry Kissinger and other associates to make fat profits off the back of the revolution that leapt from Tiananmen Square to that region.

Fool's gold

Before he lined up a lucrative job with Ronald Lauder's consortium, Ambassador R. Mark Palmer had said at a meeting of the Budapest Chamber of Commerce: "The gold rush is on in Hungary. Budapest is a boom town." Lauder's CEDC has announced that it will stake its claims in that "gold rush" by engaging in such oligarchic forms of investment as real estate speculation and tourism.

Residents of Houston, Texas and many other American cities that are facing the effects of today's depression, know perfectly well the disaster caused by this combination, once other forms of real economic activity stop. And this is no solution to the real problems in Eastern Europe resulting from decades of looting by the Soviet Union.

Yet, in his March 6 testimony before the House Budget Committee, Eagleburger endorsed precisely this same oligarchic model of investment. While Eagleburger acknowledged that on his recent tour of Eastern Europe, leaders there were clamoring for investment in costly infrastructure and new energy sources of the sort that the Soviets had denied them, he said that the Fiscal Year 1991 budget will only provide $300 million in aid to Eastern Europe. He justified this niggardly sum to one congressman by saying: "In the 1970s the U.S. dumped money into Eastern Europe. We got very little in return. The President will not let that happen again. Now, our basic philosophic approach is to encourage private investment, while the U.S. government concentrates upon teaching Eastern European nations accounting and banking. It's a lot cheaper that way."

What Eagleburger meant by teaching Eastern Europeans banking instead of building the infrastructure they want and need, became clear when a congressman asked whether the United States might not take money earmarked for the World Bank, International Monetary Fund, and United Nations and invest it instead in Eastern Europe. Eagleburger responded: "We must pay our arrears to these transnational institutions. The President feels most strongly about this arrears thing to the IMF, World Bank, and United Nations. We especially want to fund U.N. programs for the environment. . . . Our aid to Eastern Europe comes with conditions, which are: an end to the communist party, a multi-party system, and free market mechanisms. We also are concerned about the question of the environment in Eastern Europe."

This IMF-style approach stands in stark contrast with that of physical economist Lyndon H. LaRouche, Jr., who has called for creating a triangle of high-speed rail transport and nuclear power plants from Paris to Berlin to Vienna into which the productive equivalent of Japan might be developed. This locomotive of the world economy is of immediate concern to the United States. Given the accelerating rate of collapse of America's physical economy, not to mention an impending blowout of the financial structure, the United States desperately needs to be involved in centers producing new profits in terms of real goods. Thus, LaRouche called this triangle, "The goose that lays the golden eggs."

But the eggs of the silly goose contemplated by Eagleburger will be made of fool's gold. Eagleburger's new job calls for him to implement the President's Support Eastern European Democracy (SEED) Act, which places most of its investment money in "private enterprise," namely the creation in Poland, Hungary, and so forth of Hong Kong-style "free enterprise zones," where for minimal capital investment Western financiers can exploit Eastern labor at coolie wages.

That is exactly what Eagleburger's insistence on Adam Smith-style "market mechanisms" means, as the case of Poland illustrates. The Solidarity government of Poland is facing collapse, because they have followed IMF demands to stop price subsidies, causing consumer prices for basics like food to rise from 50-600%, while wages remain fixed. Ultimately, the reason the IMF demands such austerity, which is reaching genocidal proportions in Ibero-America, is to ensure the debt service payments over the short-term to Western banks (like Kissinger's client Chase Manhattan Bank) that are now to exploit cheap Eastern labor through deals like R. Mark Palmer's banking consortium.

The last thing Americans should want is Eagleburger's IMF model to be implemented, since it will force them to compete with Eastern European workers, who are being paid the equivalent of what their Soviet masters had paid them. LaRouche's triangle, however, would mean real development with decent wages that would create a new export market for U.S. goods, as well as generating profits to stop the financial collapse of America.

This IMF-style looting approach, that means fat profits for the likes of Eagleburger's associates, Henry Kissinger and R. Mark Palmer, should come as no surprise. Sources in Yugoslavia report to *EIR* that when Larry Eagleburger was U.S. Ambassador to that country from 1977-81, he convinced them to produce for export the Yugo automobile, which has nearly bankrupted the country, while Yugo board member Larry Eagleburger and Henry Kissinger (whose firm had Yugo as a client) came out about the only ones to profit. Another Yugoslav business on whose board Eagleburger sat until his new job at State, the LBS Bank of New York, was convicted in September 1989 of money-laundering charges in Philadelphia as part of what bank officials thought would be an attempt to violate the Munitions Control Act. That's potentially what Palmer's CEDC swindle may be about.