

'Prince of Thieves' Robert Strauss and money laundering in Russia

by Richard Freeman

In November 1995, Robert S. Strauss, acting as chairman of the U.S.-Russia Business Council (USRBC), authorized the Council to address a letter to Alan Greenspan, chairman of the U.S. Federal Reserve Board of Governors. The Strauss-authorized letter argued to the Fed that it should quickly approve the application for a New York branch representative office, which the Russian bank, Inkombank, had submitted in that April. At the time that Strauss was taking up Inkombank's cause, that bank was at the center of laundering what some estimates place at several billions of dollars in criminal and capital flight money out of Russia, and into New York, London, and Switzerland. A good part of the illicit cash flowed to the Bank of New York, specifically through the office of Natasha Gurfinkel Kagalovsky, who headed—and still heads—the Bank of New York's eastern Europe division.

Strauss had great expertise to argue on behalf of the interests of the money-laundering Inkombank. He is a long-time friend of George Herbert Walker Bush, and as President, Bush had made Strauss Ambassador to Russia from 1991-93. In that capacity, as Lyndon LaRouche identified, Strauss acted as the "Prince of Thieves." He was appointed Ambassador to Russia on June 4, 1991. In late August, the government of President Mikhail Gorbachov fell. In the ensuing uncertain period, Strauss helped shove through the policies devised by the oligarchy's Mont Pelerin Society, which, under the Intentional Monetary Fund, applied shock therapy and privatization to steal the nation blind. The networks of George Bush and former British Prime Minister Margaret Thatcher set up Russia's entire criminal money-laundering operation.

Strauss's participation in the Inkombank operation, as early as 1995, is not only not surprising, but logical. It is one slice of the larger pattern of Bush network criminal activity. If one asks, "Who lost Russia?" one shouldn't start in 1995 or 1993, but at the beginning: 1989-93, when the Bush apparatus rammed through in Russia its criminal policy.

The Strauss-authorized U.S.-Russia Business Council letter was obtained by *EIR* from publicly available Freedom of Information Act files maintained at the Federal Reserve Board's headquarters in Washington, D.C. To our knowl-

edge, no other publication in America has cited and published the Strauss-authorized letter, choosing instead to focus exclusively on the activities of Vice President Al Gore, who is also heavily implicated in the Russian money-laundering operation. The obfuscation of the hand of President George Bush, which preceded Al Gore's role, in guiding the money laundering all along the way, shows that the press is engaged in a very large cover-up.

Further, among the other 400 pages in the Inkombank file held at the Federal Reserve, are documents establishing that Fed chairman Alan Greenspan was informed of the Inkombank-Bank of New York cash nexus and its operations for three and a half years, and allowed it to continue. This activity took place with the participation of the highest levels of the U.S. and other financial establishments. Our report should help the reader penetrate beyond the media's misrepresentation that the money-laundering involved only what is called the Russian mafia and a few rogue bankers.

We will review, through the relevant documents, how the money laundering worked, which will require establishing a few basic facts about the operation. Because the activities of BONY's Gurfinkel Kagalovsky, and what is contained in her letter to Fed chairman Alan Greenspan, establishes certain essentials, we will start with that, and then proceed to the earlier, but more important network around Robert Strauss, George Bush, and their friends and collaborators, such as former Federal Reserve Bank of New York President Gerald Corrigan. We will see how they created the financial apparatus to make this money laundering possible.

The money-laundering machine

Inkombank has a long history of money laundering. In 1988, Inkombank was formed to make loans, trade foreign exchange, and perform similar banking services. By 1992-93, Inkombank claimed that it was the fourth largest bank in Russia. Inkombank also sought to take over companies. According to the book, *Kremlin Capitalism: Privatizing the Private Economy*, Inkombank's press secretary told a reporter, "Certainly the goal of our bank is not just profit. . . . We want to become co-owners of major enterprises. Yes, we buy shares. And if some directors do not understand,

they are doomed.”

Inkcombank owned a significant share of Russia’s timber industry—which raw material was looted—two insurance companies, and other enterprises. In the early 1990s, Inkcombank opened up a branch in Cyprus, employing 11 staffers, and opening up a second branch there in 1994. Cyprus is a known money-laundering center, and is the center of Russian money laundering.

In 1992, Inkcombank started its banking relationship with the Bank of New York (BONY), including wire transfers. Since 1992, the head of BONY’s eastern Europe division was one Natasha Gurfinkel; she handled the Inkcombank account, through which much dirty money was laundered.

Her future husband, Konstantin Kagalovsky, had been, from 1992-94, Russia’s representative to the International Monetary Fund, from which post, he helped implement the IMF’s shock therapy program, which established the looting against Russia. Konstantin Kagalovsky had been part of the brain trust of the monetarist Mont Pelerin Society’s Lord Harris of High Cross’ International Center for Research into Economic Transformation, which took over the key posts of the Russian government in late 1991. (Two other minions of Lord Harris also took over posts in the Russian government: Yegor Gaidar, who became Prime Minister, and Anatoly Chubais, who became head of the privatization operations, as well as others. These people worked with the Bush-Strauss network.)

Telltale letter to Greenspan

To expand its money flows, Inkcombank made an application on April 19, 1995, with the Federal Reserve Board of Governors in order to open up a representative branch office in New York, an application which came under the purview of the Fed’s authority. The apparatus that knew that it must expand the illicit money flows out of Russia, mobilized to make sure the Federal Reserve approved Inkcombank’s application. BONY’s Natasha Gurfinkel Kagalovsky, using her maiden name, Natasha Gurfinkel, wrote a letter on April 23, 1996, on Inkcombank’s behalf, addressed to “Honorable Alan Greenspan.” This letter was obtained from the Federal Reserve’s Freedom of Information Office. What is astonishing, is that Natasha Gurfinkel Kagalovsky indicated crucial features of the banking relationship between Inkcombank and BONY that should normally have triggered suspicion an immediate response by a Federal Reserve board chairman. Greenspan has sat on his hands over this for, now, three and a half years. The letter stated:

“As Senior Vice President and Division Head of the Eastern Europe Division of the Bank of New York, I am writing to provide the Federal Reserve with information about Inkcombank, an organization which I know very well and which I understand has before you and your colleagues an application to establish a representative office in the United States. . . .

“Our relationship with Inkcombank dates back to March 12, 1992, at which time we opened a demand deposit account for them to clear U.S. dollar payments. *Today, they are our largest and most active relationship, processing in excess of 250 payments per day.* We also extend a modest clean [credit] line for the exchange activity. *Needless to say this is a very important and profitable relationship for our bank.* . . .

“If Russia is to succeed in their quest to develop a market economy and build a democratically based financial system, it is imperative that a strong commercial banking system lead the way. Inkcombank in my opinion, has both the capacity and vision to lead an effort. . . .

“. . . I believe that allowing [Inkcombank] to open a U.S. representative office will go a long way in serving both U.S. and Russian customers. . . .

“I feel confident in adding the Bank of New York’s voice in support of Inkcombank’s application” (emphasis added).

Alarms were silenced

Inkcombank started working with BONY in March 1992. According to Natasha Kagalovsky’s 1996 letter, “This is a very important and profitable relationship for our bank.” Further, “they are our largest and most active relationship, processing in excess of 250 payments per day.” That’s 1,250 payments per week! What could Inkcombank be doing, in terms of real trade or any other legitimate activity, that the Bank of New York was processing 1,250 payments into dollars per week? This should have set off alarm bells.

Further, according to an Aug. 21, 1999 *New York Post* story, “Bank Made Killing on the Mob,” the Bank of New York was collecting a \$56 fee per wire transfer from Inkcombank for a large number of such wire transfers it performed, to bring money into and out of the United States, a rate as much as six times higher than the normal wire transfer fee. This information would have been available to the regulators and inspectors of the Federal Reserve. Such a high fee represented, effectively, BONY’s skimming from some of the illicit funds for itself.

Russian banking authorities did not share BONY and the Fed’s complacency about Inkcombank: In 1996, they issued a scathing 200-page audit revealing that Inkcombank, as stated by the *New York Post*, “appeared to be engaged in criminal activity, and recommended severely curtailing its activities.”

How much did Alan Greenspan know of this, while not acting? On Aug. 23, 1999, the Federal Reserve’s chief press officer told *EIR*, “If the Russian authorities had any report on Inkcombank [with regard to dirty money], then the Federal Reserve would have found out about it,” because, “when any foreign bank applies to open an office in the United States, as part of the application review process the Federal Reserve talks with, and reviews the case with the banking authorities from the country of that bank. This is the requirement spelled out in Chapters 4 and 5 of the Federal Reserve’s

‘Purposes and Function’s Statement.’” (In Chapter 5, the appropriate sub-section is entitled “Authorizing the Establishment of Foreign Branches of Member Banks and Regulating the Scope of Their Activities.”)

The highest levels of the U.S. banking establishment permitted—and perhaps abetted—the activities of Inkombank and the Bank of New York.

Strauss appeals to Greenspan

Robert Strauss had already instituted the policy that created a criminal banking system in Russia. He only waited six months to move on behalf of Inkombank’s interests for its application for a representative office. After leaving his post as Ambassador to Russia in 1993, Strauss moved right over to become chairman of the U.S.-Russia Business Council. Although the Council had been around for awhile to promote U.S.-Russian business relations, Strauss, working with the Bush networks, was able to transform the organization to his purposes, and it became his fiefdom.

On Nov. 8, 1995, Strauss authorized the USRBC to address a letter to “Honorable Alan Greenspan” to also recommend that the Fed approve Inkombank’s application. In this instance, the letter was signed by Council President Eugene Lawsen, but everyone knew that the USRBC was Strauss’s organization, and Lawsen’s letter appeared under the letterhead displaying, “Robert S. Strauss, Chairman of the Board.”

The letter stated:

“As I understand it, [foreign bank] representative offices are very different from actual branches, in that they are not empowered to take deposits or make loans. I also understand that because of these differences, the Federal Reserve has broad discretion in fashioning the criteria to be applied in evaluating representative office applications. I urge the Board, in exercising this discretion, to give weight to the benefits representative offices will confer on U.S. trade and investment interests, and to the value of such offices as catalysts for strengthening the Russian [banking system]. . . .

“I can certainly appreciate the need for application of strict standards when considering applications to establish foreign bank branches in the U.S. But especially in the context of managing a difficult transition away from a government-monopolized financial system to a modern private system, it would be counterproductive to prevent the leading organizations in the industry [Inkombank] from having the simple capability to facilitate liaison with existing U.S. customers, develop contacts with potential new customers, and network with U.S. financial institutions.”

Already at this point, there were reportedly growing, and sometimes vocal suspicions about Inkombank’s dirty activities. A serious examination of Inkombank would reveal this. The Russian banking authorities’ 200-page 1996 audit of Inkombank confirmed, and then some, how dirty the nature of Inkombank’s work was. Then, Inkombank exploded in

September-October 1998, following the Russian government’s announcement on Aug. 17 that it would not pay on its Treasury debt. Inkombank had financial exposure on several fronts, including its ownership of a good amount of Russian Treasury debt. But, until its September-October failure, the Bush-league financier networks had benefitted from a principal money laundromat.

The Council: Strauss’s fiefdom

Who is Robert Strauss and the U.S.-Russia Business Council? What was the extent of their reach?

Many businessmen and bankers were on the board of the USRBC in 1995, but two stand out. One is Dwayne Andreas of the food cartel company Archer Daniels Midland.

The other is Gerald Corrigan. Corrigan served as President of the Federal Reserve Bank of New York from 1985-93. Under Corrigan’s direction, the “Bankers Forum” project was set up. At George Bush’s behest, Corrigan “sent in a group of experts from the Fed, commercial banks and the Volunteer Corps on an off-the-books mission to teach the Russians at the Central Bank the bond game.” Corrigan also helped set Russia up with its new “free market” banking system. Starting in 1992, Corrigan was co-chairman of the Russian-American Bankers Forum, and from 1993, was chairman of the Russian-American Enterprise Fund. Thus, he knew intimately how the banks worked, including the speculative and dirty-money side. This knowledge was at the service of the USRBC and Strauss. (Today, Corrigan is employed as a top officer at Goldman Sachs investment bank.)

Robert S. Strauss was born in Lockhart, Texas on Oct. 19, 1918. After graduating from college, he joined the FBI, serving in 1941-45.

Strauss was, from 1945-77, and then again in 1981, a member, and later a partner, in the Texas-based law firm of Akin, Gump, Strauss. He was treasurer of the Democratic National Committee from 1970-72, and became chairman of the DNC from 1972-77. Democratic or no, Strauss was a flunky for British oligarchical financier networks. During the 1980s, he did the dirty work for Pamela Churchill Harriman’s “Democrats for the ’80s” political action committee inside the Democratic Party. But since he had no morality, party affiliation meant little. Strauss worked freely as part of the Bush networks, drawing at first on the dirty networks from Texas. He was an old friend of Bush; as the June 5, 1991 *New York Times* reported, “when George Bush moved into the White House [as President], Mr. Strauss was one of the first to call and congratulate him there, and Mr. Bush had Mr. Strauss over among his initial dinner guests.” Strauss is equally close with another Texan, James Baker III, Bush’s Secretary of State and then White House Chief of Staff.

Strauss continues to keep his Bush network affiliation alive, sitting on the board of the Bush-aligned Forum for International Policy (FFIP) (see article, p. 75).