

BAC interests prepare to seize Russian assets

by Mark Burdman

Under conditions of the ever-worsening global financial crisis and Russian internal crisis, a Russian default and Western seizure of Russian assets are fast moving onto the international agenda. There are concerted moves by financial and political power groups centered in the British-American-Commonwealth (BAC) bloc, to force the issue on a possible Russian default on its "London Club" (Soviet-era commercial) and other debt, and to seize Russian assets through legal maneuvers that would accompany a default.

This is part of a strategy by leading British establishment planners and their counterparts in the George Bush milieu in the United States, typified by chief George W. Bush foreign policy spokeswoman Condoleezza Rice, to move into a new phase of confrontation with Russia, and to expedite the disintegration of the Russian Federation.

The campaign for default is based on massive blackmail and fraud from relevant BAC forces. Russia is in severe financial-economic crisis, and the looting of that country over the past years has been carried out by the British-Bush forces, who have imposed a policy of organized criminality and looting upon Russia under the code names of "privatization," "reform," and "free trade." *EIR* founder and U.S. Democratic Party Presidential pre-candidate Lyndon LaRouche has advised, that if people are interested in "recovering" money from Russia, they should commandeer it from George Bush, since he stole it.

'There will be efforts toward asset seizures'

In an Oct. 18 discussion with *EIR*, a leading Russian strategist stressed that the possibility of a Russian default and ensuing seizure of Russian assets in the West, is very much moving onto the agenda. He noted: "Effectively, we are already in default. An agreement has been reached on the Paris Club [Soviet-era state-to-state] debt, for a postponement of payments. But on the London Club, there is no agreement, and there is not one pending. There is also a possibility of imminent default on the IMF [International Monetary Fund] debt. . . . Personally, I believe the seizure of Russian assets in the West is possible. People here believe they have their money securely put away in safe havens, but this is an illusion. The U.S. has had a lot of experience in hunting down cocaine money, and this can be used against money from Russia." This individual warned that the growing financial pressure, combined with the escalating war in the Caucasus, could precipitate a political-social explosion in Russia.

On Oct. 19, an academic specialist on Russia who has links to British Intelligence, told *EIR* that there is a big fight inside the London Club over how to deal with Russia, and that those pushing the default/asset-seizure perspective have the upper hand. He stressed: "There is growing frustration with Russia, and I think the hard-liners will win. It is known, that the Russians have more assets abroad than the totality of their Gross Domestic Product. There's plenty of Russian money abroad, but the Russians are good at playing the game of how 'bankrupt' they are. Sooner or later, the frustration will reach a boiling point, and there will be efforts toward asset seizures. The hard-liners will employ all legal mechanisms, with the argument that if this is not done, they will be seen as weak."

Leading the "hard-liners" is an entity named Gramercy Advisers, which was set up on the eve of the mid-August 1998 collapse of the GKO "pyramid scheme," which collapse nearly caused a meltdown of the international monetary system. Gramercy co-founder Robert Koenigsberger had been a senior vice president at the Lehman Brothers investment bank. Lehman Brothers, in September 1998, had successfully sued two Russian banks in a London court, in a case cited favorably by the Oct. 21, 1999 *London Times*, as a possible precedent for asset-seizure actions in the months to come.

Gramercy Advisers has a fund-management entity called Gramercy Emerging Markets Fund, which recently played the leading role in demanding a hard line toward Ecuador, when that country defaulted on its so-called "Brady Bond" debt.

The Gramercy enterprise is effectively controlled by a small Wall Street intelligence operation called BPI Capital Partners Inc., which made big investments in Gramercy beginning in April of this year. The leading partner in BPI is John Irwin III, a scion of a BAC family, whose father, John Irwin II, was a protégé of Henry Kissinger, appointed by Kissinger in the mid-1970s as U.S. Ambassador to France. Irwin III has been involved in dirty operations against Lyndon LaRouche and associates, through his role in the misnamed "anti-cult" American Family Foundation.

With support from such journals as the *London Economist*, Gramercy has been pressing for months within the London Club, for London court action for "reclamation of assets" against Russia. Gramercy is at the center of something called the Russian London Club Portfolio Managers Inc., which are hedge fund (rather than commercial bank) members of the London Club, and which account for about 15% of the \$26 billion total Russian London Club obligations.

In an Oct. 7 interview on Russia's NTV station, Russian Central Bank head Viktor Gerashchenko made an obvious allusion to Gramercy's role, referring to "some new members of the [London] Club" which were making draconian new demands on Russia.

BONY and the case of Richard L. Palmer

One crucial factor is how BAC forces are using the ongoing Bank of New York (BONY) money-laundering scandal,

as a “public relations” preparation for seizures of Russian assets. While the scandal has unearthed much skulduggery on the part of leading Russians linked to the Al Gore and George Bush crowds in the United States and the “Thatcherite” mob in Britain, the scandal is being exploited to create a perception that it is impossible to differentiate between public, legitimate private, and illegal Russian monies abroad.

Exemplary of the “line” by leading BAC operatives in the BONY affair, is the Sept. 21, 1999 testimony before the U.S. House of Representatives Banking Committee by Richard L. Palmer, formerly a senior figure in the Operations Directorate of the U.S. Central Intelligence Agency, who was CIA “Chief of Station in the Former Soviet Union” in 1992-94. Today, he heads a Virginia-based investigative firm called Cachet International, Inc. and, as he boasted to the Committee, presumes to be an expert on organized crime in Russia.

Palmer’s paper to the Committee is filled with the wildest fallacies of composition and deliberate omissions. In short, he argues that Russia, from top to bottom, is a criminal enterprise, controlled by what he calls “ROC,” for “Russian Organized Crime.” Combining obvious facts with various exaggerations and overblown conclusions, he goes through how, since the mid-1970s in the Soviet Union, the Soviet, and, later, Russian, leadership has specialized in financial fraud, money-laundering, capital flight, and so on. Never once does he refer to the Western wheeler-dealers, typified by the late British figure Robert Maxwell, who massively expedited such enterprises, nor the Anglo-American policy mob, typified by the Mont Pelerin Society, which built up “organized crime” in Russia through their “free market” operations. Essentially, for Palmer, “ROC” is an expression of the “corruption in Russia” that is somehow endemic to Russian history.

From this construct, Palmer promotes the idea of aggressively pursuing seizures of Russian assets. He boasts that, in October 1998, “I organized and directed a seminar in Washington, D.C. on ‘Recovering Assets In and From Russia.’” Furthermore, after the mid-August 1998 financial crisis in Russia, when “both Inkombank and Menatep Bank were declared bankrupt and their assets were supposed to have been frozen, I represented a few of the more than two dozen Western firms that sought to trace the transfer of funds by the supposedly insolvent Inkombank and Menatep Bank to Western accounts where they could be legally attached.” He presented more “arguments” along similar lines.

On Oct. 21, the London *Times* published a puff piece for Palmer, entitled, “From Russia With Cash Is Possible.” Noting his advice that Western firms stop investing in Russia, and his disagreement with the view that Western firms cannot “recover their money” from failed Russian enterprises, the British paper noted that Palmer “has spent the last 12 months promoting the view that money in Russia can, in fact, be recovered.” He told the *Times*: “What people don’t understand, is that you don’t have to collect your money in Russia. If you owe me £500, I don’t necessarily have to collect that money from the U.K. I can do that anywhere that has the

money, and any place where I can get a court decision that is acceptable internationally.” Palmer also refuted the idea that, because much Russian money is squirreled in offshore accounts, it cannot be recovered. “That is not true,” he said. “It is done every day, it just takes a little time and money.”

It is known that leading British and American private security firms, such as Argen (British) and Kroll Associates (U.S.), are involved in extensive international activity to discover which Russian assets abroad can be seized under conditions of a declared default.

A top Russian official involved in negotiations with the London Club, has warned how the BONY matter and related factors are being used to whip up anti-Russian sentiments. Returning from his negotiations on the Russian debt, Andrei Kostin told the *Kommersant* daily on Oct. 7 that the BONY scandal has “negatively influenced the whole atmosphere of the negotiations. I regard everything that is taking place in the West now, including the United States, as hysteria, as some kind of McCarthyism.” Unless Russia adopts a “harsh position” on relevant matters, “the country may be very seriously damaged,” he warned.

Russian retaliation?

Indeed, under conditions of a default and asset-seizure, it is not inconceivable that the Russians might retaliate—in previously “unthinkable” ways. One possibility being mooted in certain quarters, is that Russia might cut off energy supplies to western Europe. How might this come about?

BAC interests, under condition of default and asset seizure, might try to prevent Western customers of Russian energy firms from making payments to Russia for natural gas or oil deliveries to western Europe. In retaliation for seizing such payments, Russia might stop its energy exports. A “signal” in this direction, is that the CIA and other sources have been warning that there could be a Y2K “millennium bug” breakdown of Gazprom computer chips, and that this would impede Russian energy supplies to western Europe.

On Oct. 20, a leading western Europe energy expert with highest-level connections in Russia, stressed that something very ominous is afoot on the Russia-Europe natural gas front. This source stressed that the energy situation in western Europe is “very risky,” particularly in Germany. There is a concerted attack in Germany against nuclear energy, and Germany is 60% dependent on imports of primary energy (oil and gas) from abroad. He said that he knows about Western circles that would “just love to have a natural gas crisis.” He reported that two weeks ago, he attended a conference at which a high-level U.S. Department of Energy official suddenly said that he is expecting a “dramatic rise in natural gas prices this winter.”

In this context, the expert said that he is “very concerned” about the situation in Russia, and that the hypothesis that Russia might very well decide to turn off gas supplies following a Western seizure of assets in raw materials and energy, is absolutely conceivable.