

EIRFeature

The Kissinger-Sachs 'shock therapy' mob kills nations

by an EIR Investigative Team

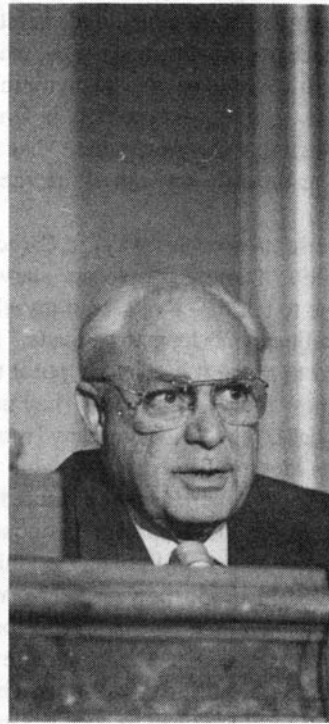
They reduced Poland to bankruptcy. They fomented war in Yugoslavia. Now the same people insist that the former Soviet Union must be put through the same type of process. They call it "shock therapy," a name for a monetarist cult policy which destroys nations, and reduces their populations through genocidal policies modeled on those of Hitler's Economics Minister Hjalmar Schacht.

What we present here is a profile of some of the individuals and institutions involved.

Bush administration policy toward Eastern Europe has been conducted under the authorization of the Support Eastern European Democracy (SEED) Act of October 1989. Initiated by George Bush, and put into law by Democratic Senators John D. "Jay" Rockefeller of West Virginia and Joseph Lieberman of Connecticut, the act created a position within the U.S. Department of State entitled "Coordinator for Eastern European Affairs," to which Lawrence Eagleburger, number two in the Bush State Department, was appointed in January of 1990.

Under the provisions of the SEED Act, Eagleburger has been empowered to coordinate the deployment of an apparatus which includes: on-the-ground penetration along with psychological, economic, and financial warfare operations within eastern European nations; financial institutional backup for such operations from within the United States; support from America's leading universities, like Harvard and Stanford; and political subversion through the National Endowment for Democracy and affiliated institutions. The whole is affiliated with narcotics-pushing organized crime networks through the Anti-Defamation League (ADL) of B'nai B'rith of Kenneth Bialkin, and the World Jewish Congress of Edgar Bronfman. The ADL was given veto power over appointments made to positions created under the SEED Act.

The political and financial apparatus which filled out the provisions of the SEED Act was established with the transfer of resources which had been deployed in Ibero-America. This was the capability which was used in 1982 after the



A few of the gangsters and gangsters' cronies whom Bush has put in charge of pillaging the former East bloc: Kissinger clone Larry Eagleburger, Ambassador Robert Strauss, former national security adviser Zbigniew Brzezinski.

Malvinas War, under the Kissinger-Eagleburger-initiated Project Democracy to counter Lyndon LaRouche's book-length proposal *Operation Juárez*. LaRouche had called for Ibero-American continental integration, on the basis of debt reorganization and economic policies based on technologically progressive capital- and energy-intensive development. According to the National Republican Institute for International Affairs, the Republican Party's political component of the bipartisan Project Democracy apparatus, fully one-half of their resources were transferred from Ibero-America to eastern Europe in the aftermath of the revolutions of October 1989. Project Democracy's Ibero-American apparatus is that which developed the multibillion-dollar weapons for narcotics trade associated with support for Nicaragua's Contras, Colombia's M-19 terrorists, and the Peruvian Shining Path killer cult. This was partially revealed during the U.S. Congress's investigation of the Iran-Contra affair during 1987.

What is Jeffrey Sachs?

The same apparatus has been deployed into eastern Europe to oppose the LaRouche designed Paris-Berlin-Vienna Productive Triangle concept of European integration based on the development of transportation and related infrastructure. This group unleashed the same wrecking operation employed in 1982 and after, against Ibero-American countries, in the name of "free enterprise" and "democracy."

Harvard's Prof. Jeffrey Sachs, whose name has become associated with the ultra-liberal "shock therapy" privatiza-

tion and free market model as applied in Poland, Yugoslavia, and other eastern European nations, is a front for the apparatus created on Bush's initiative in October 1989, and run, to this day by Lawrence Eagleburger.

Sachs, the youngest professor ever to achieve tenure at Harvard University, made his name as "the man who conquered inflation in Bolivia," according to former U.S. President Jimmy Carter. Sachs's name has been associated with the "shock policies" that have been applied in Bolivia, Venezuela, Peru, Argentina, and Ecuador. Lately, the Harvard punk has been seconded to the Mexico of President Carlos Salinas de Gortari (also a Harvard grad).

In Bolivia, he may indeed have reduced inflation, but he also destroyed the economy, and with the policies he took responsibility for, produced a doubling of employment in cocaine production and processing, and a near doubling in the acreage devoted to the cultivation of the coca bush. In Venezuela, the implementation of the policies associated with his name produced the mass protest uprising of February 1989, and reduced Venezuela's imports and cultivated land area by half. The consequences are genocide. He, and the people he works for, transformed Peru into a breeding ground for cholera, and deprived the country of the means with which to fight the disease.

He summarized his approach in an interview with the Brazilian newspaper *O Estado de São Paulo*, published on July 16, 1990: "It is necessary, I say, to deepen the recession to eliminate flexibility of prices and wages. . . . The Brazil-

ian government must be firm and control the web of fiscal policy, contain expenditures, increase taxes, and maintain monetary policy. . . . And the period of pain in Brazil, which entails slow and negative growth, will have to go on for more than two years." In his view, the biggest problem in Brazil is the "ethic of growth," such that the government "has not accepted a deep recession as the only way out of macroeconomic instability."

He talked about the consequences this way, in Caracas, Venezuela on Feb. 1, 1989. "I know people are starving down there, you don't have to tell me. I've seen it myself." That's why, he insisted, "adjustments have to be made." His adjustments were designed to make it worse. He put it this way: "They don't need a new monetary system. They need a new arrangement for the debt." His "shock therapy" monetarism has been designed to loot for the account of debt.

Sachs's deployment in Ibero-America was sponsored, in part, by the World Institute for Development Economics Research, a Helsinki, Finland-based affiliate of the United Nations University. Founded in 1985, the year Sachs went to Bolivia, the institute focused at first on the Third World, producing two reports; one was issued in August 1989, even as Sachs's policy was being put forward as that which the Solidarnosc government in Poland had to accept. Dutch Sufi mystic Johannes Witteveen, the former managing director of the International Monetary Fund, led the team which produced the report. Also included along with Sachs, were higher-ranking luminaries from the world of high finance, such as the former president of the Bank for International Settlements, Fritz Leutwiler, and Brown Brothers Harriman's Robert Roosa.

The same agency has sponsored Sachs's work in eastern Europe under its program "Communist Economies in Transition," and has provided funds for a Washington, D.C.-based consulting firm, Jeffrey Sachs Associates.

The Polish model

In Poland, the implementation of the policies associated with the SEED Act and Sachs has led to large-scale unemployment, social and economic dislocation, and bankruptcy, and provides one model for how the apparatus deploys, and to what end. The former Yugoslavia provides another: There the Serbian-Bolshevik allies of Eagleburger and company have launched war on European territory for the first time since 1945. The economic disintegration, produced by the Sachs-type free-marketeers, is what fueled the Serbian Communists' war of expansion.

Working with Poland's National Bank and Ministry of Finance, U.S.-trained bankers have moved into position in 56 banks across Poland, from where they deploy 75 Polish officials in the credit operations associated with Sach's radical free market policy. The internal penetration complemented the externally imposed credit and fiscal policies under which Poland was advised to free prices, eliminate subsidies,

make its currency convertible at below bankruptcy rates, and cut its state budget. The combination produced the destructive results intended.

SEED-mandated guidelines for Poland included: formation of a currency stabilization fund; small credit guarantees from the U.S. Export-Import Bank; elimination of agricultural subsidies; establishment of a \$240 million investment fund; promotion of environmentalism; and backing for the "democratization" programs of the National Endowment for Democracy.

The "Polish-American Enterprise Fund" was established to carry out the mandate. The fund began its operations in mid-1990, according to its own most recent "Progress Report," "introducing western business practices, technical expertise, management tools and free market economic concepts." Poland's banking system was targeted through a subsidiary deployment which came on line in the Fall of 1990, and is known as the Enterprise Credit Corporation. Working with the Southshore Bank of Chicago, it is the ECC which has physically moved its personnel into Poland's banks. Southshore Bank of Chicago was put in charge of the deployment on the recommendation of Harvard University. It sponsors "sweat equity"-type programs in Chicago's ghettos. Later, an Enterprise Capital Corporation was also spawned.

The board of directors of the Polish-American Enterprise Fund was appointed by Bush. It includes, as of May 1, 1991: John Birkelund, chairman; Nicholas Rey, vice chairman; and Zbigniew Brzezinski, Jerzy Dietl, Robert Faris, Charles Harper, Pawel Jagiello, and Lane Kirkland. Kirkland and Brzezinski, both members of the Trilateral Commission, are also part of the "Project Democracy" apparatus. Vice Chairman Nicholas Rey is from the Wall Street investment house Bear Stearns.

The Enterprise Credit Corp. operates through branches of the following banks: Panstowy Bank Kredytowy w Warszawie, Bank Gdanski w Gdansku, Bank Przemyslowo-Handlowy w Krakowie, Bank Depozytowo Kredytowy w Lublinie, Powszechny Bank Gospodarczy w Lodzi, Wielkopolski Bank Kredytowy w Poznaniu, Pomorski Bank Kredytowy w Szczecinie, and Bank Zachodni w Wroclawiu.

The Polish-American Enterprise Fund admits that it "may well" have been the agency which provided funds for the massive skimming operation known as "Art-B" (see *EIR*, Aug. 30, 1991, "Art-B Scandal Hits Poland; Shows Insanity of 'Sachs Maniac' Economics").

Backing Yugoslavia's communists

In Yugoslavia, it has been the same combination. Sachs provided the free enterprise ideological package to the central government, and to the Republic of Slovenia. Eagleburger ran the political operations through his long-standing friend Slobodan Milosevic, the head of Serbia's Communist Party, and earlier, a Harvard graduate who moved on to run Beo

Banka in the capital of Belgrade.

Eagleburger, a foreign service flunky deployed into Yugoslavia in the 1960s, and again as U.S. ambassador, from 1977-81 under the Carter administration, helped set up the present arrangement with the Serbian communists and military, through financial relations developed with Slobodan Milosevic, when Milosevic was the head of Beo Banka. Relations developed through the U.S. government were continued when Eagleburger went to serve at Kissinger Associates under his old boss, former Secretary of State Henry Kissinger. They were continued when he returned to the number-two position in the Bush State Department. At Kissinger Associates, Eagleburger organized the U.S. marketing of the Yugo automobile, which resulted in the bankruptcy of the Yugoslav partner. Milosevic's Beo Banka was, together with Yugo Banka, the Yugoslavian side in the transaction. Eagleburger is also linked to LBS Bank, where he served on the board of directors. When the Yugoslav-based bank was prosecuted in Philadelphia on money-laundering and weapons-running charges, pressure from the U.S. government kept his name out of the proceedings, even though Eagleburger had arranged for the bank's presence in the United States.

The relationship is still under scrutiny in the U.S. House of Representatives, on the grounds that it was a cover for secret arms production and distribution agreements.

No SEED Act fund or funding was provided for Yugoslavia; rather, the Project Democracy apparatus has been deployed under Eagleburger's direction through National Endowment for Democracy (NED) chairman Carl Gershman.

Now, the Eagleburger team backs Serbia's communists in a war which threatens to engulf all of Europe.

Under the terms of the SEED Act, Enterprise Funds were also established in Czechoslovakia and Hungary. The president and chief executive of the Hungary Fund is Alexander C. Tomlinson, retired chairman of investment bank First Boston Corp. The Hungary Fund board of directors includes John C. Whitehead from the New York investment house Goldman Sachs; George D. Gould, Daniel B. Bourke, and Robert D. Hormats, also from Goldman Sachs; and Prof. Paul Marer. Launched with money from the State Department's Agency for International Development (AID), the Hungary Fund plans to establish a merchant bank affiliate in Budapest. Its loans are offered through the Szechenyi Bank, a division of the Hungarian Credit Bank and MEZO Bank, which is said to be owned mostly by cooperatives. Fund placements have most recently been handled by Salomon Brothers in New York.

The Czechoslovakia Fund is headed by John Petty, the former chairman of Marine Midland Bank of Buffalo, New York. Marine Midland, once the major bank in the offshore money-laundering center of Panama, is owned by the central bank of the international drug trade, the Hongkong and Shanghai Bank. The Czechoslovakia Fund was also provided

with \$5 million in startup funds from U.S. AID.

The financial operations are paralleled by those of the National Endowment for Democracy under another former Kissinger subordinate, Carl Gershman, who was also an official in the ADL at one time. Along with the National Democratic Institute for International Affairs, the National Republican Institute for International Affairs, the Free Trade Union Institute of the AFL-CIO, and the Center for Independent Private Enterprise, the NED sponsors education programs in "democracy," helps organize elections, and is involved in writing constitutions for newly liberated states. It is part of the same apparatus.

Kissinger's SEEDy network

Initiated by Bush, administered by Eagleburger, the core of the apparatus is associated with the political and financial networks associated with Henry Kissinger, and his international consulting, influence-peddling, and money-making company Kissinger Associates. Kissinger Associates represents a faction of combined British, Canadian, and American financial and political power. It is co-extensive with the Canadian-based Hollinger Corp. of media magnate Conrad Black, and with the drug money interests associated with the Hongkong and Shanghai Bank, and the Hong Kong-based financier Li Kai Ching, who funds Hollinger.

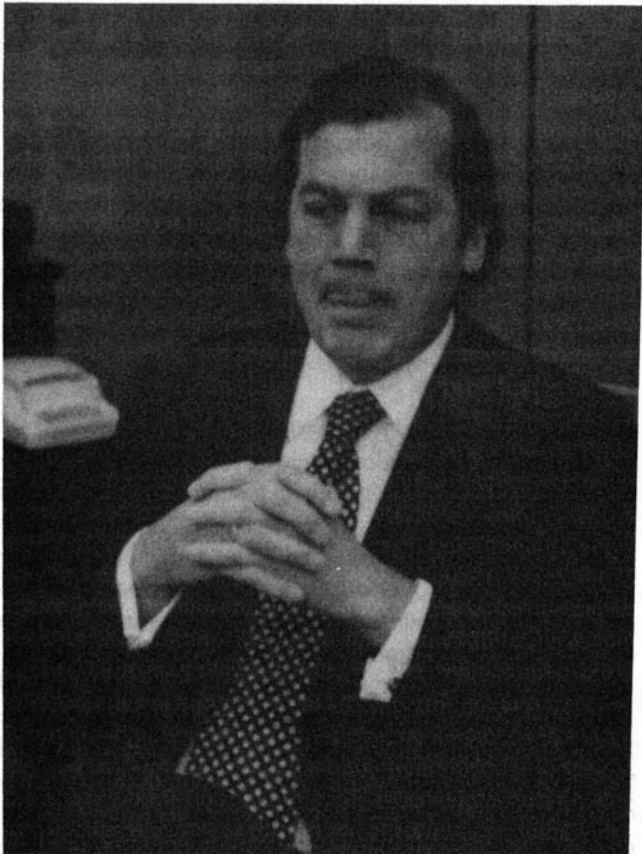
The present operations in eastern Europe represent a further continuity with the career of Kissinger. When he was Nixon's secretary of state, during the period of "détente" with the Soviets under Leonid Brezhnev, Kissinger and George Shultz organized the U.S.-U.S.S.R. Trade and Economic Council (US-TEC). This outfit promoted economic relations with the Soviets from 1973 onward, and pursued the same approach after the Communist governments were successively overthrown in the revolutions which began in the fall of 1989.

The first of the ventures created under the SEED Act demonstrates the involvement of the Kissinger crowd.

The Central European Development Corp. was proposed in January 1990 and established during the spring. Initially based in Budapest, CEDC later moved to Berlin, where operations are conducted from the site of the former "Checkpoint Charlie."

The corporation was intended, within the scope of the SEED Act, to provide "technical assistance," "entrepreneurial training programs," and "democratic training" from its base in Hungary. CEDC chairman R. Mark Palmer, formerly a subordinate of Kissinger and Eagleburger within the State Department, left his post as ambassador to Hungary to found the corporation. Funding was provided by former Ambassador to Austria Ronald Lauder, heir to the cosmetics fortune of Estée Lauder.

The individuals brought together in the Central European Development Corp. were a strange bunch to assist in the democratization and reform of eastern Europe. With the ADL's Edgar Bronfman, they had organized the slander cam-



Whisky tycoon Edgar Bronfman, friend of communist dictators and head of the World Jewish Congress, is a key player in the looting game against the newly liberated republics of eastern and central Europe.

paign against Austria's President Kurt Waldheim; helped Moscow's Communists, through Eagleburger, to back the Harvard-trained Serbian Communist Slobodan Milosevic; and in 1988, Bronfman, in his capacity as head of the World Jewish Congress, had publicly received a state award from East German dictator Erich Honecker.

The CEDC bought a 50% share in the General Bank and Trust Company of Budapest as its base of operations, ostensibly to promote tourism, communications, and commercial real estate ventures. With the affiliated Hungary Fund of George Soros, a training school was established in a castle on the outskirts of the capital, where targeted individuals from across Eastern Europe, and from within the Soviet Union were brought for "education." The work of the school was endorsed by former Gorbachov economic adviser Abel Aganbegyan. Staff for the CEDC were recruited from the U.S. Foreign Service Institute and from the ranks of eastern European emigrés in the U.S. Democratic and Republican parties. Appointments were vetted by the Anti-Defamation League of B'nai B'rith.

Beyond Lauder, financial backers of the CEDC included: Albert Reichmann, one of the three Toronto-based Reich-

mann brothers, who own the real estate giant Olympia and York; Andrew Sarlos, a Toronto-based Hungarian expatriate who heads the Roy-L Merchant Group, the Hume Group, the Horsham Group, and other companies, and is a partner of co-CEDC funder George Soros in the First Hungary Fund; Eddie Cogan of Toronto; and Melvin Simon of Melvin and Associates.

Where Eagleburger and Palmer are tied through the Kissinger State Department Foreign Service, Reichmann's connection runs through the Hollinger Corp. Reichmann owns 35% of the property company, Tri-Zec, whose leading partner is Edgar Bronfman, head of the World Jewish Congress. The WJC played a major role in parallel with the subversion emanating from the CEDC, in the earlier with the witchhunt against Austria's Waldheim. Both the WJC and the ADL use fraudulent charges of "anti-Semitism" to isolate and disarm the opposition to the policies associated with the CEDC crowd and the affiliated organizations spawned from the SEED Act. A good example was the targeting of Polish President Lech Walesa and Jozef Cardinal Glemp. Most recently, the Lithuanian government, which stood up so courageously to the Kremlin and the KGB and has finally won its independence, has been targeted (article, page 44).

The CEDC planned to use its initial Budapest base as the launching pad for operations into the Soviet Union, where George Soros had already gained a foothold through the Soviet Cultural Foundation of Raisa Gorbachova, and through his own Foundation for the Soviet Union; Reichmann, in turn, is reported to be promoting commercial real estate ventures in Leningrad (St. Petersburg) and Moscow.

Placement of funds for the CEDC is handled by the New York investment house of Bear Stearns and Co. and by the International Financial Corp. of the World Bank. Bear Stearns also places funds for the Soros Hungary Fund. Former Bear Stearns Managing Director Nicholas Rey was selected by Eagleburger for the Polish-American Enterprise Fund. Bear Stearns board member John Kluge, one of the U.S.A.'s richest individuals, is also a supporter of Project Democracy and member of the organized crime-tainted ADL. Bear Stearns is now reported to be working on establishing a venture capital fund for Russia. Theodore Strauss, whose brother Robert is the new U.S. ambassador to the Soviet Union, runs the Dallas office of Bear Stearns.

Robert Strauss: targeting the Soviet Union

Although the Soviet Union is not formally included in the SEED Act superstructure, it has been subjected to a similar targeting, carried out in parallel with the deployment in eastern Europe. What this apparatus would now attempt to do in the former Soviet Union is indicated by the appointment of Robert Strauss as U.S. ambassador.

Former chairman of the Democratic National Committee, Robert Strauss was first considered for the ambassadorial post in the early spring of 1990. The appointment was said

at that time to be related to the establishment of the CEDC. Strauss, known as a "deal-maker," is an associate of the ADL, and was a director of Lew Wasserman's Music Corporation of America (MCA) as well as Dwayne Andreas's grain cartel company Archer Daniels Midland. MCA is one of the public fronts for organized-crime control of Hollywood.

Strauss, prominent in the U.S. and Texas Democratic parties for years, has also been a longtime business partner of Bush's Secretary of State James Baker, going back to the 1960s when they ran a joint beer distributorship.

Strauss's mob ties (he is known as someone who moves between the respectable world of business, and the quasi-underground of organized crime with facility) have prompted questions about the claims of O. Roy Chalk to represent the Russian Republic in Washington, through something Chalk calls the Intra-National Fund. A former bag-man for Meyer Lansky, Chalk claims to be under contract to the Russian Republic, and to be its legal representative in Washington, D.C.

The associations are highlighted by two ventures which both Trade Representative Carla Hills and President Bush have made the litmus tests for a trade agreement with the Soviet Union and for further economic agreements. These involve: the rights to movie re-runs and copyrights for videotapes, a persistent feature of MCA's agenda for over 40 years, back to the time Ronald Reagan was under contract with MCA; and the American Trade Consortium, which sponsors a proposed venture centered in the Tenghiz oil fields in Kazakhstan.

Free enterprise, Texas-style

The consortium's sponsorship is through James Giffen's Mercator merchant bank, and was proposed by Chevron, RJR-Nabisco, and Archer Daniels Midland. The latter deal, which reportedly demands a 25% guaranteed annual rate of return for the Western participants, directly involves Bush, Baker, and Strauss. More than 9% of the Chevron oil company is held by Pennzoil, which was formed in 1963 through the merger of Zapata Petroleum, Stetco Petroleum and the South Penn Oil Co. Zapata Petroleum was founded in 1953 out of the Bush-Overbey Oil Development Co., by George Bush, J. Hugh Leidtke, and William Leidtke. J. Hugh Leidtke, who was president of South Penn with Zapata and Stetco, is today the chairman of Pennzoil. Through Ben Love and others, Pennzoil is related to James Baker's former bank, Texas Commerce Bancshares, which assimilated into Chemical Bank of New York in 1988. Bush campaign fundraiser Robert Mosbacher was on the board of Texas Commerce, his brother Emil ("Bus") Mosbacher on the board of Chemical. James Baker held Chemical Bank stocks, before public disclosure. Graham Allison, the former Kissinger protégé who designed the so-called Grand Bargain agreements with Moscow's Grigory Yavlinsky, is on the international advisory board of Chemical Bank. Allison's paramour, Anne Getty, helped set off the chain of events which led to Pennzoil's

acquisition of Chevron. RJR-Nabisco is associated with American Express, and also with the family of Bush's White House Counsel C. Boyden Gray. Strauss, in turn, has ties to Archer Daniels Midland. Finally, Robert Strauss disclosed during his confirmation hearings that he had received royalty payments from Chevron.

Some members of this combination also show up with Burlington Northern, a Dallas-headquartered railroad and raw materials conglomerate, which has been working on a proposal to open up the Soviet Far East. Burlington is working on ventures to develop what it calls port and rail infrastructure in the Soviet Far East for expanded grain shipments from the U.S., and at the same time, to open up cattle raising and food processing in that area. Burlington Northern Railroad is the largest rail-based grain hauler in the United States. Burlington Northern's board overlaps with the same Texas Commerce Bancshares crowd that has been involved with the Chevron deal, Bush, and Baker. In the northern part of the Soviet Union, Edgar Bronfman's Du Pont oil and gas subsidiary Conoco has its eyes on the Shockmanskoy gas field in the Barents Sea.

Graham Allison is also an adviser to the Soviet Companies Fund of the Batterymarch Group, a Boston, Massachusetts-based business trust. Batterymarch manages equity investments for U.S. pension funds and others. Working with Allison, Yavlinsky, and the late Marshal Sergei Akhromeyev, former Defense Minister Dmitri Yazov, and former Chief of Staff Mikhail Moiseyev, Batterymarch established a fund for Joint Ventures with the Soviet State Commission on Military Industrial Production of the Council of Ministers of the U.S.S.R. The fund establishes joint-stock companies that are spun off from plants administered by the State Commission, which are to be owned by institutional investors or global companies. U.S. Fortune 500 companies invested \$20 million each in the fund to secure a position in the Soviet Union and gain access to Soviet military technology. The sponsors of the venture say it "might be the core of leading to a real free market." Leningrad Optical and Mechanical Enterprises is one such venture cited. Batterymarch's other investment targets include Brazil, India, and China.

These operations overlap with the Eagleburger-centered eastern European apparatus. Allison and Robert Blackwill, both formerly associated with the Kissinger apparatus in the U.S. government, report to the Eagleburger-headed inter-agency task force through State Department official Robert Zoellick. Allison says of Jeffrey Sachs, "He's on my team." The Stanford University radical free enterprise "opponents" of the Grand Bargain led by former Secretary of State George Shultz, also report to the Eagleburger group through Michael Boskin, chairman of Bush's Council of Economic Advisers.

The hideous consequences of what this apparatus stands for have been proven in Ibero-America, as well as in Yugoslavia and Poland. The venality and thievery go along with the doctrine of "free enterprise."