

CovertAction

Q U A R T E R L Y



The Power of Clout: How PR, Lobbying and Special Interests Buy Influence

"Those who have resources, have clout; those who don't, don't."

Doug Vaughan, Johan Carlisle, Joyce Nelson, John Dillon, Jack Colbourn, Chip Berlet, Trond Jacobsen

Somalia: Adding "Humanitarian Intervention" to the U.S. Arsenal

Alex de Waal and Rakiya Omaar

Spring 1993 (Number 44)

6 600

When George Bush sent troops to Somalia, he declared that they were "doing God's work." The media, by and large has accepted and promulgated the fiction that the intervention is yet another example of U.S. benevolence. History and healthy skepticism suggest that there are other factors at work:

Bolster the military. Somalia, noted Colin Powell, "was a paid political advertisement" for the Pentagon budget. Faced with growing irrelevance and deep cuts, the bloated military was reportedly delighted to branch into "benign" intervention.

Crude economic gain. Since 1985, the U.S. has been number one in arms sales to Somalia—and worldwide. A large deployment is good for sales, good for R&D, and good for a sagging economy in general.

Future strategic asset. Until it was chased out of Somalia by internal strife and changing priorities, the U.S. ran a major air and naval base in Berbera. With one of the biggest runways in Africa, the base is strategically placed on the Gulf of Eden near the Middle East oil-producing countries. A small U.S. force left behind could serve as a rapid deployment and communications base in future regional actions.

Install a submissive government. While the end of the Cold War certainly diminished the strategic importance of Somalia, the U.S. would no doubt prefer a government that is sympathetic to its interests or at least dependent on its support for survival.

Undermine separatism. Without a stable central government, the separatist movement in northern Somalia, which the U.S. opposes, is likely to grow.

Oppose Islamic fundamentalism. National security analysts view rising Islamic fundamentalism as a threat to U.S. interests. "If the fundamentalists sweep through Somalia," noted Osman Hassan Ali, Somali oilman and close associate of regional leader General Mohamed Farah Aidid, "their next targets will be Ethiopia and Kenya. If it's contained in Somalia, that can be stopped."

Increase U.S. control of U.N. By drawing the U.N. into the follow-up role, the U.S. consolidates its ability to use that body as a foreign policy arm and a convenient surrogate.

Publishers: Ellen Ray, William Schaap, Louis Wolf

Director of Research: Louis Wolf

Staff: Jonathan Brier, Michael Hahn, Margaret Hanzimanolis, Faith Holsaert, Bill Montross, Barbara Neuwirth, Jane Teller

Photography consultant: Dolores Neuman

Editor: Terry Allen

CovertAction Quarterly, 1500 Massachusetts Ave., NW, #732, Washington, DC 20005, (202) 331-9763, -9751 (fax). *CovertAction Quarterly*, Number 44, Spring 1993. Published quarterly, by Covert Action Publications, Inc., a District of Columbia Nonprofit Corporation, copyright ©1993. Indexed by *Alternative Press Index*, University Microfilms, ISSN 0275-309X. All rights reserved.

The ego factor. The intervention came during Bush's lame duckdom. The born-to-rule silver spoon-suckled Yalie had just been beaten by some philandering hick from Arkansas. Bush, a bored, depressed, moody, soon-to-be has-been complained to the press that he had nothing left to do but walk the dog. Suddenly, with the decision to send troops, the media followed his every word, and the Joint Chiefs were competing with Allied Van Lines for office access.

Oil. In 1991, a World Bank-coordinated report ranked Somalia and Sudan at the top of its list of prospective commercial oil producing nations in Africa. Five, mostly U.S.-based oil companies, have land concessions and exploratory rights covering more than half of Somalia's territory and are potentially worth billions of dollars. Conoco, the largest leaseholder, actively assisted Operation Restore Hope, even lending the Pentagon its corporate compound as military headquarters. "The oil companies," a former diplomat told the *Toronto Globe and Mail*, "are eager to get a new government established in Somalia, because they probably will be unable to insure their drilling operations until the country is stable."

The humanitarian intervention precedent. Who could object, in the face of horrific images of skeletal children dying by the thousands, to launching a rescue mission? That the U.S. had sat back for years while the tragedy developed (and is now developing in Sudan and elsewhere) is ignored. Given the opportunity to send the Marines cloaked in kindness, U.S. planners established a crucial precedent. Now, any time the U.S. government decides that "humanitarian intervention" is useful, it has established its right to act—without consulting the U.S. congress or people, and without an invitation from the affected population or its governing mechanisms. The precedent exploits the tragedy without offering a political solution and sets up a Marines-or-nothing dynamic. It should not be forgotten that U.S. manipulation of the Horn of Africa during the Cold War helped precipitate the current crisis.

In this issue of *CovertAction Quarterly*, the weapon of "humanitarian intervention" is explored by Alex de Waal and Rakiya Omaar. Their principled stand against Africa Watch's support for military intervention cost them their jobs. Nor is Somalia the first time that private organizations, despite some important work, have accepted the U.S. government's frame of debate. Before the Gulf War, a phony Iraqi atrocity story, concocted by a Kuwaiti-employed PR firm to rouse war fever, was widely believed. (See p. 19.)

The manipulation of public opinion on Somalia and the Gulf War reveals the collaborative relationship among lobbyists, public relations agencies, policy planners and, in the case of Somalia, some private aid organizations.

The articles featured in this issue make clear that Clinton's proposed reforms on lobbyists and influence peddlers are superficial and riddled with loopholes. The intervention in Somalia illustrates how the U.S. takes a complex problem, severs it from its political, historical, cultural and economic roots and, with the help of a tame press and massive spin control, markets it like a grade-B movie. *Caveat emptor.*

Somalia: Adding "Humanitarian Intervention" to the U.S. Arsenal



Alex de Waal and Rakiya Omaar

4

Somalia was a trial run to test public response to "humanitarian" military intervention. Omaar, fired from Africa Watch for her dissent and de Waal who resigned in protest, examine private and government relief efforts and show a history of failure to address the political and economic needs of Somalis.

FEATURE

The Power of Clout: How PR, Lobbying, and Special Interests Buy Influence

Clinton Cabinet: Affirmative Action for the Ethically Challenged



Doug Vaughan

12

Clinton promised to end special interest influence. But his appointees Federico Peña, Tim Wirth, Ron Brown, and Lloyd Bentsen are smeared with the political dirt dug up to build the boondoggle Denver airport.

Public Relationships: Hill & Knowlton, Robert Gray, and the CIA

Johan Carlisle

19

PR giant H&K flacked for dictators and mopped up corporate messes from Bhopal to Three Mile Island. Its former D.C. head, Robert Gray, gathered information for intelligence agencies and helped the CIA sway public opinion.

The Great Global Greenwash: PR, Pax Trilateral, and the Rio Summit



Joyce Nelson

26

Faced with opposition from the environmental movement, corporations organized. Co-opting the Rio Summit, and creating bogus community groups, the polluting transnationals strategized with spindoctors at Burson-Marsteller to undermine environmentalists.

Burson-Marsteller Poisons the Grassroots



John Dillon

34

Global PR firms aim their vast resources at small grassroots struggles around the world. In Vermont, with big budgets, infiltrators, and dirty tricks, they fought farmers and activists.

BCCI: Bank of the CIA



Jack Colhoun

40

BCCI made itself very useful to the CIA and vice versa. The complex web of BCCI continues to unravel with more felons, international arms dealers, and Agency assets revealed in the threads.

Marketing the Religious Right's Anti-Gay Agenda

Chip Berlet

46

The Religious Right has jumped on the issue of gays in the military. Using internal memos, Berlet traces the anti-gay campaign and shows the Right's plan to profit from gay bashing.

Clinton: New Era, Same Old National Security



Trond Jacobsen

48

Clinton's statements and appointments of recycled cold warriors reveal his commitment to the national security state. The National Security Education Act will supply the crop of essential intelligence experts and operatives.

Front cover: Diego Rivera, mural, 1926, Ministry of Education, Mexico City. Clout quote: Jeff Birnbaum, January 1993.
Back cover: Edward Brodner

Somalia: Adding "Humanitarian Intervention" to the U.S. Arsenal

Alex de Waal and Rakiya Omaar



Somalia has no elephants; yet it became one of Africa's largest exporters of ivory. With no mineral deposits, it exported precious stones. Cattle and camels were herded over all its borders, sailed across the Red Sea to Yemen, and traded to the huge markets around the Gulf. Somalia became a major arms emporium. It also became a bottomless pit into which aid donors poured their money, asking for virtually no accountability and turning a blind eye to flagrant abuse. Those in the international community contemplating how to reconstruct Somalia should bear this in mind: The country is no aid virgin, and during the 1980s, aid was part of the problem, not part of the solution.

Emergency humanitarian need has become a sideshow for Somalia. The famine, already on the path to recovery, is confined to a few dwindling pockets. The military relief program, whose title "Operation Restore Hope" brings an ironic smile to Somali faces, addresses chiefly the Western public's need to salve conscience. The central concern of many Somalis—changing the pathological political/economic structure that has driven their country to ruin—remains well off the agenda of the occupying forces.

The United States military occupation of parts of Somalia is an exercise in philanthropic imperialism. The cloak of humanitarian motives—some no doubt genuine—does not make it any less imperial. Nor do good intentions prevent “Operation Restore Hope” from inflicting enormous political and human damage.

That there are many losers in famines and destructive civil wars is obvious. Often overlooked, however, is that there are winners as well. Wars are fought because people believe they can be won or profited from. Similarly, man-made famines are created for political and military advantage, and/or profit.

Somalia today is no exception. Those within the country and outside who have benefited from the last two years of turmoil and starvation may not have planned to plunge the country into disaster. Nonetheless, their actions, perhaps taken for other reasons, had predictable and tragic consequences, and continue to do so.

Precedent for “Humanitarian Intervention”

With the demise of the Cold War, Somalia had lost its value as strategic real estate. The same month Siad Barre was deposed (January 1991), the Pentagon fought the Gulf War without using any bases in Africa. Throughout 1991 and the first half of 1992, the international community largely ignored Somalia. After the U.S. abandoned its embassy in 1991, one U.S. diplomat remarked that the country might as well be made over into a parking lot. Later, Howard Wolpe (D-Mich.) chair of the House subcommittee on Africa, admitted that Somalia was “a clear failure of American policy, and we should bear some responsibility.”¹

Post Cold War Somalia had little to offer the West. For the present, U.S. economic interests in most of Africa are marginal at best. According to IMF figures, in 1988, sub-Saharan Africa accounted for two percent of U.S. imports and one percent of exports. The bulk of that trade was with just three countries: Nigeria and Angola (mainly oil imports) and South Africa. In east Africa, there is some U.S. trade with Kenya (chiefly tourism) but practically none with Somalia.²

From the abandonment of the embassy to the decision to send troops, Bush administration policy was driven by two concerns. The first goal—not setting a precedent for involvement in comparable situations—would have a certain irony. Eventually Bush would recognize that in the New World Order, “humanitarian intervention” might prove a useful tool rather than a burdensome precedent; but early on this potential silver lining remained hidden.

Alex de Waal and Rakiya Omaar are co-directors of African Rights, a newly established London-based human rights organization. Omaar was formerly executive director of Africa Watch. In December 1992, she was dismissed following her opposition to the U.S. military occupation of Somalia which contradicted the organization’s stand. Associate Director Alex de Waal resigned in protest. Both have spent considerable time in the Horn of Africa. DeWaal is author of *Famine that Kills: Darfur, Sudan, 1984-85* (Oxford: Oxford University Press, 1989.) Photo p. 4: Pam Berry/Impact Visuals, Somali refugee.

1. Neil Henry, “Somali Civil War Slaughter A Legacy of Cold War Feuds,” *Washington Post*, January 8, 1991, p. A8.

2. IMF *International Yearbook*, Washington D.C., 1990.

Thus, when the United Nations Security Council debated Somalia in April 1992, the U.S. balked at the first-time deployment of U.N. troops for humanitarian reasons alone. The Security Council wanted to fund a force to protect relief supplies as it did other “peacekeeping” operations, with set quotas for each member state (the U.S. quota being the largest); the U.S. preferred discretionary contributions by member states, as in the response to humanitarian appeals. The actual difference for the U.S. was negligible, on the order of \$1 million, but the International Organizations Bureau of the State Department was fearful of the precedent. This disagreement helped delay for six months the arrival of 500 U.N. guards in Mogadishu.

Pragmatic Compassion

The second goal shaping U.S. policy toward Somalia during this pre-intervention period was the desire—in the face of well-publicized starvation—not to appear callous or racist in the domestic press.

Throughout 1991 and 1992, the U.S. mounted a few more or less perfunctory relief efforts. Only the Office of Foreign Disaster Assistance within the U.S. Agency for International Development (AID) showed concern, giving over \$85 million to private voluntary organizations (PVO) operating in Somalia. It also supplied funds through UNICEF. So slow moving was that organization, that money allocated in early 1991 was not spent until 1992.

*U.N. specialized agencies mandated
to deal with humanitarian
emergencies showed indifference,
bureaucratic infighting, greed, sloth,
and outright incompetence.*

Suddenly in late July 1992, although the situation (certainly severe) was not particularly worse, the Bush administration was galvanized by new-found compassion. It was the eve of the Republican Party convention, Bill Clinton was apparently planning to mention U.S. neglect of Somalia, and Senator Nancy Kassebaum (R-Kans.) had just visited Mogadishu, with news cameras in her wake. As an election loomed, the fact that blacks were suffering in “the world’s worst humanitarian disaster” took on special significance, especially in contrast to the greater attention commanded by suffering whites in the former Yugoslavia.

At the time, observers more seasoned in humanitarian politics than in U.S. electoral strategy were surprised that a major relief initiative should be started in the summer rather than at Christmas, when the conscience politic is particularly sensitive. (Remember Cambodia, Christmas 1979; Ethiopia, Christmas 1984; southern Sudan, Christmas 1988.)

U.N. Unresponsive

This sudden burst of empathy for Somalia was preceded by a pattern of international neglect and mismanagement. The U.N. had a record even worse than that of the U.S. for both diplomatic and humanitarian inaction. Time after time, in such countries as Ethiopia, Sudan, and Mozambique, the U.N. specialized agencies mandated to deal with humanitarian emergencies showed indifference, bureaucratic infighting, greed, sloth, and outright incompetence. When the U.N. agencies finally did establish a belated presence in the first half of 1992, they were unwilling to consult with voluntary agencies that had much more on-the-ground experience—let alone with Somalis.

Unable to make informed decisions, and still semi-paralyzed by institutional sclerosis, the U.N. did not deliver most of the promised aid. A "Ninety Day Action Plan" promised in March failed to materialize. The high-level delegation that toured the country for a few days in July refused to disclose its plan of action to the PVOs or the public. The senior delegations, including "goodwill ambassadors" such as the late Audrey Hepburn and Sophia Loren, provided visibility for the suffering but not much relief. In late October, U.N. Special Envoy to Somalia, Mohamed Sahnoun, who had proved unusually energetic in promoting reconciliation and delivering relief—was forced to resign. Sahnoun's sin was politely pointing out that U.N. delays had cost lives.

Along with governments and the U.N., PVOs are key players in disaster relief. Unfortunately, like their official counterparts, some failed to meet their commitments. The U.N. World Food Program subcontracted with CARE to move food from Mogadishu port. After CARE failed in this difficult but possible task, the Somali business community sharply criticized the PVO for failing to coordinate well with diplomatic initiatives, or to consult with experienced Somalis.

In July 1992, CARE was also contracted by USAID to direct the "monetization" program for over 70,000 tons of grain.³ If implemented early, this important project could have prevented many famine deaths. That it was still not underway by November illustrates how low a priority Somalia remained for the U.S.-based international relief agency.

Trusteeship or Re-colonization

While CARE and the U.N. were twiddling their institutional thumbs, the U.S. drastically reversed its position toward Somalia. From a policy of neglect and distaste, the U.S. mounted its largest military adventure on the African continent. The concern for international precedents that had made the administration cautious in April, now made it bold.

From summer on, powerful voices in the international community began calling for U.N. trusteeship and/or "humanitarian intervention" in Somalia. Following his brief visit to Mogadishu in September, British Foreign Secretary Douglas Hurd advocated reconsideration of the merits of colonial rule. Philip Johnston, President of CARE, recommended that "the international community, backed by U.N. troops, should move in and run Somalia, because it has no government at all."⁴ In October, CARE called for sending 15,000 troops to Somalia.⁵ Although U.N. Secretary General Boutros Boutros-Ghali remained silent, as did his most senior staff, he was widely believed to be sympathetic to the idea. "Humanitarian intervention" is also a particular favorite of the French Minister for Humanitarian Affairs, the flamboyant Bernard Kouchner. His "duty of interference" not only advocates supplying material and diplomatic support to the suffering people of another nation, but grants the intervening nations the right to use military force to protect them.

The debate on humanitarian intervention has been spurred in Europe by the situation in Yugoslavia and in the U.S. by the overthrow of Jean-Bertrand Aristide in Haiti. In considering these situations, policymakers considered how best to utilize the unexpected U.N. precedent, taken at U.S. and British insistence, to relieve the plight of the Iraqi Kurds after the Gulf War. The allied intervention in Iraqi Kurdistan was not the result of long-range calculation, and in almost every way ran against the grain of U.S. and European policy in the region.



3. Monetization is founded upon recognition of two realities. First, in time of shortage, the problem for most people is not death by starvation, but rather impoverishment caused by inflated food prices. Available and cheap food in the marketplace will greatly ameliorate conditions for the majority of the population, take pressure off the food economy, and allow voluntary agencies to feed the truly desperate. Second, in an insecure country, it is best to entrust arrangements to local traders who know how to cut deals and look after their own protection.

4. Quoted in *The Guardian* (London), September 15, 1992.

5. Letter from Malcolm Fraser, CARE International, *The Guardian* (London), October 31, 1992.

But it proved one thing: that U.N.-sanctioned violations of sovereignty in the name of humanitarian relief could be undertaken with remarkably little worldwide protest, and could then have important political dimensions—in this case, a way of pressuring Saddam Hussein. If the Kurdistan initiative was not to be a one-time experiment, some *post hoc* principles needed to be formulated to justify it.

During the summer and fall of 1992, several world crises cried out for more assertive U.N. involvement. In Angola the U.N.-sponsored electoral process broke down when the loser at the ballot box, Jonas Savimbi of UNITA, returned to war. In Sudan, the Islamic fundamentalist government was continually frustrating emergency relief efforts to the famine-stricken south, including refusing permission for U.N. relief deliveries. There was rising frustration with the Khmer Rouge in Cambodia and the mounting crisis in the Balkans.

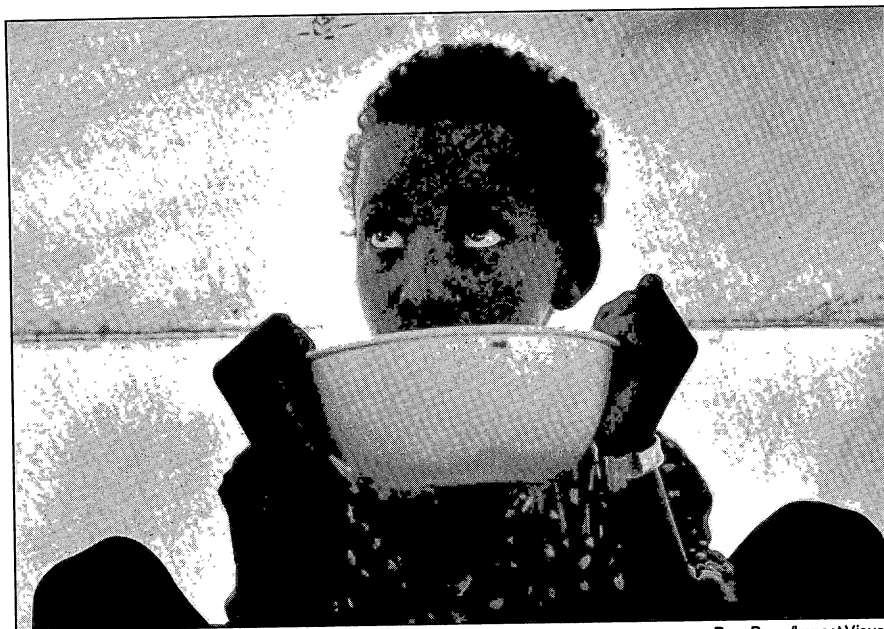
Although these cases occasioned calls for “humanitarian intervention,” they also raised objections to a large U.S.-led military force. Either one combatant party was likely to resist diplomatically and/or militarily, or the U.N. was already deeply involved and would therefore be in a strong position to insist on assuming or retaining military command. Somalia was a much easier case on all counts.

The strategic precedent of massive military intervention in support of humanitarian objectives was probably not what motivated President Bush in the weeks after his electoral defeat. However, it was certainly an important reason why many powerful voices in the international community—in foreign affairs ministries and relief organizations—supported the initiative.

Humanitarian Intervention: In Whose Interest?

For the U.S. and other Western powers, the useful precedent set by “Operation Restore Hope” is clear. If a PVO—often subject to U.S. policy needs and funding pressures—diagnoses an exceptional humanitarian disaster, the U.S. now claims discretionary power to intervene. Would this power allow the U.S. to invade Cuba if an American charity says there is hunger and the Cuban government is obstructing relief? Possibly. Would it allow the U.S. to “stabilize” a country such as Haiti, which is generating thousands of refugees, who are arriving in the U.S.? Again, possibly.⁶

6. The precedent may have another side effect: legitimizing discriminatory determinations of political asylum. Civil rights groups should scrutinize Somalis' asylum hearings in the U.S. over the coming months, to see if “Operation Restore Hope” is used as a reason for denial.



Pam Berry/Impact Visuals

Many aid organizations promoted a picture of Somalia as a country with one problem: starvation, and one solution: increased international control.

It is more and more evident that the U.N. specialized agencies are unable to deal with humanitarian emergencies, certainly as implementers and coordinators, and possibly not as funders or suppliers either. Bilateral aid programs are ill-suited to the task.

This leaves the private voluntary (as they are known in the U.S.) or non-governmental (NGO, in Britain) organizations. For the most part, despite their names, these organizations—which obtain a large and increasing share of their funding from governments—are neither private, voluntary, nor non-governmental. It is likely that AID or the U.N.—rather than the PVO itself—initiated, designed, and funded any given large “PVO” program in Africa and then subcontracted it to the PVO. In 1992, PVOs directed more resources to Africa than did the World Bank. Increasingly, they are the channel of choice for Western governments seeking to mount humanitarian programs, especially in Africa. The chief competition for these contracts comes from host governments, which prefer to maintain control of emergency programs. There is also fierce competition among PVOs for donor contracts, as well as for a place in the media spotlight and the resulting public donations.

The PVOs are hardly neutral observers or evenhanded referees. Humanitarian intervention can further the institutional interests of PVOs by creating a new and well-publicized arena in which PVOs lead the way as favored subcontractors. Their cooperation with military intervention highlights the contradictions between rhetoric and reality. The PVO image is one of independence from government and accountability to recipients, aimed at helping the poorest to achieve self-reliance and develop their communities. Most PVOs actually function as public service contractors, in-



A C-141 Starlifter delivers flour during Operation Restore Hope.

Three ways to spell Hope:

Lockheed C-141 Starlifter
Lockheed C-130 Hercules
Lockheed C-5 Galaxy

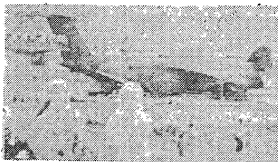
Natural and man-made disasters cause incredible human suffering: famine, floods, earthquakes, anarchy and civil war. In crises like these, Lockheed airlifters prove their mettle. They come to the rescue with humanitarian relief when they're needed, where they're needed.

The huge C-5 can carry up to 130 tons, nonstop, to anyplace on Earth. The reliable C-141—the first transport into Mogadishu—can carry up to 47 tons worldwide. The workhorse C-130 Hercules delivers up to 25 tons virtually anywhere.

These military airlifters are some of America's greatest ambassadors. To millions of the starving and dispossessed, they mean more than hope...they mean life itself.



A C-130 Hercules brings badly needed supplies to a remote area of Somalia.



The C-5 Galaxy shows off loading from its bay in Mogadishu.

Lockheed leads.

This full-page ad in the *Washington Post* the day after Clinton's inauguration picked up on the theme of hope and offered America the chance to buy a multimillion dollar military plane for the "humanitarian relief" of both Somalia and Lockheed sales.

creasingly professional in accounting to their governmental donors and the donating public, but less responsive to the demands and needs of the people they ostensibly serve.

When donor governments operate through PVOs, rather than host governments or multilateral agencies, they get better publicity, closer control of the operations, and a widespread informal (and sometimes formal) intelligence network. Reliance on PVOs is part of a 15-year trend toward

privatizing welfare provision, removing it from the domain of the state's obligation, and putting it in the sphere of individual donors' discretionary charity. There are exceptions. Many small PVOs which still maintain independence are feeling somewhat threatened by the recent assertiveness and expansionism of the large para-state PVOs.

Profits of Doom

The beneficiaries of "Operation Restore Hope" are not confined to the PVO community. The institutional self-interest of the U.N. is well-served. An expanded mandate and increased operations mean more jobs for the U.N. old boys. In addition, the "need" for such a dramatic military intervention deflects criticism from the U.N.'s dismal record in Somalia.

Certain groups within Somalia also stand to benefit from the U.S. military presence. If Ali Mahdi Mohamed can arrange to be recognized as president, he will receive a lifeline from the international community. General Mohamed Farah Aidid's position *vis-à-vis* the other factions within the United Somali Congress (USC) and Hawiye clan has been enormously strengthened by the intervention. He, too, hopes to emerge from a national reconciliation conference as the effective leader of the country. Aidid's financier, Osman Hassan "Arto," is also Somalia's representative for the oil company Conoco, which owns substantial oil concessions in the country. Somalia's foreign investors, chiefly Italian, see hope for preserving their assets—especially the banana and a few sugar cane plantations. The Egyptians welcome the chance to send troops to keep an eye

on emerging Islamic fundamentalist groups.

Nor are Somali elites suffering exceptional hardships from the military presence. Somali elites sustained themselves during the 1980s, when the country was a U.S. client state, through intimate links with an international political and commercial world order largely concealed from public scrutiny. Recent events are little more than a continuation of their well-worn path to self-enrichment. Somali businesspeople

now anticipate windfall profits in currency dealing, real estate, and other services to the international forces, both military and civilian. Those in the commercial community with strong U.S. links are particularly pleased by the intervention.

Somalia in the New World Order

The Somalis who have been subjected to an appalling famine are linked to the same world order by their role as (occasional) recipients of international charity. While the PVOs, the Somali elites, the warlords, and certain foreign governments stand to profit from the disaster in Somalia, these are the people who lost.

The disaster they face is the culmination of a decade and a half long assimilation whereby Somalia became closely integrated into the world's political economy. This process has not been visible in the reports filed by foreign correspondents, the analyses of political economists, or even in official statistics.

If these official statistics were to be believed, the gross national income per head was so low that all Somalis should have starved to death by the mid-1980s. Somalia was officially classed as one of the world's poorest countries, and described in pitiable terms in UNICEF's *State of the World's Children*: a life expectancy of 41, an infant mortality rate of 177 per 1,000, and the lowest per capita educational expenditure in Africa—\$2 a year. The low living standards were largely attributed to the unusual circumstance that the majority of the population earned its living from nomadic pastoralism.

Prejudice against pastoralists is common throughout Africa and the Middle East. Animal herders are seen as uncivilized and illiterate, and economic development of pastoral areas is equated with compelling pastoralists to settle down to a sedentary life, so that the benefits of modernity can be brought to them. This view obscures the fact that nomadic or semi-nomadic pastoralism is the most effective way of obtaining a livelihood from some of the world's most inhospitable places, where rainfall is erratic. Moreover, it ignores the desire of most pastoralists to remain animal herders—not simply from a deep cultural attachment to cattle or camels, but because animal herding can be extremely profitable. In traditional African societies, herders are rich.

In contemporary Africa, investment in livestock is one of the most effective ways of accumulating capital.

Unfortunately, economics is an urban, sedentary business, ill-suited to understanding a pastoral economy. Pastoralism poses fundamental philosophical questions for economics. How do we measure the income of a herder who owns 500 camels? These may be worth over \$50,000, but the owner may sell only one or two in a particular year to meet pressing needs, preferring to see his herds expand so he can pass them on to his sons, or sell a large number at a future date to build a town house for his retirement. In addition, the nomads' contempt for international frontiers and their propensity to engage in trade out of sight of government authorities and tax collectors makes it difficult for officials to measure, and governments to harness, their wealth and entrepreneurial skills.

Blinded by Statistics

If we turn the clock back ten years, we find that all the economists sent by the International Monetary Fund and USAID to advise the Mohamed Siad Barre administration prophesied doom for the Somali economy. All measures of output and income were stagnating, inflation was rampant, the government deficit was spiraling, and imports grossly exceeded exports. One group of consultants wrote: "Somalia is widely regarded as a hopeless case....The formal economy has been in crisis since at least 1978, the Somali indigenous rural private sector is generally regarded as inefficient and static, agriculture is... more or less continually in a state of crisis."⁷



Philip Johnston, with CARE workers in Mogadishu, Somalia.

The crisis seemed undeniable and the experts recommended radical structural adjustments, including austerity programs, to cut government expenditure and freeze wages, devaluation of the currency, liberalization of markets, boosting of exports, and privatization of all the corporations that had been nationalized during most of the previous decade when Somalia was under Soviet patronage.

Had these same economic advisers looked up from the official statistics and carefully viewed the streets of Mogadishu and the other main towns, or the healthy and

7. "The Somalia Social and Institutional Profile: An Executive Summary" (Boston, African Studies Center, Boston University, 1983), p. 2.

White Man's Burden Redux

Nineteenth century British colonialism in Africa provides an interesting parallel for understanding the utility of intervention under the veil of humanitarianism. Believing it was costly, uneconomical, and dangerous, the British government at first strenuously resisted establishing a permanent presence in Africa.

Despite the legitimacy of this concern—few of the British territories paid their way, and many British soldiers and administrators died—the British decision to send troops was prompted by two factors. One, fueled by greed for power and wealth, was the fear that rival powers would snap up territory; the other was the campaign to abolish slavery waged by the Christian missions. Many of the European colonizers of Africa believed that their often violent and exploitative quest for wealth rode comfortably alongside a civilizing mission: stamping out the evils of slavery and idolatry, and spreading peace and Christianity. The idea that Africans would resist this imposition (and many did) was unthinkable—and many (especially the freed slaves) did indeed welcome the Europeans.

The rest, as they say, is history.

While hazardous to read too much into historical parallels, 19th century philanthropic imperialism does teach one simple lesson: whatever the motives for the military occupation of another country, the consequences are incalculable.

prosperous pastoral families of the central rangelands, they would have been forced to conclude that an economic boom, albeit a somewhat erratic one, was in full swing. New Toyotas jammed the streets, consumer goods from the Gulf states filled the shops, new houses sprang up in the capital's suburbs, and herders sported radios and imported clothes.

Largely because of the methodological shortcomings of their discipline, the economists had made a series of fundamental errors in assessing the Somali economy. For a start, their estimate of animal production was grossly inaccurate. Milk production was no less than six times what official figures suggested. Secondly, the income of Somali migrants in the Gulf states and Yemen was much higher than officially admitted, and much of that income was sent home in the form of remittances—on the black market. Taking these factors into account, the Somali revised *per capita* income more than

doubled, coming in higher than the official estimate for neighboring Kenya—regarded as one of the richest countries in Africa.⁸ Other unrecorded economic activities, such as illicit livestock trading⁹ and diversion of foreign aid,¹⁰ probably meant that the national income per head passed the \$500 per year threshold, thereby making Somalia a “middle income country.”

Somalia's unexpected wealth should have been a boon to the country. In fact, combined with corruption and political manipulation by President Siad Barre and his thugs, operating under the U.S. wing, it became a curse.

The Road to Turmoil

In the last months of 1977, with his army occupying about a quarter of Ethiopia, Siad Barre was abruptly abandoned by his erstwhile ally and patron, the USSR, which, in one of the most cynical maneuvers of the Cold War, decamped to the Ethiopian side. Siad Barre turned to the West. By 1982, Somalia was a key U.S. strategic ally in the Cold War, and a major recipient of economic and military assistance. The \$600 million that Somalia got during the 1980s made it the top *per capita* aid recipient in Africa.¹¹

Along with U.S. assistance, however, came policy advice and structural adjustment programs. These brought disastrous consequences: Inflation continued to gallop, social services were cut, the Somali shilling plunged, and the external trade imbalances continued.¹²

Meanwhile, U.S. assistance eased political hardship to the government, and minimized the risk of popular unrest. The ostensible reason for much of the aid was the large population of refugees from Ethiopia. The Somali government claimed more than 1.3 million while more reliable sources cite 500-800,000.¹³ In any case, the refugees saw little of the assistance. In 1986 the U.S. General Accounting Office estimated that less than 20 percent of food donated for refugees was actually reaching them—far more was being taken by government officials, traders, and the military. Only in the late 1980s did the question of the true numbers of the refugees become a point of contention, and only after U.S. strategic

8. Vali Jamal, “Somalia: Understanding an Unconventional Economy,” *Development and Change*, 19 (1988), pp. 203-65.

9. P. Little, “Traders, brokers and the market ‘crisis’ in southern Somalia,” *Africa*, No. 62, 1992, pp. 94-124.

10. N. M. Miller, *The Other Somalia: Part II: Foreign aid and local politics*, Hanover, N.H., American Universities Field Staff Report No. 30 (1981).

11. J. A. Lefebvre, *Arms for the Horn: U.S. Security Policy in Ethiopia and Somalia, 1953-1991* (Pittsburgh: University of Pittsburgh Press, 1991).

12. Even if the U.S. State Department had recognized the damage caused by structural adjustment policies, it was not in a position to reverse them. Economic orthodoxy in Washington—at the IMF, the World Bank and the U.S. Treasury—dictated such policies. Throughout the later stages of the Cold War, there was a continual struggle for control of U.S. policy toward major U.S. clients in Africa between the State Department and the Treasury. State wanted generous assistance to prop up client regimes, such as Somalia, Sudan, and Zaire, while Treasury was unhappy at seeing large sums spent with little apparent gain. One of State's strategies to win concessions from the Treasury was to link—formally at least—economic assistance to following policy reforms advocated by Treasury, which insisted on IMF-style economic policies.

13. Interview with official of Somali refugee program, April 1988.

interests had evaporated, did diversion of aid become a matter for international concern. All evidence points to the loss rate from relief programs being *lower* in 1992 than under Siad Barre—most aid agencies agree on a figure of 20 percent of food diverted, extorted, or ransacked. The figure of 80 percent losses, cited as fact by the U.N. and the State Department, was pure fiction, but served the purpose of helping to justify military intervention.

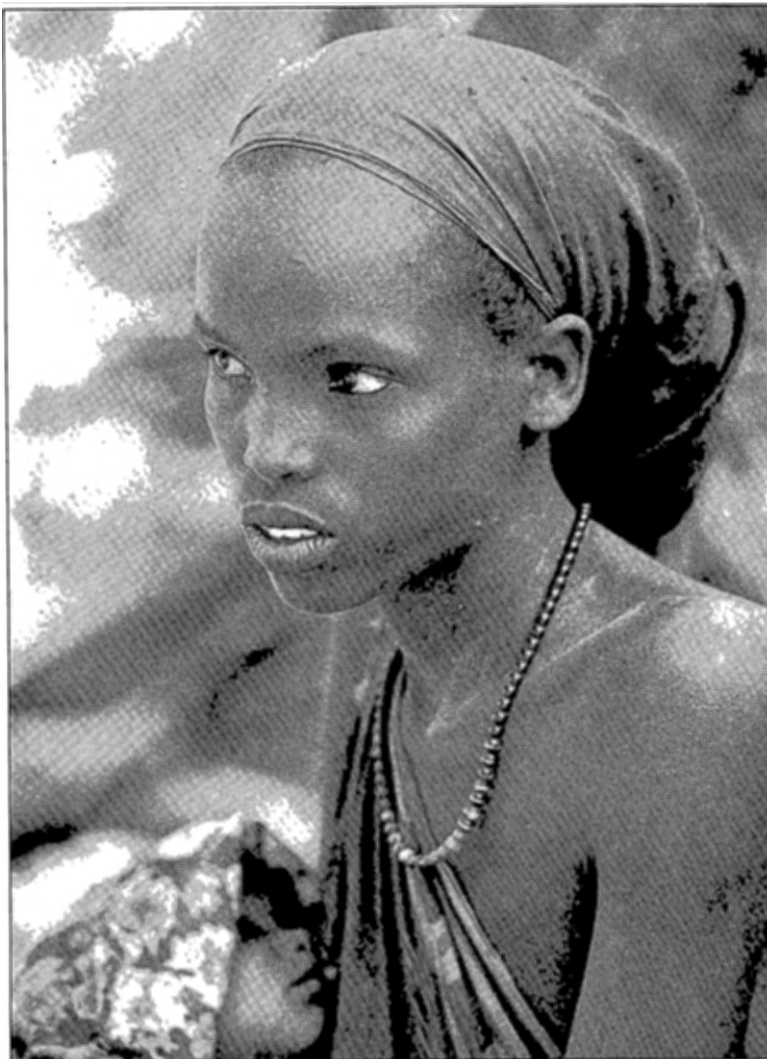
Largess Oblige

Most major recipients of U.S. assistance in Africa have gone down a path similar to Somalia's, though none yet so far. Liberia, Zaire, and Sudan have also been models of economic and political decay. While the economic policies imposed on these countries caused great hardship, abundant assistance shored up dictators pursuing divisive and damaging policies. Without this aid, they would likely have been compelled to respond to popular demands, or been forced from office. It is no coincidence that spirals of decay in Africa often coincide with liberal U.S. economic assistance.¹⁴

A despotic government receiving large aid infusions can promote wholly unsustainable economic policies. Why should people be encouraged to produce food—and thus have the foundations of independence—when they can be turned into a captive population fed by international aid, relying for their meals on the goodwill of the government? Somalia used abundant food aid to set up large settlement schemes for drought-affected nomads, rather than facilitate their return to an independent way of life. Meanwhile the elite enjoyed lifestyles comparable to the wealthy in Europe or the Gulf states, not by producing goods, but by parasitism. Thus, the original flaw of basing programs on faulty analysis and estimates was compounded by failure to generate sustainable development or to funnel money to the poor.

Exacerbating the economic picture were the dealers and entrepreneurs—many operating outside the country—who handled the remittances of Somali migrants working abroad. Because they controlled the money supply, foreign exchange, and the rate of inflation, these entrepreneurs actually profited by constantly devaluing the shilling. In the words of the economist Vali Jamal, Somali inflation “happened in the Gulf.”¹⁵

While the government was consistently and savagely deflating the formal economy, so that formal sector salaries shrank to a fraction of their former value, the informal sector continued to be dynamic and ever more closely linked to huge black market flows of hard currency. To survive in this



Telt Hornbak/2 maj

skewed economy, a low-ranking salaried employee had either to hold (and probably not do) several jobs, receive a large number of bribes, and/or have a relative abroad remitting money. To prosper, a businessperson needed to evade official restrictions. Thus, entrepreneurship, profit, and even survival required illegal means.

Clan Nexus

Somalia's tradition as a clan-based society also increased the importance of the informal sector. The most enduring networks of trust and confidence are clan networks. Outside the law, where no contracts are enforceable, clan loyalties plus threats of reprisal, make business function. Somalia is also a very international society; the Somali diaspora has reached every continent, and goods and money flow easily through this expatriate community. These factors combined to make the Somali economy ever more reliant on international non-legal trading activities.

14. Michael Clough, *Free at Last? U.S. Policy Towards Africa and the End of the Cold War* (New York: The Council of Foreign Relations, 1992).

15. Jamal, *op. cit.*, p. 217.

(continued on p. 53)

The Clinton Cabinet

Affirmative Action for the Ethically Challenged

Doug Vaughan

"Let us give this capital back to the people to whom it belongs."—Bill Clinton, Jan. 20, 1993¹

Capital is what rules the capital, but that's not what the president was talking about. Nor was he referring to the half-trillion dollar heist of the savings-and-loan industry. Rather, the first days of the new administration call to mind an old joke about the nature of power and the power of nature: Why does a dog lick his own balls? Because he can. That's the Republican version. The new, Democratic punchline: Because his lawyer told him he can. That is, what the dog did may have been wrong, or unethical, or unseemly, but it wasn't illegal. And when the dog himself is a lawyer? You get an ethics policy. Now, imagine what would happen if you put all those dogs in one kennel. Imagine a Great Country.

The new dogs in Washington are up to old tricks while studiously trying to avoid the appearance of impropriety.² When Clinton announced the nomination of Federico Peña as Secretary of Transportation, he inadvertently exposed the high moral tone of his administration as so much cant. Peña's career is a case study in opportunism that il-

Peña's career is a case-study in opportunism that illustrates in miniature much of what is wrong with U.S. politics.

lustrates in miniature much of what is wrong with U.S. politics: How policies are shaped by money; how public power is the midwife of privilege and wet nurse to private wealth; how little we know about critical decisions until it's too late; and, how soon we forget.

In his February address to the joint session of Congress, Clinton indicated support for a public-private partnership to

encourage investment in key industries—such as aerospace, high-speed trains and high-tech R&D—as a long-term solution to chronic malaise. Meanwhile, government spending on decaying roads, highways, and bridges, would be the short-term fix to create jobs and lift the country out of recession. These Department of Transportation projects, the economic equivalent of crack, would serve as national

mood elevators. Clinton's appointment of a man with Peña's background to the Department of Transportation—with a budget of \$36.5 billion—is a harbinger of his intentions and explains why Republicans and Wall Street don't much object to the man or the plan. Nor are they concerned that Peña's record makes him look more qualified to fix a fight than an economy.

Airport Paved in Campaign Contributions

Clinton's choice was unexpected: Feddy who? It was inexplicable to the punditocracy until Peña's qualifications were listed for the Senate: Management experience? Two-

© Doug Vaughan, 1993. Doug Vaughan is an investigative reporter based in Denver. His work has appeared in major newspapers and magazines in the U.S., Europe, and Latin America. He contributed to the prize-winning documentary films, "Homeboys" (Dewey-Obenchain Films, Denver, 1989) and "Panama Deception" (Empowerment Project, Santa Monica, 1992), and the BBC's coverage of the BCCI and Noriega cases. Current projects include a book (*The Search for the La Penca Bomber: Terror & Propaganda in the Contra War*), an inquiry into the Pan Am 103 case, and a screenplay.

1. David Rogers and Rick Wartzman, "Clinton's People: President's Team Is Elite Crew Addressing Common Man's Woes," *Wall Street Journal*, January 21, 1993, p. 1.

2. In the Silverado case, federal regulators charged the S&L's law firm with civil negligence and conspiracy to defraud the government by advising its managers how to evade legal requirements. The lawyer's only defense is that his client withheld information about the financial condition of the bank or the real purpose of a loan. Sherman & Howard paid \$49.5 million to settle the case—and the feds agreed not to pursue criminal charges in return for a lawyer/director's testimony against his fellow directors and officers. In return for immunity, the lawyer hangs his client. In this case, the strategy backfired

when prosecutors chose to file narrow charges against the S&L's president, Michael Wise, instead of alleging a broad conspiracy. The issue boiled down to specific intent—proving Wise intended to defraud depositors and the government when he used some of the proceeds of a business loan for personal use. The jury acquitted him, making it difficult to hold anyone accountable for the collapse of the \$2 billion institution, which will cost taxpayers an estimated \$500 million.

term mayor of Denver, 1983-91.³ Transportation? Peña presided over development of a big new airport. How big? Big as Dallas-Fort Worth International, bigger than Chicago O'Hare or Atlanta Hartsfield. A vision of the future? Opening this fall at a cost of \$3.1 billion and counting, Denver International (DIA) is the "First Airport for the 21st Century"—an "investment in the future" that will "secure Denver's place in the world economy."⁴

Did someone say "infrastructure?" DIA was the biggest public works project in the country during the Reagan-Bush Years of Neglect of Our Nation's Crumbling Infrastructure: More land than all Manhattan, dirt enough to fill the Panama Canal, enough concrete to pave the interstate from Denver to Los Angeles.⁵ Economic development? Taking office in the midst of "massive recession," Peña sold the city on huge bond issues, \$330 million for construction of a new convention center, baseball stadium, roads, bridges and viaducts when most cities were cutting back services. This "targeted investment," he told a Senate committee, "turned things around." Unemployment is now below the national average, businesses are moving into the state. Clinton wants to revive the economy? Peña would show him how: "You can invest, you can put people back to work, you can improve the economy and still be very respectful of the environment," he declared.⁶

Clinton's flaks noted that the nominee also "happened" to be Hispanic, thereby helping the Cabinet "look like America."⁷ And, of course, a lawyer, a Democrat who supported Clinton. At the recommendation of James Lyons, another Denver lawyer and FOB ("Friend of Bill"),⁸ Peña had been recruited by the transition team to help screen applicants, but soon convinced them he was the one they should hire.

3. "When you're mayor of a city, you're dealing with transportation on a daily basis," Peña explained. (See Kelly Richmond, "Senate's first test no sweat for Peña," *Denver Post*, January 8, 1993, p. 1A.)

4. Testimony of Federico Peña, Hearings on the Nomination of Federico Peña as Secretary of Transportation, Senate Committee on Commerce, Science and Transportation, January 8, 1993, p. 1A.

5. Bill McBean, "Once you get there it will sweep you off your feet," *Denver Post*, January 19, 1992, p. 15A; "Denver International Airport Owner's Manual," vol. 1, no. 1, August 1992, reprinted by *Denver Post*, August 25, 1992, p. 3B; *Denver International Airport Newsletter*, New Denver Airport Office, vol. 1, no. 1, Fall 1990, no. 2, Winter 1991, pp. 2, 3, 1993; see also Kelly Richmond, "Peña cites Denver progress," *Denver Post*, January 14, 1993, p. 2.

6. Testimony, Committee on Environment and Public Works, January 13, 1993; see also Richmond, *op. cit.*

7. An editorial in the *Wall Street Journal* said ancestry was his "decisive" qualification. Airline, trucking and railroad executives were nevertheless favorably disposed to the nominee. "He's not in the hands of labor and I think he'll be fair," said Eric White, a lobbyist for the trucking industry and fundraiser for Clinton. "He's a promoter of economic development...and any promoter of economic development is good for us," said Edward Emmett, executive vice president of the National Industrial Transportation League, a lobbying group. "Hopefully Peña will focus on infrastructure and not delve into the policy aspects of the job...." The head of the Association of American Railroads praised the "dynamic role Peña played in handling Colorado's transportation concerns...." (See Robert P. James, "Peña's selection wins favor of transport industry," Knight-Ridder News Service, *Denver Post*, January 5, 1993, p. 1C.)

8. Lyons has been a confidant of the Clintons for many years. Last March, the First Couple asked Lyons to review their investment of \$68,900 in a planned resort in the Ozarks, Whitewater Development Corp., in which they were



Rick Reinhard

Federico Peña, new Secretary of Transportation, has been involved in so many sleazy deals, he seems more qualified to fix a fight than an economy.

Beyond that brief résumé, Peña was a cipher to the national media. Congress rushed through his confirmation. At a loss for something substantial to sink their family values into, even the Republicans were left to praise Peña with faint damnation. Their designated hitter, Trent Lott (R-Miss.), said, "He handled himself well in front of the committee, and I think he'll be an impressive secretary." The FBI had checked out some "rumors" of conflicts of interest, Lott noted, but they turned out to be "bogus and false."⁹ The gumshoes found "nothing there"—the whiff of scandal was as wispy and ephemeral as Peña's public persona.¹⁰

What Conflict of Interest?

Peña said he would "consider on a case by case basis" removing himself from any decision about the airport that might pose a conflict of interest. He would refrain from any

half-owners. The venture failed, their partner defaulted on his loans from an S&L, and the Clintons lost their money. (AP, "Report: The Clintons lost money on investment," *Denver Post*, March 24, 1992.) Author's interview, February 6, 1993, with Lyons, whose firm represents PCL Construction Services, a major airport contractor.

9. Lott was quoted in Richmond, "Peña draws praise....," *op. cit.*, p. 4A.

10. Richmond, "Peña confirmed for cabinet post," *Denver Post*, January 22, 1993, p. 1A; Karen Ball, "15 nominees receive speedy approval," AP, *Denver Post*, January 22, 1993, p. 4A.



Dan Grzyminski/Impact Visuals

While Clinton looks to the crumbling infrastructure as a source of quick-fix jobs, many see urban decay as an opportunity for fast profits through corruption, cronyism, and graft.

dealings with his old law firm, his investment company or former clients—for a year. Had the Republicans tugged a little harder at the cloak of earnest respectability Peña wore to his hearing, they might have peeked at a story of greed as naked as any to be exposed in recent memory. Not that Peña had pocketed a bribe, nothing so crude and obvious. Nor had he become rich: His net worth is less than \$275,000, making him a poor relative to the nine millionaires in Clinton's Cabinet.¹¹

But to probe Peña's single claim to fame—Denver International Airport—is to dip into a vat of influence-peddling, laundered campaign contributions, pay-offs to supporters with lucrative contracts, and pork-barrel waste. The usual. If this is what the Stepford Bubbas mean by "making change our friend," who needs enemies?

One example: When he left office in 1991, Peña started Peña Investment Advisors to help pension funds manage their portfolios. He solicited accounts from contractors at the new airport among others; he also advised his new clients to add

with which it was associated win a bid to build Denver's convention center and a new concourse at the existing airport. And when Alvarado was disqualified from a major contract at the new airport in 1991, Peña ordered it rebid on the grounds it would give more work to women- and minority-owned firms—even though the winning bidder had allocated

To probe Peña's single claim to fame—Denver International Airport—is to dip into a vat of influence-peddling, laundered campaign contributions, pay-offs, and pork-barrel waste.

a greater portion of the work to such firms.¹⁴ Alvarado won the rebid. After Peña left office, two ironworkers were killed in an accident and federal safety inspectors shut down the site Alvarado managed; Peña intervened with the city's aviation

11. Peña's "Financial Disclosure Statement," filed with the Office of Government Ethics, lists a 1992 income of \$178,173, including a \$109,173 salary from Peña Investment Advisors; \$37,500 from Brownstein, Hyatt, Farber & Strickland, and \$31,500 from speaking fees and honoraria. Peña disclosed total assets valued between \$85,000 and \$275,000; his primary asset is a share in an office building owned by his real estate firm, TRES Partnership; the only liability listed is the mortgage, valued between \$15,000 and \$50,000. See also, Kelly Richmond, "Peña may bow out of airport cases," *Denver Post*, January 13, 1993, p. 14A; Richard Keil, Associated Press, "9 millionaires on Clinton's team," in *Denver Post*, January 27, 1993, p. 2A.

12. Interview with Susan Reinke, operations manager, Peña Investment Advisors, Inc., February 3, 1993; interview with Mike Barela, Peña's partner, February 22, 1993.

13. Bob and Linda Alvarado donated \$7,480 to Peña's 1987 mayoral campaign, according to Denver Election Commission records inspected by the author.

14. Alvarado submitted the low bid (\$12.5 million) but was disqualified; the second-lowest bidder (\$13.6 million) offered 16% of the contract to minority firms and 10% to women-owned firms, compared to 6% and 7%, respectively,

director to make sure Alvarado wasn't replaced.¹⁵ Conflict of interest? Not according to Peña, who said he deferred decisions on the Alvarado contract to subordinates.

But the senators never asked about this. And anyway, Peña's own business entanglements are penny-ante stuff. Besides, stirring that pot would bring up all the stench of the S&L scandal that has simmered for four long years. The Republicans had no stomach for that exercise; the Democrats, too, would just as soon bury the S&L boondoggle.

They resurrected the corpse during the campaign to revive voters' memories of the role presidential son Neil had played in the demise of Silverado S&L in Denver. It will take \$500 million of taxpayers' money to cover Silverado's losses. Digging into the dirt around Denver's Airport, where Silverado speculated in land with government-guaranteed funny money, could leave politicians of both parties covered in mud.

Enough Greed to Go Around

Ironically, as Peña was being confirmed, Silverado's chair, James Metz, was pleading guilty to fraud, and its president, Michael Wise, was about to stand trial on charges of diverting depositors' funds to personal use. (He was acquitted.) A federal grand jury was contemplating indictments against Silverado's biggest borrowers, Bill Walters and Ken Good.¹⁶ Meanwhile, in California, Charles Keating had been sen-

by Alvarado. The contract swelled to \$13.4 million due to changes during construction. (Bill McBean, "Peña administration rebid new airport contract," *Denver Post*, March 4, 1992, pp. 1A, 8A, and "Political backfire feared in contract," March 5, 1992, pp. 1B, 3B.)

15. Bill McBean, "Alvarado: Firm being 'scapegoated,'" *Denver Post*, March 7, 1992, pp. 1, 4B; "Airport contractor allowed back on job," *Denver Post*, March 19, 1992, pp. 1, 4B.

16. The debacle is breezily recounted (minus footnotes) by Steven K. Wilmsen, *Silverado: Neil Bush and the Savings & Loan Scandal* (Washington, D.C.: National Press Books, 1991) based on the reporting of the author and colleagues, especially Peter D. Sleeth and Mark Tatge, at the *Denver Post*. The political connections and possible involvement of organized crime and intelligence agencies are discussed in Pete Brewton, *The Mafia, the CIA and George Bush: The Untold Story of America's Greatest Financial Debacle* (New York: SPI Books, 1992), based on that author's underappreciated work for the *Houston Post* from 1987 to 1991; Jonathan Kwitny, "All The President's Friends," *Village Voice*, October 20, 1992, p. 26, hits the high notes in Brewton's medley.

tenced to prison for defrauding taxpayers and investors in the Lincoln S&L; civil and criminal proceedings were also under way in Arizona.¹⁷ And Michael Milken, the "junk-bond king" who used the S&Ls to siphon billions into the pockets of

corporate raiders, was being released from a federal slam to a halfway house, having served two years of a 10-year sentence for boosting his own balance sheet at the expense of investors.¹⁸ A few days later, Phil Winn, former assistant Secretary of Housing under Reagan, pleaded guilty to bribing Housing and Urban Development (HUD) officials who awarded him and cronies \$150 million in subsidies.¹⁹

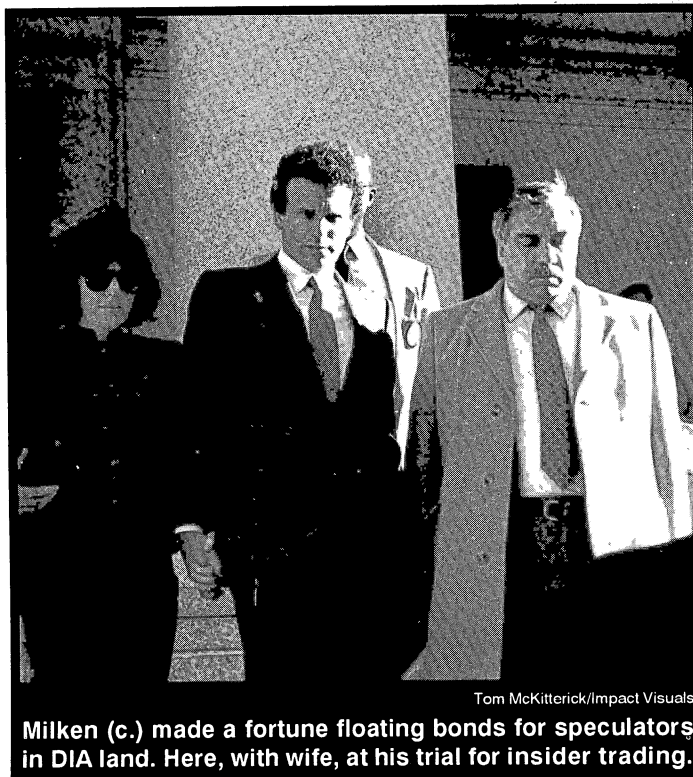
Icons of the 1980s, Republicans all—and with the exception of Neil Bush, whose natural talent did not extend beyond the leasing of his surname—these near and convicted criminals had been hailed as genius

entrepreneurs. Then the voodoo caught up with the economics. That was then: For the victorious Democrats, it's time to celebrate, even gloat a little. Time to put all that seamy stuff behind us and get down to the hard work of "putting America back to work." It would be impolite to mention that all the above-mentioned jailbirds had benefited from Peña's decision to build DIA.

17. Beginning with *Forbes*, October 17, 1988, Keating's saga has been the subject of numerous articles and books. See James S. Graneli, "Keating Prosecutors Rely on Accumulation of Evidence for Case," *Los Angeles Times*, November 4, 1991, pp. D1, D4; Richard W. Stevenson, "U.S. Files Keating Charges," *New York Times*, December 13, 1991, p. C1; author's interview with Don West, investigator for law firm representing shareholders in civil fraud action. Jerry Kammer, "Authorities look for 'missing' Keating wealth," *Arizona Republic*, reprinted in *Denver Post*, December 31, 1991; Rene Lynch, "Keating seeks leniency; Mother Teresa on his side," *Los Angeles Daily News*, March 1992; Charlotte-Anne Lewis, "American Continental's chief blazes trail of losses from Colorado to California," *Denver Post*, April 23, 1989; Susan Schmidt, "Law Firm Sued over Keating Aid," *Washington Post*, April 4, 1991, pp. A1, 15; David Newdorf, "RTC Extends its Search for Culpable Attorneys," *Legal Times*, May 27, 1991, p. 10; Stephen Labaton, "Lawyers Agree to Pay Big Fine in S&L Case," *New York Times*, March 9, 1992; David Margolick, "Lawyers Under Fire," *New York Times*, March 10, 1992, p. A1.

18. "Milken to halfway house," *Denver Post*, January 10, 1993, p. 2B. Milken's rise and fall are told by James Stewart, *Den of Thieves* (New York: Simon & Schuster, 1991); Jesse Kornbluth, *Highly Confident: The Crime and Punishment of Michael Milken* (New York: William Morrow, 1992). His heyday inspired Connie Bruck, *The Predator's Ball: The Inside Story of Drexel Burnham and the Rise of the Junk Bond Raiders* (New York: Penguin, 1989).

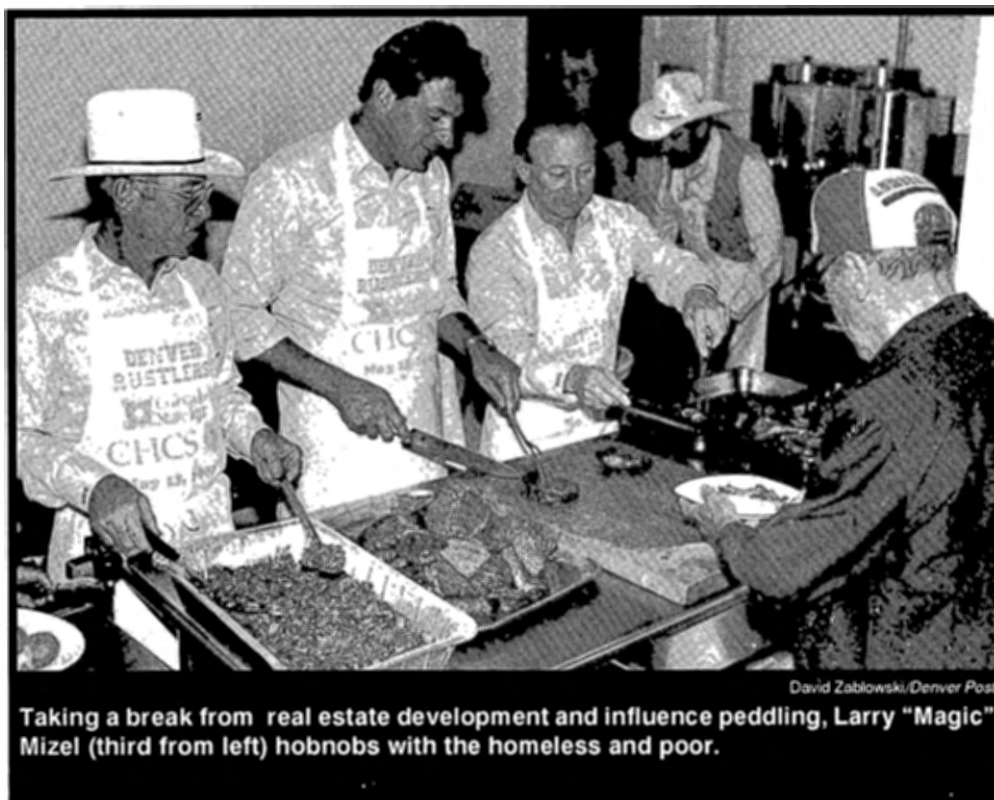
19. Adriel Bettelheim, "Winn guilty in HUD case," *Denver Post*, February 10, 1993, p. 1A.



Tom McKitterick/Impact Visuals
Milken (c.) made a fortune floating bonds for speculators in DIA land. Here, with wife, at his trial for insider trading.

Buying High, Selling Out

Land speculation was the driving force behind the airport—arguably the only reason it was built. FAA figures showed air passenger traffic through Denver's existing airport was declining from 1985, when Peña decided to build it,



through 1988, when voters approved it. Only last year did traffic recover to the level of a decade ago, when Peña was first elected. Even if a new airport were needed, there was plenty of land available for paving at the Rocky Mountain Arsenal, a federal Superfund site adjacent to and already in use for north-south runways at the existing airport.

Established by the U.S. Army during World War II, the Arsenal made nerve gas and other chemical weapons until the mid-1960s. Shell Oil Co. used the facility to make pesticides into the 1970s. The Army and Shell had "disposed" of these deadly toxins by dumping them into pits and pumping them into underground wells. As a result, the Arsenal was commonly called "the most polluted spot on earth"—a distinction roundly contested by the nuclear wastes at the Rocky Flats weapons plant. Passage of the federal Superfund law made the Arsenal a high priority for "cleanup"—whatever that meant for a place where the soil was saturated with killer chemicals that had seeped into underground aquifers. The state, the EPA, Shell, and the Army sued each other and eventually settled on a multibillion dollar plan to decontaminate the soil, drain the pits and burn the wastes.

But no one could get rich off extending runways from an existing airport onto free federal land that can never be made fit for human habitation. Instead, Peña decided to build the airport 20 miles farther out, creating instant sprawl and a windfall to speculators who had secretly bought options to the land. Two of these speculators—real estate developer Larry Mizel and his lawyer, Norm Brownstein—figured prominently in Peña's political career. Brownstein is in fact Peña's law partner.

Lobbying for Dollars

Brownstein's client list reads like a who's who of '80s excess. Milken raised \$700 million for Mizel's company, MDC Holdings of Denver between 1983-86; MDC was involved in a series of land swaps and other deals with Silverado and Keating's Lincoln, who were big purchasers of Milken's junk. Winn also served on the board of a bank and a mortgage investment company controlled by Mizel.²⁰ Mizel and a member of the Winn Group were appointed to a state economic development board that pushed the airport. Brownstein also sat on MDC's board; he represented companies run by Walters, Good, Keating, Winn, and Milken's protégé Gary Winnick.²¹ As if things were not already incestuous, in 1988, while Brownstein lobbied Congress for Milken cronies, he was also hired by Peña to lobby for federal funds to build DIA.²²

20. Winn's disclosure statement, filed when he was nominated Ambassador to Switzerland by President Reagan in 1988, shows he was a director and owned shares worth \$250,000 or more in both MDC Asset Investors, which repackages and discounts government-backed mortgage loans and sells them to investment syndicates, pension funds and institutions, and Omnibancorp., a bank holding company. Mizel owns a controlling interest in both companies, according to SEC disclosure forms, proxy statements and annual reports reviewed by the author.

21. Respectively: The Walters Companies, Good/Colorado Ltd. and Gulfstream Housing Corp.; American Continental Corp., Lincoln S&L and various real estate subsidiaries; U.S. Home (formerly owned by Winn); Pacific Asset Holdings, and L.P. (Winnick). See *Brownstein, Hyatt, Farber & Madden*, (New Providence, N.J.: Martindale & Hubbell, 1988), pp. 86, 87B.

22. The Office of Records & Registration, House of Representatives, still lists Brownstein, Hyatt, Farber & Madden as registered lobbyists in 1991 for the Alliance for Capital Access, a trade association founded in 1984 and financed by Mizel and principals of Drexel Burnham Lambert to fight attempts to restrict use of junk bonds in mergers and acquisitions. The law firm also represents Western Union, the telecommunications company, which Mizel attempted to take over in 1988 with junk-bond financing from Drexel and investment from Phil Anschutz, a billionaire financier and owner of Southern Pacific.

Brownstein's firm continues to represent the city on airport bond issues and is angling for a general lobbying contract to exploit its contacts in the new administration.²³

Virtually unknown in his hometown, Brownstein is a familiar figure on Capitol Hill as a key link between Western land developers and oilmen, Democratic politicians and Wall Street money. The epitome of the Gucci-shoed set denounced by Ross Perot, Brownstein's fundraising prowess and lobbying ability moved no less an authority than Ted Kennedy (D-Mass.) to describe him as "the Senate's 101st member." Brownstein is a frequent guest of the Kennedys at their Aspen retreat, scene of many Democratic fundraisers.²⁴ After the inauguration, Brownstein and his law partner Steve Farber joined the Kennedys for cocktails at the family estate in Virginia, and were honored guests at Clinton's home-state Arkansas Ball.²⁵

The web spun out from the Airport also ensnared Secretary of Commerce Ron Brown. Brown's law firm helped Peña lobby Congress for federal money, without which the new airport wouldn't fly, and developers would not profit. Brown's law firm, Patton, Boggs & Blow, maintains a lucrative contract—more than \$3 million since 1990, awarded by Peña without benefit of public bids or hear-

**Secretary of Commerce
Ron Brown's former law firm,
Patton, Boggs & Blow, maintains
a \$3 million contract awarded
by Peña without benefit
of public bids or hearings.**

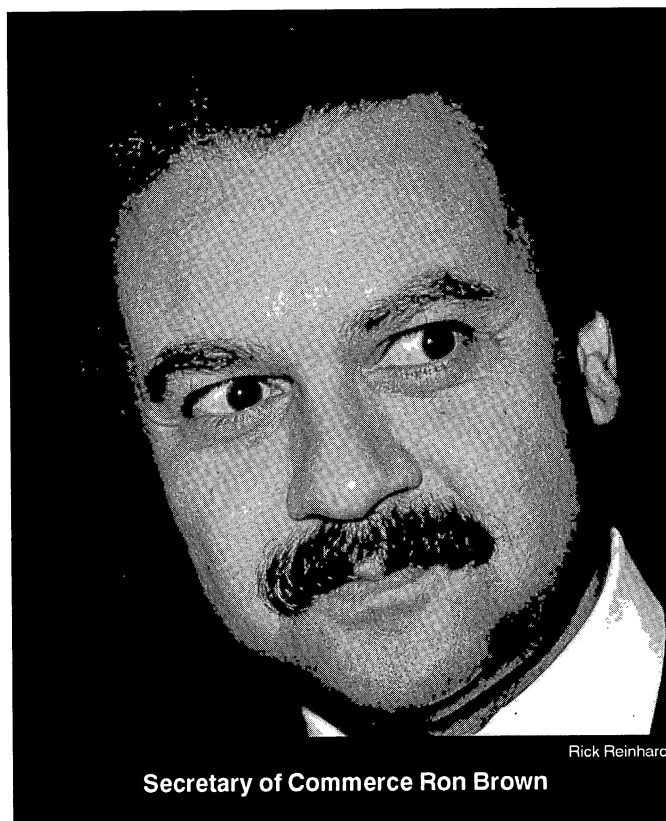
ings—to represent the city before federal agencies on bond issues. Its Denver office is run by Mike Driver, Clinton's college roommate.²⁶

23. *Ibid.*; see also Janet Day, "Peña to join trade unit of law firm," *Denver Post*, July 16, 1992, pp. 1, 5B.

24. Al Knight, "Public records are public business," *Denver Post*, November 4, 1990, p. H1. In March 1991, for example, Brownstein picked up the tab for at a soirée in Aspen for the Majority Trust—a group of businessmen who contribute \$100,000 a year to the Democratic Senatorial Campaign Committee. According to one of the attendees, the event was coordinated by Bob Hickmont, who supervised fundraising for Wirth's Senate bid in 1986; besides Wirth, Sens. Conrad (N.D.), Robb (Va.) and Bryan (Nev.) schmoozed with the big-spenders at the Little Nell, a \$400-per-night hotel owned by the Aspen Skiing Corp., which is owned by billionaire financier Marvin Davis in partnership with the Crown family of Chicago. Then the revelers sampled Aspen nightlife at hot-spots like Szyzygy, a hangout for Hollywood celebrities.

25. "Street Smarts: Colorado's 'Musketeers' in inaugural whirl," *Denver Post*, January 21, 1993, p. 2H. The other musketeers: Mike Smith, CEO of Basin Exploration, and Barry Hirschfeld, owner of a printing company in Denver.

26. Interview with James Lyons, February 6, 1993.



Rick Reinhard

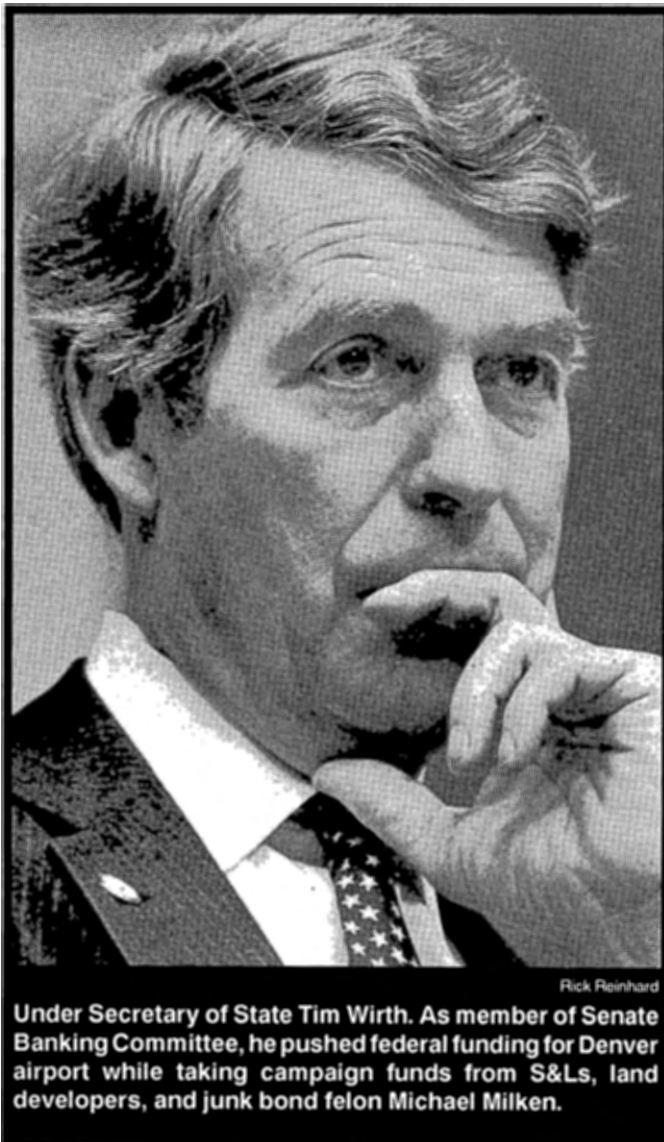
Secretary of Commerce Ron Brown

Tim Wirth His Weight in Campaign Contributions

Clinton's new Under-Secretary of State for Global Affairs, Tim Wirth, is also beholden to Brownstein and Mizel for raising millions for his congressional campaigns since 1974. As chair of the House Banking Committee's subcommittee on telecommunications and finance from 1981 to 1986, Wirth (D-Colo.) had jurisdiction over financial markets. In 1985, he held hearings on the role of junk bonds in leveraged buyouts and hostile corporate takeovers. Drexel Burnham hired former DNC chair Robert Strauss to defend the empire it had created.²⁷ No legislation issued from the subcommittee, but Wirth converted to Milken's new Gospel of Wealth. Drexel, in turn, realized the "underlying value" to be reaped from a small investment in politics. Like the S&Ls, Drexel's employees and clients began papering both houses of Congress with contributions.²⁸

27. The hearings were prompted by Drexel's financing of T. Boone Pickens's attempt to take over Unocal, whose chairman, Fred Hartley, mounted a spirited defense led by Robert Rubin of Goldman Sachs. Hartley's company owned a plant in Parachute, Colorado, to produce shale oil with heavy federal subsidies. Wirth, long disturbed by the frenzy of mergers and acquisitions, introduced a bill to ban "greenmail"—the practice of threatening a hostile takeover in order to scare the target into buying out the predator's shares at a premium. The bill was not reported out of committee, and the issue died. (Stewart, *op. cit.*, p. 219.)

28. Among the recipients in 1986 were Senators Wirth (see below), Kennedy (Mass.), Lautenberg (N.J.), Cranston (Calif.), and Metzenbaum (Ohio), all of whom pushed for federal funds for Denver's new airport in 1989-91. Stewart, *op. cit.*



Under Secretary of State Tim Wirth. As member of Senate Banking Committee, he pushed federal funding for Denver airport while taking campaign funds from S&Ls, land developers, and junk bond felon Michael Milken.

Wirth's staff director and close friend, David Aylward, left the post to run the Alliance for Capital Access, the lobbying group started by Milken and Mizel. Wirth even attended one of Milken's "Predators' Balls" in Beverly Hills, as a featured speaker in 1986, the year he ran for the Senate.

"Magic" Mizel, who has raised millions for Republicans over the past decade, served as national finance chair for Wirth's successful run for the Senate in 1986.²⁹ It's called covering all the bases. "I believe in good government," Mizel once explained. "Sometimes you have confidence in people on both sides."³⁰ In 1988, Wirth's chief of staff, John Frew, ran the successful campaign to get voters to approve the new Denver airport—a campaign financed largely by land developers such as Mizel who stood to gain from the vote, and

whose success in funneling money upstream to Milken's junk-bond machine was essential fuel to keep the contraption running. Drexel even bought a Denver bond house to cash in on the tax-free municipal bonds floated to build the airport. As a member of the Senate Banking Committee, Wirth was instrumental in winning federal funds to keep the airport alive in 1989 and 1990, when mounting opposition threatened to abort it. In 1989, Wirth tried to block legislation that would have restricted S&Ls from buying more junk. Had he not used his position to feather the nest of the developers, the S&Ls (and Milken) would have fallen sooner, and taxpayers' losses would have been cut.

As it turned out, Mizel's fundraising prowess was based on an illegal kickback scheme in which MDC Asset Investors' subcontractors (under threat of being blackballed from future work) donated money which was reimbursed by MDC through phony invoices to homebuyers or deducted from taxes as a business expense. An investigation by the state's attorney general found Mizel had to know about the scheme, although he claimed otherwise. Despite the commission of felonies, no state charges could be filed because the statute of limitations had run out. Four MDC executives pleaded guilty to federal criminal charges in the case, but Mizel, who claimed ignorance of the mechanism of which he was the beneficiary, was granted immunity for his testimony.³¹

Breaking the S&L Habit

Wirth wrote a moving account of his decision not to stand for re-election in 1992; one of his reasons was his distaste for the degrading spectacle of groveling for money from special interests to finance the \$4 million he would need to win.³² Some found the confession sanctimonious in light of his success over the years.³³ He received \$157,000 from people associated with Silverado, Lincoln, CenTrust, and Columbia S&Ls in the 1980s,³⁴ most of it in 1986 when Mizel and Brownstein were his chief fundraisers. (Collectively, those savings and loan debacles cost the taxpayers upwards of \$10 billion in the bailout.) Wirth gave about \$100,000 of it to charity in 1990 after the contributions became an issue.³⁵ At

(continued on p. 55)

31. Robert R. Gallagher, Jr., *Report of Special Assistant Attorney General*, March 1991, pp. 1-13.

32. "Diary of a Dropout," *New York Times Magazine*, August 9, 1992, p. 17.

33. Joan Lowy, "Wirth peddles influence, GOP says," *Rocky Mountain News*, January 27, 1992, p. 6.

34. Robert Kowalski, "Wirth lists \$157,000 in donations," *Denver Post*, February 3, 1990, pp. 1B, 8B; "S&Ls gave Wirth \$132,000 in 1980s," *Denver Post*, January 7, 1990.

35. As a member of the Democratic Senate Campaign Committee's Pacific Leadership Council, Wirth also took a free ride on the corporate jet of David Paul, chair of CenTrust, the failure of which cost the taxpayers \$2 billion. See "Summary of contacts with elected officials as noted on David Paul's calendar and other CenTrust documents," General Accounting Office, Appendix 2, p. 321; also "Wirth linked to key figure in S&L probe," *Rocky Mountain News*, March 27, 1990, p. 2.

29. Peter Sleeth and Steven Wilmsen, "Mizel's political clout broad, bipartisan," *Denver Post*, August 8, 1990, p. 3A.

30. Quoted in *Rocky Mountain News*, September 9, 1990, p. 11B.

Public Relationships:

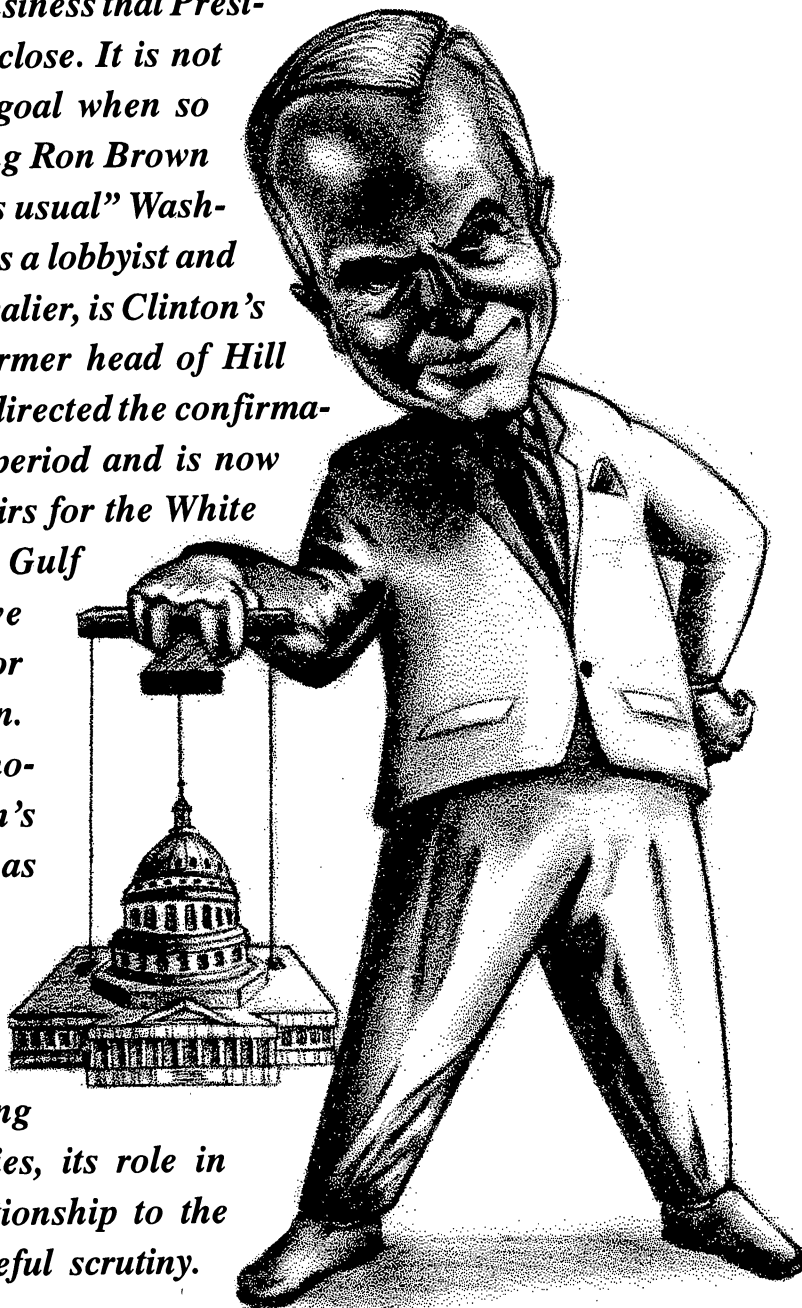
Hill & Knowlton, Robert Gray, and the CIA

Johan Carlisle

Public relations and lobbying firms are part of the revolving door between government and business that President Clinton has vowed to close. It is not clear how he will accomplish this goal when so many of his top appointees, including Ron Brown and Howard Paster, are "business as usual" Washington insiders. Ron Brown, who was a lobbyist and attorney for Haiti's "Baby Doc" Duvalier, is Clinton's Secretary of Commerce. Paster, former head of Hill and Knowlton's Washington office, directed the confirmation process during the transition period and is now Director of Intergovernmental Affairs for the White House. After managing PR for the Gulf War, Hill and Knowlton executive Lauri J. Fitz-Pegado became director of public liaison for the inauguration.

The door swings both ways. Thomas Hoog, who served on Clinton's transition team, has replaced Paster as head of H&K's Washington office.

Hill and Knowlton is one of the world's largest and most influential corporations. As such, its virtually unregulated status, its longstanding connections to intelligence agencies, its role in shaping policy, and its close relationship to the Clinton administration deserve careful scrutiny.



Johan Carlisle is a San Francisco-based free-lance journalist and managing editor of *Propaganda Review*.

Graphic of Robert Gray: Joanna Virello

In Turkey, "in July 1991, the same month President George Bush made an official visit there, the body of human rights worker Vedat Aydin was found along a road. His skull was fractured, his legs were broken, and his body was riddled by more than a dozen bullet wounds. He had been taken from his home by several armed men who identified themselves as police officers. No one was charged with his murder."¹

In 1991, the top 50 U.S.-based PR firms invoiced over \$1.7 billion.

Despite hundreds of such "credible reports" acknowledged by the State Department, documenting use of "high-pressure cold water hoses, electric shocks, beating of the genitalia, and hanging by the arms," Turkey reaps the benefits of U.S. friendship and Most Favored Nation status. "Last year Turkey received more than \$800 million in U.S. aid, and spent more than \$3.8 million on Washington lobbyists to keep that money flowing."² Turkey paid for U.S. tolerance of torture with its cooperative role in NATO, and its support for Operation Desert Storm; it bought its relatively benign public image with cold cash.

Turkey's favorite Washington public relations and lobbying firm is Hill and Knowlton (H&K), to which it paid \$1,200,000 from November 1990 to May 1992. Other chronic human rights abusers, such as China, Peru, Israel, Egypt, and Indonesia, also retained Hill and Knowlton to the tune of \$14 million in 1991-92. Hill and Knowlton has also represented the infamously repressive Duvalier regime in Haiti.

1. Pamela Brogan, *The Torturers' Lobby: How Human Rights-Abusing Nations are Represented in Washington*, 1993. (The Center for Public Integrity, 1910 K St., N.W., Suite #802, Washington, D.C. 20006, 202/223-0299.)

2. *Ibid.*

On October 10, 1990, as the Bush administration stepped up war preparations against Iraq, H&K, on behalf of the Kuwaiti government, presented 15-year-old "Nayirah" before the House Human Rights Caucus. Passed off as an ordinary Kuwaiti with firsthand knowledge of atrocities committed by the Iraqi army, she testified tearfully before Congress:

I volunteered at the al-Addan hospital...[where] I saw the Iraqi soldiers come into the hospital with guns, and go into the room where 15 babies were in incubators. They took the babies out of the incubators, took the incubators, and left the babies on the cold floor to die.

Supposedly fearing reprisals against her family, Nayirah did not reveal her last name to the press or Congress. Nor did this apparently disinterested witness mention that she was the daughter of Sheikh Saud Nasir al-Sabah, Kuwait's ambassador to the U.S. As Americans were being prepared for war, her story—which turned out to be impossible to corroborate—became the centerpiece of a finely tuned public relations

campaign orchestrated by H&K and coordinated with the White House on behalf of the government of Kuwait and its front group, Citizens for a Free Kuwait. In May 1991, CFK was folded into the Washington-based Kuwait-America Foundation.

CFK had sprung into action on August 2, the day Iraq invaded Kuwait. By August 10, it had hired H&K, the preeminent U.S. public relations firm. CFK reported to the Justice Department receipts of \$17,861

from 78 individual U.S. and Canadian contributors and \$11.8 million from the Kuwaiti government.³ Of those "donations," H&K got nearly \$10.8 million to wage one of the largest, most effective public relations campaigns in history.⁴



Olivia Heussler/Impact Visuals

Statehouse, Ankara, Turkey. Trial against lawyer Mustafa Oezer, who was found guilty of speaking Kurdish. Turkey is a client of Hill and Knowlton.

3. John R. MacArthur, *Second Front: Censorship and Propaganda in the Gulf War* (New York: Hill and Wang, 1992), p. 49.

4. Susan B. Trento, *The Power House: Robert Keith Gray and the Selling of Access and Influence in Washington* (New York: St. Martin's Press, 1992), p. 382.



Nancy Shieh

Kuwaiti Ambassador to the U.S. al-Sabah (left, behind) listens to testimony before Congress. His daughter (far right), Nayirah, presented as an ordinary Kuwaiti, prepares to testify that she saw Iraqi soldiers kill Kuwaiti babies by throwing them out of incubators. This story turned out to be part of a Hill and Knowlton propaganda campaign to rouse war fever.

From the streets to the newsrooms, according to author John MacArthur, that money created a benign facade for Kuwait's image:

The H&K team, headed by former U.S. Information Agency officer Lauri J. Fitz-Pegado, organized a Kuwait Information Day on 20 college campuses on September 12. On Sunday, September 23, churches nationwide observed a national day of prayer for Kuwait. The next day, 13 state governors declared a national Free Kuwait Day. H&K distributed tens of thousands of Free Kuwait bumper stickers and T-shirts, as well as thousands of media kits extolling the alleged virtues of Kuwaiti society and history. Fitz-Pegado's crack press agents put together media events featuring Kuwaiti "resistance fighters" and businessmen and arranged meetings with newspaper editorial boards. H&K's Lew Allison, a former CBS and NBC News producer, created 24 video news releases from the Middle East, some of which purported to depict life in Kuwait under the Iraqi boot. The Wirthlin Group was engaged by H&K to study TV audience reaction to statements on the Gulf crisis by President Bush and Kuwaiti officials.⁵

5. MacArthur, *op. cit.*, p. 50.

All this PR activity helped "educate" Americans about Kuwait—a totalitarian country with a terrible human rights record and no rights for women. Meanwhile, the incubator babies atrocity story inflamed public opinion against Iraq and swung the U.S. Congress in favor of war in the Gulf.

This free market approach to manufacturing public perception raises the issue of:

whether there is something fundamentally wrong when a foreign government can pay a powerful, well-connected lobbying and public relations firm millions of dollars to convince the American people and the American government to support a war halfway around the world. In another age this activity would have caused an explosion of outrage. But something has changed in Washington. Boundaries no longer exist.⁶

One boundary which has been blurred beyond recognition is that between "propaganda"—which conjures up unpleasant images of Goebbels-like fascists—and "public relations," a respectable white collar profession. Taking full advantage of the revolving door, these lobbyists and spinmeisters glide through Congress, the White House, and the major media

6. Trento, *op. cit.*, p. ix.

editorial offices. Their routine manipulations—like those of their brown shirted predecessors—corrode democracy and government policy. H&K's highly paid agents of influence, such as Vice President Bush's chief of staff Craig Fuller, and Democratic power broker Frank Mankiewicz, have run campaigns against abortion for the Catholic Church, represented the Church of Scientology, and the Moonies. They have made sure that gasoline taxes have been kept low for the American Petroleum Institute; handled flack for Three Mile Island's near-catastrophe; and mishandled the apple growers' assertion that Alar was safe. They meddle in our political life at every turn and apparently are never held accountable. Not only do these PR firms act as foreign propaganda agents, but they work closely with U.S. and foreign intelligence agencies, making covert operations even harder to control.

In the 1930s, Edward Bernays, the "father of public relations," convinced corporate America that changing the public's opinion—using PR techniques—about troublesome social movements such as socialism and labor unions, was more effective than hiring goons to club people.

Since then, PR has evolved into an increasingly refined art form of manipulation on behalf of whoever has the large amounts of money required to pay for it. In 1991, the top 50 U.S.-based PR firms billed over \$1,700,000,000 in fees.⁷ Top firms like Hill and Knowlton charge up to \$350 per hour.

PR firms manipulate public and congressional opinion and government policy through media campaigns, congressional

7. O'Dwyer's *Directory of Public Relations Firms* (New York: J.R. O'Dwyer Co., Inc.), 1992, p. 7.

PR SERVICES

Vol. 5, No. 1

REPORT

H&K leads PR charge in behalf of Kuwaiti cause

Hill and Knowlton, in conducting a multi-faceted PR campaign for Kuwaiti interests that may lead the U.S. to war in the Mid East, has assumed a role in world affairs unprecedented for a PR firm.

H&K has employed a stunning variety of opinion-forming devices and techniques to help keep U.S. opinion on the side of the Kuwaitis, who demand the complete ouster of the invading forces of Iraq.

The techniques range from full-scale press conferences showing torture and other abuses by the Iraqis to the distribution of tens of thousands of "Free Kuwait" T-shirts and bumper stickers at college campuses across the U.S.

Church congregations have been asked to pray in behalf of Kuwait by H&K representatives and H&K President and CEO Robert L. Dilenschneider had asked National Football League Commissioner Paul Tagliabue to arrange for a moment of silence for Kuwait at NFL games.

Continued on page 8



United Nations Security Council staff members turn to view videotape of atrocities committed against Kuwaitis by occupying Iraqis. Photos were also presented by the exiled Kuwait government as the Security Council took up the U.S. proposal to authorize the forcible expulsion of Iraq from Kuwait.

The cover of O'Dwyer's PR SERVICES, (January 1991) features H&K's campaign to lead the U.S. to war in the Gulf. Here, U.N. Security Council staff members rubberneck photo and video display supplied by the Kuwaiti government.

hearings, and lobbying. They have the ability and the funds to conduct sophisticated research for their clients and, using inside information, to advise them about policy decisions. They are positioned to sell their clients access and introductions to government officials, including those in intelligence agencies. Robert Keith Gray, head of Hill and Knowlton's Washington office for three decades, used to brag about checking major decisions personally with CIA director William Casey, whom he considered a close personal friend.⁸

One of the most important ways public relations firms influence what we think is through the massive distribution of press releases to newspapers and TV newsrooms. One study found that 40 percent of the news content in a typical U.S. newspaper originated with public relations press releases, story memos, or suggestions.⁹ The *Columbia Journalism Review*, which scrutinized a typical issue of the *Wall Street Journal*, found that more than half the *Journal's* news stories "were based solely on press releases." Although the releases were reprinted "almost

verbatim or in paraphrase," with little additional reporting, many articles were attributed to "a *Wall Street Journal* staff reporter."¹⁰

While some PR campaigns are aimed at the general public, others target leadership, either to persuade them or to provide

8. Trento, *op. cit.*, p. 143.

9. A study by Scott M. Culip, ex-dean of the School of Journalism and Mass Communications at the University of Georgia, cited in Martin A. Lee and Norman Solomon, *Unreliable Sources: A Guide to Detecting Bias in News Media* (New York: Lyle Stuart, 1990), p. 66.

10. Lee, *op. cit.*, p. 66.

them with political cover. On November 27, 1990, just two days before the U.N. Security Council was to vote on the use of military force against Iraq, while the U.S. was extorting, bullying, and buying U.N. cooperation, Kuwait was trying to win hearts, minds, and tear ducts. "Walls of the [U.N.] Council chamber were covered with oversized color photographs of Kuwaitis of all ages who reportedly had been killed or tortured by Iraqis. ...A videotape showed Iraqi soldiers apparently firing on unarmed demonstrators, and witnesses who had escaped from Kuwait related tales of horror. A Kuwaiti spokesman was on hand to insist that his nation had been 'an oasis of peaceful harmony' before Iraq mounted its invasion."¹¹ This propaganda extravaganza was orchestrated by Hill and Knowlton for the government of Kuwait. With few exceptions, the event was reported as news by the media, and two days later the Security Council voted to authorize military force against Iraq.

The Intelligence Connection

The government's use of PR firms in general, and Hill and Knowlton in particular, goes beyond ethically dubious opinion manipulation. It includes potentially illegal proxy spying operations for intelligence agencies. "H&K recruited students to attend teach-ins and demonstrations on college campuses at the height of the Vietnam War, and to file agent-like reports on what they learned," according to author Susan Trento. "The purpose was for H&K to tell its clients that it had the ability to spot new trends in the activist movement, especially regarding environmental issues."¹² Richard

In a typical issue of the Wall Street Journal, more than half the news stories were based solely on press releases.

Cheney (no relation to former Secretary of Defense Cheney), head of H&K's New York office, denied this allegation. He said that H&K recommends that its clients hire private investigative agencies to conduct surveillance and intelligence work. But, Cheney admitted, "in such a large organization you never know if there's not some sneak operation going on."¹³

Former CIA official Robert T. Crowley, the Agency's long-time liaison with corporations, sees it differently. "Hill

and Knowlton's overseas offices," he acknowledged, "were perfect 'cover' for the ever-expanding CIA. Unlike other cover jobs, being a public relations specialist did not require technical training for CIA officers." The CIA, Crowley admitted, used its H&K connections "to put out press releases and make media contacts to further its positions. ...H&K employees at the small Washington office and elsewhere, distributed this material through CIA assets working in the

The CIA, Crowley admitted, used its H&K contacts "to put out press releases and make media contacts."

United States news media."¹⁴ Since the CIA is prohibited from disseminating propaganda inside the U.S., this type of "blowback"—which former CIA officer John Stockwell¹⁵ and other researchers have often traced to the Agency—is illegal.

While the use of U.S. media by the CIA has a long and well-documented history, the covert involvement of PR firms may be news to many. According to Trento:

Reporters were paid by the CIA, sometimes without their media employers' knowledge, to get the material in print or on the air. But other news organizations ordered their employees to cooperate with the CIA, including the San Diego-based Copley News Service. But Copley was not alone, and the CIA had 'tamed' reporters and editors in scores of newspaper and broadcast outlets across the country. To avoid direct relationships with the media, the CIA recruited individuals in public relations firms like H&K to act as middlemen for what the CIA wanted to distribute.¹⁶

This close association and dependence upon the intelligence community by reporters has created a unique situation which has shielded PR executives and firms from closer scrutiny by the media and Congress. According to Trento, "These longstanding H&K intelligence ties and CIA-linked reporters' fears that Gray might know about them might partially explain why Gray has escaped close media examination, even though he was questioned about his or his associates' roles in one major scandal after another during his long Washington career."¹⁷

Over the years, Hill and Knowlton and Robert Gray have been implicated in the BCCI scandal, the October Surprise,

11. Arthur E. Rowse, "Flacking for the Emir," *The Progressive*, May 1991, p. 20; also see *Columbia Journalism Review*, September/October 1992, p. 28.

12. Trento, *op. cit.*, p. 70.

13. Interview with author, January 7, 1993.

14. Trento, *op. cit.*, p. 94.

15. Interview with John Stockwell, *Propaganda Review*, No. 6, Winter 1990, p. 14.

16. Trento, *op. cit.*, p. 94.

17. *Ibid.*



The Kuwaiti government paid Hill and Knowlton to rally Americans into a pro-war frenzy. In Washington, demonstrators hold homemade and H&K-supplied signs.

the House page sex and drug scandal, Debategate, Koreagate, and Iran-Contra.¹⁸ In October 1988, three days after the Bank of Credit and Commerce International (BCCI) was indicted by a federal grand jury for conspiring with the Medellin Cartel to launder \$32,000,000 in illicit drug profits, the bank hired H&K to manage the scandal.¹⁹ Robert Gray also served on the board of directors of First American Bank, the Washington D.C. bank run by Clark Clifford (now facing federal charges) and owned by BCCI. Gray was close to, and helped in various ways, top Reagan officials. When Secretary of Defense Caspar Weinberger's son needed a job, Gray hired him for \$2,000 a month. "And when Gray's clients needed something from the Pentagon, Gray and Co. went right to the top." Gray also helped Attorney General Ed Meese's wife, Ursula, get a lucrative job with a foundation which was created by a wealthy Texas client, solely to employ her.²⁰

Robert Keith Gray— Private Spook?

Robert Keith Gray, who set up Hill and Knowlton's important Washington, D.C. office and ran it for most of the time between 1961 and 1992,²¹ has had numerous contacts in the national and international intelligence community. The list of his personal and professional associates includes Edwin Wilson, William Casey, Tongsun Park (Korean CIA), Rev. Sun Myung Moon, Anna Chennault (Gray was a board

member of World Airways *aka* Flying Tigers), Neil Livingstone, Robert Owen, and Oliver North.

"Most of the International Division [of Gray & Co.] clients," said Susan Trento, "were right-wing governments tied closely to the intelligence community or businessmen with the same associations."²²

In 1965, with Gray's help, Tongsun Park, had formed the George Town Club in Washington. According to Trento:

Park put up the money and, with introductions from Gray and others, recruited "founders" for the club like the late Marine Gen. Graves Erskine, who had an active intelligence career. Anna Chen-

nault became a force in the club. Others followed, and most, like Gray, had the same conservative political outlook, connections to the intelligence world, or 'congressional overtones.' Gray's ties to right-wing Asians like Chennault and Park had deep roots. Gray had been critical of Eisenhower [when he was appointments secretary for Eisenhower] for never being partisan enough. Perhaps that is why Gray embraced wholeheartedly the powers behind the China Lobby. One reason Gray was attached to the lobby was that they had long been behind the funding of Richard Nixon's various campaigns.²³

Tongsun Park was an "agent of influence," trained by the Korean intelligence agency, which was created by and is widely regarded as a subsidiary of the CIA. The George Town Club has served as a discrete meeting place where right-wing foreign intelligence agents can socialize and conduct business with U.S. government officials.

Robert Gray has also been linked with former CIA and naval intelligence agent Edwin Wilson, although Gray denies it. In 1971, Wilson left the CIA and set up a series of new front companies for a secret Navy operation—Task Force 157. Wilson says that Robert Gray "was on the Board [of Directors]. We had an agreement that anything that H&K didn't want, they would throw to me so that I could make some money out of it, and Bob and I would share that."²⁴

18. In 1991, Hill and Knowlton also represented the Rochester Institute of Technology against charges that their contracts with the CIA were improper. See Jean Douthwright, "RIT: A CIA Subsidiary?" *CovertAction*, Number 38 (Fall 1991), pp. 4-9.

19. Trento, *op. cit.*, p. 371.

20. *Ibid.*, pp. 157, 159, 371.

21. From 1981-86 Gray ran his own PR firm, Gray and Co., which H&K

bought in 1986. In 1992, he left H&K and started Gray and Co. II, which has offices in Miami and Washington.

22. Trento, *op. cit.*, p. 261.

23. *Ibid.*, p. 97.

24. *Ibid.*, p. 105.

The Gray Area Behind Hill & Knowlton

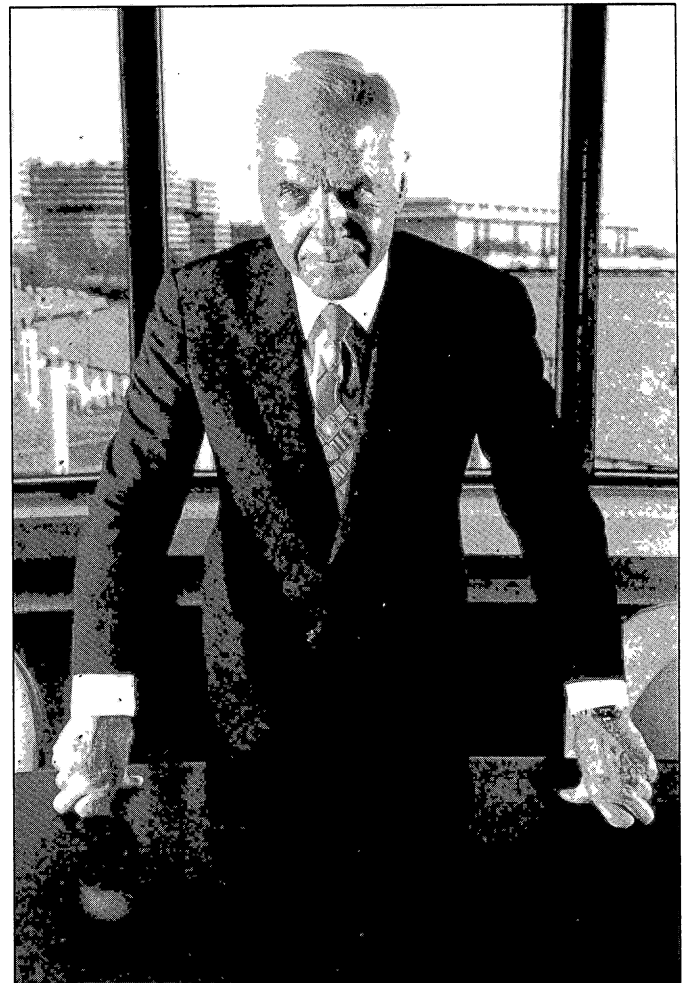
Gray's connection to Iran-Contra has never been fully examined. Notably, the Tower Commission, Reagan's official 1986 investigation, all but ignored it. In 1983, Texas Senator John Tower had declined to seek reelection thinking he had a deal with Reagan to become Secretary of Defense. After Weinberger decided to stay on in the second Reagan term, Tower found himself without a job. In 1986, his friend Robert Gray offered him a position on the board of directors of Gray and Co. Shortly thereafter, Tower was asked to head the presidential inquiry. Not surprisingly, the Tower Commission kept Gray and Co. out of the investigation, in spite of the facts that several key players in the scandal had worked for Gray and Co., and Gray's Madrid office was suspected of involvement in the secret arms shipments to Iran.²⁵

Despite large gaps in the official inquiry, it has been established that Robert Owen, Oliver North's messenger and bagman, worked for Gray and Co. after leaving then-Senator Dan Quayle's staff in 1983. Owen worked primarily with Neil Livingstone, a mysterious figure who claims to be a mover and shaker in the intelligence world but who is described as a "groupie." Livingstone worked with Ed Wilson, Air Panama, and as a front man for business activities sponsored by the CIA and Israeli intelligence.²⁶ Owen and Livingstone traveled frequently to Central America to meet with the Contras in 1984. An interesting footnote to Iran-Contra is that in 1986, Saudi Arabian arms broker Adnan Khashoggi hired Hill and Knowlton and Gray and Co. to milk maximum publicity out of his major donation to a \$20.5 million sports center, named after him, at American University.

The Fourth Branch of Government

The pattern of influence peddling and insider abuse is clear. The potential for real reform is less obvious. Despite his stated intention to restrict the influence of lobbyists and PR manipulation, Clinton's reforms are viewed with cynical amusement by those in the know. Although newly restricted from directly lobbying their former agencies, retiring government officials can simply take jobs with PR firms, sit at their desks, and instruct others to say "Ron, or Howard, sent me."

Nor does the updated Foreign Agents Registration Act have real teeth. The act—legislated in 1938 when U.S. PR firms were discovered working as propagandists and lobbyists for Nazi Germany—is rarely enforced.²⁷ While it requires agents of governments to register, it omits require-



©1992 Keith W. Jenkins

Robert Gray

ments for agents of foreign corporations, who often serve the same interests.

And if loopholes for lobbying are comfortably large, public relations activities remain totally unregulated and unscrutinized by any government agency. Given the power and scope of PR firms, their track records of manipulation, their collusion with intelligence agencies, and their disregard for the human rights records and corporate misdeeds of many of their clients, this lack of oversight endangers democracy. Careful regulation, stringent reporting requirements, and government and citizen oversight are essential first steps in preventing these giant transnationals from functioning as a virtual fourth branch of government. •

Happy Birthday to us!
CovertAction (the quarterly) is
15 years old.

Covert action (the government abuse)
is unfortunately older.

25. *Ibid.*, pp. 266, 300.

26. *Ibid.*, p. 256.

27. "Under one provision of the law, copies of all news releases, video tapes, radio scripts, and ads of a political nature must be filed with the Justice Department within forty-eight hours. ... 'The law is ignored every day of the week,' says [trade journal publisher] Jack O'Dwyer. The last successful prosecution by the Department was in 1962." (Rowse, *op. cit.*, p. 22.)

Great Global Greenwash:

Burson-Marsteller, Pax Trilateral, and the Brundtland Gang vs. the Environment

Joyce Nelson

"I always planned to have a large worldwide organization that would serve multinationals," boasted Harold Burson, founder and chair of Burson-Marsteller (B-M).¹ Six years later, in 1991, Burson had largely met his goal. Outdistancing its closest competitors—Hill & Knowlton and the British public relations (PR) firm Shandwick—in worldwide billings, Burson-Marsteller had emerged as the largest independent PR firm in the world, with 60 offices in 27 countries and a client list that included the U.S. Army and some of the most powerful transnationals on earth.

Despite this success, the master of spin has bemoaned the low image of his own industry: "Our business is still considered by some as a facade, the practice of form over substance," complained Burson. "Our discipline is deprecatingly referred to as 'PR,' a now-pejorative term I've never cared for. But our



David Maung/Impact Visuals

Corporations are organizing from international boardrooms down to the grassroots to fight the growing environmental movement. Here, a Georgia-Pacific guard gets ready for a counterdemonstration in California.

contributions are, in fact, substantial, or can be. I believe they are mainly unrecognized."²

Clearly it's time to give B-M the publicity it deserves. For too long the company has modestly avoided both media attention and the public gaze, preferring to remain the *eminence grise* behind the corporate veil. Through "issues management" for clients involved in controversy, Burson-Marsteller plays an international role greater than that of most governments. In fact, as events will show, B-M is orchestrating nothing less than our common future.

Damage Control

The term "spin doctors" hardly describes B-M. They're more like "spin plastic surgeons"—the experts who are called in to fix the botched PR jobs of their less-experienced colleagues, or to handle the overwhelming

PR challenges avoided by a client's in-house PR pros. They even make house calls. Burson-Marsteller SWAT teams travel the world, taking care of business. Usually, it's intensive care.

Joyce Nelson is a Canadian author of four non-fiction books, including *Sultans Of Sleaze: Public Relations & The Media* (Toronto: Between The Lines, 1989).

1. Quoted in Alyse Lynn Booth, "Who Are We?," *Public Relations Journal*, June 1985, p. 16.

2. Harold Burson, speech, "Beyond 'PR,'" reprinted in *Vital Speeches of the Day*, December 1990, p. 156.

The company was a friend indeed to a series of repressive governments:

- Nigeria hired B-M to put a different spin on the rampant stories of genocide during the Biafran War.³
- It promoted Romania as a good place to do business during the reign of Nicolae Ceausescu.⁴
- In the late-1970s while 35,000 Argentinians were "disappeared," the ruling military junta hired B-M to "improve [its] international image" and boost investment.⁵
- The South Korean government, long perceived as "a junta with civilian clothes," paid B-M to handle international PR for the 1988 Seoul Olympics and paint a glitzy face on a country where multinationals such as General Motors, Ford, and AT&T typically paid workers about \$285 a month for 12-hour shifts, six days a week.⁶
- In 1991, B-M was the primary lobbyist for the Mexican government helping ram through the contested fast track option for the North American Free Trade Agreement.

Burson-Marsteller also rode in like the cavalry to issue-manage for corporations in crisis. It handled:

- Babcock & Wilcox, whose nuclear reactor failed at Three Mile Island.⁷
- A. H. Robins' international PR woes resulting from its Dalkon Shield IUD.
- Union Carbide in the wake of the Bhopal disaster.⁸

Under its lobbying wing, Black, Manafort, Stone, and Kelly, B-M helped the American Society of Plastic and Reconstructive Surgeons' effort to prevent restrictions on silicone breast implants and the Tobacco Institute's campaign to downplay the health hazards of smoking.⁹

All this assistance did not come cheap. During the Reagan-Bush decade, Burson-Marsteller's worldwide billings quintupled: from \$40 million in 1981, to \$85 million in 1985, to \$200 million in 1991.

The "New Environmentalism"

Many of the 2,000 or so corporate "crises" B-M managed during that period were "hostile takeover attempts" typical in a corporate world where businesses swallow businesses on a daily basis. Other crises arose from increased public concern over environmental issues and from the effectiveness of movements for fundamental change.

"With the collapse of the 'evil empire,' depressed economies worldwide, and widespread social malaise," writes author-activist Brian Tokar, "the growth of ecological



Burson-Marsteller founder Harold Burson.

awareness in the industrialized countries may be one of the last internal obstacles to the complete hegemony of transnational corporate capitalism."¹⁰

Corporate response to growing ecological concern has included a deluge of "green" PR bilge meant to co-opt and neutralize opposition. By 1990, *Fortune* reassured its readers that "the new environmentalism" would be "global, more cooperative than confrontational—and with business at the center."¹¹ Leading PR insiders have called environmentalism "the life and death PR battle of the 1990s."¹²

In a glossy prospectus, B-M defined its strategy for blunting environmental activism:

More than ever before, corporations conduct their business amid a whirlwind of political, social and environmental issues. These issues—many now global in scale—originate with governments, the media, customers, competitors, employees, shareholders, communities, or activists, and can strongly influence the ability of a corporation to achieve its business objectives. ...Successful corporations have learned that issues must be confronted and strategically managed. In the legislative arena. Before regulatory bodies. In the media. In local communities. In the marketplace. And with internal constituencies.¹³

3. Author's interview with Harold Burson, fall 1981, New York. See also Joyce Nelson, *Sultans Of Sleaze: Public Relations & the Media*, p. 42.

4. Nelson, *op. cit.*, p. 23.

5. *Ibid.*, pp. 21-42.

6. William K. Tabb, "The South Korea Behind the Olympic Glitz," *The Progressive*, November 1988, p. 26; B-M Client List for 1988, *O'Dwyer's Directory of Public Relations Firms* (New York, 1988), p. 177.

7. Milton Moskowitz, Michael Katz, and Robert Levering, eds., *Everybody's Business: An Almanac* (New York: Harper & Row, 1980), p. 348.

8. Tara Jones, *Corporate Killing: Bhopals Will Happen* (London: Free Association Books, 1988), p. 32.

9. *O'Dwyer's Washington Report*, "BMS&K works at half million rate for surgeons on implant issue," March 2, 1992, p. 1.

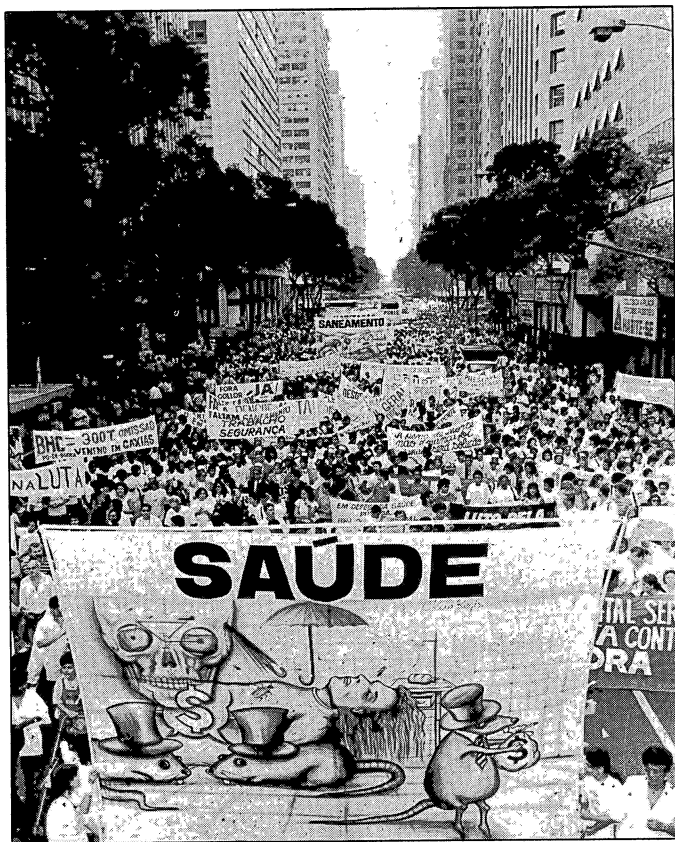
10. Brian Tokar, "Regulatory Sabotage," *Z Magazine*, April 1992, p. 20.

11. Quoted in Joyce Nelson, "Deconstructing Ecobabble," *This Magazine*, September 1990, p. 12.

12. Kevin McCauley, "Going 'green' blossoms as PR trend of the '90s," *O'Dwyer's PR Services*, January 1991, p. 1.

13. B-M Brochure, *Public Affairs*, issued by B-M Worldwide Headquarters, New York. Circulated, 1991-93.

Perhaps the most important sign of the power and reach of new corporate strategy toward environmentalism was a 1991 press release issued by Burson-Marsteller for the Business Council For Sustainable Development (BCSD), a client not listed in the company's published roster of clients. Released more than a year before the U.N. Earth Summit in Rio, it announced that business interests would be well represented from the beginning in that high profile conference.



Imagens de Terra/Impact Visuals

Unions, environmentalists, and human rights organizations demonstrate during the Rio Summit when over 110 heads of state went to Rio. June 10, 1992.

According to Burson-Marsteller press release for the BCSD:

In a major new initiative on the future development and use of the world's natural resources, over 40 top world business leaders have joined forces in the form of an international organization to propose new policies and actions on the sustainable development of the Earth's environment.

The Business Council for Sustainable Development has been formed by Stephan Schmidheiny, a leading Swiss industrialist and key adviser to Maurice Strong, secretary general of the United Nations Conference on Environment and Development (UNCED). The UNCED organization is sponsoring EGO '92 [sic], an international conference scheduled to take place in Rio de Janeiro.

*Schmidheiny was appointed principal advisor for business and industry to Strong to ensure that the world's business community participates in policy planning prior to the start of [the Earth Summit], when governments will be urged to approve a wide range of potentially far-reaching actions. (Emphasis added.)*¹⁴

Taking Care of Business

It is not clear just who "appointed" Stephan Schmidheiny "principal adviser" to Maurice Strong at UNCED, though there is a kind of logic in having a multibillionaire advise a multimillionaire.¹⁵ Schmidheiny traces his environmental credentials to 1969 in Brazil: "It was my first workshop experience. ...I saw the damage done by poverty to the environment...how poor people had no choice but to damage their environment."¹⁶ Conveniently overlooking the role of corporate polluters in his analysis, Schmidheiny believes that global economic growth is essential for sustainable development and "growth in poor countries is essential for the continuing prosperity of the rich nations. The rich must invest in and trade with the poor and remove barriers to such trade. And the poor countries must open markets and reform institutions to promote trade and investment."¹⁷

It is a concise "environmental" philosophy that any top world business leader might embrace and in fact, quite a few BCSD members found Schmidheiny's new environmentalism useful:

- Asea Brown Boveri plans to build nuclear power plants in South Korea.¹⁸
- Mitsubishi and Oji Paper are involved in controversial Canadian and Third World lumber and pulp industries.¹⁹
- Du Pont's subsidiary Conoco wants to drill for oil in and around Yasuni National Park in Ecuador.²⁰
- Browning-Ferris Industries, the waste-handlers, wants to expand its controversial 105-landfill U.S. operation.²¹
- Royal Dutch Shell is currently exploring for oil and gas in 50 countries.²²

14. B-M Press Release, "Top World Business Leaders Support Major New Initiative On Environment and Development," *PR Newswire*, February 19, 1991.

15. The Schmidheiny family empire is worth at least \$2.3 billion, with the three Schmidheiny brothers (Thomas and Stephan in Switzerland, Alexander in California) diversified in a range of corporate holdings: high-tech investing (Unotec), construction supplies (Nueva), watch manufacture (26% of SMH), electronics (6% of ABB Asea Brown Boveri), packaging and real estate (Anova), cement (Holderbank Financiere Glarus Ltd.), and California wines (Cuvaion). ("The Billionaires," *Fortune*, September 1991, p. 74.) Stephan himself is on the board of directors of more than a dozen leading companies, including: ABB Asea Brown Boveri (a B-M client in 1991), Landis & Gyr, Leica, Nestle, SMH, and the Union Bank of Switzerland. (*Ibid.* Press Release for BCSD.)

16. Quoted in Galina Vromen, "Reclusive Billionaire Urges Firms To Save Environment," *Times-Colonist* (Victoria, B.C.), May 3, 1991, p. D15.

17. Quoted in Lloyd Timberlake, "Meet The Industrialists Who Mean Business, How Far Is The Economic System Stacked Against The Environment?" *The Guardian* (London), July 12, 1991, p. 29.

18. Nicholas Hirst, "Candu's Market Meltdown," *Canadian Business*, October 1991, p. 60.

19. "Logical Move Into Lumber Market," *The Province* (Vancouver), July 28, 1991, p. 35.

20. Marc Cooper, "Oil Slick," *Mother Jones*, November/December 1991, p. 25.

21. Judy Christrup and Robert Schaeffer, "Not In Anyone's Backyard," *Greenpeace*, January/February 1990, p. 16.

22. Christopher Knowlton, "Shell Gets Rich By Beating Risk," *Fortune*, August 26, 1991, p. 82.



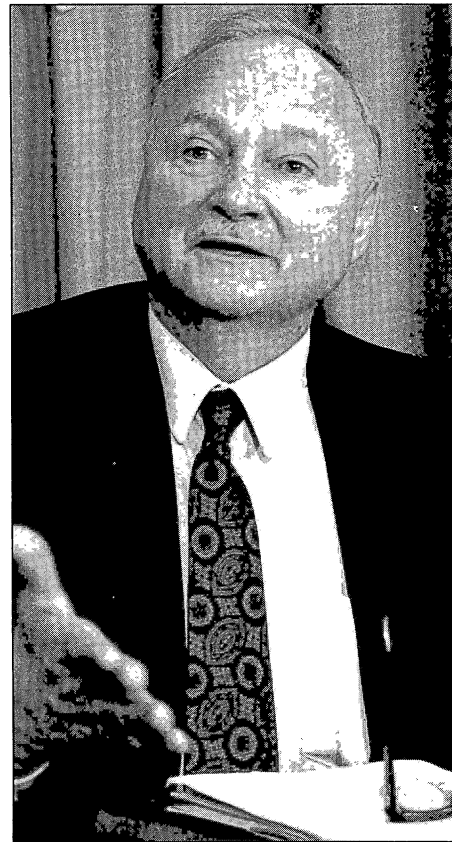
U.N. Photo 178142/E. Debebe

Gro Harlem Brundtland



Evan Johnson/Impact Visuals

Spotted owl



U.N. Photo 179010/J. Isaac

Maurice Strong

- Chevron, 3M, Ciba-Geigy, Nissan, Nippon, Dow, Aenkel, etc., would likely all benefit from "open markets."

No other special interest group was similarly favored by Strong or UNCED before or during the 1992 Earth Summit. The nongovernmental organizations (NGO) were encouraged to submit advance proposals to UNCED. While giving the illusion of access, that option was not in the same league as having a "principal adviser" to Strong and participating in "policy planning" for more than a year prior to the Rio event.

By 1991, environmentalists such as Larry Lohmann, editor of *The Ecologist*, were accusing business and government leaders of

courting and manipulating NGOs, particularly tame NGO umbrella groups, groups with establishment links, and groups with jet-set ambitions, in the hope of being able to use their names to say that UNCED initiatives have the backing of environmentalists, youth, trade unions, women's groups, the socially concerned and 'all the nations and peoples of the world.' These manoeuvres cannot conceal the fact that the grassroots 'participation' in UNCED...is a fraud.²³

23. Larry Lohmann, "Whose Common Future?," *The Ecologist*, May/June 1990, p. 84.

Given the role of Schmidheiny's BCSD in planning the Earth Summit, government leaders attending the June 1992 meeting may themselves have been little more than window-dressing. While the top world business leaders had more than a year to help plan UNCED Summit policy, the world's elected leaders (like the NGOs) were given 12 days to "enrich and enhance the deliberations of the Conference" and then afterwards "disseminate its results."

With the able assistance of public relations giant Burson-Marsteller, a very elite group of business people (including B-M itself) was seemingly able to plan the agenda for the Earth Summit with little interference from NGOs or government leaders.

The Brundtland Gang

The privileged relationship between Schmidheiny's BCSD and UNCED's Maurice Strong raises important questions about an earlier U.N. body, the Brundtland Commission. Given the emergence of Strong as, in the words of the *New York Times*, "the guardian of the planet," such questioning may be crucial.²⁴ The Brundtland Commission represents an early attempt to undercut the growing environmental movement and points to a deep and intertwined network.

24. Quoted in Anne McIlroy, "Guardian of the Planet?" *Calgary Herald*, June 9, 1991, p. A10.

Established by the U.N. General Assembly in 1983, the World Commission on Environment and Development, chaired by Norway's Prime Minister Gro Harlem Brundtland, was asked to formulate "a global agenda for change." Within a year of the Commission's 1987 report, *Our Common Future*,²⁵ the political leaders of virtually all industrialized countries had become born-again environmentalists, rallying around the oxymoronic Brundtland slogan: "sustainable development."

Despite its green veneer, the Brundtland report endorsed increased use of agrochemicals in the Third World, tacitly approved nuclear reactors in orbit, and asserted that multinational corporations need to "play a larger role in development" and "have a special responsibility to smooth the path of industrialization in the nations in which they operate."²⁶ But perhaps the most revealing aspect of *Our Common Future* is the highly pertinent gaps within the participants' biographical entries. They fail to mention that at least four of the Brundtland Gang are members of one of the most powerful and private organizations in the world.

The entry for Brundtland Commissioner Maurice Strong²⁷ barely hints at his entrepreneurial side. Strong made his millions in oil and gas, minerals, pulp and paper, and other resource-development interests in Canada and elsewhere.²⁸ Even more significant is the omission of Strong's connection to the Trilateral Commission, which he joined in 1976.²⁹

The Old Biz Network

Founded in 1973 by David Rockefeller and Zbigniew Brzezinski, the Trilateral Commission is the most powerful and elite organization for world-planning. Its 300-plus members (primarily presidents and CEOs of global corporations, bankers, politicians, and a few academics) are drawn exclusively from North America (the U.S. and Canada), Europe, and Japan. They collectively constitute a kind of First World United Nations for Global Business.

25. The World Commission on Environment and Development, *Our Common Future* (Oxford/New York: Oxford University Press, 1987).

26. *Ibid.*, p. 42.

27. Maurice Strong, Canada. President, American Water Development, Inc. former Under-Secretary General and Special Adviser to the Secretary General of the United Nations; Executive Director of the United Nations Office for Emergency Operations in Africa 1985-86; Chair of the Board, Petro-Canada 1976-78; Executive Director, United Nations Environment Programme 1973-75; Secretary General, United Nations Conference on the Human Environment 1970-72. (*Ibid.*, p. 356.)

28. McIlroy, *op. cit.*

29. Holly Sklar and Ros Everdell, "Who's Who On The Trilateral Commission," in Holly Sklar, ed., *Trilateralism: The Trilateral Commission and Elite Planning For World Management* (Boston: South End Press, 1980), p. 110.

As Holly Sklar noted in 1980:

Trilateralism, a form of 'collective management' under U.S. tutelage, is the necessary response if corporate capitalism is to endure and prosper. ...Trilateralism is the creed of an international ruling class whose locus of power is the global corporation. The Commission's overriding concern is that trilateral nations 'remain the vital center' of management, finance and technology (i.e., power and control) for the world economy—a world economy which (in Brzezinski's words) would 'embrace' and 'co-opt' the Third World and gradually reintegrate the Soviet Union, Eastern Europe, and China (known as the 'dropouts' in Trilateral lingo).³⁰

Interestingly, the 1991 Trilateral Commission membership list does not include Strong (or Bill Clinton), among "Former Members in Public Service," although George Bush, Brent Scowcroft (Bush's National Security Adviser), and Carla Hills (Bush's U.S. Trade Representative) are included. So, too, is another former member now serving in the U.N.: Sadako Ogata, High Commissioner for Refugees.³¹ Perhaps Strong's UNCED role at the time was deemed too sensitive to risk such a mention.

Besides Maurice Strong, there were three other Trilateral Commission members (or former members) involved in the UN Brundtland Commission: Saburo Okita, a Japanese politician and Trilateral author; Umberto Colombo, President of Italy's National Committee for Nuclear Energy; and Keichi Oshima, a member of the Advisory Committee for Japan's Atomic Energy Commission.³²

More recently, and probably more importantly, Brundtland Commissioner Jim MacNeill, the principal author of *Our Common Future*, led a 1988 Trilateral Commission Task Force on environment and development and was the principal author of its report to the 1990 meeting of Trilateral members.³³ This report was published as "a Trilateral Commission book," with a foreword by David Rockefeller and an introduction by Strong. There, Strong states that as of 1991, MacNeill was "now advising me on the road to Rio."³⁴

Thus, two elite corporate pipelines flowed into UNCED before the 1992 Earth Summit: Schmidheiny's BCSD and the

30. *Ibid.*, p. 8.

31. *The Trilateral Commission Membership*, October 6, 1992, New York.

32. *Our Common Future*, pp. 354, 360, 361; and Sklar and Everdell, pp. 115, 128, 129.

33. Jim MacNeill (principal author), Pieter Winsemius, and Taizo Yaku-shiji, *Beyond Interdependence: The Meshing of the World's Economy and the Earth's Ecology* (New York/Oxford: Oxford University Press, 1991), p. xiii.

34. Maurice Strong, "Introduction," in *ibid.*, p. xiii.



CORPORATE MANIFESTO

Ecological Imperialism: Staking Claim to the Earth

"Economic activity today is concentrated in the world's urban/industrial regions. Few if any of these regions are ecologically self-contained. They breathe, drink, feed and work on the ecological capital of their 'hinterland,' which also receives their accumulated wastes. At one time, the ecological hinterland of a community was confined to the areas immediately surrounding it, and that may still be true of some rural communities in developing countries.

"Today, however, the major urban/developing centers of the world are locked into complex international networks for trade in goods and services of all kinds, including primary and processed energy, food materials and other resources. The major cities of the economically powerful Western nations constitute the nodes of these networks, enabling these nations to draw upon the ecological capital of all other nations to provide food for their populations, energy and material for their economies, and even land, air, and water to assimilate their waste by-products.

"This ecological capital, which may be found thousands of miles from the regions in which it may be used, form the 'shadow ecology' of an economy. The oceans, the atmosphere (climate), and the other 'commons' also form part of this shadow ecology. In essence, the ecological shadow of a country is the environmental resources it draws from other countries and the global commons. If a nation without much geographical resilience had to do without its shadow ecology, even for a short period, its people and economy would suffocate. ...Western nations heavily engaged in global sourcing should be aware of their shadow ecologies and the need to pursue policies that will sustain them." *

*Brundtland Commissioner Jim MacNeill, *op. cit.*, pp. 58-59.

Trilateral Commission (via MacNeill). In comparison to the highly elite, First World membership of the Trilateral Commission, BCSD was supposed to look "truly global." "[I]t is important," said Schmidheiny in Burson-Marsteller's first press release for the Council in 1991, "that the BCSD be a truly global task force of world business leaders. Of the council's ultimate membership of about 50, one-third will be drawn from developing countries."³⁵ The difference was more apparent than real given the significant overlap in Trilateral and BCSD memberships including executives from Dow, Du Pont, Royal Dutch Shell, Browning-Ferris Industries, Mitsubishi, Nippon Steel, Nissan Motor, and 3M.³⁶

Thus, the UNCED roadshow was a complex network of behind-the-scenes alliances, underminings, and co-optations. Government leaders and NGOs were encouraged to participate in the Rio Earth Summit, but—given the greater advisory role of the BCSD and the Trilateral Commission—their "input" was largely irrelevant. Business leaders from developing countries were encouraged to provide "input" into Schmidheiny's BCSD, but—given the greater role of the Trilateral Commission in the BCSD and with Maurice Strong himself—were largely extraneous.

As a major player in the network, B-M has its own agenda as a transnational and its own substantial links to the Trilateral Commission. Not only are 18 of its 1991 clients Trilaterally-connected,³⁷ but B-M's Canadian chair (and former ambassador to the U.S.) Allan E. Gotlieb has been a Trilateral Commission member since 1989. As of 1992, he became North American chair of the Trilateral Commission.

35. B-M Press Release, *op. cit.*

36. Sklar and Everdell, *op. cit.*, pp. 99-130.

37. See *Ibid.*, pp. 99-130; as well as the 1992 Trilateral Membership List for representation of 1991 B-M clients: AT&T, British Gas, Caterpillar, Coca-Cola, Dow, Du Pont, Ford, GE, Hoechst, IBM, Johnson & Johnson, Procter & Gamble, Quaker Oats, S.C. Johnson, Shell Oil and (through the B.C. Forest Alliance) Weyerhaeuser, Brascan/Noranda, and Mitsubishi.



Managing the Hinterlands

The involvement of the Trilateral Commission has tremendous environmental implications, especially in light of its influence in UNCED. As Holly Sklar recently observed:

Trilateralism was mistakenly dismissed as dead in the 1980s by those who treated it as omnipotent or unimportant, rather than an influential, tension-ridden transnational elite process of collective 'management of contradictions.' In fits and starts, Trilateralism has advanced far down the paths laid out in the 1970s. ...The hegemonic order for the foreseeable future will likely be a two-headed one: Pax Americana militarily, Pax Trilateral economically.³⁸

Former Brundtland Commissioner Jim MacNeill's report for the Trilateral Commission sets out an agenda for "Pax Trilateral." MacNeill contributed a new pseudo-environmental rationale aimed at perpetuating the economic advantage of the industrialized North and legitimating the inequitable

The Earth Summit would act as a Trojan Horse in which business interests insinuated themselves inside the environmental movement.

relationships and exploitative practices which mark the global economy. [See previous page.] Powerful nations, MacNeill maintains, no matter how geographically remote, have a right to control the "ecological capital" of a community, region or nation it deems part of its "shadow ecology."

Indeed, according to MacNeill's analysis, any attempt at local control or regulation in these satellite areas could be considered an "environmental" threat. The cynical elegance of this argument did not escape David Rockefeller, who emphasized it in his foreword to the book.³⁹

In the event that some lesser nation contested relegation to the shadows, the Trilateral task force report proposed creating "a superagency with world-scale responsibilities" to achieve "international cooperation" on environmental issues.⁴⁰ By October 1991, the U.N. Environment Program (UNEP) had released a report

38. Holly Sklar, "Brave New World Order," Cynthia Peters (ed.), *Collateral Damage* (Boston: South End Press, 1992), pp. 24, 28.

39. David Rockefeller, "Foreword," in MacNeill, Winsemius and Yakushiji, *op. cit.*, p. vi.

40. *Ibid.*, p. 80.

calling for a similar "international watchdog organization."⁴¹

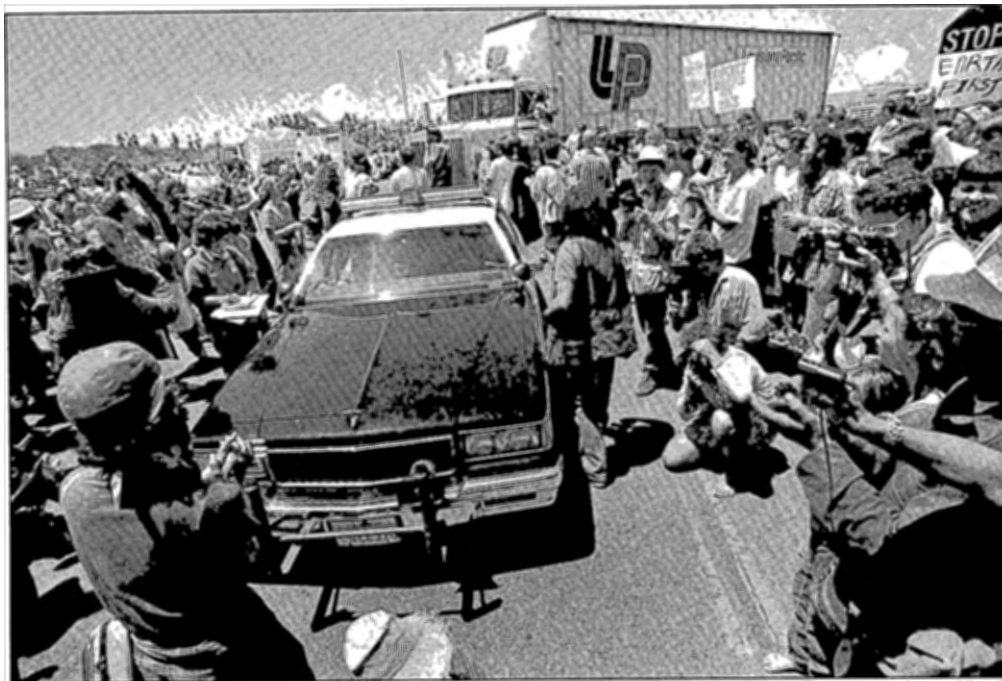
Meanwhile, the Earth Summit would act as a Trojan Horse in which business interests insinuated themselves inside the environmental movement. "The Earth Summit must succeed. There is no plausible alternative," Maurice Strong wrote in his introduction for MacNeill's 1991 Trilateral book.⁴²

Given the Trilateral call for an environmental "superagency" and the UNEP suggestion for an "international watchdog," the post-summit aftermath has included a significant twist. Private sector global business is now funding the World Earth Council, headed by Maurice Strong, to "mediate in international conflicts on environmental issues."⁴³

Some government leaders, NGOs, and communities do not agree that "our common future" should be decided by an elite group of exclusively First World corporations guided by North American Trilateral Chair David Rockefeller, and born-again environmentalists such as Brundtland and Strong. Nor do they subscribe to the benign spin which Burson-Marsteller has put on business concerns. "Any alliance which tells us that we *must* seek consensus, that no opposition is to be brooked to Brundtland as Our Common Leader, or that there is a perfect potential community of interest between, say, a U.N. bureaucrat and a Sri Lankan subsistence fisherman, is one that deserves suspicion at the outset."⁴⁴ Obviously, such suspicion has proved warranted, given the involvement of Schmidheiny's BCSD and the Trilateral Commission behind the scenes at UNCED. The repercussions have already been unfolding in communities whose economies are based on resource extraction. Across the continent, the wise use movement has gained influence while the most powerful players remain hidden behind the scenes.

Share the Damage

David Rockefeller's brother, Laurance, can be considered an originator of the "wise use movement" which has so effectively pitted workers against environmentalists. That movement dates back to Rockefeller's role on the Outdoor



Even Johnson/Impact Visuals

Demonstrators in Mendocino, California, protest Louisiana-Pacific's logging of primary forests. They held up trucks until police arrested 44 people and cleared the road. Widespread public outrage at corporate destruction of the environment led business leaders to form and fund their own "grass roots" movements, including Wise Use.

Recreation Resources and Review Commission in the late 1950s and early 1960s—a presidential commission which created and adopted the "policy of 'multiple use' encouraging mining, lumbering, grazing, and other industrial activities" on government lands.⁴⁵

Laurance Rockefeller championed the multiple-use movement throughout the early 1960s and gathered business leaders into an effective multiple-use lobby. Through his high-level contacts in politics and business, Rockefeller affected the outcome of a number of environmental controversies during the 1960s and early 1970s, including Consolidated Edison's "multiple use" of the Hudson River Valley, the size and location of California's Redwood National Park, and the onset of rapid resource extraction in Hawaii.⁴⁶

As the popular environmental movement grew, so too did the sophistication of corporate response. The multiple-use movement became the "wise-use agenda" in the U.S. and the "share movement" in Canada. Under Ron Arnold,⁴⁷ the Center for the Defense of Free Enterprise helped consolidate within the wise use movement, a number of Trilaterally-connected global corporations including Exxon, Du Pont, MacMillan Bloedel, and (through the contributions of the

(continued on p. 57)

41. Reuters, October 21, 1991.

42. Strong, *op. cit.*, p. xi.

43. Ivannia Mora, "World Council To Be Cited In Costa Rica," InterPress Service, June 21, 1992.

44. Lohmann, *op. cit.*, p. 84.

45. Peter Collier and David Horowitz, *The Rockefellers: An American Dynasty* (New York: Holt, Rinehart & Winston, 1976), p. 384.

46. *Ibid.*, pp. 384-404.

47. Arnold was an environmentalist and staff member of the Sierra Club before he underwent a political conversion. In 1981 he authored a right-wing attack book: *At the Eye of the Storm: James Watt and the Environmentalists*.

PR Giant Burson-Marsteller Thinks Global, Acts Local

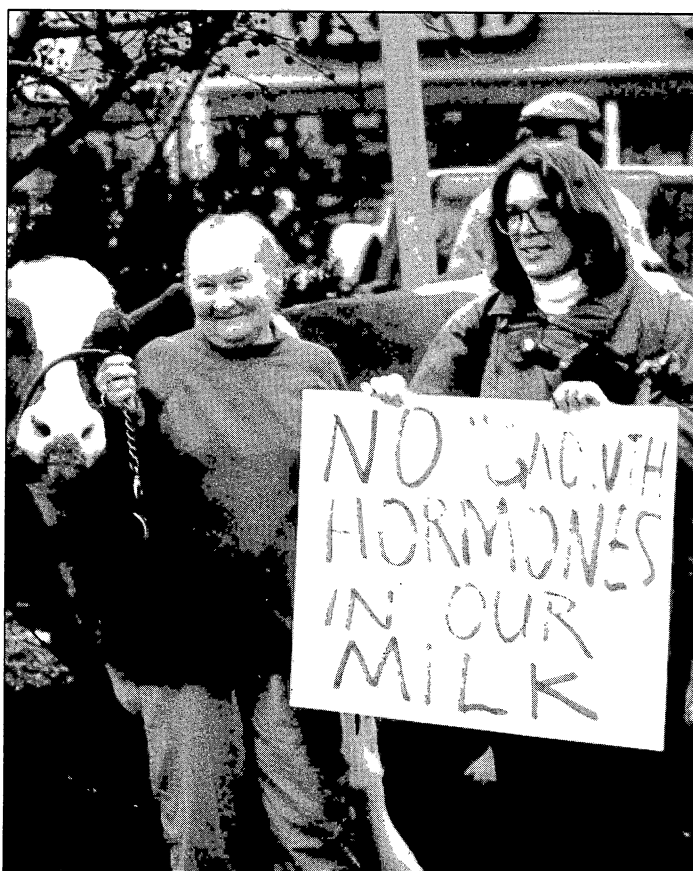
Poisoning the Grassroots

John Dillon

The young woman taking notes during a Washington, D.C. meeting of safe food activists tried to be unobtrusive. She glanced wearily at a paperback novel during the day-long session and avoided lengthy conversations with the other participants. These organizers from around the country were sharing strategies on how to fight companies planning to market a controversial hormone engineered to increase milk production in dairy cows.

But the woman, who gave her name as Diane Moser, was probably not as bored as she seemed. Although she said she was a member of a Maryland consumer organization, the group she cited does not exist. Moser's real employer that fall day in 1991 was Burson-Marsteller, an international public relations firm that represents two bovine growth hormone developers, Eli Lilly and Monsanto.¹

A subsidiary of the giant Young and Rubicam advertising company, Burson-Marsteller is a favorite fix-it firm for multinationals with disastrous image problems. B-M has worked for firms such as Exxon (the Valdez oil spill), Perrier (contaminated water), A.H. Robins (the Dalkon Shield), and Union Carbide (the Bhopal disaster).²



Chris Wood

Up against a major Burson-Marsteller public relations campaign, Vermont farmers and consumers demonstrate against giving growth hormones (BGH) to dairy cows.

Like its close competitor Hill and Knowlton, B-M trolls the lucrative and often overlapping waters of public relations, lobbying, and political fundraising. Its Washington offices are packed with veterans of Capitol Hill who have walked through the revolving door to take jobs influencing former colleagues.

In early 1991, Burson-Marsteller bought the well-connected lobbying firm of Black, Manafort, Stone and Kelly, an acquisition that made the parent firm even more of a powerhouse in Washington.³ The former home of Republican attack strategist Lee Atwater, Black, Manafort has maintained close ties to powerful Republicans. Firm partner Charles Black, for example, oversaw the writing of the GOP party platform last summer, while Paul Manafort directed political operations in both of Ronald Reagan's presidential campaigns.⁴ The firm has

bipartisan appeal as well; partner Peter Kelly is the former finance chair of the Democratic National Committee.⁵

Yet much of B-M's work takes place outside the halls of Congress. On issues ranging from food safety, to the cutting of western old growth forests, to Hydro Quebec's destruction of native lands in northeastern Canada, B-M fires its big guns

John Dillon is a reporter for the Rutland (Vermont) *Herald* and *Barre-Montpelier Times Argus*. He covers energy and environmental issues.

1. John Dillon, "Chemical Firms Allegedly Spying on Foes of BGH," *Sunday Rutland Herald and Times Argus*, November 24, 1991.

2. *Vancouver Sun*, August 10, 1991; *Washington Post*, June 17, 1986.

3. Maralee Schwartz, "PR Firm Acquires Black, Manafort," *Washington Post*, January 3, 1991.

4. Jill Abramson, "GOP Lobbyists Parlay Their Campaign Roles Into Lucrative Business," *Wall Street Journal*, August 14, 1992.

5. Thomas B. Edsall, "Political Lobbying Firms Negotiating for Merger," *Washington Post*, November 29, 1990.

at local battles. The bovine growth hormone (BGH) controversy was a perfect match for Burson-Marsteller's brand of crisis management. Injected into dairy cattle, the hormone has increased milk production per cow up to 25 percent. But many dairy farmers oppose government approval of the drug, arguing that its widespread use will both undermine milk's wholesome image and depress already low prices by boosting milk surpluses.

Consumer groups also are fighting BGH approval on the grounds that the Food and Drug Administration review has failed to answer questions about its safety for animals or humans. Consumer activists also note that cows treated with BGH often develop udder infections and thus likely will be treated frequently with antibiotics, which could result in more antibiotic residue in milk.

The issues are complex but what's at stake for the drug's developers is simple. First year international sales of BGH are predicted to top \$100 million and may reach a half billion dollars. Consumer response could make or break that mar-

Consumer response could make or break BGH sales as high as a half billion dollars for the first year alone.

ket.⁶ So when the "Pure Milk Campaign," an *ad hoc* group of safe-food advocates, met in Washington in October 1991 to plan strategy—including a possible boycott of milk from BGH-treated cows—the industry had reason to be worried. Just how worried became apparent a month later in Vermont.

University Accused of Cooking Lab Tests

Bovine growth hormone has been tested on dairy cows at state universities around the country. In Vermont, the research was sponsored by Monsanto Corporation on cows raised at the University of Vermont's (UVM) farm. But in November 1991, Rural Vermont, a farm advocacy group, issued a report based on information obtained from a UVM dairy scientist; the data from the whistleblower showed an unusually high rate of deformed calves born to BGH-treated cows.⁷ University officials reacted with outrage, attempting to discredit the whistleblower and labeling the report a misleading compilation of incomplete data. The school, however, refused to release the full set of herd health results.

University spokesperson Nicola Marro insisted in an interview that the Rural Vermont report was merely the first wave of a national anti-BGH campaign organized out of the Washington offices of Jeremy Rifkin, head of the Foundation for Economic Trends, a group that has been critical of the biotechnology industry.

B-M Moles Infiltrate Meeting

How did the university and Monsanto know of the supposedly well-coordinated campaign? "Monsanto had a mole in Rifkin's meeting," Marro confided to a reporter.⁸ A little research proved the truth behind Marro's casual boast.

The meeting participants who gathered to plan the "Pure Milk Campaign" were all *bona fide* activists—all except Diane Moser, the woman who said she was an intern working for the Maryland Citizens Consumer Council. When asked who at the meeting might have been a mole, a few participants immediately recalled the young blonde who read a book and shunned small talk. "She said she represented housewives concerned about BGH," recalled Andrew Christiansen, a Vermont state representative who attended the Washington meeting. "I had suspicions immediately. I've never seen anybody with a paperback coming to a meeting like that. It's usually pretty serious activists."⁹

National consumer organizations did not recognize the "Maryland Citizens Consumer Council." No listing for it could be found in Annapolis, Baltimore, or in a statewide directory, but a call to the number Moser wrote on the sign-up sheet yielded her work number—which rang at the downtown Washington offices of Burson-Marsteller where she still works.¹⁰

The PR firm represents Eli Lilly on the BGH issue as well as Nutrasweet, a Monsanto subsidiary. But Timothy Brosnahan, general manager for the firm's Washington office strongly denied any spying, although he confirmed that Moser worked for the company. "I know Diane [Moser] but I have no idea what she does in her spare time," he said.

Asked if the firm makes a practice of infiltrating its opposition, Brosnahan said: "Not generally, no."¹¹ Burson-Marsteller or Moser may be linked to an earlier information-gathering attempt, according to Tim Atwater, co-director of Rural Vermont, and John Stauber, a national organizer for the Foundation on Economic Trends. Both recalled that someone who gave her name as Lisa Ellis phoned their organizations in 1990 for information on BGH. The woman left the same Arnold, Maryland address Moser wrote on the sign-up sheet at the October 1991 meeting.¹²

Impersonating Nightline

The mole at the D.C. meeting was apparently a continuation of the BGH boosters' subterfuge. In November 1990, just weeks before the Consumers Union, publishers of *Consumer Reports* magazine, released a highly critical assessment of the Department of Agriculture's BGH review, a woman claiming to be a scheduler for ABC's *Nightline* contacted report author Michael Hansen and requested a preview of his findings.

6. Dillon, *op. cit.*

7. "Health Effects of Bovine Growth Hormone (BGH) on the Test Herd at the University of Vermont," *Rural Vermont*, November 18, 1991.

8. Interview with author, November 20, 1991.

9. Interview with author, January 18, 1993.

10. Dillon, *op. cit.*

11. Interview with author, November 23, 1991.

12. Interview with author, November 22, 1991.



Kirk Condyles/Impact Visuals

Great Whale River used by Cree would be flooded out by Hydro Quebec project promoted by massive Burson-Marsteller PR campaign.

The woman said *Nightline* was considering a show on the BGH controversy and was interested in his research. The woman also asked Hansen to fax her his *curriculum vita*.¹³

Hansen phoned a friend who works for ABC to follow up on the *Nightline* call. His friend, David Sostman, who worked in the tape library at ABC News, discovered that no one on the *Nightline* staff had contacted Hansen.

Intrigued, Sostman tracked the mystery caller. He traced the fax number to Burson-Marsteller's office building.

"The bottom line was they said they were calling from ABC but the fax number they gave came from Burson-Marsteller's office," he said.¹⁴

Rural Vermont activist Stauber believes there is an obvious pattern to the espionage episodes. "When you're in the business of selling intelligence and developing strategies based on intelligence, you're going to operate like an intelligence gathering organization to stay abreast," he said.¹⁵

Stauber has unearthed other pro-BGH espionage by using the Freedom of Information Act (FOIA) to obtain records from the National Dairy Board, a farmer-funded, quasi-governmental agency. The records show that the Dairy Board staged a \$1 million-a-year public relations campaign to support BGH, an effort it has carried out in concert with the drug's manufacturers. Farmers around the country are now trying to force a referendum to abolish the National Dairy Board. Many believe the Board has used their money—the organization is funded by deductions from milk sales—to work against their best interests.¹⁶

13. Interview with author, November 21, 1991.

14. Interview with author, November 22, 1991.

15. Interview with author, January 18, 1993.

16. Chris Waughtal, "NDB Takes It on the Chin From Local Dairy Farmers," *Wisconsin State Farmer*, February 14, 1992.

More Undercover "Housewives"

The Dairy Board FOIA file revealed that a public relations firm working for the board hired women to pose as "housewives" and attend a BGH forum sponsored by New York farmers in 1990. At the conference, they presented "scientific" evidence of the human safety of BGH.¹⁷

The PR firm handling that effort was Direct Impact Company, whose president John Brady is described in the Dairy Board documents as having worked in the 1988 Republican presidential campaign, as well as in the campaigns of "almost half the Senate Republicans."¹⁸

Direct Impact was a subcontractor for Henry J. Kaufman and Associates, a firm that signed a \$1.1 million contract in May 1990 with the Dairy Board to work on BGH and other milk safety issues, Stauber said.

The National Dairy Board has an additional PR firm these days, according to Stauber's latest browse through its FOIA files.

The promotional organization has signed a contract for up to \$250,000 with Des Moines, Iowa-based Creswell, Munsell, Fultz, and Zirbel. CMF&Z is a Young and Rubicam subsidiary, just like Burson-Marsteller.¹⁹

The fact that the corporate parent of both firms represents Monsanto—a huge investor in BGH research—makes

"When you're in the business of selling intelligence and developing strategies based on intelligence, you're going to operate like an intelligence gathering organization."

Stauber even more wary. "The day-to-day work is done out of Burson-Marsteller and CFM&Z. But I'm sure there's overall coordination with Young and Rubicam," he said.

Quebec Power

Like the BGH issue, the furor over the sale of electricity from massive hydro-electric dams in the Canadian province of Quebec is a high-stakes debate played out in town halls, university campuses, and state legislatures.

Community environmentalists and students have seized the issue, pointing out that proposed and already existing

17. Joel McNair, "National Dairy Board Paid 'Housewives' To Attend Farmers Union BGH Meeting," *Agri-View*, April 19, 1991.

18. McNair, *op. cit.*, April 19, 1991.

19. O'Dwyer's *Directory of Public Relations Firms* (New York: J.R. O'Dwyer Co., Inc), 1992.

Hydro Quebec dams would flood over 4,000 square miles, release large quantities of mercury into the environment, and dislocate the native Cree people. Recently, in response to pressure, Dartmouth College divested its portfolio of bonds issued by Hydro Quebec. Public pressure also likely contributed to New York Gov. Mario Cuomo's March 1992 decision to cancel a contract between the New York State Power Authority and Hydro Quebec. Consumers and environmentalists in Vermont have also pressed municipally-owned utilities to cancel Hydro Quebec contracts. To turn the tide of public opinion, Hydro Quebec hired Burson-Marsteller, as well as local lobbyists in New York and Montpelier, the Vermont state capital.

The PR giant and the private utilities that have bought power from Hydro Quebec have formed a rapid response team to fire back at any anti-HQ publicity. A memo distributed last year to the Hydro Quebec team, for example, outlined a day-by-day strategy to respond to a *New York Times Magazine* story critical of hydro-power development in northern Quebec. The strategy included organizing a letter-writing campaign to the *Times*, as well as distributing a "fact sheet" to debunk the story.²⁰

B-M also has helped organize a pro-Hydro Quebec group with a cozy name and catchy acronym: the Coalition for Clean and Renewable Energy (CCARE). The coalition's president is Harvey Schultz, who ran New York City's Department of Environmental Protection in the administration of Mayor Ed Koch.²¹ Working on the PR effort out of Burson-Marsteller's Park Avenue office is Jacques Guevremont, Hydro Quebec's chief U.S. emissary, who has negotiated many of the utility's export contracts.

Schultz, Burson-Marsteller, and the Coalition for Clean and Renewable Energy have hosted briefing sessions for academics, and business and community leaders—opinion makers who can carry the good word about Hydro Quebec back to their institutions.

Failure to Disclose

All this work takes money. But since Burson-Marsteller is avoiding a federal law requiring foreign governments to disclose how much they spend to influence U.S. public opinion, little of that money can be traced.

The Foreign Agents Registration Act, originally passed in 1938, lays out reporting requirements for foreign lobbyists and spin doctors. Foreign representatives must list how much they were paid and whom they contacted.

Sherman and Kimbell, the Montpelier, Vermont firm that works for Hydro Quebec, has registered under the act. "We're clearly attempting to influence the media and influence the government," said Robert Sherman, a firm partner. Registration "seemed like the intent of the law."²² The Cree people, whose territory would be flooded by the proposed \$12.6 billion Great Whale project, have hired a Middlebury, Ver-



Kirk Condyles/Impact Visuals

Hydro Quebec, under B-M's tutelage, organizes junkets for journalists and public officials to go on HQ official tours. Here tourists look at area of the James Bay Project designed to prevent overflow.

mont lawyer to represent their interests in that state. Because the Cree are considered a foreign nation under U.S. law, the lawyer, James Dumont, files detailed reports under the Foreign Agents Registration Act.

But Burson-Marsteller, which has registered as a foreign agent for other countries and foreign businesses—including Indonesia and Saudi Basic Industries²³—has refused to file documents detailing its work for Hydro Quebec. The company takes the position that the law does not apply to its public relations activities. The U.S. Department of Justice, which administers the law, has stonewalled Dumont in his attempt to get more information.²⁴

20. "Hydro-Quebec replies to *New York Times Magazine*," January 12, 1992, memo from H-Q to Burson-Marsteller team and others.

21. Interview with author, June 5, 1992.

22. Interview with author, June 4, 1992.

23. Pamela Brogan, *The Torturers' Lobby: How Human Rights-Abusing Nations are Represented in Washington*, The Center For Public Integrity, 1992.

24. Interviews with author, June 5, 1992, September 14, 1992, and January 19, 1993.

Dumont believes the failure to disclose is blatantly illegal. Although B-M has claimed that public relations work is exempt, the act says an "agent of a foreign principal" is required to register if he or she engages in political activities or work "within the United States as a public relations counsel, public agent, information service employee or political consultant for or in the interests of such foreign principal."²⁵

The secrecy surrounding Burson-Marsteller's work for Hydro Quebec puts the Cree at an unfair disadvantage, Dumont says. Its surrogates and consultants are sometimes not identified as being on the H.Q. payroll when they speak at public appearances—yet the Cree are required to file a list of its witnesses with the Foreign Agents Registration Office.²⁶

The scant public information on Hydro Quebec's efforts shows the utility is sparing no expense. A one-person Albany, New York firm was guaranteed a \$100,000 annual payment in 1992.²⁷ Sherman and Kimbell was paid \$65,596 for the six months ending October 31, 1991.²⁸ "A small army of persons paid by H.Q. and/or the province of Quebec have spoken on

"The lesson of lobbying and public relations: People with resources have influence and clout and are able to get their way; people who don't, don't."

college campuses, testified at administrative hearings, met with citizen groups, orchestrated letter writing campaigns to the major newspapers, etc., to support the importation of power and energy from Hydro Quebec—all without registering and without disclosing," Dumont wrote last fall in a letter to the Department of Justice (DoJ).

"Burson-Marsteller's failure to register and to disclose is quite harmful to my clients. ...And, since my clients are in an adversary relationship with Hydro Quebec and since we are disclosing and filing with you a large amount of information, which has become available to Hydro Quebec, the one-sided application of [the Foreign Agents Registration Act] has placed my clients at a competitive disadvantage."²⁹

Both Burson-Marsteller and the Department of Justice have stalled on the registration issue. The DoJ took over three months to respond to Dumont's letter—and then told him that its deliberations on registration questions are confidential. Joseph Clarkson, chief of the Justice Department's Foreign Agents Registration Unit, said the issue was still under consideration. "We're trying to decide whether or not there is an obligation [to register] or whether they qualify for an exemp-

tion," he said.³⁰ A B-M spokeswoman said the company will not register on behalf of Quebec—or disclose how much it was paid and whom it has contacted—unless it is told to. "We have not filed and we are not going to do so until our legal advisers tell us to," said Margaret Duránté, who works on the H-Q account out of B-M's New York City offices.³¹

The registration question illustrates just one of the problems faced by consumer and environmental organizations as they work against sophisticated public relations firms. If Burson-Marsteller ignores the reporting law, it becomes impossible to follow the money. With their deep pockets and well-placed political connections, Burson-Marsteller and Hydro Quebec can continue to smooth over substantive environmental and social issues—at the same time keeping secret the scale of their propaganda effort.

The masquerade is part of the game. B-M and companies like it, have become masters of manipulation. If a pro-utility group calls itself by a nice, green-sounding name; if speakers at public forums are not identified as being on the Hydro Quebec payroll; if supposed activists are really moles for the opposition, image triumphs and truth becomes a casualty.

The revolving door also contributes to the blurred reality projected by the powerhouse PR firms. This door not only spins between the government and lobbies but between the press corps and the PR firms. Like Capitol Hill aides who trade in their access and expertise for a lobbyist's salary, burned out or broke reporters can be tempted by the greener and more lucrative pastures offered by PR companies. In Vermont for example, the Kimbell and Sherman lobbying firm—which shares several clients with Burson-Marsteller—has hired expert reporters to work as lobbyists and rent-a-flacks. One of the former journalists, Kevin Ellis, covered the Hydro Quebec controversy in depth for the *Burlington Free Press*, the state's largest newspaper. Now he is helping to disseminate the "good news" about the provincial utility.

The lesson of lobbying and public relations, said *Wall Street Journal* reporter Jeff Birnbaum, is that "[p]eople with resources have influence and clout and are able to get their way; people who don't, don't."³²

The resource advantage enjoyed by clients of the public relations giants is not only financial but also informational. PR experts know how the system works and how to apply public and private pressure. Stauber, who has tracked a variety of public relations firms in his work on BGH, emphasizes that activists need to learn more about the companies and their tactics. "Citizens groups, farm organizations and environmentalists are at a significant disadvantage if they aren't aware of the way a modern PR firm operates," he said. "Fifteen years ago, you fought Monsanto. Now you're aligned against PR organizations trained in private investigation, legal activities and grassroots organizing."³³

25. The Foreign Agents Registration Act of 1938 as amended.

26. Interview with author, June 5, 1992.

27. James Dumont letter to Joseph Clarkson, Director of Foreign Agents Registration Act, Department of Justice, March 20, 1992.

28. Interview with author, June 5, 1992.

29. James Dumont letter to Joseph Clarkson, Department of Justice, September 15, 1992.

30. Interview with author, September 14, 1992.

31. Interview with author, January 19, 1993.

32. Forum "Influence Peddling in the Clinton Era," National Press Club, Washington, D.C., January 27, 1993.

33. Interview with author, January 18, 1993.

We Remember...

Andre Lorde 1934-1992

A Litany for Survival

For those of us who live at the shoreline
standing upon the constant edges of decision
crucial and alone
for those of us who cannot indulge
the passing dreams of choice
who love in doorways coming and going
in the hours between dawns
looking inward and outward
at once before and after
seeking a now that can breed
futures
like bread in our children's mouths
so their dreams will not reflect
the death of ours;

For those of us
who were imprinted with fear
like a faint line in the center of our foreheads
learning to be afraid with our mother's milk
for by this weapon
this illusion of some safety to be found
the heavy-footed hoped to silence us
For all of us
this instant and this triumph
We were never meant to survive.

And when the sun rises we are afraid
it might not remain
when the sun sets we are afraid
it might not rise in the morning
when our stomachs are full we are afraid
of indigestion
when our stomachs are empty we are afraid
we may never eat again
when we are loved we are afraid
love will vanish
when we are alone we are afraid
love will never return
and when we speak we are afraid
our words will not be heard
nor welcomed
but when we are silent
we are still afraid.

So it is better to speak
remembering
we were never meant to survive.

Andre Lorde, *The Black Unicorn*
(New York: W.W. Norton Co., Inc., 1978).

John Birks "Dizzy" Gillespie 1917-1993

Dizzy Gillespie for President! campaign, 1964:

"When I am elected President of the United States, my first executive order will be to change the name of the White House! To the Blues House...
"We're going to recall every U.S. ambassador except Chester Bowles and give the assignments to jazz musicians... they really 'know where it is'...
"The title of 'Secretary' will be replaced by the more appropriately dignified 'Minister.' Miles [Davis] has offered to serve as Minister of the Treasury, but I've persuaded him to head the CIA instead...Max Roach argued for the position of Minister of War. He said he wanted to declare it. But since we're not going to have any, I...convinced him to be Minister of Defense. I have Charles Mingus lined up for Minister of Peace because he'll take a piece out of your head faster than anybody...Malcolm [X] will be appointed U.S. Attorney General, immediately. He's one cat we want on our side."

Dizzy Gillespie with Al Fraser, *To Be, or Not To Bop* (New York: Da Capo Press, 1979).

Morton Stavis 1915-1992

Morton Stavis, described by Justice William Brennan as a "fellow valiant in the cause of liberty and justice," was a man of historic dimensions. His co-workers at the *Center for Constitutional Rights*, which he helped found 27 years ago, deeply mourn his death at age 77. He challenged government repression in his defense of union strikers in Newark, civil rights workers in the Mississippi delta, and anti-poverty workers in Kentucky. He halted Judge Hoffman's contempt citation in the Chicago Conspiracy Trial during which Black Panther Bobby Seale was bound and gagged before television cameras. As attorney for the *Center*, Stavis fought the Ku Klux Klan and the House Un-American Activities Committee and helped restore to the Philippine government assets stolen by former dictator Marcos. Morty framed strategy to defend movement lawyers against chilling government sanctions. His greatest joy was training and challenging young lawyers to enter peoples' law.

Miriam Thompson, Executive Director, *Center for Constitutional Rights*, New York.

Thurgood Marshall 1908-1993

Upon retiring from the United States Supreme Court in 1991, Justice Marshall was asked how he would want to be remembered. He replied, "That he did what he could with what he had."

Interview August 28, 1991, Federal News Service, Washington, D.C.

"Every defendant is entitled to a trial in which his interests are vigorously and conscientiously advocated by an able lawyer. A proceeding in which the defendant does not receive meaningful assistance in meeting the forces of the State does not, in my opinion, constitute due process."

Dissent in *Strickland, Superintendent, Florida State Prison, et al. v. Washington* (1983).

"Cast aside today are those condemned to face society's ultimate penalty. Tomorrow's victims may be minorities, women, or the indigent. Inevitably, this campaign to resurrect yesterday's 'spirited dissents' will squander the authority and the legitimacy of this court as a protector of the powerless. I dissent."

Dissent in *Payne v. Tennessee* (1991).

...Dizzy Gillespie, Andre Lorde, Thurgood Marshall, Morton Stavis

BCCI: The Bank of the CIA

Jack Colhoun

The Bank of Credit and Commerce International (BCCI) scandal opens a window with a spectacular view of a subject usually shrouded in secrecy: How the CIA uses banks to finance clandestine operations.

The view is spectacular because BCCI, which earned the moniker the "Bank of Crooks and Criminals International," worked closely with former Director of Central Intelligence William Casey and the Reagan administration's off-the-shelf arms Enterprise. BCCI financed some of the Enterprise's arms-for-hostages deals with Iran. Arms merchants linked to the October Surprise banked with BCCI. The CIA funneled funds through the bank to underwrite the Agency's secret wars in Afghanistan and Nicaragua.

But BCCI's ties to the shadowy world of intelligence go deeper. Clark Clifford and Richard Helms—retired, but still-connected senior members of the U.S. intelligence community—helped pave the way for BCCI's secret acquisition of the Washington, D.C.-based banking network, Financial General Bankshares. Sheikh Kamal Adham, the founder of Saudi Arabia's intelligence service, also played a key role on behalf of BCCI in the takeover of Financial General, which was renamed First American Bankshares.

Casey met "every few months" with Agha Hassan Abedi, the Pakistani founder of BCCI, in Washington, D.C. and Islamabad, Pakistan, over a three-year period in the 1980s. Casey and Abedi talked about Iran-Contra arms deals, the Agency-funded war in Afghanistan, and the ever volatile situation in the Persian Gulf. Abedi even made arrangements for Casey's travels in Pakistan.¹

Abedi founded BCCI in 1972 in Pakistan, but the bank's main office was in London. BCCI also had major international banking centers in the Cayman Islands and Luxembourg, where banking regulations are virtually nonexistent. By 1991, when it was shut down by international banking regu-

lators, BCCI had branches in more than 70 countries. This far-flung network was well suited as a clandestine conduit for financing weapons transactions, arranging bribes, and laundering money. Not surprisingly, the CIA had accounts at BCCI branches around the world, including more than 40 separate accounts at First American in Washington.

BCCI, utilizing its operations in the Cayman Islands and Luxembourg, escaped the scrutiny of international banking regulators. It moved money around the world for weapons merchants and intelligence operatives through a convoluted web of BCCI accounts and shell companies designed to camouflage

the transactions. The bank's good connections in the Third World enabled it to provide local financing for arms deals and covert operations.

"What Abedi had in his hand was magic," said a former BCCI official. "Abedi had branches and banks in at least 50 Third World countries. The BCCI people in all of these countries were on a first-name basis with the prime ministers, the presidents, the finance ministers, the elite in these countries—and their wives and mistresses." Casey could ask Abedi whether a country's leader had "a girlfriend or a foreign currency account," the BCCI official continued. "Abedi could say: 'We'll tell you how much he's salted abroad and how much money he gives to his girlfriend.'"²

BCCI Financed U.S. Arms Sales to Iran

Adnan Khashoggi and Manucher Ghorbanifar used BCCI extensively to finance weapons deals with Iran for the Enterprise run by National Security Council (NSC) aide Oliver North and retired Maj. Gen. Richard Secord. Using Ghorbanifar's connections to Ali Akbar Hashemi Rafsanjani in Iran, Khashoggi brokered the sale of at least five HAWK and TOW missile shipments in 1985-86. These deals formed part of the arms-for-hostage swaps with Iran. These secret missile deals violated the Arms Export Control Act.³

"Both Khashoggi and Ghorbanifar banked at BCCI's offices in Monte Carlo, and for both, BCCI's services were

The CIA had accounts at BCCI branches around the world including more than 40 separate accounts at First American Bank.

Jack Colhoun was Washington correspondent for the (New York) *Guardian* newsweekly from 1980 to 1992. He has a Ph.D. in history and specializes in post-World War II U.S. foreign policy. His soon-to-be-published book *The George Bush File* (Los Angeles: ACCESS, 1993) includes reprints of several of his articles cited below.

1. For the Casey-Abedi meetings, see Peter Truell and Larry Gurwin, *False Profits: The Inside Story of BCCI, The World's Most Corrupt Financial Empire* (Boston: Houghton Mifflin, 1992), p. 133; and NBC News, *Sunday Today*, February 23, 1992.

2. Truell and Gurwin, *op. cit.*, pp. 133-34.

3. *The BCCI Affair: A Report to the Senate Committee on Foreign Relations*, Vol. 1, from Sen. John Kerry (D-Mass.), chair, and Sen. Hank Brown (R-Colo.), ranking member, Subcommittee on Terrorism, Narcotics and International Operations, September 30, 1992, 102nd Congress—Second Session, pp. 393-94.

essential as a means of providing short-term credit for sales of arms from the U.S. through Israel to Iran," concluded *The BCCI Affair*, Sen. John Kerry's Senate Foreign Relations subcommittee report.⁴

In a deposition to Iran-Contra investigators on Capitol Hill, Emanuel Floor, Khashoggi's business manager in the U.S., described a 1986 arms deal with Iran arranged by Khashoggi and Ghorbanifar and financed by BCCI. Like a street hustler cheating tourists out of money in a game of three card monte, BCCI moved \$10 million back-and-forth from the Credit Suisse bank four times. The transactions mysteriously produced "\$40 million of sale and, therefore, additional profit." "These are my associates," Ghorbanifar told Floor, jotting down "BCCI." According to Floor, BCCI functioned more as Khashoggi's partner in the Iran arms sales than as a traditional bank.⁵

Abdur Sakhia, a senior BCCI official, testified to the Kerry panel about another \$10 million Khashoggi arms sale to Iran in 1986 financed by BCCI's Monte Carlo branch. Khashoggi kicked back \$100,000 of his \$1 million profit from the deal to the BCCI banker who arranged the credit for the transaction.⁶

A March 27, 1986 telex from S. M. Akbar, an official at BCCI's Grand Cayman branch, described another Khashoggi arms deal. The telex, addressed to BCCI's Miami agency, stated that the Euro Bank of Grand Cayman Island had asked BCCI to finance the transaction. Euro Bank would deposit \$10 million "with us in the name of a company which is under formation in the Cayman Islands at the request of Khashoggi, and the company would like to have [a] credit line against these deposits."⁷

Sakhia recalled for the Kerry panel his knowledge of a 1986 deal with Iran for HAWK missile parts brokered by Arif Durrani and financed by the BCCI offices in Los Angeles and Monte Carlo. When Durrani was arrested in a U.S. Customs sting for breaking the official U.S. arms embargo against Iran, BCCI's branch in San Francisco put up Durrani's bail money.⁸

The Kerry panel also released a *pro forma* invoice for \$9.4 million, dated November 21, 1985, for the sale of 1,250



Rick Reinhard

Clark Clifford and Robert Altman face congressional questioning.

U.S.-made 71A TOW missiles involving B. R. & W. Industries, Ltd. of the United Kingdom, signed by Ben Banerjee. BCCI's Park Lane branch in London was referred to as the "bankers." Telexes and letters of credit and counter-guarantees, which were part of the transaction, identified the purchaser as "Sepah Passdarn Tehran," the Iranian revolutionary guards, "C/O Bank Melli," the bank of the Iranian government. BCCI Paris manager Nazir Chinoy confirmed that Banerjee used accounts at BCCI London and transacted "large dealings with Iran."⁹

Did BCCI Play a Role in the October Surprise?

Two ASCO (Malta) Ltd. *pro forma* invoices, dated January 18, 1983, and January 21, 1983, for aircraft parts, weapons, and ammunition, were financed by BCCI's Brompton Road branch in London. The invoices list Mehdi Kashani—"C/O Bank Melli Iran"—as the Iranian government contact for the deal. ASCO was run by Abraham Shavit, a former Israeli intelligence officer.¹⁰

Kashani has been identified by former Israeli intelligence official Ari Ben-Menashe as a Khomeini regime repre-

4. *Ibid.*, p. 394.

5. Deposition of Emanuel Floor, Congressional Iran/Contra Committees, June 8, 1987, reprinted in *The BCCI Affair: Part 2*, hearings before the Subcommittee on Terrorism, Narcotics and International Operations of the Senate Foreign Relations Committee, October 18 and 22, 1991, pp. 539-40.

6. Jack Colhoun, "CIA's Hand in the BCCI Cookie Jar," *Guardian* (New York), November 6, 1991.

7. BCCI telex reprinted in *The BCCI Affair: Part 3*, p. 611.

8. *Ibid.* See also Christopher Byron, "Arms and the Man: Did Convict Arif Durrani Help Set the Stage for Iran/Contra," *New York Magazine*, December 16, 1991; and Lawrence Lifschultz and Rabia Ali, "The Trial and Conviction of Arif Durrani," *CovertAction*, Number 38 (Fall 1991), pp. 36-38, 61-65.

9. *The BCCI Affair: A Report*, pp. 400-01. B.R.&W. arms invoice and accompanying documents in Kerry hearing, *The BCCI Affair: Part 2*, pp. 618-28.

10. The ASCO (Malta) arms invoices were revealed by Jack Colhoun, "BCCI Skeletons Haunting Bush's Closet," (New York) *Guardian*, September 18, 1991; and Jack Colhoun, "October Surprise Probe Taps BCCI Lawyer," (New York) *Guardian*, February 26, 1992.



Terry Kirk/London Financial Times

Agha Hasan Abedi, president of BCCI, at his London office.

sentative who played a key role in the October Surprise. Houshang Lavi, an Iranian expatriate arms merchant linked to the October Surprise, had dealings with ASCO, which has ties to Israeli intelligence.¹¹

The October Surprise is an alleged secret deal made in 1980 between then Reagan-Bush campaign manager William Casey and Iran's Ayatollah Khomeini to undercut President Carter's re-election campaign. According to the deal, the release of U.S. hostages held by Iran would be delayed until after the November 1980 election. Iran, in return, would receive U.S. arms via Israel after Reagan was sworn in as president. A large volume of U.S. arms were, in fact, shipped to Iran through Israel after Reagan's inauguration in January 1981.¹²

The ASCO (Malta) invoices are curious. They are dated 1983, two years prior to the 1985-86 arms deals with Iran that were investigated by Congress and Independent Counsel Lawrence Walsh as part of the Iran-Contra scandal. Were the

1983 weapons sales part of an alleged October Surprise arms deal? If not, what is the rationale for the transfer of U.S. weapons to Iran in 1983, when no U.S. hostages were held in the Middle East? Reagan administration officials have yet to give a convincing explanation for transfers of U.S. arms to Iran in the 1981-84 period.

Bert Lance, Carter's first director of the Office of Management and Budget, told the Kerry panel that U.S. and British intelligence operatives visited him in 1981-82. Lance said they questioned him about what Carter and other top administration officials knew about the alleged October Surprise. Lance speculated they thought he would know if Carter or his aides had any knowledge of such a deal. Lance, who was BCCI's first contact in the U.S., introduced Abedi to Carter in 1982.¹³

Lance noted he was also contacted in this period by Bruce Rappaport, a Geneva-based Israeli businessman. Rappaport, who was tied to U.S. and Israeli intelligence, also asked Lance about Carter's knowledge of the October Surprise. Rappaport, who was connected to BCCI, developed a friendship with Lance to whom "he made it very clear...that he had a very close and definitive relationship with Casey."¹⁴

Cyrus Hashemi, an expatriate Iranian arms merchant allegedly involved in the October Surprise, also had ties to BCCI. Hashemi used BCCI as his principal bank in London. Hashemi rented office space in New York City from Ghaith Pharaon, a surrogate for BCCI's secret takeovers of the National Bank of Georgia and the Independence Bank in California.¹⁵ Hashemi was found dead in his London apartment in July 1986.

Hashemi's brother Jamshid alleges that Cyrus was asked in 1980 by Casey to set up a meeting with representatives of the Iranian government to discuss the hostage situation. Jamshid claims Cyrus arranged meetings between Casey and Mehdi Karrubi, an emissary of Ayatollah Khomeini, in Madrid, Spain, in the summer of 1980. Jamshid and others contend that the outline of the October Surprise deal was worked out at these meetings.¹⁶

Whether or not Cyrus Hashemi played the October Surprise role alleged by Jamshid, Cyrus was involved in multiple

of the Senate Committee on Foreign Affairs, November 19, 1992, pp. 132-43; and Salaam Al-Sharqi, "Iran: Unholy Alliances, Holy Terror," *CovertAction*, Number 37 (Summer 1991), pp. 52-60.

13. *The BCCI Affair: Part 3*, hearings before the Subcommittee on Terrorism, Narcotics and International Operations of the Senate Foreign Relations Committee, October 23, 24, 25, and November 21, 1991, testimony of Bert Lance, pp. 42-44; see also Colhoun, "CIA's Hand.....," *op. cit.*

14. *The BCCI Affair: Part 3*, p. 43 and *Profits of War*, pp. 172, 181. Rappaport is linked to BCCI and the secret world of Swiss banking. Rappaport put Alfred Hartmann, chief of BCCI's secretly owned Swiss subsidiary, Banque de Commerce et Placements, on the board of his Inter-maritime Bank of Geneva and New York. Hartmann was also chair of the Banca Nazionale del Lavoro's Swiss bank, Lavoro A.G., and a senior official at the Rothschild Bank A.G. See *The BCCI Affair: A Report*, Vol. 1, pp. 407-08; *Profits of War*, pp. 172, 181; and Peter Gumbel, "A Swiss Bank [Rothschild] Squirms As Officer It's Suing Tells of Sleazy Deals," *Wall Street Journal*, December 11, 1992, p. A1.

15. *The BCCI Affair: A Report*, p. 402; *Senate 'October Surprise' Report*, pp. 47-51; Truell and Gurwin, *op. cit.*, pp. 38-39, 68-69.

16. Jamshid Hashemi has given differing accounts of the Madrid meetings in *October Surprise*, pp. 78-88; and *The Senate 'October Surprise' Report*, pp. 67-74.

11. For Mehdi Kashani's alleged role in the October Surprise, see Ari Ben-Menashe, *Profits of War: Inside the Secret U.S.-Israeli Arms Network* (New York: Sheridan Square Press, 1992), pp. 55-57, 65-70. Lavi's links to ASCO and alleged role in the October Surprise are discussed in Gary Sick, *October Surprise* (New York: Times Books, 1991), p. 220; and *passim* and Brian Donovan, "Iran Arms Deals: They Didn't Start With Oliver North," *Long Island Newsday*, November 22, 1987, p. 5.

12. For U.S. arms shipments to Iran beginning in 1981, see Seymour Hersh, "Reagan Is Said to Have Let Israel Sell Arms to Tehran," *New York Times*, December 8, 1991, p. 1; *Report of the Special Counsel: The 'October Surprise' Allegations and the Circumstances Surrounding the Release of the American Hostages Held in Iran*, Subcommittee on Near Eastern and South Asian Affairs

efforts to resolve the Iranian hostage crisis. Cyrus and Jamshid met with Carter administration officials and supplied them with information from Iran. The Hashemis were also given \$500,000 by the CIA, under the Carter administration, to funnel to Admiral Ahmad Madani, the U.S.-backed candidate in Iran's first presidential election in 1980.¹⁷

At the same time, however, evidence uncovered by the Senate October Surprise investigation indicates the Hashemis also worked with Casey, acting as "double agents," as Jamshid put it. Cyrus passed information about the hostage situation in 1980 to Casey through John M. Shaheen, an Arab-American businessman who met Casey when they served together in World War II in the Office of Strategic Services (OSS), the predecessor to the CIA. Shaheen, who remained a close friend to Casey, was also involved in joint business ventures with Hashemi.¹⁸

Shaheen was connected to BCCI through two Hong Kong banks—the Hong Kong Deposit and Guaranty Company and Tetra Finance (H.K.) Limited. Shaheen was "the prime mover" in the creation in 1981 of the two Hong Kong banks, which were capitalized with \$20 million allegedly solicited by Cyrus Hashemi. Ghanim al-Mazrui, who represented Sheikh Zayed bin Sultan al-Nahyan, president of the United Arab Emirates, on the board of directors of BCCI, also sat on the board of directors of the two Hong Kong banks.¹⁹

The timing of the formation of Hong Kong Deposit and Guaranty and Tetra Finance raised questions two years later, after both banks collapsed. Among the questions the collapses raised was whether the two banks had been used to launder money for covert operations on the part of the U.S. or Middle Eastern intelligence agencies. Shortly after the collapse of the two Hong Kong banks, Shaheen received a top intelligence medal from the CIA for having provided important services to the Agency.²⁰

BCCI's ties to figures associated with the alleged October Surprise raise more questions than they answer. Unfortunately the House and Senate October Surprise investigations failed to probe possible BCCI connections before they concluded there was "no credible evidence" of a 1980 arms deal that may have delayed the release of the U.S. hostages held by Iran. The Kerry panel did try to investigate the BCCI link, but was denied access to the BCCI London records of Cyrus Hashemi by a British judge.²¹



During the 1980s, the U.S. secretly provided the mujahedin with more than \$2 billion, making the proxy war against the Soviet forces in Afghanistan the biggest U.S. covert operation since World War II.

BCCI Moved Money for Contra Arms Deals

Meanwhile, in 1984-86, BCCI also helped finance the Reagan administration's off-the-shelf arming of the Nicaraguan Contras in defiance of the congressional ban on U.S. military assistance to them. According to the deposition of Albert Hakim, the banker for the North-Secord Enterprise, given to congressional Iran-Contra investigators in February and May 1986, Khashoggi, a multimillionaire Saudi businessman, made at least five deposits to the Enterprise drawn on BCCI accounts totaling \$20 million.²²

Found among Hakim's ledger books are three payments, adding up to \$10 million, to BCCI from Enterprise accounts, including a Lake Resources account used for Contra weapons purchases. The Hakim ledgers also include five wire transfers, totalling \$346,000, payable to the First American Bank, into accounts thought to be used by North, Secord, and their confederate Thomas Clines, a former CIA operative.²³

A former State Department official told *Time* magazine that BCCI was a conduit for Saudi money for the Contras. "When you look at the Saudi support of the Contras, ask yourself who the middleman was: there was no government-

17. *The BCCI Affair: A Report*, Vol. 1, pp. 393, 402; and *October Surprise*, pp. 77-78, 80, 84, 156, 172, 181; Al-Sharqi, *op. cit.*, p. 54.

18. Senate "October Surprise" Report, pp. 59-66; and *October Surprise*, p. 78.

19. *The BCCI Affair: A Report*, Vol. 1, pp. 402-05.

20. *Ibid.*, p. 405.

21. *The BCCI Affair: A Report*, Vol. 2, pp. 786-87.

22. *The BCCI Affair: A Report*, Vol. 1, p. 397.

23. *Ibid.*, pp. 397-98.

to-government connection between the Saudis and Nicaragua." *Time* also reported that the NSC maintained accounts with BCCI, which were used to support the Contras.²⁴

After Congress cut off arms aid to the Contras in 1984, the Reagan administration worked out a covert arrangement with Saudi Arabia to funnel money to the Cayman Islands bank account of Contra leader Adolfo Calero. Saudi Arabia's secret contributions to the Contras were estimated at \$32 million in 1984-85 by congressional Iran-Contra investigators. North gave an accounting of the Saudi funding of the Contras in a Top Secret memorandum, dated April 11, 1985, to National Security Adviser Robert McFarlane.²⁵

The ties of the former Saudi spymaster Kamal Adham, who was King Faisal's liaison to the CIA, made the bank a good conduit for secret Saudi funds to the Contras. When Adham left his intelligence post in 1977, he was replaced by his nephew Prince Turki bin Faisal al-Saud, who was a major shareholder of BCCI stock. Sheikh Abdul-Raouf Khalil, the deputy chief of Saudi intelligence, was also a major investor in BCCI and First American stock.²⁶

BCCI Was a Conduit for Funds to the Mujehedin

BCCI also was a channel for covert U.S. funds for the Afghan mujehedin. The CIA transferred funds for weapons to the mujehedin through BCCI branches in Pakistan. BCCI also helped the CIA, NSC, and other U.S. agencies supply weapons clandestinely to the mujehedin. During the 1980s, the U.S. secretly provided the mujehedin with more than \$2 billion, making the proxy war against the Soviet forces in Afghanistan the biggest U.S. covert operation since World War II.²⁷

Authorities say because BCCI's Abedi was so well connected to the Pakistani government, the bank played a key role in organizing CIA arms shipments from that country to the Afghan rebels. Abedi is said to have intervened with then Pakistani President Mohammed Zia, at the request of Casey, to make it easier for the CIA to operate. Investigators found a check to President Zia from BCCI for 40 million rupees—\$2 million. Investigators say it was part of a not-too-subtle BCCI effort to win favor with Zia in 1986, at the height of the CIA's Afghan effort.²⁸

Abedi facilitated secret visits by Casey to Islamabad, where Casey conferred with Pakistani officials. BCCI had close ties to Pakistani intelligence circles. Retired senior Pakistani intelligence officials were employed by Attock Oil

and International Travel Corporation, companies connected to BCCI. The father of Amjad Awan of BCCI-Miami, who managed Panamanian leader Manuel Noriega's accounts, was a former head of Pakistan's Inter-Service Intelligence agency (ISI).²⁹

BCCI shareholder Prince Turki worked hand-in-glove with the CIA in funding the proxy war in Afghanistan. Turki, working closely with ISI, distributed more than \$1 billion in Saudi funds to the mujehedin in the 1980s. ISI officials, with guidance from the CIA, provided day-to-day military advice to the mujehedin.³⁰

Was BCCI Looted to Fund Covert Operations?

Saudi Arabia was awash in petrodollars until the early 1980s, when oil prices dropped sharply and suddenly the Saudis became relatively cash poor. Where did the Saudis get the money to bankroll the Contras and the mujehedin? Some investigators believe the funds may have been looted from BCCI. When BCCI collapsed in 1991, the court-appointed liquidators could locate only \$1.2 billion in assets out of the bank's total assets, which are estimated as high as \$20 billion.³¹

"It was precisely at this time [the decline in oil prices] that millions of dollars were drained out of BCCI through accounts at Capcom that had been opened in the names of Kamal Adham and Abdul Raouf Khalil. ...Over the years, even more money would disappear from the coffers of BCCI and other financial institutions connected to the Saudis. A number of investigators strongly suspect that some of the stolen money was used to fund covert operations sponsored by the U.S. government."³²

Capcom Financial Services, a commodities and currency trading company, was set up in London and Chicago in 1984 by mid-level BCCI officials and maintained close ties to BCCI. Capcom was used to launder drug money for some of BCCI's best clients, such as Manuel Noriega. Capcom raised the suspicions of banking regulators when the company was unable to provide adequate documentation for critical business deals, including huge transfers from BCCI's treasury to Adham's and Khalil's accounts at Capcom. Adham and Khalil were also major Capcom shareholders.³³

BCCI and 'Retired' Intelligence Officials

What is now known about the CIA's use of BCCI to finance clandestine operations sheds new light on Clark Clifford's 1981 performance before the Federal Reserve Board with regard to the First American purchase. Clifford

24. Jonathan Beaty and S.C. Gwynne, "The Dirtiest Bank of All," *Time*, July 29, 1991.

25. Walter Pincus and Dan Morgan, "Using Saudi Funds, Contras Expanded Despite Aid Cutoff," *Washington Post*, May 26, 1987, p. A1; Steven Roberts, Stephen Engelberg, and Jeff Gerth, "Prop for U.S. Policy: Secret Saudi Funds," *New York Times*, June 21, 1987, p. 1; and Holly Sklar, *Washington's War on Nicaragua* (Boston: South End Press, 1988), pp. 225-28.

26. *The BCCIAffair: A Report*, pp. 381-85; *The BCCIAffair: A Report*, Vol. 2, p. 742; and Truell and Gurwin, *op. cit.*, pp. xi, 124, 194.

27. Truell and Gurwin, *op. cit.*, p. 133; Christina Lamb, "BCCI linked to heroin trade," *Financial Times*, July 25, 1991, p. 1; and Tom Morganthau, "The CIA and BCCI," *Newsweek*, August 12, 1991, p. 17.

28. NBC News, *op. cit.*, February 23, 1992.

29. Truell and Gurwin, *op. cit.*, p. 124.

30. *Ibid.*, p. 133; Steve Coll, "Pakistan's Illicit Economies Affect BCCI," *Washington Post*, September 1, 1991, p. A39; Steve Coll, "Anatomy of a Victory: CIA's Covert Afghan War," *Washington Post*, July 18, 1992, p. A1.

31. Mark Potts, Nicholas Kochan, and Robert Whittington, *Dirty Money: The Inside Story of BCCI: The World's Sleaziest Bank* (Washington, D.C.: National Press Books, 1991), pp. 202, 265; and James Ring Adams and Douglas Frantz, *A Full-Service Bank: How BCCI Stole Billions Around the World* (New York: Pocket Books, 1991), p. 4.

32. Truell and Gurwin, *op. cit.*, p. 153; and *The BCCIAffair: A Report*, Vol. 2, p. 789.

33. *The BCCIAffair: A Report*, Vol. 2, pp. 726, 735-36; and Truell and Gurwin, *op. cit.*, pp. 200, 204, 234.

represented the Arab investors, led by Adham, who wanted to buy First American. In his glowing description of Adham, Clifford did not once mention Adham's past role as Saudi spymaster. Nor did he point out that in 1977 Adham formed a business partnership with Raymond Close, the CIA Chief of Station (1972-77) who had just "retired."³⁴

Clifford lavished praise on Adham for his business acumen, referring to him as "His Excellency." Clifford also stressed the Adham group's desire to help recycle Middle Eastern petrodollars back into the U.S. through investments in First American. But Clifford's main job was to assure the Federal Reserve Board that Adham and his associates weren't fronting for BCCI, which the Fed wanted to keep out of the U.S. because of its reputation for reckless banking practices.

Clifford asked the banking regulators to take his word that BCCI had nothing to do with the proposed purchase of First American. The word of Clifford, former counsel to President Harry Truman, Secretary of Defense in the Johnson administration, and one of Washington's legendary super-lawyers, worked magic. The takeover was approved, despite lingering reservations. Financial General was renamed First American Bankshares, and Clifford was appointed chair of the board. First American gained instant legitimacy.

When he appeared before the Federal Reserve Board, Clifford didn't dwell on his near 5-year stint in the 1960s as the head of the President's Foreign Intelligence Advisory Board.³⁵ When pressed later about the First American takeover, however, Clifford, and his protégé Robert Altman, did refer to Clifford's access to senior U.S. national security officials, who gave them a green light. Altman recalled:

[We] checked with some of the most senior government officials about whether this would be in conflict with U.S. policy, or whether it would be contrary to the economic interests of the U.S. We were not only advised that it would not be inconsistent with U.S. interests, but we were encouraged to take this on as being valuable to the U.S. were we able to do it.³⁶

If national security officialdom gave Clifford and Altman a go-ahead on the First American takeover, this sanction would help explain former CIA Director Richard Helms' involvement in the BCCI affair. Helms' business partner Mohammad Rahim Irvani "acted as BCCI's chief front-man" in an unsuccessful BCCI attempt to acquire First American in 1978. Helms also provided Irvani with legal advice on the matter and suggested that he obtain legal representation from

Clifford's law firm Clifford, Glass, McIlwain, and Finney with regard to the First American matter.³⁷

When President Richard Nixon fired Helms as CIA director in 1972, he made Helms U.S. ambassador to Iran. Helms resigned as ambassador in 1977, after he was indicted for lying to Congress about CIA misdeeds in Chile. Irvani, a wealthy Iranian entrepreneur, came to Helms' aid by putting up the capital needed to start an international consulting firm in Washington, the Safeer Company.³⁸

Irvani was head of the Melli Industrial Group in Iran but he also had ties to BCCI through his other business, the Alwand Industrial Co. Alwand, in partnership with BCCI, owned the Iran-Arab Bank. Irvani was also connected to BCCI through Roy Carlson, the former Bank of America official, who managed the Melli Group for Irvani. Carlson had earlier played a key role in getting the Bank of America to help Abedi capitalize BCCI in 1972, when BCCI was founded. Carlson was also a founding director of Safeer.³⁹

During the 1980s, Helms continued to introduce Irvani to prominent Americans, writing Vice President [George] Bush on Irvani's behalf in October 29, 1987, forwarding an October 16, 1991 letter from Irvani to Bush, and forwarding letters of congratulations from Irvani to President-elect Bush and Secretary of State James Baker on November 28, 1988. ...The cover letter from Irvani to Helms on the October 16, 1987 letter, refers to Irvani's desire to provide Vice President Bush with advice on his presidential campaign.⁴⁰

George Bush was CIA director in 1976-77. His sons George Jr. and Jeb were also tied to BCCI.⁴¹

Much more remains to be learned about the CIA's complex relationship with BCCI. But this much is already evident: The outlaw bank played a key role in the Reagan administration's brazen defiance of Congress and U.S. law by financing the Enterprise's off-the-shelf arms sales to the Contras and to Iran. The BCCI-CIA partnership brought considerable death and destruction to the Third World and at the same time dangerously undermined the democratic process in the United States. •

37. *The BCCI Affair: A Report*, Vol. 1, pp. 385, 388-89.

38. *Ibid.*, p. 386. Safeer means ambassador in Farsi.

39. *Ibid.*, pp. 11-12, 386-89; Peter Mantius, "Ex-chief of CIA tied to BCCI: Helms had role in takeover bid," *The Atlanta Journal/The Atlanta Constitution*, February 15, 1992, p. 1; Truell and Gurwin, *op. cit.*, pp. 127-28.

40. *The BCCI Affair: A Report*, Vol. 1, p. 390.

41. For Bush family links to BCCI, see Jack Colhoun, "Bush Brood's Bargains with BCCI," (New York) *Guardian*, May 13, 1992; and Jack Colhoun, "The Family That Preys Together," *CovertAction*, Number 41 (Summer 1992), pp. 50-59.

Jack Colhoun's analysis of the CIA's role in the Bush administration's cover-up of Iraqgate in the Fall 1992 *CovertAction* was selected by Project Censored as one of the 10 most underreported stories of 1992.

34. Wilbur Crane Eveland, *Ropes of Sand: America's Failure in the Middle East* (New York: W.W. Norton & Company, 1980), p. 332; and Jeff Gerth, "Former Intelligence Aides Profiting from Old Ties," *New York Times*, December 6, 1981. Eveland, a former CIA operative in the Middle East, pointed out the Adham-Close business partnership was "a development the U.S. government described as 'unusual' but satisfactory to both countries."

35. Clark Clifford with Richard Holbrooke, *Counsel to the President: A Memoir* (New York: Random House, 1991), pp. 350-59.

36. Mark Potts, "Robert Altman Joins Ranks of Super Lawyers," *Washington Post*; *Washington Business*, October 8, 1984, p. 1.

Marketing the Religious Right's Anti-Gay Agenda

Chip Berlet

President Clinton's call to end the ban on gays, lesbians, and bisexuals in the military has thrust the Religious Right into a breathless frenzy of activity. It has provided a high profile issue around which to rally religious fervor and raise funds. Their current strategy to shield the country from the perceived contagion of homosexuality traces back to 1987. That year, a right-wing group founded and funded by the Coors beer family secretly orchestrated a nationwide campaign attacking homosexuals as a health threat to the traditional family and national security. The Washington, D.C.-based Free Congress Foundation (FCF) then hid its role in the project in order, as an internal memo noted, to keep "out of the gay's [sic] clutches."¹ FCF launched the operation with the publication of *Gays, AIDS and You*.²

This book popularized many of the myths and slogans later circulated by the Religious Right in its most prominent homophobic campaigns. Its themes have been used by the Religious Right in several state campaigns against equal rights for gays. In 1992, in Colorado, after an infusion of right-wing propaganda and cash, voters narrowly passed Amendment Two, framed as a bill legislating "No Special Rights for Homosexuals," but which actually would prevent gays, lesbians, and bisexuals from fully exercising their constitutional rights. In 1987 when *Gays, AIDS and You* was published, FCF's board of directors included Coloradans Jeffrey Coors and Sen. William Armstrong (R-Colo.).

The Free Congress Foundation

The current fight over gays in the military highlights a historically cooperative relationship. Religious Right groups including FCF, Concerned Women for America (CWA), Focus on the Family, Family Research Council, Pat Robertson's empire, and other Religious Right groups have long maintained cordial ties with military and intelligence officials, especially during the Reagan and Bush administrations. They have supported high levels of military spending to keep our country safe from Godless communism, terrorism, and secular humanism.³ Reagan and Bush repaid the Religious Right for its electoral support with government policy posts.

In 1992, for instance, President Bush appointed former Concerned Women for America employee Sarah White, a

Master Sergeant in the Air Force Reserves, to the Presidential Commission on the Assignment of Women in the Armed Forces. There, she became "a key player in winning the pro-family victory of keeping women out of combat aircraft."⁴ In 1988, White wrote an article for CWA on "Soviet Influence: Active in Our Midst," which warned that "the American public must not be caught off guard by the seemingly virtuous intentions of groups or summits promoting peace" since they might be part of a Soviet intelligence "Active Measures" campaign to weaken and ultimately smash America.⁵

Selling Homophobia

The idea for *Gays, AIDS and You*, began in 1981 when FCF president Paul Weyrich asked staff member Father Enrique Rueda "to research the social and political impact of the homosexual movement in America."⁶ The result, *The Homosexual Network*, was "intended primarily for academics and legislators," according to one FCF memo. Rueda's book served as FCF's first campaign against homosexuals, and was widely quoted in political and religious right-wing publications. Still, like Anita Bryant's earlier anti-homosexual campaign, interest soon dwindled.

FCF's marketing survey at the American Booksellers' Association convention in 1987 found that Rueda's book was not selling well because it was "too long and expensive" and it needed to be "updated and include information on AIDS." FCF responded with a marketing plan for a revitalized homophobic campaign built around a shorter book suitable for mass distribution. It would promote the idea that a "Homosexual Network is benefiting from AIDS to the considerable detriment of family life and our culture."

Thus *Gays, AIDS and You* was commissioned after FCF concluded it was "a hot topic" and obtained tentative commitments from Rev. Jerry Falwell's Moral Majority for 5-10,000 copies and from the Conservative Book Club for 6-7,000 copies. Both commitments were "subject to their approval of the manuscript," according to an FCF May 20, 1987 memo. *Gays, AIDS and You* includes text drawn from Rueda's earlier effort, *The Homosexual Network*, and new material on AIDS by Michael Schwartz, director of FCF's Catholic Center. While Rueda and Schwartz are credited as authors, according to FCF memos, the book was edited at Storm King Press, then based in Washington, D.C. FCF signed a \$10,000 editing contract with Storm King Press,

Chip Berlet is a writer and researcher at Political Research Associates, Cambridge, Mass.

1. Memo from Bruce Frazer to Pat Fagan, May 20, 1987.

2. Enrique T. Rueda and Michael Schwartz, *Gays, AIDS and You* (Old Greenwich, Conn.: The Devin Adair Company, 1987), p. 7.

3. See Sara Diamond, *Spiritual Warfare: The Politics of the Religious Right* (Boston: South End Press, 1989); and Russ Bellant, *The Coors Connection: How Coors Family Philanthropy Undermines Democratic Pluralism* (Cambridge, Mass.: Political Research Associates, 1991).

4. CWA "Family Voice," January 1993, p. 27.

5. CWA *Concerned Women*, March 1988, back cover.

6. Enrique Rueda, *The Homosexual Network: Private Lives & Public Policy* (Old Greenwich, Conn.: Devin Adair, 1982), p. 15. ©1982 Free Congress Research and Education Foundation, Inc.

which is owned by Herb Meyer. Meyer, whose writing skills were honed while an associate editor at *Fortune* magazine, was a former assistant to late CIA Director William Casey.⁷

Although FCF coordinated the entire production of *Gays, AIDS and You*, an FCF memo reveals "the new book will show Devin Adair as publisher (which will keep FCF out of the Gay's [sic] clutches)." Devin Adair negotiated with FCF for royalties from the derivative *Gays, AIDS and You*, since it had originally published Rueda's *The Homosexual Network*.

Promotion plans—including a FCF search for endorsements—went into high gear in July 1987 even before *Gays, AIDS and You* was completed. Marketing suggested that Paul Weyrich send a letter saying "You will find enclosed a prospectus of the new book and I would particularly appreciate it if you would be good enough to send me an endorsement by return mail. I realize that it is a bit unusual to ask for an endorsement on the strength of a prospectus, but time is of the essence. I should add that Dr. Ben Armstrong, President of the National Religious Broadcasters (NRB) has already agreed to help us to the maximum extent with the promotion of this book."⁸

Beverly LaHaye, president of Concerned Women for America, sent in the following endorsement for the as yet unpublished book: "The efforts of the homosexual network to gain special legal rights, to undermine family and church, and to resist sensible public health measures against AIDS has [sic] put our families and society under severe strain. This valuable book reminds us of the necessity to reaffirm our civilization's Biblical heritage."⁹

The PR Thrust

A November 1987 FCF memo reported that over 1,000 copies were shipped to The Christian Connection for use "as a premium for this organization's fund raising." Some 350 copies went to Pastor John Bussey for his consortium of "500 pastors opposed to gay rights in [the] greater Washington area."

A January 1988 FCF memo discussed various media appearances and promotions including placing an FCF-written article in CWA's magazine along with an order form for \$18.75 "Action Kits" to "Fight the Gay Lobby." FCF considered the kits "central to our marketing strategy for *Gays, AIDS and You*. We will clear about \$8 to \$9 per kit—CWA will simply give us the orders and we will have the names forever" for FCF's direct mail fundraising list.

"The National Federation for Decency is reprinting the article and the side bar promoting the kits will include an 800 number which will increase the returns," noted the memo. "Focus on the Family will re-print the article in the March issue of their magazine, *Citizen*. Also Dr. Dobson will use our book as a premium." Author Michael Schwartz was also scheduled for an appearance on Pat Robertson's "700 Club" television program "with viewership of 31 million." Repor-

7. The FCF claimed no knowledge of Meyer's role in the book and stated that Rueda and Schwartz were authors.

8. Draft language proposed as letter seeking endorsements, circa August 1987.

9. Endorsement letter on CWA stationery, August 14, 1987.



Anti-abortionist Randall Terry joins the homophobic frenzy.

tedly, John L. Swan of the Archdiocese of New York wanted to "do all he can to help with distribution" and providing "good leads." Senator Orrin Hatch (R-Utah), a former Bishop in the Mormon Church, was said to have provided information to FCF on how to "contact the leadership of the church," and a November 3, 1987 memo by FCF's Bruce Frazer indicated he would "jump on it!"

Spare the Rod...

The Religious Right has sunk its teeth into Clinton's commitment to end the ban on gays in the military and is funneling resources into this campaign. In addition to fund-raising and organizing potential, the issue has once again made friendly bedfellows of the Religious Right and the military. Former Reagan aide Gary Bauer at the Family Research Council is raising funds for an ad with the headline "Every good soldier knows you don't march through a mine-field!" According to the coming ad, "Bill Clinton's decision to lift the military's homosexual ban will erode civilian authority and weaken the fitness of our forces...unless you act now."

For the Religious Right, keeping U.S. troops in the field protecting the free market, keeping women at home and out of combat, and keeping gays in the closet, are all family values ordained by God. Like Reagan, they apparently have confused John Wayne films with reality, and forgotten the admonition in Isaiah 10: 1-4, which starts "Woe to those who make unjust laws, to those who issue oppressive decrees, to deprive the poor of their rights and withhold justice from the oppressed of my people."

Clinton: New Era, Same Old National Security

Trond Jacobsen

"I want to reaffirm the essential continuity in American foreign policy," said President-elect Clinton describing his commitment to national security, "[...because] even as American administrations change, America's fundamental interests do not."¹ Indeed, the ingrained structures of the state and the economy fix domestic and national security policy within very narrow bounds. It is likely that Clinton's commitment to continuity will take precedence over his rhetorical call for change.

Voters who supported him as the lesser of two evils or the hope for change would do well to examine early indications of his business as usual approach. Clinton's proposed "reforms" are sufficiently superficial to pose no real challenge to the national security apparatus. Their intention is not a less aggressive or less interventionary foreign policy but a more efficient mechanism for promoting and protecting U.S. interests around the globe. Clinton has supported the Israeli government even more strongly than Bush, has backed down on granting political asylum hearings to Haitian boat people, supported the virulently anti-Cuba Torricelli Bill, and endorsed his predecessors' willingness to use military force to promote "human rights" and "democracy."² He is also likely to strengthen that tool of foreign policy, newly-forged in Somalia: "humanitarian intervention."



Rick Reinhard

As indicated by his statements and foreign policy appointments, Clinton seems content to maintain the national security state as we know it.

In December 1991, Clinton issued a major national security blueprint calling for a smaller military with "improved air and sea transport" for quick deployment "to counter regional threats to U.S. interests...in the Third World."³ Despite the scale-down, notes scholar William Robinson, "this program does not entail demilitarization. ...It calls for a reduction in overall military spending and troop levels, side-by-side with an increase in rapid deployment units, special operations forces, technological sophistication, unconventional operations and low-intensity warfare, and intelligence capacities."⁴

Through tactical rather than structural reform and the appointment of recycled cold warriors to key defense and intelligence and State Department positions, Clinton has shown support for continuing the foreign policy and national security schemes of the past. He advocated "strong special operations forces in our military to deal" with new threats, coupled with intelligence modernization in order to shift "from military bean-counting to a *more sophisticated understanding of political, economic and cultural conditions*."⁵ (Emphasis added.) "There can be no doubt," noted Rep. David McCurdy (D-Okla.), that intelligence agencies, as employers with "specialized needs," will "benefit if the pool of potential employees has a better grasp of foreign languages, governments and cultures."⁶

Trond Jacobsen is an undergraduate at the University of Oregon. He works as an independent researcher.

1. Ronald A. Taylor, "No Surprises Clinton Tells World, Promises Policy 'Continuity,'" *Washington Times*, November 5, 1992.

2. Thomas Friedman, "The Transition: Clinton's Foreign Policy Thinkers," *New York Times*, December 23, 1992. "Clinton interviewed by Trude Feldman of the *New York Times*," *Eugene Register-Guard* (Oregon), November 8, 1992. In the interview, Clinton indicated his commitment to "maintaining Israel's qualitative military edge over its potential enemies." Also: Jack Payton, "New Clinton Looks Like the Old Bush," *St. Petersburg Times*, January 16, 1993; Thomas Friedman, "Problems Abroad May Force Clinton to Change Agenda,"

New York Times, November 7, 1992. Shortly after Clinton announced his support for Torricelli, he received large campaign contributions from various anti-Castro Cuban interests including Jorge Más Canosa, head of the Cuban American National Foundation.

3. Michael Putzel, "Candidates Agree on Defense Cuts: the Question Remains—How Deep?" *Boston Globe*, February 2, 1992.

4. William Robinson, "Clinton Policy Toward Latin America: Repackaging the Bush Agenda?" *NotiSur*, University of New Mexico, November 17, 1992.

5. Feldman interview, *op. cit.*

6. Rep. David McCurdy, *Congressional Record*, November 20, 1991, p. H10627.

Supplying National Security Personnel

On December 4, 1991, President George Bush, the former director of central intelligence, signed into law a mechanism for enlarging that pool. Tucked away within a huge bill—the Intelligence Authorization Act for Fiscal Year 1992 (Public Law 102-183)—was a little-known provision: the National Security Education Act (NSEA) (Title VIII). This Act created the National Security Education Board (NSEB) and charged it to direct to colleges and universities the “necessary resources, accountability and flexibility to meet the national security education needs of the United States” by improving the “quantity, diversity and quality of the teaching and learning of subjects in the fields of foreign languages, area studies and other international fields that are critical to the nation’s interest.”⁷ Amendments to the Act last summer enhanced the program and appropriated \$30 million for 1993.⁸ Because the Democrats authored the Act and choreographed its passage through the House and the Senate, it will likely receive warm support and cold cash from the Clinton administration.

During his confirmation hearing, Clinton’s nominee to head the CIA, R. James Woolsey, defined the foreign policy challenges of the 1990s: “proliferation of weapons of mass destruction and ballistic missiles to carry them, ethnic and national hatreds ...the international narcotics trade, terrorism, the dangers inherent in the West’s dependence on Mideast oil, [and] new economic and environmental challenges” as the CIA’s top concerns in the 1990s.⁹

To meet these perceived threats and to police the New World Order, the consensus within the national security community is that the U.S. needs a greater focus on human intelligence (HUMINT), *i.e.*, “hundreds, perhaps thousands of new spies.”¹⁰ The NSEA, stressed its architect Senator David Boren (D-Okla.), would do just that. It was constructed, said the former chair of the Senate Select Committee on Intelligence, with input from those “present at the formation of the CIA...[to] improve the education and training that forms the skill bank of those that can provide our intelligence analysis in the future” and to create agents to respond to “developments in the Third World” and in “strategically important areas, like the Middle East.”¹¹



CIA

“Yes, we have slain a large dragon. But we now live in a jungle filled with a bewildering variety of poisonous snakes. In many ways, the dragon was easier to keep track of.”¹² —James Woolsey

Dollars and Spooks

Another reason for emphasizing HUMINT is simple economics. While few in Washington “dispute the inevitability of budget reductions,” NSEA planners are insightful enough to promote the relatively low costs of HUMINT. “It will be possible,” wrote CIA historian Loch Johnson, “to acquire new personnel at the same time the budget is cut—by as much as a third.”¹³ Revitalizing HUMINT allows intelligence agencies to preserve capabilities while appearing fiscally responsible.

To produce the “increased pool of applicants” required for work in “agencies...with national security responsibilities,”¹⁴ the Act established a Trust Fund to “finance scholarships and

7. Intelligence Authorization Act, FY 92 (PL 102-183, 105 Stat. 1260), Title VIII. Quoted passages from Section 801(c)-PURPOSES (1) & (2); see also Leonard Minsky, “Espionage 101: The National Security Education Act,” *CovertAction*, Number 39 (Winter 1991-92), p. 19; and David MacMichael, “Spooks on Campus,” *The Nation*, June 8, 1992.

8. Intelligence Authorization Act for Fiscal Year 1993 (PL 102-496, 106 Stat. 3180), Sec. 404, Amendments to the National Security Education Act of 1991, signed into law by President Bush on October 24, 1992.

9. James Woolsey, “Hearing of the Senate Select Committee on Intelligence: Nomination of R. James Woolsey to Become Director of Central Intelligence,” Federal News Service, Washington, D.C., February 2, 1993. Woolsey was confirmed February 3, 1993.

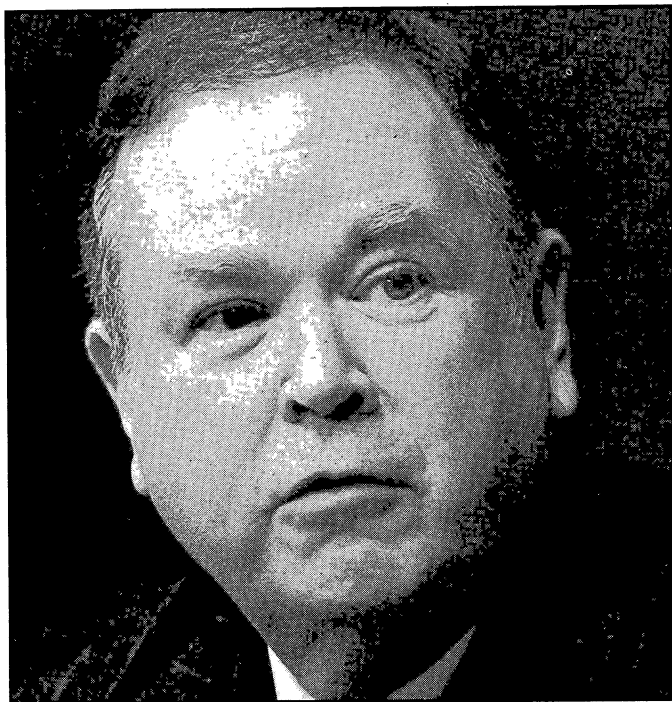
10. James Adams, “Help Wanted: Bring Cloak and Dagger,” *Washington Post*, February 9, 1992.

11. David Boren, “Press Conference With: David Boren, Sam Nunn...,” Federal News Service, July 18, 1991.

12. Statement before Senate Select Committee, February 2, 1993.

13. Loch Johnson, “Smart Intelligence,” *Foreign Policy*, Winter 1992-93; David McCurdy, *Congressional Record*, October 2, 1992, p. H10663 and November 20, 1991, p. H10627.

14. PL 102-183, Section 801(c)-PURPOSES(3).



Rick Reinhard

Architect of the NSEA and CIA booster, Sen. David Boren.

institutional grants to promote study in national security topics.”¹⁵ Oversight of the fund falls to the National Security Education Board, which includes the Secretaries of Defense (chair), Education, Commerce, and State, as well as the directors of Central Intelligence and the U.S. Information Agency. Amendments created a position on the board for the chair of the National Endowment for the Humanities, and expanded from four to six the number of presidential appointees with expertise in targeted academic areas.¹⁶

The \$150 million allocation will be divided equally among categories of grantees: undergraduates for study abroad; graduate students of international studies, area studies and language studies; and institutions to “establish, operate and improve” programs in these areas.¹⁷ The board directs priority funding to regions it defines as “critical”¹⁸ and encourages students to “work for an agency or office of the Federal government involved in national security affairs or national security policy upon completion of their education.”¹⁹ Recipients who fail either to serve in one of these agencies, or to teach in their areas of expertise must immediately repay the grants. The “scholars” are thus obligated to join the national security apparatus either directly as agents, or indirectly by influencing others to do so.

We Get Spies With a Little Help From Our Friends

The board sought to bring together academic, business, military, and national security resources. Drawing on Depart-

ment of Defense funds, it went to work before the appropriation was even finalized. On December 5, 1991, Duane P. Andrews, assistant secretary of defense for Command, Control, Communications and Intelligence (C³I) became board chair. Five months later, DoD employees Martin Hurwitz and Charlene King were appointed program administrator and executive director. Hurwitz and King, working full-time with six “detailees,” made over “1,700 formal written responses to inquiries from Congress, colleges and universities and private citizens” and gave “formal presentations at over 180 symposia, meetings and conferences.” According to a summary of the Act obtained from Boren’s office, the National Endowment for the Humanities cooperated with the board by conducting a “preliminary survey of critical area shortfalls.” The Federal Research Division of the Library of Congress helped Hurwitz “develop an ethno-cultural linguistic baseline.” Educational leaders also pitched in with “a large-scale study of higher education needs in foreign languages, area studies, and international fields.”²⁰

Among many symposia, representatives of the board participated in a “strategic planning retreat” sponsored by the Laurasian Institution for “access to a broad range of academic thinking about the program,” and a “brainstorming session with a number of corporate executives” sponsored by the Security Affairs Support Association. (Emphasis added.)²¹ The Special Operations Policy Advisory Group provided the board with “a purely military view of the requirements for language and area expertise,” while “[college] presidents, deans, provost officers, directors of centers and professors from colleges and universities across the country” added academic input.²² The corporations, no doubt, stressed their own needs.

The Clinton administration, according to NSEB Executive Director King’s office,²³ supports lame duck president Bush’s January nominations to the board: Steven Muller, S. William Pattis, Richard Stolz, and John P. Roche.²⁴ One of these “experts in the fields of international, language, and area studies,” was S. William Pattis of NTC publishing group, a USIA subcontractor which taught entrepreneurial spirit in Eastern Europe.²⁵ John Roche, a former consultant to Vice President Hubert Humphrey, is now a right-wing cold warrior who writes for *National Review*. Richard Stolz, worked from 1950 through the 1960s “in a variety of CIA postings in Europe” at the height of the Cold War, staying with the Agency until 1981.²⁶ He came out of retirement in 1987 to become the deputy director for operations charged with the CIA’s “most delicate espionage operations” during a period that saw the collapse of the Soviet Union.²⁷ Follow-

20. “Status of the National Security Education Program,” Senate Intelligence Committee Report, September 4, 1992.

21. “Summary: National Security Education Program Status,” Senate Intelligence Committee Report, obtained from Senator Boren, July 15, 1992.

22. *Ibid.*

23. Telephone interview with author, February 10, 1993.

24. *Daily Report for Executives*, Bureau of National Affairs, Inc. (Washington, D.C.), January 7, 8, 1993.

25. Howard Schlossberg, “USIA Hopes To Teach ‘Marketing 101’ to Eastern European firms,” *Marketing News TM*, August 19, 1991.

26. “The Spymaster,” *U.S. News & World Report*, December 31-January 7, 1990-91.

27. *Ibid.*; see also Walter Andrews, “CIA Selects, Announces New Top Spy,” UPI, December 9, 1987; and “‘Spymaster’ Award For Stolz,” *Washing-*

15. CIS/Index Legislative Histories, 102nd Congress, 1st Session, 1991.
16. PL 102-183, Sections 803. Expansion of the Board is authorized in PL 102-496, Sec. 404(d)(1)(2)(3).
17. PL 102-183, Sec. 802.
18. Sec. 803(d)(4)(A)(B)(C).
19. Sec. 803(d)(4)(A).

ing his re-retirement in 1990, Stolz served as the most senior member of a group of former agents "organizing a defense fund to help pay the legal expenses of colleagues under scrutiny in the Iran-contra inquiry."²⁸

Senate support for NSEA was led by Boren after discussion with ex-CIA Director Robert Gates and ex-Deputy DCI and NSA chief Bobby Ray Inman. All agreed, said Boren, that the Act met "a clear need of the intelligence community, a need...likely to grow in the future. ...[It] makes the necessary long-term investment in the future of our country and provides the mechanism by which the United States can continue its world leadership role well into the 21st century."²⁹

Ensuring National Security Continuity

If the National Security Education Act is designed to ensure a supply of personnel, Clinton's key appointees will ensure continuity of policy. Secretary of State Warren Christopher served as the deputy secretary of state under Jimmy Carter and as the deputy attorney general under Lyndon Johnson in which position he reportedly knew and condoned Department of Defense domestic spying on anti-war and protest organizations. Christopher's friend, National Security Adviser Anthony Lake, served at the Department of State under Carter as director of the Office of Policy Planning. Earlier he served as an aide to Henry Kissinger at the National Security Council (NSC) and before that, during a period of rapidly escalating U.S. aggression (1963-65), as vice-consul in Hue and Saigon, South Vietnam.³⁰

Secretary of Defense Les Aspin, the leading Democratic supporter of Reagan-Bush militarism, "generally supports military intervention overseas and the new weapons systems to get the job done."³¹ A defense industry trade journal notes that Aspin is ideally suited to implement Clinton's vision: "[S]pecial operations-type equipment...will get 'plussed up' " in future defense budgets because Aspin is "a patron of special operations forces."³² Citing the exemplary U.S. Gulf War, Aspin praised Clinton's defense strategy: Promoting America's "technological edge means quicker victories with fewer casualties...on our side." Aspin advocates a shift from "attrition warfare" to "decisive attacks on key nodes" and the "direct involvement" of U.S. forces over "war by proxy."³³

He also backs "strong defense R&D and modernization capability and a strategically managed manufacturing

base."³⁴ No doubt this stance will endear him to defense contractors who will continue to play a key role in reshaping the national security apparatus. Continuity of national security interests will be facilitated through government-directed subsidies for corporate R&D, typically implemented through military channels. The Washington-based law firm Smith, Dawson & Andrews produced a detailed analysis of the new administration, addressing major policy initiatives. One early proposal will be "an effort to expand defense conversion technologies" through the Defense Advanced Research Projects Agency (DARPA), which "could see its budget doubled over the next three years." Their analysis reveals that "the new administration advocates economic partnerships between the commercial sector, universities and the federal government. ...In fact," the document notes, "*the positioning of economic development through Pentagon investment may be touted by the Clinton administration as a national security issue.*"³⁵ (Emphasis added.)

Pulling the Woolsey

Sen. Boren, introducing fellow Oklahoman and Rhodes Scholar chum Woolsey to the Select Committee on Intelligence, characterized him as "uniquely qualified to work" with the Senate and "carry on the tradition" of near-total bipartisan consensus on intelligence policies.³⁶ Woolsey has demonstrated his unique qualifications at the Department of Defense, the National Security Council, as counsel to the Senate Armed Services Committee, as undersecretary of the Navy under Carter specializing in naval intelligence, on Reagan's bipartisan Strategic Forces Committee that engineered support for the MX and Midgetman missiles, as chief negotiator for "arms reductions" under Reagan and Bush, as the author of the Tower Report's conclusions whitewashing the Iran-Contra affair, on the board of directors of defense contractor Martin Marietta, and as a trustee of the Center for Strategic and International Studies.³⁷ One reporter characterized Woolsey "as one of the most knowledgeable experts in the country about what the CIA should be doing in the post-Cold War era" with a special aptitude for helping the "intelligence effort survive in the face of budget cuts." Bobby Ray Inman added that "after Bob Gates, my preferred choice was Jim Woolsey."³⁸

More restrained in his advocacy of HUMINT than Boren or new Chair of the Senate Select Committee Dennis DeConcini (R-Ariz.), Woolsey told his confirmation hearing: "[With] ethnic rivalries leading to war, nonproliferation" and other

ton Post, December 26, 1990, p. A23. On covert operations targeting the Soviet Union during the 1980s. See: Sean Gervasi, "The Destabilization of the Soviet Union," *CovertAction*, Number 33 (Fall 1990), and Sean Gervasi, "Western Intervention in the U.S.S.R.," *CovertAction*, Number 39 (Winter 1991-92).

28. "Ex-CIA Officials Begin Legal Fund," *Christian Science Monitor*, August 15, 1991; "Defense Fund Set Up for CIA Officials," *Agence France Presse*, August 14, 1991.

29. Sen. David Boren, *Congressional Record*, October 16, 1991, p. S14782; letter to the author dated January 6, 1993.

30. Barbara Saffir and Mark Stencel, "Clinton's Cabinet," *Washington Post*, January 20, 1993; and James Gerstenzang, "Security Appointee a Renowned Mediator," *Los Angeles Times*, December 23, 1992. Until his appointment, Lake was professor of international relations at Mt. Holyoke College.

31. William Lowther, "The Threats Abroad," *MacLean's*, January 11, 1993.

32. "The SOF Touch," *Aerospace Daily*, January 18, 1993.

33. "Aspin on Record: Support for Industrial Base, High-Tech Forces," *Aerospace Daily*, January 5, 1993. This article quotes from several addresses given by Rep. Aspin contends that his vision for the military, inspired by Operation Desert Storm, will minimize casualties "on the other side."

34. *Ibid.*

35. Smith, Dawson & Andrews (Washington, D.C.), "A preview of the Clinton Administration and the 103rd Congress," (private report prepared by the law firm for EWEB, a public utility, obtained by author), November 16, 1992; also, Eric Wakin, "DARPA as Savior," *Lies Of Our Times*, December 1991.

36. Boren, Woolsey hearings, *op. cit.*; Jeffrey R. Smith, "Woolsey: A Washington Insider in Every Way," *Washington Post*, December 23, 1992.

37. "CIA Director-Designate Facing Easy Confirmation," *Agence France Presse*, February 2, 1993; Art Pine, "Woolsey: Arms Expert Hailed for His Competence," *Los Angeles Times*, December 23, 1992; Charles Krauthammer, "Department of Talk," *Washington Post*, December 25, 1992; Smith, *op. cit.*; "Clinton Picks Aspin to be Defense Secretary, Woolsey to CIA," *Aerospace Daily*, December 23, 1992; *Aviation Week and Space Technology*, March 2, 1992; Jack Weible, *Defense News*, November 25, 1991.

38. Pine, *op. cit.*

Who Met with NSEB Reps?

Federally Funded Programs: Goldwater Foundation, Madison Foundation, Truman Foundation, Peace Corps, National Academy of Sciences, Foreign Service Institute, National Aeronautics and Space Administration, Intelligence Community Staff Foreign Language Committee, Conference of Directors of Centers of International Business Education, Smithsonian Institution, Defense Language Institute Foreign Language Center, Center for the Advancement of Language Learning.

International Education Exchange Organizations: Council for International Exchange of Scholars, Council on International Programs, Council on International Educational Exchange, Institute of International Education, Liaison Group for International Education Exchange, Social Sciences Research Council, Eagle Japan Program, Committee on Scholarly Communication with the People's Republic of China.

Study Abroad and Academic Associations: Association of American Universities, American Association of Independent Colleges, American Association of Colleges, American Council on Education, Historically Black Colleges and Universities, National Association of State Universities and Land Grant Colleges, American Association of State Colleges and Universities, Council of Presidents of Independent Colleges, Council of Less Commonly Taught Languages, Woodrow Wilson National Fellowship Foundation, National Humanities Alliance, National Association for Equal Opportunity, Joint National Committee on Languages, National Council of Area Studies Associations, National Council for Soviet and East European Studies, Modern Language Association, National Association of Foreign Studies Abroad, Association of Professional Schools of International Affairs, Citizen's Scholarship Foundation, National Foreign Language Center and the Language Consortium. (Partial list as of January 15, 1993.)

New World Order concerns, it is likely that "some types of technical intelligence which we utilized before are of decreasing importance, and some types of human involvement are of increasing importance." Intelligence, he stressed, "can be an important force-multiplier for our military and thus of increasing importance if the military itself is reduced in size."

International Implications

In pursuit of fiscally acceptable means of extending U.S. military might, Woolsey, along with Ambassador to the U.N., Madeleine Albright, strongly supports Clinton's intention to use multilateral organizations to advance U.S. and Western interests. U.S.-backed U.N. Secretary General Boutros Boutros-Ghali has called for a permanent U.N. peacekeeping force.³⁹ According to veteran U.N.-watcher Phyllis Bennis, such a move could go a long way toward a "transformation of the world body into a credible tool for implementing U.S. policy and a more palatable surrogate for the U.S. role of global policeman."⁴⁰ Recently, Woolsey chaired a United Nations Association collective security project which issued a report "prepared by experienced national security officials ...[that] provides a workable military blueprint for the U.N." It calls for a standing force of "several battalions under permanent U.N. command" capable of "deployment within hours or days," a rapid deployment force "totaling as many as 30,000 troops...principally from Security Council members (including the United States) [and provisions for] contingency forces on a larger scale" that could "augment the

rapid deployment force if more power [was] needed to overwhelm a mid-sized opponent (such as Iraq)."⁴¹

This stance has roused international concern. The Clinton administration, writes Indian journalist N.J. Nanporia, may consummate a "new policy of interventionism through a United Nations completely dominated by the veto-wielding Western powers" with the U.S. as "prime mover." Nanporia foresees that any Third World nation seemingly "overcome by chaos, or where there is an alleged violation of human rights" could become the victim of major power intervention "under the umbrella of the United Nations" implementation of its new "imperial role."⁴²

French scholar Alain Joxe assails Washington's pursuit of "the unilateral defense of American interests" under the pretense of "humanitarianism" and the promotion of universal human rights. He argues that intervention in Somalia illustrates the manner by which the U.N. is now routinely enlisted as "an appendix of the American empire."⁴³

Despite the rhetoric of change emanating from Washington, there is ample evidence that the central mission of the intelligence and national security establishment remains unchanged. The end of the East-West struggle did not mean the end of the North-South dynamic in which the affluent industrialized North, led by the U.S., seeks to maintain access to the South's raw materials, cheap labor, open markets, and strategic positioning. Driven by this dynamic, and the increasingly complex economic and political division of the world, Clinton and his successors will turn more frequently to the academy for agents trained in foreign languages and area studies—those disciplines promoted by the NSEA. The National Security Education Act, stripped of its packaging as an educational initiative, is simply a mechanism to supply intelligence agents and cooperative academics.

We may already be seeing the fruits of this emphasis on HUMINT: In December 1992, Michael Nacht, Dean of Maryland's School of Public Affairs, commented that "the Agency is again welcome on many campuses, and CIA recruiters are seeing improvements in both the number and caliber of applicants."⁴⁴

The grant money provided by the Trust Fund will only accelerate and deepen this trend. To date, bureaucratic inertia has prevented the full implementation of the NSEA. Material from Senator Boren's office indicates that no effort is being spared, or contact shunned, in the attempt to "meet the national security education needs of the United States." According to Executive Director Charlene King's assistant, Ed Collier, pilot programs are being developed for this summer, anticipating that the Act will be implemented fully this fall. The concomitant need for informed opposition to it and the policies it is designed to support has never been greater. •

39. Boutros Boutros-Ghali, "Empowering the United Nations," *Foreign Affairs*, Winter 1992-93.

40. Phyllis Bennis, "The U.N.: Washington's Captive Tool," *CovertAction*, Number 41 (Summer 1992), p. 30.

41. "Not the World's Cop," editorial, *Newsday*, January 3, 1993.

42. N.J. Nanporia, "Washington's Blind Spot on Asia Remains," *Business Times*, February 4, 1993.

43. Quoted in Tom Foley, "French Scholar: Washington Acts Only for U.S. Gain," *People's Weekly World*, February 6, 1993. Joxe's article appeared in *Le Monde*, December 22, 1992.

44. Quoted in Rodman Griffin, "New Generation Takes Over Old-Boy Network," *Ottawa Citizen*, December 26, 1992.

(Somalia, continued from p. 11)

Some "legitimate" enterprises did flourish, mostly in the riverain areas of the southwest, many linked to foreign capital. In the lower Juba Valley, for example, there were 53 private plantations, three state farms, and one very large Italian-owned plantation, all developed during the 1970s and '80s. The development of the state farms alone cost \$364 million in foreign aid, in addition to local costs. Foreign financing for the commercial projects, especially from Italy, was coerced by the state which confiscated land from local farmers (Bantu, Digil, and Rahanweyn), thereby creating a local class of landless laborers.

The World Bank, the Italian government, and businesses associated with the Somali government pushed through plans for a giant hydro-electric dam. Touted as the centerpiece of Somalia's planned development, this project would have flooded fertile agricultural land, displaced many Rahanweyn people, generated more electricity than Somalia could use or export, and been useless for irrigation. All this potential disaster and waste was irrelevant: The dam would have opened the floodgates to \$780 million in foreign aid. That it has not been built is the one benefit the war has brought to Somalia.

The man who clinched the dam deal was Italian Prime Minister Bettino Craxi who, in early 1993, was forced to resign and indicted over his involvement in numerous corruption scandals.

International Elites

In the 1980s, through the foreign capital from aid and "development schemes," Somalia became closely integrated into the world economy. Wealthy and powerful members of Somali society—particularly those in government—had no difficulty exploiting the general adversity of the economic climate, and the particular hardships forced upon the government by structural adjustment programs. They were protected by their membership in an international elite that reckons in U.S. dollars and owns property in a range of Western, Arab, and African countries.¹⁶

In some ways these transnational elites neither require nor benefit from state sponsorship. States do, however, control important services, chief of which is a license to print money, literally. A government can also dispense contracts, take out loans, and receive international assistance. Therefore, the symbols of state control are desperately important to the businesspeople contending for power. Self-styled Interim

16. Nor is this phenomenon unique to Somalia. Sudan, the land of chronic famine, boasts hundreds of millionaires. While the Sudanese government is bankrupt, owing about \$14 billion, individuals have exported about \$20 billion since the mid-1970s. Capital flight from Nigeria, Ghana, Zaire, Kenya, and Mozambique is also belatedly figuring as a major determinant of these countries' economic prospects. [Richard Brown, *Private Wealth and Public Debt: Debt, Capital Flight and the I.M.F. in Sudan* (London: MacMillan, 1992)].

President Ali Mahdi may control only a few square miles of north Mogadishu, but he has a government of over 80 ministers. Former hotelier Ali Mahdi is clinging to his position partly in the hope of restoring his lost fortune. His ministers hang on to their titles with similar expectations.

General Aidid, the main contender for power in Mogadishu, recognizes this reality. The longest and bloodiest battle for Mogadishu, in November 1991, occurred after Aidid blocked a planeload of banknotes that Ali Mahdi had ordered from abroad. An almost identical incident in July 1992 almost returned the city to war.

Since appointing himself interim president, Ali Mahdi has been hoping for U.N. military intervention. He anticipates that such an interventionary force will recognize him as president. Fearing that outcome, General Aidid resolutely opposed U.N.

intervention—until he saw that the U.S. occupation was inevitable. At this point, he astutely changed his tune and welcomed it. A Somali saying is, "If you cannot be a mountain, attach yourself to a mountain."

Anatomy of the Looting War

If the Somali elites have become integrated into the international order, the same holds for the poor. Increasingly, the African poor are recipients of distinctly erratic Western philanthropy. Though far less important in saving lives than its advocates make out, this international social welfare system is becoming a significant element in the lives of the African poor, and also their main gateway into the New World Order.

The Somali elites have used this same opening to their benefit. Throughout the 1980s, aided by this advantage, powerful people in the Somali government grew wealthy through corruption, plunder, and violence. These predatory capitalists extorted payments from merchants while they stole land from indigenous farmers, cattle from poor herders, and food from aid consignments. These "pencil looters" who sit in offices are the same people behind the "gun looters" who raid villages, hold up aid convoys, and start wars.

Warfare is an excellent excuse for organizing armed militias which raid nearby communities, carry off livestock and other possessions, and seize land. The tactics used against the population are straightforward: storm villages (often at night) firing guns to frighten away the villagers, and collect "taxes" at checkpoints on roads and bridges.¹⁷ The same pattern can be seen in Sudan where the government has also organized local militias whose forays have helped precipitate major famine.

In Somalia, the most poor and marginal rural farmers—the Rahanweyn and Digil clans and the Bantu peoples—were

17. Kenneth Menkhaus, "Report on an emergency needs assessment mission of the Lower Jubba Region, Somalia," Nairobi, July 1991.

stripped of many of their assets well before Siad Barre was driven from power in January 1991. In 1988, a traditional leader of a subclan of the Rahanweyn, who had the misfortune to border Siad Barre's Marehan clan, described his relations with the Marehan as "total war." He estimated that more than half of the fertile riverain land once farmed by his people had been seized, much of it at gunpoint.¹⁸

Lower down the Juba Valley, the expropriation of land was on a far greater scale and had been going on for much longer. Much of it was sanctioned as "development." Meanwhile, as the local people became more vulnerable and destitute, they took work on the confiscated farms for a pittance, or turned to pilfering from the plantations and foraging for grass between the banana trees. Plantation owners responded by hiring armed guards. One reported punishment for "illegally" collecting grass was tying together the hands of the offender and shooting a bullet through the palms.¹⁹

For the Rahanweyn, the only change caused by the departure of the central government was that precisely the same officials, soldiers, and merchants, deprived of looting opportunities in the cities, were even more desperate to strip assets from the rural areas. Each of the three times that Siad Barre and his henchmen occupied the Rahanweyn area during 1991 and early 1992, they systematically and brutally looted, even taking clothes off people's backs. Around the lower Juba, the war was more mobile. Siad Barre's forces (now known as the Somali National Front (SNF) passed through the lower Juba four times in early 1991, the area then changed hands between the United Somali Congress of General Aidid and the Somali Patriotic Movement of Colonel Omer Jess on two occasions. In early 1993, the forces of General Hersi Morgan, son-in-law of Siad Barre and current leader of the SNF, occupied much of the area again.

This was not random violence. It was looting organized by powerful merchants and their political allies for two main purposes: to keep the unpaid militia content, and to make profits for the financiers. It appears to have succeeded on both counts.

The rival militias commanded by General Aidid behaved no differently from those of Siad Barre. Although formally allied with the Somali Democratic Movement, which claims to represent the Rahanweyn, their behavior when occupying Rahanweyn territory was no less ruthless. Aidid's militia is

drawn from the Hawiye clan, who traditionally regard the Rahanweyn as second-class citizens.

The result of these depredations was the famine with which we are so familiar. It was this famine that brought Somalia's poor back into contact with the international community which had helped create the economic, social, and political conditions that made the internal strife virtually inevitable.

Restoring Dependency

The implications of "Operation Restore Hope" for Somalia will certainly be profound. They will depend on whether there is a systematic program of disarmament, the caliber of the U.N. administration, and the competence of the PVOs, among other issues.

The U.S. military operation is part of a larger trend toward military intervention throughout the world. In Africa, it is part of a trend in which the West is taking on selective

responsibility for feeding the poor, when it so wishes. While African elites become integrated into the world economy by exporting capital from their home countries, the poor are becoming integrated as the recipients of sporadic and unreliable charity.

Although the origins and motivations of these two processes are often unrelated, they are closely linked. The integration of the elites is a

major cause of the suffering of the poor. Meanwhile, the existence of an international social security system, albeit a very flawed one, removes from these elites—and from the West—the responsibility to undertake systematic action to prevent chronic poverty and famine.

"Operation Restore Hope" represents an important strategic precedent for the way in which the U.S., and to a lesser extent the European countries, use the United Nations to have their way with the world. Limits placed on Western access are warded off with charges of narcotics trade, international terrorism, and nuclear and chemical weapon proliferation. The potential disruption posed by unstable nations with no powerful central government is more problematic.

In this context, philanthropic imperialism, spearheaded by ostensibly independent human aid agencies, can play an important strategic role. It can legitimize intervention taken for wholly different motives, for example, to win human rights credentials back home for electoral purposes, to safeguard military budgets, or to act against a perceived threat of Islamic fundamentalism. All these motives figured in the case of "Operation Restore Hope." Above all, Somalia was an easy and timely test for this new weapon in the arsenal of international control.

*"Operation Restore Hope"
in Somalia was an
easy and timely test
for this new weapon in the arsenal
of international control.*

18. Interview with author, April 1988.

19. Tony Vaux, "Emergency Report," *New Internationalist*, December 1992, pp. 8-10.

(Cabinet Sleaze, continued from p. 18)

a press conference, he said he felt "enormously liberated."³⁶ He got another \$40,000 from people associated with Drexel Burnham Lambert, including \$1,000 from Michael Milken.³⁷ He returned \$600 after Milken was convicted of a felony. Also, a vice president of Drexel, John Reidy, served as trustee for Wirth's blind trust for assets worth over \$2 million.³⁸

Wirth's Cable Connections

Tim Wirth also killed legislation to regulate cable television rates in October 1990, just seven months after receiving \$80,000 from the cable industry.³⁹ Denver is the hub of the cable industry and headquarters of Tele-communications, Inc., the dominant player in the business with over 10 million subscribers nationwide. (TCI also owns a chunk of Ted Turner's TBS and its program services, including CNN.) Wirth received \$10,000 from TCI through a cable PAC in 1988; Colorado's Democratic Party got \$25,000 in "soft" money from TCI in 1986. TCI's chair Bob Magness and executive vice president Larry Romrell worked with BCCI to set up a commodities trading firm, Capcom Financial Services, that was implicated in money laundering by, among others, Manuel Noriega. Although there is no evidence that TCI executives knew what was going on in the company they supposedly controlled, Capcom was one node in an interlocking network of influence that led to the indictment of Democratic power-brokers Clark Clifford and Robert Altman. Despite the convictions of BCCI and the taint on Capcom, TCI executives have not been indicted or convicted of a felony—the standard Wirth applied for returning contributions after the S&L looters and junk-bond barons had been exposed.

Brownstein hosted a pre-inaugural dinner to honor Wirth, whose job as national co-chair of the Clinton-Gore campaign was to put the touch on big donors in the cable television industry, oil and real estate—the very practice he had found



so humiliating that he felt compelled to leave the Senate.⁴⁰ Those ties were so close they helped torpedo Wirth's nomination as Secretary of Energy. (Al Gore's leadership in the fight to control cable prices set him at odds with Wirth.)⁴¹ Wirth was forced to settle for the specially-created post of under-secretary for Global Affairs, where he will oversee a vague amalgam of issues ranging from the environment, to trade, to technology, to humanitarian aid.

Party Favors

The payoffs run from the sublime to the slimy; at times the cost-benefit ratio is hard to figure: One of the largest individual contributors to Clinton's campaign was Swanee Hunt,⁴² heiress to the fortune left by her father, Texas oilman H.L. Hunt. The old man was a fascist, but his daughter is liberal and a

36. Eleanor Clift, "A New S&L Plan: Givebacks," *Newsweek*, August 6, 1990, p. 47.

37. John Accola, "Taint of link to junk bond, S&L industries dogs Wirth," *Rocky Mountain News*, December 18, 1992. After Milken pleaded guilty in 1990, Wirth returned the \$600 remainder of a \$1,000 contribution Milken made in 1985. See Robert Kowalski, "Wirth to return contribution from junk bond king Milken," *Denver Post*, April 26, 1990.

38. Kelly Richmond, "Disclosures show Wirth rich; likely successors are too," *Denver Post*, June 13, 1992.

39. Charles R. Babcock, "The Senator and the Special Interests," *Washington Post*, November 6, 1990.

40. For signs of success, see Labaton, *infra*, Neil A. Lewis, "Limits on Donating to Candidates Aren't Deterring the Big Spenders," *New York Times*, May 16, 1992, pp. 1, 7. Sara Fritz, "Largest share of Clinton donors lawyers, lobbyists," *Los Angeles Times*, in *Denver Post*, July 25, 1992, p. 3A. The biggest contributors of unrestricted "soft" money to the Democratic Party came from finance, insurance and real estate (FIRE), communications and electronics (including cable TV and the phone utilities), and energy and natural resources (read: oil and gas); tax-deductible "mush money" to "non-partisan, non-profit" outfits like the committee that hosted the New York convention are even harder to trace. See James Ledbetter, "Media Blitz: Mush Money Talks," *Village Voice*, July 21, 1992, p. 9.

41. *Washington Post*, December 17, 1992, p. A1; John Brinkley, "Tim Wirth's nomination in trouble," *Rocky Mountain News*, December 18, 1992, pp. 1, 71; Accola, *op. cit.*, p. 81; and John Brinkley, "Wirth appointment apparently dies," *Rocky Mountain News*, December 21, 1992. Another factor may have been animosity toward Wirth by a former staffer, George Stephanopoulos, Clinton's communications director.

42. Stephen Labaton, "Clinton donors call in chips," *Denver Post*, November 26, 1992, p. 34A.

generous donor to Democratic politicians and many charities. She gave \$250,000 to the Clinton campaign, and helped raise much more through her friends. She also gave money to Peña's mayoral election bids in Denver. After his re-election in 1987, he named her husband, Charles Anspacher, to administer a program to buy art for the new airport, funded by a set-aside of one percent from the construction budget. Surprise: Anspacher has applied for the job of running the National Endowment for the Arts.

Secretary of the Treasury Lloyd Bentsen (famous for charging \$1,000 for a seat at his breakfast table) might get sucked in, too, having been a recipient of big money from the airport boosters and the guardian of the tax loopholes as chair of the Senate Finance Committee. Clinton's two top economic advisers at Treasury and the White House, respectively, are Robert Rubin and Roger Altman (not related to the lawyer in the BCCI/Clifford case). Rubin, a proponent of increased spending on infrastructure to boost the economy, was co-chair of Goldman Sachs & Co., the Wall Street firm that served as lead underwriter for the bonds issued by Denver to build DIA. Goldman Sachs' employees and their families were the biggest donors of any firm to Clinton's campaign.⁴³ The tax-free airport bonds initially were given a low rating by investment advisers, who feared the airport would never pay its way in an era when airlines are crashing to bankruptcy. Thanks to federal support, orchestrated by Wirth with help from Brown and Brownstein, those fears have eased. "The bonds have risen in value over the past two years as the project has stuck to budget. They rallied strongly in recent weeks as its chief proponent...has buckled into a seat reserved for the Secretary of Transportation."⁴⁴

The Incredible Shrinking Airport

Denver International Airport is the "crown jewel" of Peña's tenure, as his friend Jim Lyons⁴⁵ put it, and his stewardship a model of the Democrats' plan for "economic development." The carrying costs of borrowed capital make the full cost over \$8 billion; bondholders, mainly high income types escaping whatever taxes they haven't already loop-holed, will reap that interest. The construction workers will soon be gone, and with them goes the much-exaggerated "multiplier effect" of investing in infrastructure. There will

be no net increase in jobs over the old airport because — get this — the new airport is actually *smaller*. The airlines are cutting back instead of expanding along the ever-rising curve of Peña's projections. (Perhaps some "incentives" are in order.) DIA has fewer gates than the old one, which will sit idle until Feddy and the Dreamers come up with a plan for what to do with it. (An aquarium, a branch of the Smithsonian's Air & Space Museum and other "gee whiz" projects have come a cropper. Maybe some "incentives" to developers will help.)

Because of the bankruptcy of Continental Airlines (another debt-strapped recipient of Milken's junk-bond kindness) and the huge losses suffered by United Airlines under Reaganaut deregulation, the size and prospects of DIA have been, shall we say, "revised." If the airport promoters are wrong about the numbers of passengers, as they have been so often in their propaganda, revenues will be insufficient to pay off the bonds; raising tariffs and user fees will only drive customers away from DIA to other facilities in the region. Then the federal government may be asked to bail out the bondholders. Like an underdeveloped country that defaults on its loans, Denver residents will be saddled with a huge debt, loss of credit, and higher taxes to pay their "foreign" debt. The core city, already a captive of suburbs to which it provides services like serfs, will decay. Businesses will leave the rising tax burden for places eager to attract "new" jobs.

Just who benefits from all this economic diddling? A question both parties would rather not ask, let alone answer. Clinton spent much verbiage on the vice of "trickle-down" economics of the Reagan-Bush years, yet that is the currency of his crowd, too. The difference in approach is a quibble: Now that the Democrats have abandoned any lingering attachment to notions of redistributive justice (witness the new energy tax), and now that they have shed any prehensile tendency toward social control over investment, Wall Street has climbed aboard the ship of state's "industrial policy" to better compete. That way, the vast majority of taxpayers—workers—assumes the majority of the risk of investment; the tiny minority—owners of capital and their retainers—reap the rewards. Both parties have adopted the fundamental premise of economic growth under capitalism, namely, that "a rising tide will lift all boats." The only debate is how much will be allowed to leak back down to the masses in the form of spending on social welfare.

43. Fritz, *op. cit.* Rubin resigned as co-chairman of Goldman Sachs to head the National Economic Council; his stake in Goldman Sachs is estimated to be worth \$50-100 million. See Rogers and Wartzman, *op. cit.*, p. A6; and "Clinton Nominee Rubin a Power on Wall Street," Associated Press, December 18, 1992. The vagueness of government ethics laws is illustrated by a letter Altman wrote to former clients at the Blackstone Group, where he was vice chair, asking that they continue working with him upon assuming the job of Deputy Secretary of the Treasury. See "Economics official's letter questionable," *Denver Post*, February 5, 1993.

44. Krystyna Strzelec, "Alliance fund manager takes flight on 46% rise in Denver airport bonds," *Denver Post*, February 1, 1993.

45. Author's interview with Lyons, *op. cit.*

**Support CovertAction.
Subscribe to your principles.**

(Global Greenwash, continued from p. 33)

Council of Forest Industries in Canada) Weyerhaeuser and Noranda.⁴⁸ The other four multinationals known to have helped finance the movement are Georgia-Pacific, Louisiana-Pacific, Pacific Lumber Company, and Boise Cascade.⁴⁹ Seven of these nine companies have been Burson-Marsteller clients during the 1980s and, in some cases, into the 1990s.⁵⁰

The usefulness of the wise use movement for global corporations and the Trilateral Commission is obvious. Not only does it mask how global companies exploit and then abandon communities and regions once the resources have been depleted; it provides an effective smokescreen to divert attention from corporations' long-term agendas. That smokescreen was especially helpful during the 1980s. As the Harper's Index tersely stated late in the decade: "Number of jobs added to the economy by the Fortune 500 since 1980: 0."⁵¹ Meanwhile, corporate propagandists blame environmental activists and environmentalism itself for job losses in resource industries.

Burson-Marsteller prides itself on being especially skilled at dealing with "activist concerns." As its corporate brochure confidently notes:

Often corporations face long term issues challenges which arise from activist concerns. ...Burson-Marsteller issue specialists have years of experience helping clients to manage such issues. They have gained insight into the key activist groups (religious, consumer, ethnic, environmental) and the tactics and strategies of those who tend to generate and sustain issues. Our counselors around the world have helped clients counteract [them].⁵²

By 1989, B-M's Director of Public Affairs World-wide, James Lindheim was advising the gathered leaders of England's chemical industry on a "grassroots mobilization" strategy long perfected by B-M on behalf of corporate clients facing grassroots opposition:

Don't forget that the chemical industry has many friends and allies that can be mobilized. Certainly employees, shareholders, and retirees. ...Give them the songsheets and let them help industry carry the tune.⁵³

48. Alan M. Gottlieb, ed., *The Wise Use Agenda* (Bellevue, Wash.: Enterprise Press, 1989), pp. 158-60, 163; and Sklar and Everdell, *op. cit.*, pp. 99-111.

49. Gottlieb, ed., *op. cit.*, pp. 158-60, 163.

50. According to B-M Client Lists published in the *O'Dwyer's Directory of Public Relations Firms, 1978-1991*, Du Pont was a B-M client from 1981 to 1991; Louisiana-Pacific, from 1978-1987; Georgia-Pacific, in 1980 and 1986; MacMillan Bloedel, Weyerhaeuser and Noranda are backers of the British Columbia Forest Alliance, a 1991 B-M client; according to material in the 1991 B-M Press Kit, Exxon was a B-M client during the Exxon Valdez oil-spill and aftermath.

51. Quoted in "Harper's, Indexed," *Mother Jones*, November/December 1991, p. 18.

52. B-M Brochure, "Public Affairs," circulated 1991.

53. Speech by James Lindheim, "Restoring The Image Of The Chemical Industry," reprinted in *Chemistry and Industry*, August 7, 1989, p. 491.

Members of the Business Council for Sustainable Development

Stephan Schmidheiny, Unotec (Zurich)
Torvild Aakvaag, Norsk Hydro
Rbto. de Andraca, Comp. de Acero del Pacif. (Santiago)
Percy Barnevik, Abb Asea Brown Boveri (Zurich)
Eliezer Batista, Rio Doce International (Rio de Janeiro)
Ignacio Bayon, Espassa Calpe (Madrid)
Gabriele Cagliari, Ente Nazionale Idrocarburi (Rome)
Eugenio Clariond Reyes, Grupo Imsa, S.A. (Monterrey)
Kenneth T. Derr, Chevron Corp. (San Francisco)
Carl Hahn, Volkswagen (Wolfsburg)
Charles M. Harper, ConAgra, Inc. (Omaha)
Kazuo Inamori, Kyocera Corp. (Kyoto)
Allen F. Jacobson, 3M (St. Paul)
Antonia Johnson, Axel Johnson AB (Stockholm)
Saburo Kawai, Keizai Doki (Tokyo)
Jiro Kawake, Oji Paper Manufacturing (Tokyo)
Alex Krauer, Ciba-Geigy (Basel)
Bola Kuforiji-Olubi, Dewac Nigeria Ltd. (Lagos)
Yutaka Kume, Nissan Motor Company (Tokyo)
JMK Martin Laing, John Laing Plc (London)
Erling S. Lorentzen, Aracruz Celulose (Rio de Janeiro)
Ken F. McCready, Transalta Utilities Corp. (Calgary)
Eugenio Mendoza, Mendoza Gp. of Enterprises (Caracas)
Akira Miki, Nippon Steel Corp. (Tokyo)
Jerome Monod, Lyonnaise des Eaux (Paris)
Shinroku Morohashi, Mitsubishi Corp. (Tokyo)
Philip Ndegwa, First Chartered Securities (Nairobi)
James Onobionu, Comp. Financiere et Industrielle (Douala)
Anand Panyarachun, Saha Union Corp. Ltd. (Bangkok)
Frank Popoff, Dow Chemical Company (Midland, Texas)
William D. Ruckelshaus, Browning-Ferris Ind. (Houston)
Elisabeth Amorini, Soc. Gen. de Surveillance (Geneva)
Helmut Sibling, Henkel (Dusseldorf)
Ratan Tata, Tata Industries Ltd. (Bombay)
Lodewijk C. Van Wachem, Royal Dutch Shell (The Hague)
Edgar Woolard, E.I. Du Pont de Nemours (Wilmington, Del.)
Toshiaki Yamaguchi, Tosoh Corp. (Tokyo)
Federico Zorraquin, Grupo Zorraquin (Buenos Aires)

That tune often proved discordant for employees, such as those of B-M client Louisiana-Pacific (L-P). By 1987, the timber giant had been a Burson-Marsteller client for a decade, during which time period L-P busted its workers' union⁵⁴ and became a corporate sponsor of the "wise-use movement." Some L-P employees functioned as a lobbying army against environmental groups which they blamed for the many job losses in the West Coast timber industry. By 1989, L-P was busing loyal workers to Redding, California, to testify in public hearings. They claimed their jobs cutting old-growth forests were threatened by regulations designed to protect endangered spotted owls. In fact, most of those job losses were a consequence of overcutting timber, automation in the mills, and innovations such as the grapple-yarder (which requires one-third the crew). But the most serious threat to workers was the runaway shop. Just one week after the public hearings, local newspapers revealed that

54. Judy Christrup, "This Land Was Your Land," *Greenpeace*, September/October 1990, p. 16.

Louisiana-Pacific was about to open a huge pulp mill in Mexico where it could pay workers less than \$2.00 an hour.⁵⁵

With its office in Mexico, Burson-Marsteller may well have assisted in L-P's international plans. At any rate, by 1990, L-P had built a dozen new pulp mills in Mexico and was barging California redwoods down to its state-of-the-art mill in the Baja.⁵⁶ Former L-P employees in the Pacific Northwest were left holding the songsheets.

With its 60 offices on five continents, Burson-Marsteller facilitates such movement by global companies, ensuring through effective government-relations strategies that a "favorable business climate" (*i.e.*, low wages, no unions, low or no corporate taxes, minimal government regulations) exists wherever its clients wish to relocate. The "wise-use movement" helps to disguise this manipulation by refocusing the issue, organizing at a local level, and characterizing the environmental movement as a big-city threat to small town jobs. Thus, Ron Arnold has advised resource communities: "When a forestry operation, the operation of a mine or the development of other resources in rural British Columbia is being challenged by an environmental group based in Vancouver or Toronto, make no mistake: the challenge has to be faced by the local community."⁵⁷

Burson-Marsteller's strategy for its corporate clients is similar. It designed a "grassroots" coalition to assist the troubled B.C. forest industry. The B.C. Forest Alliance—known in some circles as SuperShare—was initially funded by 13 of the major forest companies involved in the industry in Western Canada.⁵⁸ During its first year (1991), the executive director of this "grassroots" organization was a Burson-Marsteller employee, who proclaimed: "The Alliance is exploring all the issues, listening to all sides, and working toward developing a British Columbian solution to B.C.'s problems. ...We want a B.C. solution to B.C.'s problems."⁵⁹

The remarks—coming from an employee of the largest PR firm in the world, with headquarters in New York—should have generated a laugh, but by all accounts did not. A Burson-Marsteller's "grassroots" coalition is about as local as a McDonald's restaurant.

55. *Ibid.*

56. Christopher Manes, *Green Rage* (Boston: Little, Brown and Company, 1990), p. 94.

57. Ron Arnold, "The Voice of the Commons—SHARE B.C.," *Envisage, Environment and Land Use Perspectives*, December 1989.

58. A B.C. Forest Alliance Press Release of June 13, 1991, states: "Member Forest Companies helping fund the B.C. Forest Alliance: Canadian Forest Products, Weldwood, Fletcher Challenge, Northwood, Lignum, West Fraser Timber, Crestbrook Forest Industries, Weyerhaeuser, Skeena Cellulose, International Forest Products, MacMillan Bloedel, Enso Forest Products, Canadian Pacific Forest Products."

59. Gary Ley, Speech to the Public Relations Society Monthly Luncheon at the Hotel Vancouver, Vancouver, B.C., May 23, 1991.

Conclusion

To "serve multinationals," Burson-Marsteller has been able to consolidate its public relations power in several directions: downward into local grassroots communities through media relations, community relations, and employee relations; upward into government bureaucracies through government relations; and laterally across corporate clients. It is this lateral reach that is proving to be central to "new environmentalism—with business at the center."

B-M is especially skilled at coalition building for and among clients to create a united front on issues. By 1985, B-M's Washington, D.C. office alone had five PR specialists concentrating only on designing coalitions for clients.⁶⁰ As one B-M executive stated, these coalition design specialists "are building the allies and neutralizing the opposition, hopefully."⁶¹ A current B-M prospectus succinctly explains: "Successful government relations involves a strategically designed communications and lobbying effort so that targeted decision-makers become aware not only of the *logic* in a client's point of view, but also the *political power* behind the client's position."⁶² (Emphasis in original.)

That political power can now be concentrated on any targeted site around the globe. By late 1992, B-M had spun off its own grassroots lobbying unit, Advocacy Communications Team (ACT) headed by Jim McAvoy who advised the 1992 Bush presidential campaign. The 25-member rapid response team is set up to deal with "professional interest groups and activists" that threaten the corporate image and profit line by organizing "rallies, boycotts and demonstrations outside your plant."⁶³

Burson-Marsteller has managed to achieve a kind of PR form of vertical integration: with its influence reaching right up to the United Nations and right down to the grassroots resource-extraction communities around the world. Through its global reach, B-M is thus poised to efficiently orchestrate the Brundtland/corporate greenwash and Pax Trilateral across the planet. As environmentalism becomes the crucial PR battle of the 1990s, it is Burson-Marsteller which will play the behind-the-scenes role of "super-agency" and "international watchdog" for its elite clientele. The effects of such power on environmental issues during the 1990s will likely benefit only the Rockefellers of the world, whose songsheets are being disseminated constantly.

60. Stuart Auerbach, "PR Gets Entrenched As A Washington Business," *Washington Post*, February 18, 1985, p. F1.

61. Quoted in *Ibid.*

62. B-M brochure, "Public Relations," circulated 1993.

63. Quoted in *O'Dwyer's Washington Report*, "B-M grass roots lobbying division put out on its own," December 7, 1992, pp. 1-2.

Justice is the best revenge.
Remember CovertAction in your will.

CovertAction Back Issues

- ☐ No. 1 (July 1978) Agee on CIA; Cuban exile trial; consumer research in Jamaica.*
- ☐ No. 2 (Oct. 1978) How CIA recruits diplomats; researching undercover officers; double agent in CIA.*
- ☐ No. 3 (Jan. 1979) CIA attacks CAIB; secret supp. to Army field manual; spying on host countries.*
- ☐ No. 4 (Apr.-May 1979) U.S. spies in Italian services; CIA in Spain; CIA recruiting for Africa; subversive academics, Angola.*
- ☐ No. 5 (July-Aug. 1979) U.S. intelligence in Southeast Asia; CIA in Denmark, Sweden, Grenada.*
- ☐ No. 6 (Oct. 1979) U.S. in Caribbean; Cuban exile terrorists; CIA plans for Nicaragua; CIA's secret "Perspectives for Intelligence."*
- ☐ No. 7 (Dec. 1979-Jan. 1980) Media destabilization in Jamaica; Robert Moss; CIA propaganda budget; media operations; UNITA; Iran.*
- ☐ No. 8 (Mar.-Apr. 1980) Attacks on Agee; U.S. intelligence legislation; CAIB statement to Congress; Zimbabwe; Northern Ireland.
- ☐ No. 9 (June 1980) NSA in Norway; Glomar Explorer; mind control; notes on NSA.
- ☐ No. 10 (Aug.-Sept. 1980) Caribbean; destabilization in Jamaica; Guyana; Grenada bombing; "The Spike"; deep cover manual.*
- ☐ No. 11 (Dec. 1980) Rightwing terrorism; South Korea; KCIA; Portugal; Guyana; Caribbean; AFIO; NSA interview.
- ☐ No. 12 (Apr. 1981) U.S. in El Salvador & Guatemala; New Right; William Casey; CIA in Mozambique; mail surveillance.*
- ☐ No. 13 (July-Aug. 1981) S. Africa documents; Namibia; mercenaries; the Klan; Globe Aero; Angola; Mozambique; BOSS; Central America; Max Hugel; mail surveillance.
- ☐ No. 14-15 (Oct. 1981) Index to nos. 1-12; review of intelligence legislation; CAIB plans; extended Naming Names.
- ☐ No. 16 (Mar. 1982) Green Beret torture in El Salvador; Argentine death squads; CIA media operations; Seychelles; Angola; Mozambique; the Klan; Nugan Hand.*
- ☐ No. 17 (Summer 1982) CBW history; Cuban dengue epidemic; Scott Barnes and "yellow rain" lies; mystery death in Bangkok.*
- ☐ No. 18 (Winter 1983) CIA & religion; "secret" war in Nicaragua; Opus Dei; Miskitos; evangelicals-Guatemala; Summer Inst. of Linguistics; World Medical Relief; CIA & BOSS; torture; S. Africa; Vietnam defoliation.*
- ☐ No. 19 (Spring-Summer 1983) CIA & media; history of disinformation; "plot" against Pope; Grenada airport; Georgie Anne Geyer.
- ☐ No. 20 (Winter 1984) Invasion of Grenada; war in Nicaragua; Ft. Huachuca; Israel and South Korea connections in Central America; KAL flight 007.
- ☐ No. 21 (Spring 1984) *New York Times* and the Salvadoran election; *Time* and *Newsweek* distortions; Accuracy in Media; Nicaragua.
- ☐ No. 22 (Fall 1984) Mercenaries & terrorism; *Soldier of Fortune*; "privatizing" the war in Nicaragua; U.S.-South African terror; Italian fascists.
- ☐ No. 23 (Spring 1985) "Plot" to kill Pope/"Bulgarian Connection"; CIA ties to Turkish and Italian neofascists.
- ☐ No. 24 (Summer 1985) State repression, infiltrators, provocateurs; sanctuary movement; American Indian Movement; Leonard Peltier; NASSCO strike; Arnaud de Borchgrave, Moon, and Moss; Tetra Tech.
- ☐ No. 25 (Winter 1986) U.S., Nazis, and Vatican; Knights of Malta; Greek civil war/Eleni; WACL and Nicaragua; torture.

* AVAILABLE IN PHOTOCOPY ONLY.

- ☐ No. 26 (Summer 1986) U.S. state terrorism; Vernon Walters; Libya bombing; contra agents; Israel & S. Africa; Duarte; media in Costa Rica; democracy in Nicaragua; Index to nos. 13-25.*
- ☐ No. 27 (Spring 1987) Special—Religious Right: *New York Times* & Pope Plot; Carlucci; Southern Air Transport; Michael Ledeen.*
- ☐ No. 28 (Summer 1987) Special—CIA and drugs: S.E. Asia, Afghanistan, Central America; Nugan Hand; MKULTRA in Canada; Delta Force; AIDS theories and CBW.*
- ☐ No. 29 (Winter 1988) Special—Pacific: Philippines, Fiji, New Zealand, Belau, Kanaky, Vanuatu; atom testing; media on Nicaragua; Reader's Digest; CIA in Cuba; Tibet; Agee on *Veil*; more on AIDS.*
- ☐ No. 30 (Summer 1988) Special—Middle East; The *intifada*; Israeli arms sales; Israel in Africa; disinformation and Libya; CIA's William Buckley; the Afghan arms pipeline and contra lobby.
- ☐ No. 31 (Winter 1989) Special—domestic surveillance. The FBI; CIA on campus; Office of Public Diplomacy; Lexington Prison; Puerto Rico.
- ☐ No. 32 (Summer 1989) Tenth Year Anniversary Issue: The Best of CAIB. Includes articles from our earliest issues, Naming Names, CIA at home, abroad, and in the media. Ten-year perspective by Philip Agee.
- ☐ No. 33 (Winter 1990) Bush Issue: CIA agents for Bush; Terrorism Task Force; El Salvador and Nicaragua intervention; Republicans and Nazis.
- ☐ No. 34 (Summer 1990) Assassination of Martin Luther King Jr.; Nicaraguan elections; South African death squads; U.S. and Pol Pot; Noriega and the CIA; Council for National Policy.
- ☐ No. 35 (Fall 1990) Special—Eastern Europe; Analysis-Persian Gulf & Cuba; massacres in Indonesia; CIA and Banks; Iran-contra.
- ☐ No. 36 (Spring 1991) Special—Racism & Nat. Security. FBI v. Arab-Ams. & Black Officials; Destabilizing Africa; Chad, Uganda, S. Africa, Angola, Mozambique, Zaire; Haiti; Panama; Gulf War; COINTELPRO "art."
- ☐ No. 37 (Summer 1991) Special—Gulf War; Media; U.N.; Libya; Iran; Domestic costs; N. Korea Next?; Illegal Arms deals.
- ☐ No. 38 (Fall 1991) Special—DoD, CIA recruitment of U.S. & international students; Arif Durrani's Iran-Contra case; Moon & Academia; Targeting environmentalists; CIABASE database review.
- ☐ No. 39 (Winter 1991-92) Special—The "Good" Agencies; NED; Peace Corps; USAID & AIDS; Natl. Cancer Inst. & Bio. War; Population Control; Casolaro; FBI & Supreme Court; Robert. Gates; USSR destabilization; BCCI.
- ☐ No. 40 (Spring 1992) Indigenous Peoples; N. America: toxic dumps, L. Peltier interview; Guatemala: U.S. policy & indigenous; Rigoberta Menchú; Pol Pot Returns; E. Timor Massacre; U.S. in Pacific; GATT; David Duke.
- ☐ No. 41 (Summer 1992) Special—Next Enemies; LA Uprising; Geo. Bush and CIA; Bush Family; Eqbal Ahmad; UN: U.S. Tool; Nuclear Proliferation; Environmentalist Attacked; U.S. Economic Decline; Dissent as Subversion.
- ☐ No. 42 (Fall 1992) Agee on Covert Ops; Peru; Fluoride; VP Bush and CIA; Nicaragua; SO/LIC; Militarizing the Drug War; CIA Targets Gonzalez; Bush Inaugural Leak; Rev. Moon Buys University.
- ☐ No. 43 (Winter 1992-93) Chemical and biological war: Zimbabwe, So. Africa, and anthrax; Gulf War Syndrome; Agent Orange; Scientific racism; Yellow Rain & Wall Street Journal; Plus: Yugoslavia destabilization; U.S. Religious Right; Somalia.
- ☐ No. 44 (Spring 1993) Special—Public relations, buying influence, Hill & Knowlton, Burson-Marsteller; Clinton Cabinet; Somalia: "humanitarian" intervention; Rio Summit *Greenwash*; BCCI-CIA; Clinton & Nat. Sec. Act; Anti-Gay plans.

Back Issues: Check above, or list below. In U.S.: \$6 per copy. Airmail: Canada/Mexico add \$2; others add \$4.

Complete Back Issue Set: # 1-43

☐ \$190 plus \$10 postage, U.S. / \$20 other

Books:

- ☐ \$25 *Dirty Work: CIA in W. Europe*, Agee, Wolf
- ☐ \$25 *Dirty Work II: The CIA in Africa*, Ray, et al.
- ☐ \$10 *Lyndon LaRouche/New Fascism*, King
- ☐ \$10 *On the Run*, Agee

I want to give a gift subscription at \$ _____ to:

Name _____

Address _____

(Please use separate sheet for additional gifts.)

Subscriptions (4 issues / year):

- | | | |
|---------------|--|---|
| U.S. | <input type="checkbox"/> \$19 one year | <input type="checkbox"/> \$35 two years |
| Can./Mex | <input type="checkbox"/> \$24 one year | <input type="checkbox"/> \$45 two years |
| Lat. Am./Eur. | <input type="checkbox"/> \$30 one year | <input type="checkbox"/> \$56 two years |
| Other areas | <input type="checkbox"/> \$32 one year | <input type="checkbox"/> \$60 two years |

- ☐ \$5 / year additional charge for institutions
- ☐ \$5 discount for prisoners
- ☐ \$2 discount for gift to libraries

Name _____

Address _____

I am mailing \$US _____ to: **CovertAction**
 1500 Massachusetts Ave., NW, #732
 Washington, DC 20005



CovertAction

QUARTERLY

1500 Massachusetts Ave. NW #732

Washington, DC 20005

ADDRESS CORRECTION REQUESTED



Subscriber: Number in corner of label is the last issue in your subscription.

**BULK RATE
U.S. POSTAGE
PAID**

**WASHINGTON, DC
PERMIT No. 5531**



DO US BOTH A FAVOR

If you are moving, please send us a change-of-address notice well in advance. Give both the old and the new address, including zip codes. Don't miss an issue.