

Tells the Facts and Names the Names CounterPunch

DECEMBER 15, 1995

Ken Silverstein & Alexander Cockburn

VOL. 2, NO. 22

■ IN THIS ISSUE ■

Money Makes The World Go Round! (As If You Didn't Know)

• **Argentina: Big Blue, Big Bribe, Chump Change**

• **Nigeria: Greasing The Hangman's Rope**

• **Nicaragua: AIFLD's Labor Tamers**

• **Washington, DC: Dodd, Sleaze and Mammon**

• **South Carolina: God, Sex and Newt**

• **White House: The Not-So-Great McGinty**

■ They Think of Everything

"The smoking-health controversy does not appear important to [teenagers] because, psychologically, at eighteen, one is immortal . . . Thus, a new brand aimed at the young group should not in any way be promoted as a 'health' brand, and perhaps should carry some implied risk. In this sense, the warning label on the package may be a plus."

— Claude Teague, Jr.,
assistant director of research at
R.J. Reynolds Tobacco Co.,
in a memo dated February 2, 1973

IBM's Coup d'Etat \$37 Million in Used Bills

On September 14 of this year Dr. Alfredo Bagnasco, a federal judge in Buenos Aires, traveled to Switzerland to find out exactly how much money was hidden in a numbered account containing a cash bribe by IBM of Argentina to officials of the state-owned Banco de la Nacion, the country's largest bank. With the reluctant and only partial help of the Swiss gnomes, the judge was able to establish that \$6 million out of a total IBM bribe of \$37 million reposed in the account. The Swiss would not yield on the identity of the beneficiary of this substantial deposit.

The IBM bribe scandal is now convulsing Argentina. Top officials in the government have resigned, including close associates of President Carlos Menem, and high-ups in the banking and internal revenue departments. All the senior officials in IBM Argentina have resigned and some lost no time in removing themselves to the sanctuary of the United States. The scandal has also had a chilling effect on the Argentine economy, already volatile after a privatization binge familiar to students of the Mexican economy in the Salinas years. On November 16, Moody's downgraded Banco de la Nacion to a D, which is rock bottom.

Although one of the best known corporations in the US has plunged Argentina into turmoil through corrupt practices, the IBM bribe scandal has barely made the papers here. An exception was a front-page story in *The Wall Street Journal* for December 11, but it portrayed the affair as essentially an extrusion of innate Argentine venality, with IBM headquarters virtuous and ignorant.

It is almost twenty years since the great Lockheed bribe scandal, which began in Japan and which—after hearings conducted by Senator Frank Church in the mid-1970s—prompted the Foreign Corrupt Practices Act. Today US corporations are mired in bribe scandals round the world. Another Lockheed bribefest has surfaced in Japan.

Not long ago the same company was given a hefty fine for paying off officials in Egypt. Raytheon has been accused of bribing Brazilian officials to get a \$1.4 billion contract for a radar system in the Amazon (see box, page 6).

None of these stories has prompted more than a ripple here. The Justice Department has made only laconic inquiries of IBM. The press has reverted to the posture of the pre-Lockheed scandal era. If bribes are what it takes to compete and win in the global market place, then go to it! Besides, it's the way the natives do business, and it would be tactless to impose American values.

The CIA, eager to justify its existence by expanding into commercial espionage, buttresses this bribe-to-survive position by leaking estimates that bribery landed foreign companies \$36 billion in business in 1994, at the expense of US companies. Marring this rationale is the fact that in South Korea, Lockheed was handing out bribes to win a contract at the expense of McDonnell Douglas, and in Argentina all IBM's competitors for the original contract were American-owned.

Two years ago Banco de la Nacion Argentina decided to computerize its entire operation. An outside firm was hired to prepare bid specifications, which were duly picked up by IBM and two American competitors. Suddenly Banco de la Nacion withdrew the specs and issued a revised set, so narrowly drawn that only one company would be able to fulfill them. IBM won the contract in June of 1994, bidding just over \$249 million.

Six months later the Argentine Internal Revenue Service decided to run a complete audit of IBM, and the tax inspectors soon noticed that \$37 million had gone to pay a small company—CCR—for "services". CCR, it turned out, was a cut-out organization, merely funneling (Continued on page 5)

Government Confirms, Applauds AIFLD's Slimy Role

"Big Labor's Goon Squads", our October 15 cover story, outlined the shady activities of the American Institute for Free Labor Development (AIFLD), the AFL-CIO's outfit for undermining radical union organizing in Latin America. We now have the internal US government evaluations of how well AIFLD has carried out its allotted function. The evaluations for Costa Rica, El Salvador and Nicaragua were prepared by the Agency for International Development (AID), which supplies AIFLD with much of its funding.

In all three cases, the documents enthusiastically describe how AIFLD works hand in hand with the State Department (of which the AID is a part) in seeking to weaken left-wing unions and to persuade labor groups to shy away from "political" issues and focus on narrow "economic" ones, namely wages. This is the same recipe that has failed so miserably here in the US. It is also clear that AIFLD's chief goal has never been to help build strong unions but to set up labor organizations complicit with the "free market" policies favored by the US government and multinational companies.

According to the AID evaluator, AIFLD's 1988-91 program in Costa Rica, funded by

the AID to the tune of \$2 million, had as its guiding principle the belief that "the market economy orientation should be the foundation of any development strategy". Among AIFLD's major "accomplishments" were "graduating farmers from a traditional subsistence economy" and linking them to Costa Rican agribusiness, as well as providing "rural unions with alternative actions to squatter invasions and civil disobedience

The US is "seen by many Nicaraguans as the force that makes things happen", says a report by the AID. "It is once again 'el patron'."

disturbance tactics". It would be curious to know how John Sweeney, the new head of the AFL-CIO, would react to this latter achievement. Sweeney blesses pickets and civil disobedience here so one presumes he would also endorse such tactics abroad.

In El Salvador, a \$1.78 million program was initiated by AIFLD in 1990 and continues today. One of its goals is to get unions to "focus on 'bread and butter', e.g. wages, occupational health and safety, legal issues, collective bargaining, and unionizing".

The evaluation exults that "with the end of the civil war, the leftist threat to democratic trade unionism has diminished", and says that AIFLD should now "downplay, though not abandon, the anti-leftist strategy of the past". As in the case of Costa Rica, the AID recommended that AIFLD seek to link rural organizations to agribusiness.

In Nicaragua, the government assessment reveals that AIFLD covertly funded anti-government unions during the Sandinistas' years in power. After the Sandinistas were voted out in 1990, an even larger-scale AIFLD program immediately commenced.

The evaluation of the post-Sandinista effort, prepared in 1992 by the AID's Todd Amani, contains a brief history of the US role in Nicaragua. It says that during the Somoza dictatorship the "influence of the US government . . . was very great even in a Central American context in which US Ambassadors frequently were perceived as proconsuls. Indeed, the extent of US influence in Nicaragua has to have been seen to be fully appreciated."

The Sandinista revolution disrupted this state of affairs but, happily, things were returning to normal with the end of FSLN rule. As the report puts it, the US is "once

again seen by many Nicaraguans as *the* [emphasis in original] force that makes things happen, or keeps them from happening, in the country. It is once again 'el patron'."

In regard to labor, "el patron" has been paying the bills for anti-Sandinista unions, including "the salaries of top officials", and "most of the operating costs" for a number of unions. For this reason, Amani writes, "the 'independent' labor movement in Nicaragua isn't independent at all. It is almost completely dependent on the United States."

The only problem is that Sandinista unions

remain powerful, and their ability "to disrupt the civil and economic life of Nicaragua does not appear to have been diminished to any significant extent". Therefore, the US must still work to strengthen its allies in the country's labor movement.

One way to do that is with training programs at AIFLD's George Meany Center in Bethesda, Maryland. "It should be remembered that people selected for this training . . . are 'tapped', that is, their selection for this training indicates that they are considered to be the up-and-coming generation in the Nicaraguan labor movement", Amani writes. "From what I saw of the people selected the choices made were excellent. They will pay off in the future not only in a stronger Nicaraguan labor movement but also in continued close ties between that movement and the AFL/CIO."

But there was still much to be done, in Amani's view. He suggested that the embassy in Managua "identify key public and private sector institutions where independent unions [i.e., those "completely dependent" on the US] could play a critical role in displacing particularly disruptive non-democratic unions. This list would form the basis for AIFLD to reorganize activities and resources." The reference to the embassy calls to mind AIFLD's traditional intimate ties to the CIA. Former CIA officer Phillip Agee once tagged William Doherty, AIFLD's head for the past three decades, as a "career CIA agent".

Incidentally, anyone tempted to say that the programs discussed above represent AIFLD only in the "bad old days" might recall from our recent story that exactly the same modes of operation mark its current efforts, most notably in Haiti and Mexico. ■

Editors

KEN SILVERSTEIN
ALEXANDER COCKBURN

Co-Writer

CARLOS BENEMANN

Production

TERRY ALLEN

Counselor

BEN SONNENBERG

Design

DEBORAH THOMAS

Published twice monthly except August,
22 issues a year:

\$40 individuals, \$100 institutions,
\$25 students/low-income.

CounterPunch. All rights reserved.

CounterPunch welcomes all tips,
information and suggestions.

Please call or write our offices.

CounterPunch, P.O. Box 18675,
Washington, DC 20036
202/986-3665 (phone/fax).

Shell, the US and Nigeria's Generals

It's been more than a month since the Nigerian military regime executed Ken Saro-Wiwa and eight other human rights activists, and the most significant protest emitted in Washington has come from Republican Senator Nancy Kassebaum of Kansas. In mid-December she introduced a bill that would freeze the US-held assets of Nigerian government officials and bar any new American investment in Nigeria.

Before Saro-Wiwa was hanged, the Clinton administration cut off military sales and training to Nigeria. But that was because of the country's role in the international drug trade, not because of its monstrous human rights record. Since then Clinton has done little more than squeak and squawk, even though the US buys nearly half the oil Nigeria exports and could cripple the regime by leading an international oil embargo.

Such a step isn't even on the radar screen. A few days after Saro-Wiwa was killed, Commerce Secretary Ron Brown said that an oil embargo was not in the US interest and would only be considered if there was a "further deterioration" of human rights. Furthermore, as one administration official intimately involved in the Nigeria situation recently said during an off-the-record talk, "There is plenty of oil [available on world markets], but there's only so much Bonney Light." He was referring to Nigeria's coveted crude, which is extremely pure and economical to refine.

The administration cowers before the oil companies with big investments in Nigeria, such as Shell, Chevron, Texaco and Gulf. Shell alone makes \$312 million a year in profits off Nigeria and is about to begin work on a \$4 billion natural gas joint venture with the military regime. Already Shell's operations have devastated the lands of the Ogoni people, of whom Saro-Wiwa was a leader.

Shell claims that it tried to save Saro-Wiwa and the others through "quiet diplomacy", an activity more accurately defined as keeping mum until Saro-Wiwa was safely dead. The oil company waited nine days after the executions were announced — and a day before they were carried out — before issuing a timid protest, tripping over itself with the unctuous declaration that "to interfere in the processes, either political or

legal, here in Nigeria would be wrong".

Meanwhile, the British press has found evidence that Shell has been encouraging the Nigerian military to crack-down on the Ogoni, especially after protests forced the company to withdraw from their territory in 1993. Military memoranda from 1994 (quoted by *CounterPunch* last June) stated that the regime needed to protect companies "carrying out business ventures . . . within Ogoni land", and that Shell's operations were "impossible unless ruthless military operations are undertaken".

Internal Shell memoranda reveal that the company has been working closely with the Nigerian military, plotting tactics in London and in Lagos. Not long before Saro-Wiwa's execution, Claude Ake, a Shell adviser, said that the activist should be "closely monitored" because "Ken is at best a nuisance, at worst a great danger".

"There is plenty of oil, but there's only so much Bonney Light", says an administration official, referring to Nigeria's prized crude.

Nigeria also has hired some powerful friends among DC lobbyists. The Washington Public Affairs Group pulls in \$10,000 monthly from Nigeria's hangmen to seek "to renew the suspended US program to train the Nigerian military". Symms, Lehn & Associates, headed by the illustrious former senator from the state of Idaho, Steve Symms, has a contract worth hundreds of thousands of dollars annually to provide "consultative and representational services in the area of American foreign trade laws, regulations and policy programs".

Down deeper in the muck is Washington & Christian, a black firm with close ties to the Democratic Party. The company has made \$5 million since 1993, when Gen. Sani Abacha staged a coup to deny power to democratically-elected Mosheed Abiola. Since then Abacha has systematically destroyed every democratic institution in the country.

Not long after Abiola was arrested Washington & Christian produced a report for journalists and members of Congress titled "The Road to Democracy". This

brazen document claimed that Abiola's "election was not 'free and fair' and did not reflect the will of the Nigerian people. Prior to the election, massive fraudulent acts occurred which could not have been apparent on the actual date of the election, and therefore not known to either the Nigerian election monitors who thought the elections were 'free and fair' based solely on their observations that day." This is curious since the military announced it would not honor the vote almost as soon as it became apparent that Abiola had won. The report also stated that the Nigerian military "had not only the authority but the duty to annul the June 12, 1993 elections".

The Washington & Christian report concedes that arrests by the military have regretably taken place, but quickly adds that most of those imprisoned had been involved in "activities designed to incite Nigerian citizens and create conflicts". In the same vein, the government's crushing of press freedom is excused thus: "The action taken against certain newspapers was taken not as a result of criticism of the Government, but as a result of the anti-state position taken by these newspapers".

A few months after this revolting piece of work, Robert Washington, a partner in the firm, sent out a letter to members of Congress describing dictator Abacha as a devoted democrat. Washington said that when all the facts were marshaled and carefully considered, he was "confident that you and the world will be convinced of the fact, as I am, that democracy will again thrive in Nigeria".

Saro-Wiwa's hanging has not troubled Washington & Christian. The firm has defended its work in Nigeria and maintains the military as a client.

A final, important reason for Clinton's inaction is that the US wants to avoid any "entanglement" in Africa. At the moment Nigeria is playing a useful role in Liberia, which is on the verge of chaos following years of civil war. The Nigerians have organized an African peacekeeping mission for Liberia and are providing most of the troops and funding. "Nigeria carrying the ball relieves the US from involvement in another foreign policy demand", Adotei Akwci, an African specialist at Amnesty International, says. "That stifles calls for US money and involvement."

While the Clintonites sit on their hands, Abiola remains in jail and 17 other oppositionists await the gallows. ■

Dodd Takes Bath in Mess of Pottage

As CounterPunch went to press, President Clinton was debating whether to sign a securities "reform" bill fervently backed by Wall Street. He was scheduled to do so on December 15 but postponed a decision after his political advisers warned of a backlash. If approved by Clinton, the bill, which opponents call the Crooks & Swindlers Protection Act, will make it almost impossible for investors to recover their money when they are defrauded by financial brokers.

The man most responsible for getting the bill to Clinton's desk is Christopher Dodd, senator from Connecticut and head of the Democratic National Committee, who pushed it through Congress. On December 5, Ralph Nader sent Dodd the following letter. We have made minor cuts for reasons of space.

Dear Senator Dodd:

Last month I received a hand-addressed envelope from you in your capacity as General Chairman of the DNC which included mention of a number of issues and invited suggestions. My suggestion is that you resign as General Chairman of the Democratic National Committee for the following reasons:

No sitting members of Congress should be a chair of their national political party because they inevitably become enmeshed in a conflict of agendas — their own personal ones reflecting their own special interest groups, on the one hand, and the broader public interest agendas that their Party is supposed to reflect. Moreover, there is the question of inadequate time serving two positions.

In your case, the problems are manifest. You are the Senator from Aetna, indentured to the insurance companies whose water you faithfully carry. This means that you work to federalize the state common law of torts downward so as to weaken the court rights of wrongfully injured Americans who are victims of medical malpractice and product and toxic hazards from defective automobiles and medical devices to drugs to chemicals in the air and water and soil . . .

Furthermore, the same conflicts occur with S. 240 [securities reform] which has been called a "license to lie" by *The Miami Herald*. The diverse coalition against this legislation includes elderly groups, pension fund administrators, hundreds of municipalities and counties, trade unions (white collar

and blue collar), consumer associations, and state and local law enforcement officials, among others. You, however, represent the other side — the insurance, banking, financial and accounting industries. They are reservoirs of campaign contributions which you are encouraging and at times bragging about. The conservative financial affairs reporter, Ben Stein, writing in the *American Spectator* this October, reported a conversation he had with an accountant from one of the Big Six firms who was at a Washington fundraiser. The conversation went like this:

"You must love Chris Dodd," I said. "He's been fighting for you guys for a long time. You must have given him a ton of money."

"A ton," he said cagerly. "But he earned it."

Your parochial lobbying on this bill has become notorious all over town: Dodd browbeating White House officials and speaking to the President over the necessity to sign this legislation. Dodd blustering the SEC with less than subtle intimations that you will not be sympathetic to saving the SEC's budget or its authority that are under assault from the Gingrich/Fields/Morgan Stanley crowd. Senatorial staffs from your own Party are repulsed by your hectoring demands, greased by "tons" of political campaign contributions. One person close to your mode of

operation sighed and said to me: "He [Dodd] makes D'Amato look like a statesman on this issue." Little did he know that you objected strenuously inside Democratic Party circles when one Party official criticized Senator D'Amato publicly. . . .

The General Chairman of the Democratic Party working to mute criticism of Senator D'Amato who is pursuing the Whitewater

Nader to Dodd: "You have driven the phrase 'a mess of pottage' to new lows."

matter against the President who appointed you General Chairman — this is the Washington merry-go-round Dodd-style. No wonder Andrew R. Vermilye, legislative director to Senator Richard H. Bryan (D-Nev.), was willing to go on the record and say that you and D'Amato "repeatedly threatened to turn off the lights" at the SEC by slashing its budget if Chairman Levitt did not back off from his opposition to several parts of this legislation. You are also trading off your support for the President in other areas in return for the White House support for this Crooks & Swindlers Protection Act.

How facile it is for you to say that this bill is to curb frivolous suits and that only the lawyers are against it. This illustrates how deliberately you have ignored the hundreds of editorials in newspapers and magazines (including *Money* magazine's crusade against S. 240) and the statements in opposition by a

God Made Him Do It; Russell Rises From Dead

Newt Gingrich has pinned the blame for a number of high profile murders on the "welfare state" and "liberals" in general. Such was his explanation for Susan Smith's drowning of her two young children and the horrible murder in Chicago of a pregnant welfare mother.

Newt had nothing to say about the Menendez brothers' case, which could plausibly be blamed on Reagan-era greed. And with regard to the Susan Smith case, Gingrich was silent on the role of Beverly Russell, Smith's stepfather. A backer of Pat Robertson, a member of the Christian Coalition and, prior to Smith's arrest, a member of the South Carolina state Republican executive committee, Russell molested Susan Smith when she was a teenager and later had a sexual relationship with her that he maintained until a few months before the murders.

We await Gingrich's observations on Russell's political comeback. A few months ago, Russell was elected to serve as a delegate at the Union County Republican convention, which was held in late October. According to *The State*, a South Carolina daily newspaper, Russell has been telling friends that he is "only trying to do the will of God in getting back into a leadership role".

The State reports that Russell is finding "a friendly reception" in political and community circles. "He's doing a terrific job in pulling the pieces of his life together", Robert Lawson, a real estate agent and member of a conservative Christian group, told the newspaper. "I can't imagine anyone doing a better job." ■

Gore Amour: Errant Knight

These are woeful times for Katie McGinty, acting head of the Council on Environmental Quality, a government agency. The 32-year-old McGinty is being harried by Senators Jesse Helms of North Carolina and Dirk Kempthorne of Idaho, who have held up her confirmation for a year and are now threatening to block it by filibuster.

McGinty can blame herself for many of her troubles. In her previous post as an environmental adviser to the President, she tried unsuccessfully to withdraw the Council from Congressional oversight and bring it under her own supervision in the White House. McGinty's incompetence as White House adviser was such that when Leon Panetta took over as Clinton's chief of staff in 1994 he promptly exiled her to run the agency she had tried to capture, from which position she now faces Helms and Kempthorne.

Why did McGinty ever arrive at an eminence for which she was manifestly unqualified? Blame it on Rio. Even as the tinder ignited between Teresa Heinz and Senator John Kerry at the '92 eco-summit (see **CounterPunch** for Dec. 1), Senator Al Gore and McGinty, then his legislative aide, also seem to have experienced that warming whose dire consequences for the planet was Gore's constant theme. By December of 1992, McGinty had become one of the first appointees to the Clinton White House, deputy assistant to the president, overseeing the Office of Environmental Policy.

(Nader on Dodd continued from page 4) broad coalition of groups, by polls and many other displays of opposition. . . .

The consequences of S. 240, should the President follow your folly, will be repeatedly apparent and provide material for the business press reporters each time a Lincoln Savings and Loan or a Prudential Securities swindle arises. Your legacy will be to leave the Democratic Party with the stigma of being soft on corporate crime, fraud and abuse. You have driven the phrase "a mess of pottage" to new lows.

Sincerely,
Ralph Nader



Tipper: How could he

Shia Impact Visuals

McGinty's CV shows her to be just the kind of technocrat Gore was summoning to remake government: a degree in chemistry, a stint for ARCO, a lobbyist for the American Chemical Society, where she first met Gore while working on the 1990 Clean Air Act. While McGinty won the affection of the vice president, she fumbled as White House adviser, at least from the environmental point of view. She was at Mack McLarty's elbow when Panetta's predecessor undercut Interior Secretary Bruce Babbitt's effort to raise grazing fees on public lands. She helped orchestrate Clinton's infamous Portland forest summit in April 1993, and she assisted in the round up of big green groups in support of NAFTA.

Then Panetta evicted her. Now the hosts of Midian prowl and prowl around. Where is her knight errant? ■

(IBM's Coup d'Etat Continued) money to the officials awarding the contract. The scandal began to unravel.

But why had IBM paid \$37 million for a \$249 million deal (which independent assessors now say IBM inflated by \$120 million)? The bribe was bigger than the probable net profit. Indeed, \$37 million is a huge slush fund when one considers that IBM's total operations in Argentina in 1994 amounted to less than \$400 million.

But if IBM succeeded in securing a monopoly to supply its proprietary hardware, software and services to the country's premier bank then it is reasonable to expect that all other banks in the system would follow suit. In highly centralized countries such as Argentina all provincial and private banks would see it as not only convenient but imperative to be able to interface with the state's computerized banking system. Banco de la Nacion's mission is not unlike that of the Federal Reserve. It also provides banking services to all of Argentina's regions. Argentina's Internal Revenue Service was itself on the verge of contracting a computer system from IBM until the scandal broke and put everything on ice. With the Argentine IRS on line, IBM would have had a quasi-monopoly in the country. Argentina would have been entirely dependent on one company for continuing service and maintenance of its computerized data systems for all government functions.

This was the prize IBM was pursuing. Given its dimension, \$37 million was chump change. On October 30, IBM headquarters in Armonk, New York, did its best to downplay the scandal. A company spokesman, Fred McNeese, solemnly referred to

SUBSCRIPTION INFO

Enter or renew subscription here (22 issues a year):

- One year individual \$40
- One year student/low-income \$25
- One year institutional \$100
- Please send back issue(s) _____ (\$3/issue)
- I am enclosing a separate sheet for gift subscriptions.

Name _____

Address _____

City _____

State/Zip _____

Payment must accompany order. Add \$10 for foreign subscriptions.

Make checks payable to: **CounterPunch**. Return to:

CounterPunch, P.O. Box 18675, Washington, DC 20036

referred to "instances in which established business procedures and management controls were either ignored or circumvented". We are thus supposed to believe that IBM's central accounting department failed to notice that \$37 million was given to CCR, with no apparent return in goods or services. We are also asked to forget that the prime task of Home Office in any multinational corporation is to okay expenses and count the money.

IBM entered into a conspiracy to monopolize market share in a whole country, a conspiracy to break US and Argentine laws. During the Bush administration the President publicly insisted that if foreign nationals committed criminal acts damaging to American interests, the US could seek their extradition by whatever means. By the same token Argentina could presumably send a team to kidnap the chairman of IBM and hale him to Judge Bagnasco's courtroom on charges of bribery and of upsetting the economy of Argentina. ■

CounterPunch

*celebrates the completion of
two years of publishing
the news that
Tells the Facts and
Names the Names.*

Money Monsoon Over the Rain Forest

Raytheon could lose a very lucrative contract to build a radar system in the Amazon because of charges that it bribed officials to win the deal. The scandal has forced the resignation of three Brazilian officials and created a huge scandal for the government of President Fernando Henrique Cardoso.

Last June, Raytheon signed a deal with Brazil to build the \$1.4 billion Amazon Surveillance System (Sivam) to monitor aircraft and ground activity in the 2-million square mile Amazon region.

In November, a leading news weekly, *Isto E*, obtained transcripts of several phone conversations between Julio Cesar Gomes dos Santos, a top presidential adviser, and Jose Affonso Assumpcao, the owner of an "air taxi" company and Raytheon's representative in Brazil. During one of the conversations—which were taped by the federal police for reasons that remain murky—Assumpcao complained that an influential senator, Gilberto Miranda, was holding up approval of the project.

Assumpcao: That son of a whore Miranda is fucking us over, screwing up everything. He doesn't want the project to go forward, he's creating difficulties.

Dos Santos: Shit, didn't you already pay that guy? . . . you need to speak to [Senator] Sarney. He's the one that tells Miranda what to do.

Assumpcao: I've heard Sarney is also against Raytheon.

Dos Santos: Leave Sarney to me. I'm

going to the senate this afternoon and I'll speak to him.

After the transcripts surfaced dos Santos was sent into exile as Brazil's ambassador to Mexico. He claims his suggestion of a payoff was only a joke. Raytheon denies bribes were ever offered. The company also says that Assumpcao (since relieved of his duties) was not an employee but merely its representative in Brazil. This distinction is not recognized by the Foreign Corrupt Practices Act.

The *Isto E* transcripts contained other embarrassing revelations. During a chat in September, Assumpcao offered one of his company's planes—which he promised would be waiting at the airport with "a nice little dinner" and "a special little bottle of wine"—to take dos Santos on a private trip to Miami and Las Vegas. Dos Santos claimed that the Assumpcao's offer of the plane for his journey, which included a stop in New York and would have cost \$85,000 for a paying customer, was motivated by friendship, not the Sivam project.

The Brazilian Air Force continues to favor Raytheon, as does President Cardoso. Leading the opposition to Raytheon is Senator Miranda, who says that other companies can provide a "better system, cheaper and more rapidly available" than the one proposed by Raytheon. Suggesting more trouble for the company, the Brazilian press has reported that Raytheon plans to charge the government \$10,000 for computers that can be bought for \$3,000 at stores in Brazil. ■

CounterPunch

P.O. Box 18675
Washington, DC 20036