Real Fake Helicopter Money – CIA Counterfeiting Currencies to Destroy National Economies

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Why is it that countries are in the US cross hairs so often experience hyperinflation? In times of economic difficulties, such as war, it is normal to experience significant inflation. But in the countries mentioned as examples below, inflation was off the chart, where money became worth less than the paper it was printed on.

From time to time the New York Times publishes articles that contain extraordinary revelations, that show the real working methods of the CIA. These revelations are normally once-off news, never to be followed up. In 1992, the newspaper published an article with the headline "Fake-Money Flood Is Aimed At Crippling Iraq's Economy", which had some extraordinary revelations:

> Iraq's economy is the target of an American-led destabilization campaign to pour vast amounts of counterfeit currency into the country, Arab and Western officials here say.
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> The fake dinar notes are being smuggled across the Jordanian, Saudi, Turkish and Iranian borders in an effort to undermine the Iraqi economy, said the officials here who closely monitor the situation inside Iraq. Those officials said counterfeit dollars are being smuggled into Iraq in smaller quantities to further confound the banking system. The officials, who insisted on not being identified, said the countries behind the separate counterfeiting operations included Western nations, Saudi Arabia, Iran and Israel.
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> The fake currency has contributed to Iraq's severe inflation problem, which is aggravated by the fact that the Iraqi Government is printing money at uncontrolled speed to pay inflated salaries and cover the costs of reconstruction.
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> A Saudi official, who insisted on not being identified, concurred with the reports, saying that "all borders are being used."

To properly understand this tactic of the CIA, it is worth noticing that the target country, Iraq, already was under severe economic stress. A common theme in the targeted countries are pre-existing weaknesses that become strongly exacerbated by hyperinflation. The countries have been excluded from the international financial markets, thus making loans impossible.

1992 was the second year of what would turn out to be a 13 year economic blockade for Iraq. The country's gold and hard currency reserves dwindled fast. Unable to get new hard currency earnings, the government was forced to print money to pay for salaries and reconstruction in the aftermath of the First Gulf War (1991). So an inflationary situation already existed.

As can be seen from the NYT article above, this left the field wide open for the CIA's counterfeit experts to move in and flood the country with fake money. Given the service's long experience and massive resources, the bills would be of high quality, indistinguishable from the real bills in circulation. NYT continues:

> Along with international economic sanctions against Iraq, those measures have had mixed results since the Persian Gulf war ended in February 1991. They have clearly helped weaken the economy to the point where the local currency could become worthless, and they have loosened Mr. Hussein's grip on the people […]
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> On the other hand, the measures buttressed the assertion, shared by a rising number of Iraqi nationalists including Sunni Muslims and Christians, that the West and its allies will not be content with the removal of Saddam Hussein, but only with partitioning and destroying the country.

And further down in the article it is said outright what Yugoslav government ministers hinted at a few years later, claims brushed aside as outlandish (my highlight):

> Counterfeit money was dropped by United States helicopters in the southern marshland areas…

To see that these tactics are common in the US irregular warfare toolbox, it is worth remembering the CIA supplied the Mujahedin with at least 2 billion dollars in counterfeit Afghan money for transport and bribery during Operation Cyclone, the CIA support program for the religious guerrilla forces against Soviet and Afghan government troops in the 1980s. As a bonus, they got to fund these group on the cheap, where the target country suffer the inflationary consequences.

The scale, in the billions of dollars, might make one suspect this might just the top of a counterfeiting iceberg as a dirty tactic in the cold war.

Other great powers have used the same method. [France used counterfeiting] with great success to bring her recently independent colony Guinea to heel. In 1958, the country wanted to print its own money, but France flooded it with high quality counterfeit bills, making the local currency collapse. As a result, Guinea was forced to join the French-controlled CFA franc-zone.

Zimbabwe

The Zimbabwean situation is a bit more unclear, but it fits the pattern. The country is declared an «unusually and extraordinary threat to the foreign policy of the United States" and the leader (Mugabe) duly demonized. Of all the cases reviewed here, Zimbabwe is the one where this description is most absurd, as it cannot in any conceivably way be construed as a security threat to the US, except to big business interests.

Zimbabwe experienced hyperinflation in the 2000s, when there were endless articles in Western media describing the alleged horrors of the process of land reforms. If one should identify one single issue that got Zimbabwe in the cross hairs, it is the land issue. The economy was in the process of being restructured, from the grossly unfair old status quo, where 6000 (white) settlers owned most of the productive land, while 6 million (black) people lived on subsistence farms. This attempt to acquire land and distribute it to landless people alarmed Britain, the US and the financial world.

A weakness was identified, exacerbated and exploited. The country had an economy in transition and was vulnerable. As a first step, the country was sanctioned and blocked from international financial institutions. It could no longer take up loans to finance routine foreign trade. Export earnings went down, as a combination of several factors, among them the restructuring, drought and sanctions. The central bank would have to print money, with a following inflation, to keep the government apparatus going. And here comes a possible opening for the counterfeiters, when their efforts had maximum impact.

The country had a fairly heavy inflation in the period from the late 1990s, but in the period 2008-9, it changes to a massive hyperinflation. It was accompanied by a large psy-op campaign in the world press, with endless racist gloating over African mismanagement. Of course, this reporting was hiding and spinning the effects of the sanctions and the interference.

North Korea

This country hardly needs introduction as part of the "Axis of Evil;" one of the seven countries specifically singled out as a priority for regime change by the Pentagon. It experienced a severe hyperinflation in the years 2009-2011, leading to a currency reform.

Forbes magazine published an article in August 2017 by Richard Miniter, with the title "Bomb North Korea – With Its Own Money". The articles seems to have been inspired by current thinking in the national-security apparatus.

The article suggests that if one dropped "phony North Korean won, like confetti, over every city and commune, the NK won would quickly collapse." It would force the country and its inhabitants to do their business in foreign currencies, like the dollar or yuan. According to the article, the government had a flexible response to the last bout of hyperinflation in 2009-11, but as a result "today, more than half of transactions in the capital and at the Chinese frontier are in dollars or yuan."

The article envisages the next bout of hyperinflation would lead to the government "turning a blind eye to the emerging market economy. Only this time, the dollarization and yuanization will spread from half of the economy to the whole of it."… "Once weakened by hyperinflation followed by dollarization, the U.S. could target its few sources of hard currency."…. "Quite simply, North Korea's won would disappear as a medium of exchange. Dollars, yuan and other regional currencies will be used to settle nearly all accounts (certainly including payments to Pyongyang), making North Korea absolutely dependent on a consistent supply of outside money. This is leverage that the civilized world may use against it."

As an interesting aside, with hints of what the military-security apparatus considers within the realm of the possible, the article also envisages a driving the global coal price down to below North-Korean production cost levels to damage its export earnings. This is comparable to the low oil prices the last few years in relation to the economic drive against Russia and Venezuela.

As a sign that this counterfeiting might be a continuous operation, UPI reported in May 2016 in an intriguing notice:

> A "massive pile of fake North Korean money weighed about 330 pounds [150 kg], and was found in a heap of wastepaper in south-western Seoul"… "The counterfeit bills were printed in 5,000 North Korean won denominations."

This amount of North-Korean fake money would be useless in the south, and difficult to justify for financial gain by 'normal' counterfeiters. A reasonable explanation would be that it was part of a routine operation to smuggle fake money into North-Korea, somehow gone amiss.

Yugoslavia

Yugoslavia experienced two spikes in hyperinflation, 1992-3 and 1999. During the wars of secession, draconian sanctions were introduced and the country blocked from access to international finance. President George W. Bush declared Yugoslavia to "constitute and unusual and extraordinary threat to the national security "in May 1992, due to the civil war in recently independent Bosnia, where Yugoslavia (which now consisted mostly of Serbia) was accused of meddling.

The second spike came in 1999, during the Clinton-administration, when US/NATO was in full war drive to make Kosovo independent and attempt to topple president Milošević.

Yugoslav authorities were aware of the possibility of counterfeit money being smuggled into the country. An article in the Washington Post before the Kosovo war claimed:

> "[Yugoslav] government officials quietly and seriously discuss what the CIA might be up to further the Clinton administration's goal of getting Milosevic removed from power. They wonder, for instance, if the agency might be airdropping counterfeit Yugoslav dinars to sow further turmoil in the economy."

Steve H. Hanke, an expert in the field of hyperinflation, with really extensive experience working closely for the US government in many capacities, gives us several interesting anecdotes in his article with the title Syria's Other Problem: Inflation:

> "In October 1999, [Yugoslav] Minister for Information Goran Matic claimed that I was in charge of shipping huge quantities of counterfeit Yugoslav dinars into Milosevic's Serbia, in an attempt to cause the dinar to collapse and inflation to soar."

Henke denies the veracity of the accusation, but mentions in the same piece that the Syrian government had similar suspicions a few years ago:

> "The Syrian Deputy Prime Minister for Economic Affairs, Qadri Jamil, claimed that Britain, Saudi Arabia, and the United States were engaged in a conspiracy to undermine the Syrian pound by flooding Lebanon and Jordan with counterfeit Syrian pound notes."

Iran

It is worthwhile to take a look at possibly the same tactic is being used for Iran, where counterfeiting the rial might have been used in an attempt to crash the national currency. Hanke gets enthusiastic about having identified a period of hyperinflation in Iran in 2012. The groundwork was there, as Washington Post wrote in a story from 2012 with the title Hyperinflation finally arrives… in Iran:

> "Since 2010, the United States has been steadily tightening sanctions on Iran. A good chunk of Iran's $110 billion foreign exchange reserves is locked up in offshore accounts that are now frozen. Overseas banks have been barred from doing business with Iran's central bank. And Iran is having trouble selling its oil abroad. Add it all up, and those sanctions have restricted the supply of dollars and other foreign currency reaching Iran."… "U.S. sanctions are biting down and inflicting a vicious bout of hyperinflation on the country. "… "That problem finally exploded last month. In the black markets, the value of Iran's rial has now plunged 65 percent in the past few week" What triggered last month's sudden collapse? That's not yet clear."

Nicaragua

The same hypothesis could be used for Nicaragua, which also declared "an unusual and extraordinary threat" by Reagan. In the 1980s, at the same time as the US printed counterfeit money for the Mujahedin in Afghanistan, Nicaragua experienced hyperinflation, from June 1986 – March 1991.

The country was fighting the Contras, a guerrilla/terrorist group almost exclusively financed by the CIA. One might remember that the CIA and Contras had no qualms to smuggle large amounts of cocaine into the US, so printing and distributing fake money would hardly have been reagarded as beyond the pale. The campaign against the country followed the same pattern: demonization, years of steadily tightening sanctions, inflation when the government was forced to print money, which then goes into overdrive as hyperinflation.

Venezuela

Today this tactic might be in use against Venezuela at this very moment. The currency has crashed during the last few years. One could of course say that it is entirely due to 'natural' economic factors, but the pattern is there. The country has been in the cross hairs since at least 2002. The United States declared Venezuela "a national security threat" in March 2015, and has imposed steadily stricter sanctions. The economy is in such a weak position that counterfeit money would strongly exacerbate existing problems.

The country even prints its bills abroad, which gives Western intelligence services access to the printing plates. Counterfeit bolivares would be indistinguishable from the real thing. As in several of the other places, one can observe a massive campaign in the international press to highlight the inflation, and thereby further reduce faith in the currency.

Russia, the biggest challenge

Russia is a different ball game. Ever more draconian sanctions and attempts to lock the country out from international financial mechanisms have had limited success. Russia is such a big and self-sufficient global power that it would take an operation of a scale never seen before to make the economy scream. The stage has not reached where introduction of large amount of counterfeit money will exacerbate an already exiting weakness. To be truly successful, the tactic needs to have stopped all forms of credit and significantly damaged export earnings. Of course, in the meantime, counterfeit money, being virtually free, could finance all sort of groups working to topple the government.

Conclusion

Introducing fake money is an incredibly devastating measure in an economic war. A weak country gets targeted for counterfeiting with forgeries of superb quality, and the central bank is unable to effectuate proper countermeasures, in fear of creating a panic.

Instead, the central bank is forced to play along in CIA's game. Since the government is dependent on it for funding, despite the threatening hyperinflation, the bank is forced to print ever higher denominations.

Maybe a million people died in the 13 years of sanctions against Iraq. Destroying the currency helped in this process, by pauperizing the population, making them unable to afford even basics necessities and destroying their lives.

Observers of other nations in the cross hairs should be aware of this possibility. Smaller economies, say Bolivia or Pakistan, that are in the bad books, should be aware that financial warfare isn't only done with above board tactics, such as sanctions. It can be very hard to counter a flood of false money at the country's weakest moment if the other elements of an economic siege have been successfully put in place.

Terje Maloy is a Norwegian/Australian translator and blogger. The text is Creative Commons for non-commercial purposes.

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