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Folder Title: Berezovsky Magnates [1]				
Staff Office-Individual: Russia/Ukraine/Eurasian Affairs-Rumer, Eugene				
Original OA/ID Number: 922				
Row: 48	Section: 2	Shelf: 8	Position: 2	Stack: V

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	re: Russian Business and Government Officials (6 pages)	06/00/1997	P1/b(1)
002. memo	re: Russian Business and Government Officials (11 pages)	06/00/1997	P1/b(1)
003. cable	re: Deputy of Businessman (3 pages)	11/26/1996	P1/b(1)
004. cable	re: Kremlin Brainstorming Session (2 pages)	11/14/1996	P1/b(1)
005. report	re: Berezovskiy Appointment (1 page)	10/31/1996	P1/b(1)
006. cable	re: Berezovskiy's Appointment (6 pages)	10/31/1996	P1/b(1)
007. cable	re: Media Officials (3 pages)	11/19/1996	P1/b(1)
008. cable	re: Business Allies Berezovskiy and Gusinskiy (3 pages)	11/17/1996	P1/b(1)
009. cable	re: Next Installment (3 pages)	11/20/1996	P1/b(1)
010. cable	re: Controversial Russian Businessman Berezovskiy (5 pages)	11/21/1996	P1/b(1)
011. cable	re: Reformist Vice Premier Seeks (5 pages)	05/05/1997	P1/b(1)
012. cable	re: Yeltsin Lebed Analogy (6 pages)	11/20/1996	P1/b(1) RDS 12/24/2013
013. cable	re: Chubays Campaign (4 pages)	11/19/1996	P1/b(1) RDS 12/24/2013

COLLECTION:

Clinton Presidential Records
 National Security Council
 Russia/Ukraine, Eurasian Affairs (Rumer, Eugene)
 OA/Box Number: 922

FOLDER TITLE:

Berezovsky Magnates [1]

2012-0962-M
rs790

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014. cable	re: Zverev not Krasavchenko (3 pages)	11/19/1996	P1/b(1)
015. cable	re: Battle Brewing Behind the Scenes (2 pages)	11/18/1996	P1/b(1) RDS 12/24/2013
016. cable	re: Berezovskiy Approves Text (4 pages)	11/19/1996	P1/b(1)
017. cable	re: Government in All-Day Session (3 pages)	11/15/1996	P1/b(1)
018. cable	re: Latest Target (4 pages)	11/15/1996	P1/b(1) RDS 12/24/2013
019. cable	re: Russian Leadership Over Publication (3 pages)	11/15/1996	P1/b(1)
020. cable	re: Security Council Deputy Berezovskiy (5 pages)	11/14/1996	P1/b(1) RDS 12/24/2013
021. report	re: TV-Government Nexus in Russia (11 pages)	01/22/1997	P1/b(1)
022. cable	re: Financier on Russian Politics (5 pages)	12/11/1996	P1/b(1) RDS 12/24/2013
023. cable	re: Chubays' Power (5 pages)	10/30/1996	P1/b(1) RDS 12/24/2013

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RUSSIA: Berezovskiy Said To Posses U.S. Residence Permit MK2611130996
Moscow KURANTY in Russian 26 Nov 96 p 2

Report by Aleksandr Anon: "Berezovskiy Has Left Traces in America"]

[FBIS Translated Text] This document [photocopy shown] is a U.S. residence permit, and judging by a copy available to KURANTY, it was issued to Russian Federation citizen Boris Berezovskiy, current deputy secretary of the Russian Federation Security Council. Its term of validity expires in the summer of 2004. The dark spot on the document's face is nothing but Mr. Berezovskiy's fingerprint.

This paper grants the right to permanently stay and work in the United States. Its bearer has virtually the same civil rights as any American has, except the right to vote. It is, however, very difficult for an average emigrant to receive such a document. After all, the "green card" gives the green light for receipt of U.S. citizenship.

Of course, to have a permit to reside in a foreign state is not a crime, and we do not mean in the least to accuse Mr. Berezovskiy of some secret contacts with U.S. special services or the export of capital to U.S. banks. As a matter of fact, a person has the right to choose himself the country in which he will live -- either temporarily or permanently

In a recent interview, Boris Berezovskiy said that some time ago he took Israeli citizenship because he was afraid of persecution, and that he was preparing ways to leave Russia -- a so-called

reserve airfield." It turns out that Mr. Berezovskiy has several airfields of this kind. We repeat, however, that he has the right to do so.

There is another heart of the matter: A statesman can hardly conceal the fact of having citizenship or a permit for residence in another country -- the more so in that there are forces interested in

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the leak of this kind of information. Many people dislike Berezovskiy, and Chubays is in the way of a still-greater number of people. A political life-and-death struggle is being waged. So, is it worthwhile to come under the fire of criticism? Would it not be better for Mr. Berezovskiy himself to speak right away and openly about the quite-human reasons he was preparing "reserve airfields" up to the moment he was appointed to this responsible post?

KURANTY would be ready to publish the reasons that could justify B. Berezovskiy's position.

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FBIS 11/26/96 10:08:00

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
010. cable	re: Controversial Russian Businessman Berezovskiy (5 pages)	11/21/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia/Ukraine, Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovsky Magnates [1]

2012-0962-M
rs790

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
011. cable	re: Reformist Vice Premier Seeks (5 pages)	05/05/1997	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia/Ukraine, Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

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2012-0962-M(1.12)
RDS 12/24/2013

~~CONFIDENTIAL~~ SECTION 01 OF 03 MOSCOW 032207

E.O. 12958: DECL: 11/20/06
TAGS: PGOV, RS
SUBJECT: THE YELTSIN-LEBED ANALOGY

1. (U) CLASSIFIED BY THOMAS GRAHAM, ACTING POLITICAL
COUNSELOR. REASON: 1.5(B,D)

SUMMARY

2. ~~(S)~~ MANY OBSERVERS HAVE DRAWN AN ANALOGY BETWEEN THE YELTSIN OF THE EIGHTIES AND FORMER SECURITY COUNCIL SECRETARY LEBED, ARGUING THAT, LIKE YELTSIN, LEBED COULD RIDE A WAVE OF POPULAR DISCONTENT TO POWER. THE ANALOGY IS APPEALING, BUT FLAWED. IN THE LATE SOVIET PERIOD, YELTSIN FACED AN ELITE IN DECLINE, SOCIETY WAS POLITICALLY ENGAGED, AND GORBACHEV INITIALLY SAW YELTSIN AS A USEFUL INSTRUMENT IN HIS BATTLE AGAINST CONSERVATIVE FORCES. IN TODAY'S RUSSIA, LEBED FACES A DYNAMIC, SELF-CONFIDENT ELITE, SOCIETY IS POLITICALLY DISENGAGED, AND YELTSIN DOES NOT SEE LEBED AS SOMEONE HE CAN MANIPULATE FOR HIS OWN ENDS. MOREOVER, YELTSIN CAME TO POWER PRIMARILY THROUGH AN INTRA-ELITE POWER STRUGGLE, AND HIS MAIN POPULAR BACKING WAS FROM THE LIBERAL INTELLIGENTSIA, WHICH ESCHewed VIOLENCE AS IT PURSUED DEMOCRATIZATION. IF LEBED WERE TO COME TO POWER, IT WOULD MOST LIKELY BE AGAINST THE WISHES OF THE ELITE AND WITH THE BACKING OF DISAFFECTED WORKING CLASSES INTERESTED IN RECTIFYING SOCIO-ECONOMIC INJUSTICES. HIS ASSUMPTION OF POWER - WHETHER BY CONSTITUTIONAL MEANS OR NOT -

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WOULD LIKELY PROVE MORE DESTABILIZING OR MORE VIOLENT THAN YELTSIN'S WAS. END SUMMARY

3. (SBU) AGAINST THE BACKGROUND OF FORMER SECURITY COUNCIL SECRETARY LEBED'S UNEXPECTEDLY STRONG SHOWING IN THE PRESIDENTIAL ELECTIONS EARLIER THIS YEAR, HIS UNRESTRAINED POPULISM AS A MEMBER OF THE GOVERNMENT, AND HIS DISMISSAL IN MID-OCTOBER, MANY OBSERVERS ARE ASKING WHETHER LEBED IS THE YELTSIN OF THE NINETIES. THIS QUESTION AGITATES, IN PARTICULAR, THOSE WHO PLAYED A CENTRAL ROLE IN ENGINEERING LEBED'S FIRING, MOST NOTABLY PRESIDENTIAL ADMINISTRATION HEAD CHUBAYS. THEY ARE CONCERNED THAT THE DISMISSAL WILL ONLY INCREASE LEBED'S POPULARITY - EVEN OVER THE LONG RUN - AS GORBACHEV'S FIRING OF YELTSIN AS MOSCOW PARTY BOSS DID IN 1987, AND ENHANCE LEBED'S CHANCES OF SUCCEEDING YELTSIN AS RUSSIA'S TOP LEADER.

OBVIOUS SIMILARITIES

4. (U) ON THE SURFACE, THE ANALOGY IS APPEALING. BOTH YELTSIN'S EARLIER POPULISM AND LEBED'S ARE GROUNDED IN AN ATTACK ON THE PRIVILEGES AND PREROGATIVES OF THE RULING ELITE, WHICH IS WIDELY SEEN AS TOTALLY DIVORCED FROM THE PROBLEMS OF COMMON PEOPLE. BOTH CAME TO PROMINENCE AGAINST THE BACKGROUND OF PERVASIVE DISCONTENT WITH CURRENT CONDITIONS. BOTH HAD REPUTATIONS FOR BEING ABLE TO GET THINGS DONE. BOTH REFUSED TO PLAY BY THE ELITE'S RULES, AND BOTH FELL VICTIM TO ITS WRATH.

BUT ESSENTIAL DIFFERENCES

5. (SBU) THIS ANALOGY, HOWEVER, MISSES MANY ESSENTIAL DIFFERENCES THAT SUGGEST THAT LEBED'S PATH TO POWER WOULD DIFFER FROM YELTSIN'S AND BEAR DIFFERENT CONSEQUENCES FOR RUSSIA'S POLITICAL SYSTEM.

6. (SBU) WHAT ARE THOSE DIFFERENCES?

-- IN THE LATE SOVIET PERIOD, THE ELITE WAS IN DECLINE, LACKING DYNAMISM AND A FIRM BELIEF IN ITS RIGHT TO RULE; ITS EFFORTS TO DEFEND ITSELF WERE FEEBLE AND HALTING, EPITOMIZED BY THE BLUNDERING OF THE FAILED AUGUST (1991) PUTSCH AND, ESPECIALLY, THE TREMBLING HAND OF COUP PLOTTER (AND SOVIET VICE PRESIDENT) YANAYEV. IN TODAY'S RUSSIA, A NEW ELITE IS ON THE RISE; IT IS DYNAMIC, CONVINCED OF ITS RIGHT TO RULE, CONFIDENT IN ITS ABILITY TO GOVERN, AND PREPARED TO DEFEND ITSELF, WITH FORCE IF NECESSARY.

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YELTSIN'S AND HIS ALLIES' HANDLING OF THE OCTOBER (1993) VIOLENCE AND THEIR MORE RECENT CONDUCT OF THE PRESIDENTIAL ELECTIONS ARE THE BEST ILLUSTRATIONS OF THIS WILL TO POWER.

-- IN THE LATE SOVIET PERIOD, SOCIETY, ESPECIALLY IN MOSCOW, WAS FILLED WITH GREAT EXPECTATIONS, ELEVATED - AND SURPRISED - BY ITS BRAVERY IN
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TAGS: PGOV, RS
SUBJECT: THE YELTSIN-LEBED ANALOGY

CONFRONTING THE REGIME AND ENTHRALLED WITH THE PROMISES OF DEMOCRACY. IN TODAY'S RUSSIA, SOCIETY IS TIRED OF POLITICS, SOBERED BY THE DIFFICULTIES OF THE TRANSITION, UNCERTAIN ABOUT THE FRUITS OF DEMOCRACY AND THE MARKET.

-- IN THE LATE SOVIET PERIOD, SOVIET LEADER GORBACHEV INITIALLY SAW YELTSIN AS A USEFUL TOOL IN HIS STRUGGLE AGAINST MORE CONSERVATIVE, RECALCITRANT FORCES IN THE COMMUNIST PARTY. RATHER THAN CRUSH YELTSIN, GORBACHEV GAVE HIM A SECOND POLITICAL LIFE, ONLY TO DISCOVER THAT HE COULD NOT CONTROL YELTSIN. IN TODAY'S RUSSIA, ALTHOUGH RUSSIAN LEADER YELTSIN USED LEBED TO WIN THE PRESIDENTIAL ELECTIONS, HE NO LONGER BELIEVES HE NEEDS HIM FOR ANY BROADER POLITICAL PURPOSE.

7. ~~X~~ MOREOVER, DESPITE THE SIMILARITIES, THE DIFFERENCES IN THE PERSONALITIES AND BACKGROUND OF YELTSIN AND LEBED ARE MORE STRIKING. YELTSIN WAS INDISPUTABLY PART OF THE ELITE WHEN HE TURNED POPULIST POLITICIAN. HE HAD COME UP THROUGH PARTY RANKS AND SERVED LOYALLY AS SVERDLOVSK PARTY BOSS FOR ELEVEN YEARS BEFORE COMING TO MOSCOW AND THE CPSU CENTRAL COMMITTEE APPARATUS IN THE MID-EIGHTIES. IN CPSU TERMS, HE WAS AN ACCOMPLISHED APPARATCHIK AND A RISING STAR. BY CONTRAST, LEBED IS AN OUTSIDER, CERTAINLY TO THE POLITICAL ELITES, WHERE HE IS A NEWCOMER, BUT ALSO TO SENIOR MILITARY CIRCLES, AS ONE OF THE FEW GENERALS NOT TO HAVE ATTENDED THE STAFF ACADEMY.

PATHS TO POWER AND CONSEQUENCES

8. (SBU) IN ADDITION, FOR ALL HIS POPULISM, YELTSIN CAME TO POWER AS THE VICTOR IN AN INTRA-ELITE STRUGGLE THAT REVOLVED PRIMARILY AROUND POLITICAL ISSUES LINKED TO THE DEMOCRATIZATION OF SOVIET SOCIETY. HIS

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ASSUMPTION OF POWER WAS REMARKABLY PEACEFUL FOR SEVERAL REASONS:

-- EVEN IN DISGRACE, YELTSIN RETAINED SOLID TIES TO THE MORE REFORM-MINDED ELEMENTS IN THE SOVIET LEADERSHIP. AS HIS STAR ROSE, HE GAINED CONSIDERABLE BACKING FROM SENIOR LEVELS IN THE MILITARY AND SECURITY SERVICES. AS A RESULT, YELTSIN'S ASSUMPTION OF SUPREME POWER DID NOT PRECIPITATE A MAJOR OR ABRUPT CHANGE OF ELITES, ALTHOUGH THE TOP ECHELON IN MOSCOW WAS STRIPPED OF POWER.

-- YELTSIN'S GOALS OVERLAPPED WITH THOSE OF THE ELITES OF THE NON-RUSSIAN REPUBLICS OF THE SOVIET UNION. THAT ALLOWED FOR A NEGOTIATED DISSOLUTION OF THE SOVIET UNION.

-- YELTSIN'S CRITICAL POLITICAL SUPPORT CAME FROM THE LIBERAL INTELLIGENTSIA IN MAJOR URBAN CENTERS, ESPECIALLY MOSCOW, LENINGRAD (NOW ST. PETERSBURG), AND SVERDLOVSK (NOW YEKATERINBURG). THIS GROUP DOMINATED THE FREQUENT MASSIVE STREET DEMONSTRATIONS IN SUPPORT OF YELTSIN IN MOSCOW. FOR THE MOST PART, IT ESCHEWED VIOLENCE, WHILE EXPLOITING THE OPENING CREATED BY GORBACHEV'S POLICIES OF DEMOCRATIZATION AND GLASNOST.

9. ~~(C)~~ BY CONTRAST, LEBED'S POPULISM IS GROUNDED IN SOCIO-ECONOMIC ISSUES (CRIME, DISTRIBUTION OF WEALTH). THERE IS A GREATER RISK THAT SIGNIFICANT INSTABILITY OR VIOLENCE WOULD ACCOMPANY ANY RISE TO POWER BY LEBED - WHETHER BY CONSTITUTIONAL OR EXTRA-CONSTITUTIONAL MEANS - FOR TWO REASONS:

-- BECAUSE LEBED'S TIES WITH THE ELITE ARE TENUOUS, HE WOULD FACE AN EVEN MORE FORMIDABLE TASK IN ASSERTING HIS AUTHORITY ACROSS RUSSIA THAN YELTSIN DID. THE GOVERNMENT BUREAUCRACY AND SENIOR MILITARY LEADERS WOULD BE MORE LIKELY TO RESIST HIS INITIATIVES. MOREOVER, TO STAFF THE SENIOR LEVELS OF GOVERNMENT, HE WOULD BE INCLINED TO BRING IN HIS OWN PEOPLE, MOST OF WHOM WOULD BE DRAWN FROM HIS ALLIES IN THE MILITARY AND LACKING IN EXPERIENCE IN RUNNING A GOVERNMENT.

-- LEBED'S CORE SUPPORT WOULD COME FROM THE DISAFFECTED WORKING CLASSES, NOT THE LIBERAL INTELLIGENTSIA (WHOSE SUPPORT LEBED HAS ALREADY REJECTED). DISAFFECTED RUSSIAN WORKERS HAVE FEWER QUALM

S ABOUT USING FORCE TO RECTIFY WHAT THEY SEE AS SOCIO-ECONOMIC INJUSTICES. (INDEED, ONE LEBED INFORMAL ADVISOR, POLITICAL COMMENTATOR ANDRANIK

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MIGRANYAN, TOLD POLOFF ONE OF HIS GREATEST CONCERNS IS THAT LEBED WOULD TRY TO ORGANIZE MASSIVE WORKERS' DEMONSTRATIONS IN MOSCOW, WHICH MIGRANYAN WAS PERSUADED WOULD TURN VIOLENT.)

LEBED'S FUTURE UNCERTAIN

10. ~~10.~~ WHETHER LEBED WILL ULTIMATELY RISE TO POWER IN RUSSIA REMAINS TO BE SEEN. OPINION IN MOSCOW IS DECIDEDLY MIXED, EVEN SINCE LEBED'S DISMISSAL FROM THE SECURITY COUNCIL.

-- PEOPLE CLOSE TO CHUBAYS, INCLUDING FINANCIERS BEREZOVSKIY AND GUSINSKIY, HAVE TOLD US THEY BELIEVE LEBED WILL FADE QUICKLY BECAUSE HE LACKS A FINANCIAL BASE AND GUARANTEED ACCESS TO THE MEDIA. MOREOVER, THEY BELIEVE THEY WILL BE ABLE TO USE THEIR CONSIDERABLE INFLUENCE OVER NATIONAL TELEVISION TO FINISH HIM OFF AS A SERIOUS POLITICAL THREAT.

-- OTHERS, SUCH AS A CLOSE GORBACHEV ADVISER, VIKTOR KUVALDIN, POINT OUT THAT YELTSIN HAD BEEN OUT OF THE LIMELIGHT FOR WELL OVER A YEAR AFTER HE WAS FIRED AS MOSCOW PARTY BOSS, ONLY TO RESURFACE AND RIDE A TIDE OF ANTI-REGIME DISCONTENT INTO THE USSR CONGRESS OF PEOPLES. IF THERE IS WIDESPREAD DISCONTENT WHENEVER THE NEXT PRESIDENTIAL ELECTIONS OCCUR, KUVALDIN ARGUES, LEBED WILL BE A LIKELY CHOICE TO PERSONIFY IT.

11. (SBU) ONE THING IS CLEAR, HOWEVER: TODAY'S RUSSIA IS NOT YESTERDAY'S SOVIET UNION. WHILE LEBED COULD LEARN MUCH FROM YELTSIN'S RISE TO POWER, IF HE TRIES TO RETRACE THE SAME PATH, HE WILL UNDOUBTEDLY FAIL. MOREOVER, EVEN IF LEBED SHOULD COME TO POWER CONSTITUTIONALLY BY WINNING PRESIDENTIAL ELECTIONS IN THE YEAR 2000, HIS VICTORY COULD BE DESTABILIZING IF HE HAS NOT MADE PEACE WITH THE KEY ELITES BY THEN.

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REVIEW & OUTLOOK

Pilgrims to Asia

Maybe it was Andre Agassi who popularized the phrase "Image is everything" on behalf of a Japanese camera. But the Chinese probably were the first to enshrine the idea centuries ago as a principle of public conduct. It is in the spirit of this perspective on life that we consider the week's Western tourists to Asia, all seeking to do deals with Beijing.

What China expects from the United States' touring dignitaries is undoubtedly something more complicated and unpredictable as far as behavior goes. One wonders how much time Beijing analysts have already spent trying to gauge the meaning of the most powerful nation on earth announcing that it wants to open a new chapter in Sino-American relations and then sending as its herald Warren Christopher, a man who has just resigned his job and with it all power as far as Beijing is concerned.

Accident or no, it is the kind of thing China is bound to interpret as a poor sign as it prepares to face the U.S. over a long list of urgent items in the next few days, first while resigned Secretary of State Christopher is in Beijing and later in the week when President Bill Clinton meets his Chinese counterpart Jiang Zemin at the APEC meeting in Manila.

Alongside the bubbling textile trade dispute and the equally contentious subject of WTO membership for China, there is the question of whether and how both leaders will meet for formal summits next year. China is angling for permanent most favored nation trade status, and Washington wants China to stop selling sophisticated weapons systems and nuclear technology to Iran. Crucial issues, in sum, not only for the U.S., but for the world.

And that's what makes it unsettling to think of Bill Clinton advancing onto the playing field with Beijing again. The Clinton Administration's dismal record of past defeats and draws—but no wins—is forbidding enough. This time, however, the U.S. President is a man searching for a place to create a legacy, and Beijing knows it. In the next few months we can expect to see China testing to determine just how Mr. Clinton responds to offers of help to find him a place in the history books, or threats to tarnish his star.

Of all the foreign notables making pilgrimages to Beijing this week, Yevgeny Primakov would seem to be holding the best cards. The Russian foreign minister arrived in China Sun-

prime of \$500 million in Japanese aid frozen since 1991. That, and fresh hope of resolving the Kurile Islands dispute, will have shined up Russia's faded image and gained it new respect in Beijing. In his conversations with Chinese leaders, Mr. Primakov doesn't have to utter a single tactless word about his country's expanding partnership options on a whole range of strategic and economic issues. By inserting the merest whiff of Russian-Japanese rapprochement into the game, Moscow has gotten China's attention in a way no Sukhoi fighter jet sales ever could. Sure enough, yesterday President Jiang Zemin announced a spring trip to Moscow for a summit with Mr. Yeltsin.

For Germany, by contrast, the game seems all but over. President Roman Herzog is in China this week with an enormous entourage of industrialists and other luminaries, including a couple of Nobel Prize winners. Yet one gets the feeling there is little for the visitors to do but parade past officials who have come to regard Europeans basically as rich door-to-door salesmen.

From time to time, it may suit China to wave Airbus and other contracts in Washington's face. But it is not easy to get Beijing's respect. Just this week, for instance, Chinese Minister of Foreign Trade and Economic Cooperation Wu Yi gently mocked European Trade Commissioner Leon Brittan's offer of EU help in getting China into the World Trade Organization, suggesting that while the Europeans were "kind hearted," their influence on this subject is zero.

As for Germany—after a few hard slaps from China earlier this year for making gestures in the direction of Tibetan human rights, Bonn has now made the appropriate gestures of respect for Chinese internal affairs. From now on, all Beijing probably expects them to do is lick their pencils and wait for orders.

So as is often the case, it falls to the U.S. President to represent something more elevated than a glorified deal closer. To that end, the sooner the President makes Beijing understand that his first priority is to protect the U.S.'s broader national interests, the sooner we are likely to see real progress in the U.S.-Sino relationship. It is the possibility of that relationship bearing fruit for both partners, and for the rest of the world, that makes the American contacts the most important of all China's diplomatic en-

Yesterday, former Russian presidential candidate Alexander Lebed met with the Journal's editorial board for an on-record interview, portions of which are presented below. Mr. Lebed's remarks were translated by Andrei Smirnov.

WSJ: You are now the most popular politician in Russia. How will you maintain your political visibility over the next four years?

Mr. Lebed: I do not exclude a return to the Security Council. I think that the president was simply cheated, and they abused the fact that he was ill, but now he is recovering, and I don't exclude the possibility that he will look into the matter. It may be a return to the government as vice premier. I am working along all possible options. Anyway, they won't be able to do without me.

WSJ: I'm not sure what that means.

Mr. Lebed: I joked and you took it seriously.

Waiting for Santa Claus

WSJ: Do you think the democrats will rally to your side, give you some support?

Mr. Lebed: Well, I am not very confident that we have democrats today. It is impossible to go to bed in a totalitarian regime and wake up in a democratic country. It can't be done overnight. But this is exactly the way it was depicted in our case: Totalitarianism is over, now you are living in a free, democratic society. Freedom was given to the people, but they don't know how to use it. They haven't learned, and no one started teaching them or created conditions for them to learn. Democratization is a colossal restructuring of the mentality.

The fact is that it was simply declared: "Now we have democracy. And the market, when it comes, will put everything in its proper place. You've got to wait for the market to come as a Santa Claus—he'll come and everything will be good." We've been waiting since then.

WSJ: How would you go about cleaning up crime and corruption?

Mr. Lebed: It is a hard but feasible task. I've never set a goal to completely eradicate crime. It is a mission impossible. But to curb the biggest problems, like drug dealing and arms trafficking, and to make legal business clean—that is something that can and should be done. I'm afraid it may be hard for me to explain it, but the Russian tax policy is making everyone, every single entrepreneur, every single businessman, a criminal. On every ruble earned, out of 100 kopecks, if you're lucky you pay 92 kopecks as tax.

There are 43 taxes, and even if you are the most honest and decent person, you will be confused. And if you are not lucky or have a good accountant, you will pay 121 kopecks per ruble. Given all that, you either have to go bankrupt and stop all business or try to stay afloat and start making



Alexander Lebed

Alexander Lebed in His Own Words

Mr. Lebed: They waved their hands. They said, "Well, you are a general."

WSJ: Is it true that Mr. Yeltsin has a plan on the table to raise the income tax?

Mr. Lebed: It's not on the Yeltsin table. It's on the Chubais table.

WSJ: Isn't Mr. Chubais a free marketeer?

Mr. Lebed: He has an image as a free marketeer. But at his initiative the Contemporary Extraordinary Commission was created. You remember the Cheka, the forerunner of the KGB, a body that is designed to collect taxes by force. Now, history repeats itself twice, once in the form of a tragedy, the second time in the form of a farce. The first Temporary Extraordinary Commission was set up in

my will I have to become a crook.

WSJ: Does this sentiment express itself in Russian politics?

Mr. Lebed: It's more social than political sentiment. There is a huge organization, including up to 20 million people, the Association of Cheated Investors. A number of financial permits were set up by crooks who preyed on a great number of people. People invested their money and then found out that the organizations where they invested vanished into thin air, with no trace: no offices, no people, no banking accounts. And the sages shrugged their shoulders, saying, "We didn't force you, it was just a practical exercise to learn the market economy."

So within the framework of this move-

'The Russian tax policy is making everyone, every single entrepreneur, every single businessman, a criminal.'

1918, headed by Felix Dzerzhinsky. Initially it was aimed at attracting surplus goods from the peasants; the peasants had no idea that there was a surplus. It killed several dozen million people.

WSJ: Is there any support in Russia for the tax-cutting program that you seem to be proposing?

Mr. Lebed: Yes, and it is very powerful. A lot of people in Russia—people who, as we say, have got it all—have great discomfort in their souls because of the current situation. For example, say I am a businessman, an entrepreneur. I have talent, education, I have a good team to work with style and very efficiently. And the state is putting me into such a narrow framework that against

ment, which includes quite a lot of representative of small and medium-sized business, a structure has almost taken shape that would protect society from similar phenomena. The state-oriented parties and movements prefer to keep silent on changing the tax policy and returning the investments that have been stolen.

WSJ: Are going to form a political party out of this group?

Mr. Lebed: Yes, but I would hate to build a hen house, so it's got to be a scientifically justified design. I don't want to deal with opportunists, because when it was profitable for them they called themselves communists, and then it became profitable for them to call themselves democrats. Give them a chance now and

they'll start calling themselves patriots.

WSJ: Could you talk about NATO?

Mr. Lebed: It is my favorite topic. For the known reasons, the socialist system collapsed, the Soviet Union disappeared, the Warsaw Pact fell apart. The world became unipolar. But the great and well-regulated fist remained—the military and political fist called NATO.

Whether we want it or not, we have to admit that we are all products of the Cold War. For dozens of years, official and unofficial brainwashing was putting into our subconscious the image of an enemy, and this achieved a certain success. Ask a layman in Russia, a man in the street, what is NATO, and he'll respond, "An imperialist power with a dream of capturing the world with tanks, with guns, with nuclear bombs. As soon as we are weak, they will jump on us." What is the point of having such a heavy fist? It is no longer required—there is no enemy, no target.

Yet the organization itself should be kept, but it should be reoriented: to fight terrorism, drug dealing, to carry out peacemaking functions, to be more specifically targeted against potential nuclear and chemical terrorism—a narrow mandate. The main thing is to change the label and remove the red rag for the bull. Because if you say NATO, all the pseudo-patriots in Russia prick up their horns and run against it.

If you change the function, if you change the name, immediately there is an opportunity to include Hungary, Romania, Russia, the Baltic states, you name it, any nations. You'll start building serious security system on a new basis because there are new conditions in the world. Not on the basis of some obsolete charters that are not binding anyway, but by signing serious agreements, under simple yet efficient principles—joint decision taking, joint execution, joint responsibility.

WSJ: Do you think the tax reform program now before the Duma is serious?

Mr. Lebed: I disagree with it. I can be very brief in explaining why, by analogy: Recently a highly touted criminal code for all Russia was submitted to the Duma. It was passed all right. Now, of its 360 articles, theoretically 10 can work. In practice, six do. Why were all the others written? The language is so Jesuitical that it is impossible to apply them. The same principle holds with the tax reform. With the naked eye, you can see—aha!—that's where corruption will grow. You cannot live by that book. The document was created in the interests of 3%, at most 5%, of the population. All the rest will be losers if it is passed.

'Let Them Fish'

WSJ: Which political figure, living or dead, do you most admire?

Mr. Lebed: I don't think I have an absolute hero. In many respects I greatly admire Marshal Zhukov, because three times he made the wheel of history turn in the opposite direction. Once, when he beat the you-know-what out of the Japanese at Khalkin-Gol and Japan thus declared its last attack on the Soviet Union

Russia's Most Trusted Politician

Alexander Lebed believes that if an election were held in Russia today, voters would elect him president. He could be right. He is today the most trusted Russian politician, according to an opinion poll published by the newspaper Moshkovskiy Komsomolets last week. To be sure, his approval rating is only 24% but that is well above what the two candidates in last July's run-off election can muster today.

Only 10% of those polled trust President Boris Yeltsin, who fired Mr. Lebed as his security chief a month ago. Communist Gennady Zyuganov, who lost to Mr. Yeltsin in the run-off, gets the backing of 14%. Both ratings are down sharply from last summer.

Mr. Lebed met with Journal editors in New York yesterday to answer questions about his political plans and what his policies would be should he become Russia's next president. He described his trip to the U.S. as part of a hearing process he plans to follow over the next four years to prepare himself for leading Russia out of its present mood of distrust and cynicism.

He believes that his self-education may have to be accelerated. Even

that would help him maintain political visibility until the next presidential election.

The former Red Army general's popularity with the Russian people seems to have sprung from his individualism. He led troops in the unpopular Afghan War, but gained far greater notice later when, as commander of the 14th Army, he sorted out (to use a euphemistic description) an ethnic struggle in Moldova, often going against orders from Moscow to the point of insubordination. When he was finally fired, he ran for parliament in Tula, and without any party backing, won. Surprisingly, everyone again he ran for president last summer, and placed third in the first round, throwing his support to Boris Yeltsin in the run-off. As a reward, the president made him his chief security adviser. There are some theories that he deliberately provoked his own firing from that job in order to distance himself from the Yeltsin administration and run an independent campaign to become the next president.

He has since won the support of, among others, chess champion Gary Kasparov, who writes for this page from time to time and is by all odds one of Rus-

...the... would seem to be holding the best cards. The Russian foreign minister arrived in China Sunday buoyed by a trip to Japan and the

Da, Kapital

In the editorial above, we discuss Westerners trying to do deals with Beijing, mostly to sell stuff to the Chinese millions. But the global economy extends in all directions, and one of the newest is Russia seeking an ancient Western product—capital.

Last month, Russia's natural-gas monopoly, Gazprom, launched the biggest international issue of Russian stock yet and became the first Russian company to list on the London Stock Exchange. Last week, a cellular phone company became the first Russian company to list its shares on the New York Stock Exchange. And probably this week, the Russian government will enter the Eurobond market in the first sovereign debt issue for international investors since the Czars.

By Western standards, these aren't big volume issues. Gazprom raising \$400 million on the markets is not Deutsche Telekom bringing in \$10 billion. And a \$500 million Eurobond issue would still be testing the waters. But with so much to gain all around, this trickle may soon become a flood if all goes well. Indeed, the Russian government's 1997 budget anticipates raising \$1.3 billion on the Eurobond market.

International markets offer blue chip Russian enterprises the chance to raise capital they could never find on the anemic domestic market. For the Kremlin—and, thus, probably for the country—foreign investors offer hope of financial salvation.

Yet amid this opportunity, a warning is appropriate: International investors are far less accommodating than multilateral agencies with taxpayer money to spend. If Russia is to earn and sustain the confidence of international markets, Prime Minister Viktor Chernomyrdin will have to do better. Writing in the Moscow Times, former government adviser Anders Aslund charged that Mr. Chernomyrdin and his cabinet "appear to lack ideology, strategy, program and political will. They are neither for nor against reform but are just for the sta-

for the rest of the world, that makes the American contacts the most important of all China's diplomatic endeavors this week.

tus quo." Alexander Lebed discusses some of these matters in the interview nearby. That status quo includes a willingness to allow political (and maybe financial) ties to industry to get in the way of good policy judgment.

Which brings us to the issue of Russian companies on international markets. Close ties with the Kremlin and a monopoly over scarce resources have so far seemed key criteria for making it to Western markets. With 40% of the world's natural gas reserves, a quarter of the European gas market, a monopoly at home and close ties to the prime minister, it's no surprise that investors find Gazprom enticing.

But Gazprom is no beauty queen. Prancing before conference rooms of international investors is a big step for a Russian company, to be sure, but far from enough: Gazprom's charter gives its directors veto power over any share trades, making the stock highly illiquid. Its financial statements fall short of even lax-European standards of disclosure. Investors have little hope of influencing the policy of Gazprom's secretive directors. Eager to raise the \$40 billion Gazprom says it needs over the next 10 years to finance operations, Gazprom's directors have now promised a more open company—including a freer market in shares that will soon be traded electronically.

An appetite for Western capital is no bad thing if it forces companies to become more accountable to shareholders, and here Gazprom will be an important test case. Eventually, of course, the government-industry hand-holding so rampant in Russia is bound to create more economic problems. It has stifled competition across a number of sectors and retarded economic and industry reform.

For those buying into a profitable Russian blue chip today, that may seem like tomorrow's worry. But Russia's government, stuck with the long-term consequences of these policies, can't afford such complacency.

Asides

Fidel vs. John Paul

Forget the Tyson-Holyfield rematch. The heavyweight battle of the year in 1997 should take place when Pope John Paul II visits Fidel Castro's Cuba, as announced yesterday at the Vatican. Some Cuban exiles profess

discomfort at the visit, but they shouldn't count out the potentially positive effects of the encounter. Hopefully the pope will be safer in Communist Cuba than Fidel felt in Rome, where he rode through the streets accompanied by machine-gun-armed guards.

...of have a good accountant, you will pay 12 kopecks per ruble. Given all that, you either have to go bankrupt and stop all business or cross the line and start cheating the state. You can guess that most good Russians are doing exactly that. Everyone is scratching their heads and wrinkling their foreheads and wondering how to cheat the state. And they're doing it pretty well.

The first step is to turn everything from head to feet. The average tax should be 25%, but it should be differentiated. The manufacturing businesses that pose a heavy impact on the environment should pay more. Some people should probably pay less.

WSJ: When you said this to the Yeltsin government, what was the reply?

Russian isn't his present mood of distrust and cynicism.

He believes that his self-education may have to be accelerated. Even though President Yeltsin appears to be recovering from his heart bypass operation, Mr. Lebed continues to raise questions about how long a man in Mr. Yeltsin's physical condition can endure the stresses of the Russian presidency. If the president should die or become permanently incapacitated, Prime Minister Viktor Chernomyrdin would be required by the Russian constitution to call a new election. Barring some misadventure, Mr. Lebed will be one of the leading candidates. He will decide next month whether to run for governor of Tula region, a job

...was and run an independent campaign to become the next president.

He has since won the support of, among others, chess champion Gary Kasparov, who writes for this page from time to time and is by all odds one of Russia's clearest political thinkers. Mr. Kasparov feels that Mr. Lebed has often been unfairly classified as a loose cannon by the Western press, partly because of the political campaign that has been waged against him in Russia. Mr. Kasparov says that Mr. Lebed would be the most effective leader for dealing with crime and corruption, Russia's most serious problems. The ex-general's first step would be a major reform of a crazy tax system which he says makes criminals of all Russians.

—GEORGE MELLOAN

Uncle Sam's Copious Giveaways

By RONALD D. UTT

If the Clinton administration is still serious about "reinvesting government," perhaps it can do something to end the misuse of taxpayer money by thousands of nonprofit organizations, educational bodies, public housing authorities, unions and other federal grantees. Scores of studies by the government's own investigators indicate that much of the grant money going to such organizations is being used not for nonpartisan, philanthropic or educational purposes as required by law, but for blatantly political causes or for personal and corporate perks.

Who are the biggest beneficiaries? One notorious example, much in the news lately, is the Laborer's International Union of North America, which has scooped up millions in federal grants in recent years for various education and training programs. In February 1995, the union signed a Justice Department consent decree admitting that several of its locals operated under the influence of organized crime. Yet the union has obtained more than \$30 million in federal grants from the Environmental Protection Agency and the departments of Labor, Education, Housing and Urban Development, Health and Human Services—most of these after February 1995. While receiving the federal grants with one hand, the union has been parceling out substantial amounts of money with the other—including \$460,000 to the Democratic National Committee between January and September 1996.

Unions aren't the only ones receiving questionable federal grants. Earlier this year, congressional hearings exposed HUD's sponsorship of a National Tenants Organization convention in Puerto Rico. The organizer previously had been barred from participating in HUD programs for two years because of "irregularities" during her tenure as president of a company that manages a HUD-backed multifamily housing project. HUD's inspector general later reported that the conference was not only "poorly organized" and "lacking in programmatic content," but so political in nature that a Spanish translator refused to continue translating because "he believed the political nature of the speech was inappropriate for a federal employee's participation." All HUD Secretary Henry Cisneros did in response was issue a toothless letter of reprimand to his former deputy

assistant secretary, who had approved HUD's participation, but then left to become an executive at the Chicago Public Housing Authority.

The Chicago agency is one of the more than 3,000 public housing authorities almost entirely dependent upon HUD grants and subsidies for survival. How is this money spent? Not very well, according to HUD's inspector general. In New Orleans, where HUD has dumped \$24 million over the last three years, 93% of the sampled public housing units failed a recent HUD inspection. At one point the maintenance backlog totaled 36,000 separate work orders. Despite these unmet needs, the managers of the project were able to scrape together enough federal money to buy 16 new Ford LTD Crown Victoria automobiles as perks for the executive staff. Maintenance crews serving nine separate housing projects, meanwhile, had to share a single pick-up truck.

HUD isn't the only government department giving away money for questionable purposes. Earlier this year the Education Department used the Reagan-era Safe and Drug-Free Schools Program as a vehicle for sending almost \$2 million in grant money to seven local organizations. The only problem was that most of the \$2 million didn't go for drug education. Much of it went instead to train students in "understanding the nature and dynamics of racism, religious oppression and homophobia" (New Jersey); a "prejudice reduction education program, a Holocaust/Genocide education program" (New Jersey); a project designed to "increase bicultural and multicultural competencies in youth" (Philadelphia); and a "Holiday Awareness Project" that will encourage "awareness of and participation in holidays and events significant to racial, religious, ethnic or sexual orientation groups" (New Haven, Conn.).

On the foreign-aid front, several recently completed audits of Agency for International Development grantees in the Middle East found that the Palestinian director of the Society for the Care of the Handicapped in the Gaza Strip had apparently misspent about \$1.5 million of the \$16 million his group received from Washington. The money went for a variety of unauthorized personal goodies he obtained while on unauthorized visits to the U.S., including rent for an apartment, significant

telephone charges, personal security, maid service, the cost of an automobile (including insurance, traffic fines and parking tickets), and cable TV.

In Egypt, an Arthur Andersen auditor discovered that one of AID's Egyptian grantees—the National Bank for Development—had misspent \$626,000 on ineligible bonuses to bank directors, officers and project managers. The bank also had billed AID for other unauthorized expenses, including parties, gifts, newspaper obituaries, flowers, tips, radios, entertainment, prizes and new clothes for employees attending a population conference. These and other questionable costs came to more than \$1 million out of a grant of \$3.4 million.

Of course such abuses are as common at federal agencies as they are at federal grantees. Consider the Department of Commerce's National Oceanic and Atmospheric Administration, targeted for termination by Congress, but saved by President Clinton, much to the relief of the agency's traveling bureaucrats. Commerce's inspector general reported in 1995 that NOAA exceeded its travel budget by 84% in 1994 and that numerous employees were guilty of misusing credit cards with "excessive unpaid charges, use of the card for personal purchases, and questionable automatic teller advances." Such misuse included the purchase of liquor, jewelry, flowers, books, music, and automobile insurance. The credit cards, incidentally, were issued to between 5,000 and 6,000 NOAA employees as an "efficiency" measure recommended by Vice President Gore's National Performance Review.

The stories go on and on. Some would respond by saying there is bound to be some waste and fraud given an annual federal budget that now exceeds \$1.5 trillion spread over thousands of programs. Exactly. The problem is that the federal government is trying to do too much. And nobody is ever as careful with the government's money as he is with his own. Whenever government auditors actually take it upon themselves to look for such abuses, they invariably find them. The answer isn't simply to run programs better. Congress should go back to slashing unnecessary and uneeded budget items.

Mr. Utt is a senior fellow at the Heritage Foundation.

...times he made the wheel of history turn in the opposite direction. Once, when he beat the you-know-what out of the Japanese at Khalkin-Gol and Japan thus decided against attacking the Soviet Union in the Far East. Then, a second time, he organized a counteroffensive at Moscow. Given the ratio of forces—it was 1 to 1—it was against all military rules. But he counterattacked, and he won. And the third time, in the cold summer of 1953, he caught and he shot down Beria. And again, Russia rolled in another direction.

WSJ: Who is your economic adviser?

Mr. Lebed: I have a team of people aged 30 to 40, managers of industrial groups, people with another mentality, those who want to and can work in a new way. I respect gray hair all right, but to take into my team people who all their lives have been successfully proving the incontestable advantages of socialism, and now all of a sudden they will start building a market economy? Let me tell you, if we think we've had enough before we are very much mistaken. Let them keep their orders, their medals, their diplomas, and let them fish and let them grow strawberries.

WSJ Journal Link: For a complete transcript of Mr. Lebed's remarks to the Journal, see The Wall Street Journal Interactive Edition at <http://wsj.com>

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~~CONFIDENTIAL~~ SECTION 01 OF 02 MOSCOW 032143

E.O. 12958: 11/19/01
TAGS: PGOV, RS
SUBJECT: CHUBAYS CAMPAIGN CORRUPTION SCANDAL
FADES

REF: MOSCOW 31819

1. (U) CLASSIFIED BY TOM GRAHAM, ACTING
POLITICAL COUNSELOR. REASON: 1.5 (B).

SUMMARY

2. ~~(S)~~ THE NOVEMBER 15 LEAK OF A PURPORTED CONVERSATION AMONG PRESIDENTIAL ADMINISTRATION CHIEF CHUBAYS AND CLOSE ASSOCIATES ABOUT ILLEGAL CAMPAIGN FINANCIAL PRACTICES HAS THUS FAR FAILED TO DEVELOP INTO A FULL-BLOWN POLITICAL SCANDAL. A DAY AFTER THE "MOSKOVSKIY KOMSOMOLETS" PUBLICATION, MOST RUSSIAN MEDIA WERE MORE PREOCCUPIED WITH WHO LEAKED THE RECORDED CONVERSATION THAN ITS LEGAL AND POLITICAL IMPLICATIONS. BY SUNDAY, THE EXPLOSION IN KASPIYSK HAD PUSHED THE STORY OFF THE FRONT PAGES. THE CAMPAIGN FINANCING LEAK IS THE LATEST IN A SERIES OF REVELATIONS THAT HAVE TARRIED CLOSE CHUBAYS ASSOCIATES, BUT THUS FAR CHUBAYS HIMSELF SHOWS SIGNS OF BECOMING THE "TEFLON" CHIEF OF STAFF. CHUBAYS' FATE WILL ULTIMATELY BE DECIDED NOT BY THE COURT OF PUBLIC OPINION BUT BY YELTSIN. SHOULD HE DECIDE TO TAKE CHUBAYS DOWN A

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PEG, HE IS MORE LIKELY TO BE GUIDED BY HIS USUAL PREFERENCE FOR A BALANCE OF FORCES AMONG HIS CLOSEST ASSOCIATES THAN BY REPORTS OF THEIR MISCONDUCT. END SUMMARY.

HOW DO YOU SAY "DEEP THROAT" IN RUSSIAN?

3. (U) "MOSKOVSKIY KOMSOMOLETS" STANDS VIRTUALLY ALONE IN PUSHING THE CAMPAIGN FINANCING STORY AS A MAJOR, PRESIDENCY-THREATENING SCANDAL. "MOSCOW WATERGATE" TRUMPETED THE FRONT PAGE HEADLINE OF THE NOVEMBER 16 EDITION. ON NOVEMBER 18 THE PAPER PUBLISHED A SHORT HISTORY OF THE ORIGINAL WATERGATE AFFAIR AS ITS LEAD STORY -- COMPLETE WITH JUXTAPOSED PHOTOGRAPHS OF NIXON AND THE WATERGATE HOTEL AND YELTSIN AND THE PRESIDENT HOTEL IN MOSCOW. (THE PRESIDENT HOTEL HOUSED YELTSIN'S CAMPAIGN HEADQUARTERS AND WAS THE SITE OF THE ALLEGED CONVERSATION AMONG CHUBAYS, ILYUSHIN AND KRASAVCHENKO.)

KTO KOGO?

4. (X) MAINSTREAM MEDIA HAVE BEEN MORE PREOCCUPIED WITH THE PERPETUAL RUSSIAN QUESTION OF "KTO KOGO" (WHO IS DOING WHAT TO WHOM) THAN WITH THE LEGAL AND POLITICAL CONSEQUENCES OF CAMPAIGN ILLEGALITIES. VIRTUALLY ALL THE MEDIA AND OUR CONTACTS AGREE THAT FORMER PRESIDENTIAL BODYGUARD KORZHAKOV IS NOT THE ONLY SUSPECT, AND PERHAPS NOT EVEN THE MOST LIKELY ONE. ON THE NOVEMBER 16 "VREMYA" PROGRAM, FOR EXAMPLE, ANCHORMAN DORENKO REJECTED THE POSSIBILITY THAT KORZHAKOV, CHERNOMYRDIN OR THE COMMUNISTS ENGINEERED THE LEAK AND STRONGLY IMPLIED THAT MOSCOW MAYOR LUZHKOV HAD THE MOST TO BENEFIT FROM TARRING CHUBAYS. A NOVEMBER 16 EDITORIAL BY "NEZAVISIMAYA GAZETA" CHIEF EDITOR TRETYAKOV, FOR INSTANCE, WROTE THAT KORZHAKOV'S GROUP WAS NOT THE ONLY GROUP TO HAVE AN INTEREST IN TOPPLING THE "CHUBAYS GROUP." (IN PRIVATE, TRETYAKOV TOLD POLCOUNS THAT HE THOUGHT CHERNOMYRDIN WAS BEHIND THE LEAK).

5. (SBU) POLITICAL OBSERVER PAVEL VOSHCHANOV NOTED IN "KOMSOMOLSKAYA PRAVDA" NOVEMBER 19 THAT POLITICAL SCANDALS IN RUSSIA HAVE A SHORT SHELF-LIFE. VOSHCHANOV LAMENTED THAT THE CHUBAYS CAMPAIGN FINANCE SCANDAL HAS ECLIPSED THE SCANDAL OVER SECURITY COUNCIL DEPUTY CHAIRMAN

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BEREZOVSKIY'S DUAL RUSSIAN-ISRAELI CITIZENSHIP. THE POLITICAL DRAMA IN BELARUS (WITH ITS UNCOMFORTABLE PARALLELS TO RUSSIA CIRCA 1993) AND THE EXPLOSION IN KASPIYSK HAVE, IN TURN, PUSHED THE CAMPAIGN FINANCE SCANDAL OFF THE FRONT PAGES. THE REVELATION THAT ANOTHER CHUBAYS ASSOCIATE, PRESIDENTIAL ADMINISTRATION DEPUTY CHIEF YURIY YAROV, WAS INVOLVED IN CORRUPTION SURROUNDING THE

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E.O. 12958: 11/19/01

TAGS: PGOV, RS

SUBJECT: CHUBAYS CAMPAIGN CORRUPTION SCANDAL
FADES

AFGHAN VETERANS FUND BARELY REGISTERED IN THE AFTERMATH OF THE BOMBING AT THE KOTLYAKOVSKOYE CEMETARY.

6. ~~(S)~~ TAKEN TOGETHER, THE BEREZOVSKIY, YAROV, AND CAMPAIGN FINANCING SCANDALS ALL DIRECTLY OR INDIRECTLY TARNISH CHUBAYS BUT ARE UNLIKELY BY THEMSELVES TO AFFECT HIS POLITICAL FATE. OUR CONTACTS HAVE FOR SOME TIME NOTED THAT CHUBAYS HAS AMASSED DISPROPORTONATE POWER AND INFLUENCE, UPSETTING THE BALANCE OF FORCES AMONG KREMLIN ELITES, BUT THERE IS NO EVIDENCE TO SUGGEST THAT SOMEONE IS COORDINATING A CAMPAIGN AGAINST CHUBAYS. RATHER, INDIVIDUALS OR GROUPS APPEAR TO BE TAKING SHOTS AT CHUBAYS AND HIS ALLIES FOR THEIR OWN PERSONAL REASONS.

7. ~~(S)~~ IN ANY EVENT, CHUBAYS' FATE WILL - ULTIMATELY BE DECIDED NOT BY THE COURT OF PUBLIC OPINION BUT BY YELTSIN, ONCE HE RETURNS TO FORM. SHOULD YELTSIN DECIDE TO TAKE CHUBAYS DOWN A PEG, HE IS MORE LIKELY TO BE GUIDED BY HIS USUAL PREFERENCE FOR A BALANCE OF FORCES AMONG HIS CLOSEST ASSOCIATES THAN BY CONCERNS OVER THEIR MISCONDUCT.

COMMENT

8. (SBU) WITH MOST RUSSIAN MEDIA ALREADY PREOCCUPIED WITH OTHER NEWSWORTHY STORIES, ONLY THE DUMA HAS THE POTENTIAL AND MOTIVATION TO KEEP THE CAMPAIGN FINANCE SCANDAL ALIVE, AND EVEN IT FACES SHARP CONSTRAINTS. ANY INVESTIGATION CONDUCTED BY A SPECIALLY CREATED PARLIAMENTARY COMMISSION TO INVESTIGATE THE ABUSES RAISED BY

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THE "MOSKOVSKIY KOMSOMOLETS" STORY WILL DEPEND ON COOPERATION FROM THE PROCURATOR'S OFFICE, WHICH IS NOT A DISINTERESTED PARTY IN THE DISPUTE. IN TRUTH, AS THE WEEKLY "NOVAYA GAZETA" COMMENTED ON NOVEMBER 18, MOSCOW'S POLITICAL ACTIVISTS HAVE KNOWN FOR MONTHS THAT YELTSIN'S CAMPAIGN RECEIVED ILLEGAL CONTRIBUTIONS AND THAT CHUBAYS' PEOPLE HANDLED DOLLARS BY THE BOXLOAD. SINCE THE STORY'S SHOCK VALUE ALREADY SEEMS TO HAVE FADED, THE ONLY REAL QUESTION IS WHETHER THE SCANDAL WILL RESURFACE AT ANOTHER TIME, PERHAPS IN COMBINATION WITH NEW ALLEGATIONS, AND DO REAL DAMAGE TO CHUBAYS. TEFFT

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E.O. 12958: DECL: 11/18/01
TAGS: TPHY, KGCC, KSCA, RS
SUBJECT: KGCC: BATTLE BREWING BEHIND THE SCENES ON THE
RUSSIAN SIDE OF THE GCC SCIENCE COMMITTEE

1. (U) CLASSIFIED BY ESTCOUNS JOHN ZIMMERMAN. REASON:
1.5(D).

2. ~~(S)~~ SUMMARY: SENIOR OFFICIALS WORKING FOR PRESIDENT
YELTSIN'S SCIENCE ADVISOR NIKOLAY MALYSHEV RECENTLY TOLD
US THAT THEY ARE IN THE "INVESTMENT BANKING BUSINESS."
ALSO, THEY SAID THAT MALYSHEV INTENDS TO TAKE OVER THE CO-
CHAIRMANSHIP OF THE GCC S AND T COMMITTEE. END SUMMARY.

3. ~~(S)~~ ON NOVEMBER 15, ESTCOUNS HAD LUNCH WITH TWO SENIOR
OFFICIALS FROM THE OFFICE OF NIKOLAY G. MALYSHEV, SCIENCE
ADVISOR TO PRESIDENT BORIS YELTSIN: GEORGIY MARKOSOV,
DIRECTOR-DESIGNATE OF THE WASHINGTON OFFICE OF THE FUND
FOR PRESIDENTIAL PROGRAMS, AND LEONID AVRAMENKO, DEPUTY
DIRECTOR OF THE CENTER FOR PRESIDENTIAL PROGRAMS. THE
CONVERSATION LARGELY CENTERED AROUND THE FUND'S ACTIVITIES
AND MALYSHEV'S FUTURE.

4. ~~(S)~~ WHEN ASKED TO DESCRIBE HOW THE FUND OPERATED,
MARKOSOV WAS DIRECT IN CHARACTERIZING IT AS "AN INVESTMENT
BANK" WHICH ARRANGES FINANCING VIA WESTERN INVESTORS FOR
THE VARIOUS GOR CONTRACTORS PARTICIPATING IN FUND
PROGRAMS. THE FUND'S MOST RECENT ENDEAVOUR IS A U.S.-
RUSSIAN JOINT VENTURE CONSTRUCTION COMPANY; MARKOSOV WILL
RETURN SOON TO THE U.S. TO COMPLETE CONTRACT NEGOTIATIONS
AND, IN PARTICULAR, TO SECURE EX-IM BANK FINANCING FOR THE

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PROJECT. DURING A QUICK OVERVIEW OF FUND PROGRAMS, ESTCOUNS ASKED AVRAMENKO WHAT THE "MOBIL'NIY KOMPLEKS" WAS. AFTER AVRAMENKO EXPLAINED THAT THE OBJECTIVE WAS TO BUILD MOBILE OIL/GAS EXPLORATION RIGS, MARKOSOV ADDED THAT THIS WAS ONE PARTICULAR PROGRAM WHICH WAS NOT OPEN TO FOREIGN INVESTORS.

5. (X) WHEN ESTCOUNS ASKED HIS HOSTS ABOUT THE RUMOR THAT FORMER MINISTER OF SCIENCE BORIS SALTYKOV WOULD REPLACE MALYSHEV, BOTH OFFICIALS BRISTLED AND REPLIED THAT THIS WAS A SILLY STORY WHICH SHOULD HAVE DIED OUT LONG AGO. MARKOSOV THEN WENT ON THE OFFENSIVE, STATING THAT MALYSHEV SHOULD BE THE COUNTERPART ON THE GCC SCIENCE COMMITTEE TO DR. GIBBONS AND THAT THE CHANGE WOULD BE ACCOMPLISHED PRIOR TO THE NEXT GORE-CHERNOMYRDIN COMMISSION MEETING. (THEY DID NOT, HOWEVER, EXPLAIN HOW MALYSHEV INTENDED TO REMOVE DEPUTY PRIME MINISTER VLADIMIR FORTOV FROM THE POSITION OF RUSSIAN CO-CHAIRMAN OF THE S AND T COMMITTEE.)

6. (X) COMMENT: WHILE IN THE PAST WE HAVE OFFHANDLY DESCRIBED NIKOLAY MALYSHEV AS YELTSIN'S "INVESTMENT ADVISOR" -- NOT HIS SCIENCE ADVISOR -- THIS DESCRIPTION MAY BE MORE APT WITH EACH PASSING DAY. ACCORDING TO THEIR OWN CHARACTERIZATION, MARKOSOV AND AVRAMENKO PUT TOGETHER BUSINESS DEALS ON THE FUND'S AND MALYSHEV'S BEHALF; THEY NEVER MENTIONED A SINGLE, REAL SCIENCE PROJECT DURING THE ENTIRE LUNCHEON. IF MALYSHEV SUCCEEDS IN TAKING OVER THE CO-CHAIRMANSHIP OF THE GCC S AND T COMMITTEE, IT WILL BE INTERESTING TO SEE IN WHAT DIRECTION HE TRIES TO TAKE THE COMMITTEE'S WORK. END COMMENT.

<^SECT>SECTION: 01 OF 01

<^SSN>1972

<^TOR>961119081048 M2500435

FROM:
SITREPT

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Withdrawal/Redaction Marker

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
016. cable	re: Berezovskiy Approves Text (4 pages)	11/19/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia/Ukraine, Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovsky Magnates [1]

2012-0962-M
rs790

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
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- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
017. cable	re: Government in All-Day Session (3 pages)	11/15/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia/Ukraine, Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovsky Magnates [1]

2012-0962-M
rs790

RESTRICTION CODES

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WHITE HOUSE SITUATION ROOM

DIST: NSC, EGGERT, ELKIND, FORT, HESLIN, PASCUAL, PASSDOWN, PIFER, RUMER, SUM,
SUM2, WISE, SIT{C2}

PREC: PRIORITY CLASS: ~~CONFIDENTIAL~~ DTG: 151701Z NOV 96

FM: AMEMBASSY MOSCOW

TO:
RUEHC/SECSTATE WASHDC PRIORITY 7566

RUEHTL/AMEMBASSY TALLINN 6652
RUEHXD/MOSCOW POLITICAL COLLECTIVE
RUCNCIS/CIS COLLECTIVE
RUEHVL/AMEMBASSY VILNIUS 6795
RUEHRA/AMEMBASSY RIGA 6758

**DECLASSIFIED
PER E.O. 13526**

2012-0962-M (1.18)
ROS 12/24/2013

~~CONFIDENTIAL~~ SECTION 01 OF 02 MOSCOW 031819

E.O. 12958: 11/15/01
TAGS: PGOV, RS
SUBJECT: CHUBAYS BECOMES LATEST TARGET IN KOMPROMAT
WAR

1. (U) CLASSIFIED BY TOM GRAHAM, ACTING POLITICAL
COUNSELOR. REASON 1.5 (B).

SUMMARY

2. (SBU) ON 15 NOVEMBER, THE POPULAR NEWSPAPER
"MOSKOVSKIY KOMSOMOLETS" PUBLISHED THE PURPORTED
TRANSCRIPT OF A JUNE 22 CONVERSATION AMONG TOP YELTSIN
CAMPAIGN ADVISERS IN WHICH THEY URGENTLY DISCUSSED HOW
TO LIMIT THE POTENTIAL FALL-OUT FROM THE ARRESTS OF
CAMPAIGN ASSOCIATES YEVSTAFYEV AND LISOVSKIY. OF
PARTICULAR CONCERN TO THEN-PRESIDENTIAL CAMPAIGN CHIEF
CHUBAYS, FIRST PRESIDENTIAL ASSISTANT ILYUSHIN, AND
PRESIDENTIAL ADVISER KRASAVCHENKO WAS TO COVER UP
DOCUMENTARY EVIDENCE DETAILING ILLEGAL CAMPAIGN
FINANCING. THE NEWSPAPER STRONGLY HINTED THAT FAPSI
WAS RESPONSIBLE FOR RECORDING THE CONVERSATION, BUT IT
DID NOT INDICATE WHO TURNED THE TAPE OVER TO THE
NEWSPAPER. EMBASSY CONTACTS AGREE THAT FORMER
PRESIDENTIAL SECURITY CHIEF KORZHAKOV IS THE MOST
LIKELY SOURCE, BUT THEY ALSO SAY THAT MANY OTHERS HAVE
A STRONG INTEREST IN DISCREDITING CHUBAYS. WE CAN BE
CERTAIN THAT THIS TRANSCRIPT IS ONLY THE LATEST -- NOT
THE LAST -- ROUND IN AN AN ESCALATING WAR OF

~~CONFIDENTIAL~~

"KOMPROMAT" (COMPROMISING MATERIALS), WHICH IS MORE LIKELY TO FURTHER UNDERMINE POPULAR CONFIDENCE IN THE AUTHORITIES IN GENERAL THAN IN PARTICULAR INDIVIDUALS. END SUMMARY.

THE NOT-SO-SECRET SECRET CONVERSATION

3. (U) "MOSKOVSKIY KOMSOMOLET," THE MOST WIDELY READ NEWSPAPER IN MOSCOW, CARRIED IN ITS NOVEMBER 15 EDITION THE PURPORTED TRANSCRIPT OF A CONVERSATION AMONG PRESIDENTIAL CAMPAIGN STRATEGISTS CHUBAYS, ILYUSHIN, AND KRASAVCHENKO. ACCOMPANYING EDITORIAL NOTES MAKE IT CLEAR THAT THE CONVERSATION TOOK PLACE AFTER CHUBAYS ASSOCIATES YEVSTAFYEV AND LISOVSKIY WERE ARRESTED ON JUNE 19 WHILE CARRYING A BOX FILLED WITH USD 500,000 OUT OF THE GOVERNMENT "WHITE HOUSE." THE DAY AFTER THE ARREST, FOLLOWING THE DISMISSALS OF KORZHAKOV, FIRST DEPUTY PRIME MINISTER SOSKOVETS, AND FSB DIRECTOR BARSUKOV, CHUBAYS CHARGED IN A PRESS CONFERENCE THAT THE ARREST WAS A SET UP AND THE MONEY HAD BEEN PLANTED ON THE TWO MEN. THE LEAKED CONVERSATION, HOWEVER, REVEALS THAT THE THREE YELTSIN ADVISERS KNEW ABOUT THE MONEY AND KNEW THAT KORZHAKOV HAD ACQUIRED INCRIMINATING EVIDENCE OF ITS EXISTENCE AND OTHER FINANCIAL ABUSES, INCLUDING HARD CURRENCY TRANSACTIONS. MOREOVER, THE TRANSCRIPT SUGGESTS THAT YELTSIN WAS INFORMED OF ILLEGAL CAMPAIGN FINANCIAL ACTIVITIES AFTER THE ARRESTS BUT THAT THIS WAS THE FIRST THAT YELTSIN KNEW OF SUCH PRACTICES. HIS ADVISERS EVIDENTLY FEARED THAT KORZHAKOV HAD ALREADY TAKEN STEPS TO HAND THIS MATERIAL TO GENERAL PROCURATOR SKURATOV AND TO MOSCOW FSB CHIEF TROFIMOV, FROM WHENCE THEY EXPECTED IT TO REACH COMMUNIST PARTY LEADERS.

4. (U) THE TRANSCRIPT INDICATES THAT THE MOST URGENT ISSUE FOR THE CAMPAIGN STAFF WAS PREVENTING THE EVIDENCE FROM BECOMING PUBLIC BEFORE THE JULY 3 RUN-OFF ELECTION. ILYUSHIN CONFIDENTLY STATED THAT THEY COULD RELY ON NTV PRESIDENT MALASHENKO (A CAMPAIGN ADVISER), FEDERAL TV AND RADIO SERVICE CHAIRMAN LAZUTKIN, RUSSIAN PRESS COMMITTEE CHAIRMAN LAPTEV, AND OTHER LOYAL FIGURES IN THE MEDIA TO HUSH UP THE EVIDENCE. THEY ALSO EXPRESSED CONFIDENCE IN THEIR ABILITY TO GAIN GENERAL PROSECUTOR SKURATOV'S COOPERATION IN SITTING ON THE EVIDENCE UNTIL AFTER THE RUN-OFF ELECTION, OR EVEN TO HAVE YELTSIN REQUEST THE DOCUMENTS FROM SKURATOV "TO ANALYZE" AND THEN HAVE THEM CONVENIENTLY DISAPPEAR.

SWIFT REACTION

5. (U) NTV, WHOSE REPUTATION FOR JOURNALISTIC INDEPENDENCE IS FURTHER JEOPARDIZED BY THE LEAKED

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TRANSCRIPT, REPORT
TED IN ITS AFTERNOON NEWSCAST NOVEMBER
15 THE QUICK REACTION PROVOKED BY THE PUBLICATION:

-- PRESIDENTIAL SPOKESMAN YASTRZHEMSKIY CONVENED A
PRESS CONFERENCE TO ANNOUNCE THAT CHUBAYS, NOT
SURPRISINGLY, "CATEGORICALLY DENIES THAT THE
CONVERSATION EVER TOOK PLACE."

-- LED BY "PEOPLE'S POWER" DEPUTY BABURIN, THE DUMA
~~CONFIDENTIAL~~ SECTION 02 OF 02 MOSCOW 031819

E.O. 12958: 11/15/01

TAGS: PGOV, RS

SUBJECT: CHUBAYS BECOMES LATEST TARGET IN KOMPROMAT
WAR

DEBATED THE LEAKED TRANSCRIPT AT ITS REGULAR SESSION
TODAY. SECURITY COMMITTEE (AND CPRF DEPUTY) ILYUKHIN
ANNOUNCED THAT THE DUMA WOULD FORM A COMMISSION TO
INVESTIGATE THE DOCUMENT'S AUTHENTICITY AND WOULD APPEAL
TO YELTSIN TO LOOK INTO THE REVELATIONS OF FINANCIAL
ABUSES.

SOURCES AND MOTIVATIONS

6. ~~(X)~~ ALL OUR CONTACTS AGREE THAT KORZHAKOV IS THE
MOST LIKELY SOURCE OF THE LEAKED TRANSCRIPT, BUT HE IS
NOT THE ONLY SUSPECT: CHUBAYS' ENEMIES ARE LEGION.

-- SERGEY KOLESNIKOV, A CLOSE ADVISER TO PRIME MINISTER
CHERNOMYRDIN, TOLD POLOFF THAT THE TRANSCRIPT IS
AUTHENTIC AND THAT KORZHAKOV WAS THE MOST LIKELY SOURCE
OF THE LEAK. HE INTIMATED THAT CHERNOMYRDIN WAS NOT
UNHAPPY TO SEE IT APPEAR IN THE PRESS BECAUSE OF THE
LATENT TENSIONS BETWEEN HIM AND CHUBAYS.

-- STEPAN KISELEV, A JOURNALIST AT "IZVESTIYA," TOLD
POLOFF ON NOVEMBER 14 THAT HE THOUGHT THE TRANSCRIPT
AUTHENTIC AND THAT KORZHAKOV HAD CIRCULATED IT TO THE
MEDIA, BUT "IZVESTIYA" HAD REFUSED TO PUBLISH IT.

-- VALERIY SOLOVEY, AN EXPERT AT THE GORBACHEV
FOUNDATION WITH GOOD LINES INTO THE SECRET SERVICES,
ALSO ASSUMED THAT KORZHAKOV IS BEHIND THE LEAK.
MOREOVER, HE THOUGHT IT NO COINCIDENCE THAT THE
TRANSCRIPT SHOULD BE PUBLISHED ON THE SAME DAY THAT
KORZHAKOV WAS OFFICIALLY REGISTERED AS A CANDIDATE IN
THE UPCOMING TULA ELECTION FOR A STATE DUMA SEAT. HE
POINTED OUT, AND POLOFF VERIFIED, THAT THE DUMA
ELECTION LAW GRANTS CANDIDATES LIMITED IMMUNITY FROM
PROSECUTION AND ARREST (ANY LEGAL ACTION WOULD HAVE TO

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BE SANCTIONED BY THE GENERAL PROCURATOR).

-- SUGGESTING THAT THE CONTENTS OF THE TAPED CONVERSATION HAVE BEEN KNOWN FOR SOME TIME, RUSSIAN PUBLIC TELEVISION (ORT) GENERAL DIRECTOR BLAGOVOLIN TOLD POLOFFS ON OCTOBER 31 THAT "WE HAD NOT HEARD THE LAST OF THE BOX WITH THE MONEY."

COMMENT

7. ~~(S)~~ WE CANNOT VOUCH FOR THE AUTHENTICITY OF THE LEAKED TRANSCRIPT, BUT ITS REVELATIONS OF ILLEGAL CAMPAIGN FINANCING TRACK WITH WHAT WE HAVE HEARD FOR MONTHS. THERE IS NO QUESTION THAT HARD CURRENCY WAS INVOLVED (DOLLARS ARE NOT LEGAL TENDER IN RUSSIA) AND THAT THE SUMS VASTLY EXCEEDED LEGAL CAMPAIGN LIMITS. THAT KORZHAKOV SHOULD BE THE PRIME SUSPECT IN LEAKING THE TRANSCRIPT IS NO SURPRISE, BUT WE WOULD CAUTION THAT HE IS NOT THE ONLY POLITICAL FIGURE TO BEAR A GRUDGE AGAINST CHUBAYS. SOLOVEY, FOR EXAMPLE, THOUGHT THE TRANSCRIPT COULD NOT HAVE APPEARED IN "MOSKOVSKIY KOMSOMOLETS" WITHOUT AT LEAST THE APPROVAL OF MAYOR LUZHKOV, WITH WHOM THE PAPER HAS LONG BEEN IDENTIFIED. (HAD IT APPEARED IN "IZVESTIYA," HE SAID, HE WOULD BE MORE INCLINED TO SUSPECT CHERNOMYRDIN, WHOM HE CLAIMS NOW HAS A GOOD RELATIONSHIP WITH THE PAPER.)

8. ~~(S)~~ OF GREATER IMPORT ARE THE CONSEQUENCES OF THE LATEST ROUND IN THE "KOMPROMAT" WAR. IF THE BORIS FEDOROV-NATIONAL SPORTS FOUNDATION ALLEGATIONS OF KORZHAKOV-BARSUKOV-SOSKOVETS INVOLVEMENT IN EXTORTION AND MURDER WERE PERHAPS MORE SENSATIONAL, THE LATEST REVELATIONS CAST DOUBT ON THE LEGITIMACY OF YELTSIN'S ELECTORAL VICTORY. WHILE CHUBAYS IS THE MOST OBVIOUS TARGET, THE LATEST KOMPROMAT LEAK MAY DO MORE TO DISCREDIT THE AUTHORITIES IN GENERAL THAN ANY ONE INDIVIDUAL IN PARTICULAR. TEFFT

<^SECT>SECTION: 01 OF 02

<^SSN>1819

<^TOR>961115120928 M2495858

<^SECT>SECTION: 02 OF 02

<^SSN>1819

<^TOR>961115121225 M2495864

FROM:
SITREPT

~~CONFIDENTIAL~~

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
019. cable	re: Russian Leadership Over Publication (3 pages)	11/15/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia/Ukraine, Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovsky Magnates [1]

2012-0962-M
rs790

RESTRICTION CODES

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WHITE HOUSE SITUATION ROOM

DIST: CLARKER, EGGERT, FORT, HESLIN, LINDSAY, ORR, PASCUAL, PIFER, RUMER, SHEEHAN, WECHSLER, NSC

PREC: PRIORITY CLASS: ~~CONFIDENTIAL~~ DTG: 141511Z NOV 96

FM: AMEMBASSY MOSCOW

TO:
RUEHC/SECSTATE WASHDC PRIORITY 7419

RUEHVEN/USMISSION USVIENNA 3340

DECLASSIFIED
PER E.O. 13526
2012-0962-M (1.20)
RDS 12/24/2013

~~CONFIDENTIAL~~ MOSCOW 031658

EXDIS

USVIENNA FOR USDEL OSCE

E.O. 12958: DECL: 11/07/06
TAGS: PGOV, RS
SUBJECT: SECURITY COUNCIL DEPUTY BEREZOVSKIY ON CHECHNYA

1. (U) CLASSIFIED BY JOHN TEFFT, CHARGE. REASON:
1.5(B,D) .

SUMMARY

2. (C) SECURITY COUNCIL DEPUTY SECRETARY BEREZOVSKIY TOLD US NOVEMBER 6 HE WAS CONFIDENT HE COULD CUT A DEAL WITH CHECHEN SEPARATIST LEADERS. NEGOTIATIONS ON THE RUSSIAN SIDE, HE SAID, WOULD BE CONCENTRATED IN HIS HANDS. ALTHOUGH HE OPPOSED CHECHEN INDEPENDENCE, THE KHASAVYURT AGREEMENT, WHICH ALLOWED THAT POSSIBILITY, WAS "A FACT" AND WOULD BE THE STARTING POINT FOR CURRENT TALKS. THE KEY TO A SETTLEMENT WAS REACHING AGREEMENT WITH THE "FOUR TO FIVE" CHECHEN LEADERS WHO CONTROLLED THE SITUATION IN CHECHNYA. THAT WOULD ENTAIL "GIVING MONEY TO CONCRETE MEN." HE BELIEVED THE CHECHEN LEADERS WOULD EVENTUALLY CUT A DEAL BECAUSE THEY WERE CONCERNED ABOUT THEIR OWN ABILITY TO CONTROL THE SITUATION OVER THE LONG RUN, WERE OPPOSED TO ISLAMIC FUNDAMENTALISM, AND UNDERSTOOD THAT CHECHNYA COULD NEVER BE INDEPENDENT (EVEN IF THEY COULD NOT SAY SO PUBLICLY NOW). BEREZOVSKIY WILL UNDOUBTEDLY FIND THE TALKS MORE DIFFICULT THAN HE SUGGESTED IN THIS CONVERSATION. IN PARTICULAR, FINDING THE NECESSARY MONEY WILL BE A DAUNTING TASK GIVEN MOSCOW'S CURRENT BUDGET CONSTRAINTS. END SUMMARY.

~~CONFIDENTIAL~~

MOSLEM WORLD AS A THREAT

3. ~~(C)~~ IN A MEETING WITH POL/INT CHIEF NOVEMBER 6, SECURITY COUNCIL DEPUTY SECRETARY BEREZOVSKIY OUTLINED HIS THINKING ON CHECHNYA. IN HIS VIEW, THE MOSLEM WORLD PRESENTS A GROWING THREAT TO WESTERN CIVILIZATION, WHICH THE UNITED STATES AND OTHER LEADING WESTERN STATES GROSSLY UNDERESTIMATE. HE PROFFESSES NOT TO BE ANTI-MOSLEM, BUT SIMPLY ARGUES THAT THE MOSLEM WORLD IS JUST BEGINNING TO EMERGE AS A MAJOR WORLD ACTOR ON THE EVE OF THE TWENTY-FIRST CENTURY. LIKE ALL NEWCOMERS, IT IS YOUNG, DYNAMIC, AND AGGRESSIVE, IN BEREZOVSKIY'S VIEW. THIS IS PARTICULARLY WORRISOME SINCE RUSSIA IS IN A STATE OF DECLINE AT A TIME WHEN IT MUST CONTINUE TO ACT AS A BARRIER BETWEEN THE MOSLEM AND CHRISTIAN WORLDS, AS IT HAS HISTORICALLY.

4. ~~(C)~~ AS FAR AS CHECHNYA IS CONCERNED, BEREZOVSKIY SAID, IT IS IMPERATIVE THAT IT REMAIN A PART OF RUSSIA IF RUSSIA IS TO REMAIN A BULWARK AGAINST THE MOSLEM WORLD. DURING HIS RECENT VISIT TO THE NORTHERN CAUCASUS, BEREZOVSKIY TOLD SEPARATIST LEADER MASKHADOV BEFORE TELEVISION CAMERAS, "RUSSIA WILL PAY ANY PRICE FOR PEACE AND STABILITY IN THE CAUCASUS, AND IT WILL PAY ANY PRICE TO KEEP CHECHNYA IN RUSSIA." (ACCORDING TO BEREZOVSKIY, THESE WORDS OF HIS WERE NOT REPORTED ON RUSSIAN TELEVISION.)

4-5 MEN CAN SOLVE THE CHECHNYA PROBLEM

5. ~~(C)~~ BEREZOVSKIY BELIEVES THAT THE SOLUTION TO CHECHNYA LIES FIRST OF ALL IN IDENTIFYING THE FEW MEN THAT ARE CAPABLE OF CONTROLLING THE SITUATION THERE. IN ANY COUNTRY, ONLY A FEW PEOPLE COUNT, BEREZOVSKIY EXPLAINED. "IN THE UNITED STATES IT MAY BE 200 HUNDRED FAMILIES, PROBABLY FEWER; IN SOUTH KOREA, IT IS TWENTY,; IN CHECHNYA, IT IS FOUR, PERHAPS FIVE, MEN." MOREOVER, IN A PLACE LIKE CHECHNYA WHERE SOCIETY IS NOT WELL-FORMED (IN BEREZOVSKIY'S VIEW), THESE FOUR OR FIVE MEN ARE CAPABLE OF RADICALLY AND QUICKLY CHANGING THE MOOD AND STRUCTURE OF SOCIETY AS A WHOLE. DURING HIS TRIP TO THE CAUCASUS, BEREZOVSKIY BELIEVES, HE FOUND THESE FOUR OR FIVE MEN, WHO INCLUDE MASKHADOV AND ICHKERIYA PRESIDENT YANDARBIYEV (BEREZOVSKIY DID NOT NAME THE OTHERS.). THEY CONTROL "EIGHTY PERCENT OF THE SITUATION IN CHECHNYA". (BEREZOVSKIY SAID HE HAD MET WITH MASKHADOV, BUT NOT YANDARBIYEV, DURING HIS VISIT.)

NEGOTIATING A SETTLEMENT

6. ~~10~~ NOW THAT HE HAD IDENTIFIED THE KEY LEADERS, HOW DOES BEREZOVSKIY PROPOSE TO PROCEED?

-- FIRST, HE ARGUED, THE NEGOTIATING PROCESS ON THE RUSSIAN SIDE HAD TO BE CONCENTRATED IN THE HANDS OF ONE PERSON, THAT IS, HIS OWN. PRIME MINISTER CHERNOMYRDIN

WOULD BE IMPORTANT ONLY IN GIVING THE NEGOTIATIONS MOMENTUM AT THE BEGINNING AND SIGNING ANY AGREEMENT AT THE END.

-- SECOND, ALL RUSSIAN OFFICIALS WHO WERE PREVIOUSLY INVOLVED IN PROSECUTING THE WAR HAD TO BE REMOVED FROM THE NEGOTIATIONS. BECAUSE THEY WERE DEFEATED BY THE CHECHENS, THEY ARE PSYCHOLOGICALLY INCAPABLE OF MAKING THE COMPROMISES NECESSARY TO REACH AGREEMENT WITH THE CHECHEN SEPARATIST.

-- THIRD, THE KHASAVYURT AGREEMENT NEGOTIATED BY THE FORMER SECURITY COUNCIL SECRETARY LEBED HAS TO BE THE STARTING POINT OF THE CURRENT TALKS, EVEN THOUGH BEREZOVSKIY FINDS THEM INADEQUATE. IN PARTICULAR, THE MENTIONING OF EVEN THE POSSIBILITY OF INDEPENDENCE FOR CHECHNYA WAS A GRAVE MISTAKE. NEVERTHELESS, "THE AGREEMENT IS A FACT," AND THE NEGOTIATIONS WILL GO NOWHERE IF MOSCOW TRIES TO REOPEN THAT AGREEMENT NOW.

-- FOURTH, MOSCOW NEEDS TO SATISFY THE REAL INTERESTS OF THOSE FOUR OR FIVE MEN WHO CONTROL THE SITUATION IN CHECHNYA. IN BEREZOVSKIY'S MIND, THAT ENTAILS "GIVING MONEY TO CONCRETE INDIVIDUALS."

-- FIFTH, THE TASK IS CONSOLIDATING THE CHECHEN LEADERS. MOSCOW'S RESORT TO A DIVIDE-AND-RULE STRATEGY BEFORE AND DURING THE WAR HAD LED ONLY TO GREATER RESISTANCE AND LESS HOPE FOR A SUCCESSFUL OUTCOME.

-- SIXTH, OSCE ASSISTANCE GROUP LEADER GULDIMANN HAS A ROLE TO PLAY IN PERSUADING THE CHECHEN LEADERS THAT THEY ARE BEING DEALT WITH FAIRLY AND NOT FALLING INTO ANY TRAPS. (BEREZOVSKIY SAID HE HAD BEEN CONCERNED THAT GULDIMANN APPEARED INCLINED TO TAKE THE CHECHEN SEPARATISTS'S SIDE AND WONDERED WHETHER THIS WAS A REFLECTION OF THE WEST'S TRUE GOALS IN THE REGION. HIS TALKS WITH CHECHEN SEPARATIST LEADERS HAD, HOWEVER, CAUSED HIM TO REASSESS GUIDIMANN'S ROLE, ALTHOUGH HE STILL WISHED GULDIMANN WOULD BE LESS PARTISAN.)

THE CHECHEN LEADERS ARE GOOD "SOVIETS"

7. ~~(C)~~ BEREZOVSKIY SAID HE HAD COME AWAY FROM HIS FIRST TALKS WITH THE CHECHEN LEADERS WITH A SENSE OF RESPECT FOR THEM AND ALSO A CONVICTION THAT HE CAN CUT A DEAL. THE CHECHEN LEADERS ARE "SMART, EVEN IF THEY HAVE A BIT OF EASTERN IRRATIONALISM ABOUT THEM." THEY UNDERSTAND THAT CHECHNYA'S FATE IS TIED WITH RUSSIA, AND THEY ARE WORRIED ABOUT THEIR OWN ABILITY TO CONTROL THE SITUATION OVER THE LONG RUN. IN PARTICULAR, THEY EXPRESSED CONCERN ABOUT YOUNG CHECHENS, WHO, THEY BELIEVE, ARE PRONE TO TURNING TO NARCOTICS AND VIOLENCE IF NOT GAINFULLY EMPLOYED, AND SMALL "BANDIT FORMATIONS," WHO ALLEGEDLY RECEIVE OFFERS TO CARRY OUT TERRORIST AND OTHER PARAMILITARY ACTIONS FROM A WIDE VARIETY OF SOURCES. (NINETY PERCENT OF THE REQUESTS COME FROM RUSSIA, BEREZOVSKIY SAID, BUT SOME HAVE COME FROM SPAIN, ITALY, AND ELSEWHERE.)

8. ~~(C)~~ IN ADDITION, THE CHECHEN SEPARATIST LEADERS WERE EDUCATED IN THE SOVIET SYSTEM, BEREZOVSKIY STRESSED. "THEY HAVE LITTLE LOVE FOR ISLAMIC FUNDAMENTALISM AND ARE OPPOSED TO THE SHARIAT, ALTHOUGH THEY REALIZE THEY ARE NOT POWERFUL ENOUGH TO RESIST ITS INTRODUCTION AT THIS TIME. MOREOVER, THEY ARE ALSO NOT DEADSET ON INDEPENDENCE, BUT REALIZE THEY CANNOT PUBLICLY EXPRESS THEIR DOUBTS FOR THE TIME BEING.

BUILDING TRUST

9. ~~(C)~~ OVERALL, BEREZOVSKIY THOUGHT HIS INITIAL TALKS WITH THE CHECHEN SEPARATIST LEADERS HAD GONE WELL. HE HAD UNDERTAKEN CERTAIN OBLIGATIONS AND WAS NOW MAKING GOOD ON THEM. "I PROMISED MASKHADOV A MEETING WITH CHERNOMYRDIN; THAT HAS BEEN DECIDED. I PROMISED THEM THAT (PRO-MOSCOW CHECHEN LEADER) ZAVGAYEV WOULD BE REMOVED FROM THE PROCESS; HE HAS BEEN REMOVED. I PROMISED THEM THAT MOSCOW WOULD AGREE TO THEIR ELECTIONS JANUARY 27, WE HAVE AGREED." THERE WERE A FEW OTHER (UNSPECIFIED) THINGS THAT REMAINED TO BE DONE, BUT BEREZOVSKIY WAS CONFIDENT THE PIECES WERE FALLING INTO PLACE. (HE SAID HE HAD NOT REQUESTED THE CHECHEN SIDE TO UNDERTAKE ANY OBLIGATIONS VIS-A-VIS MOSCOW, BECAUSE HE THOUGHT THE FIRST STEP HAD TO COME FROM MOSCOW AND THAT IT WAS INCUMBENT UPON HIM AND MOSCOW TO WIN THE CHECHEN SEPARATIST LEADERS' CONFIDENCE.)

ISRAELI CITIZENSHIP MATTER

10. ~~(C)~~ AT THE CLOSE OF THE MEETING, BEREZOVSKIY SAID THAT RECENT REPORTS THAT HE HAD TAKEN ON ISRAELI CITIZEN-

~~CONFIDENTIAL~~

SHIP WERE ACCURATE. "I DID IT IN 1993 AND HAD TOTALLY FORGOTTEN ABOUT IT." HE HAD, HOWEVER, RECENTLY REVOKED HIS ISRAELI CITIZENSHIP, IN PART BECAUSE OF THE MOUNTING PUBLIC SCANDAL. MOREOVER, JUDGING BY A PHONE CONVERSATION HE HAD IN POL/INT CHIEF'S PRESENCE, HE WAS SEEKING TO HAVE THE REVOCATION ANTEDATED TO PRECEDE HIS APPOINTMENT TO THE SECURITY COUNCIL. AT THE SAME TIME, HE WAS CONCERNED THAT HIS REVOKING ISRAELI CITIZENSHIP WOULD DAMAGE HIS STANDING WITH THE JEWISH COMMUNITY IN ISRAEL AND THE UNITED STATES AND EXPRESSED HOPE THAT U.S. AND ISRAELI LEADERS WOULD UNDERSTAND WHY HE HAD TAKEN THAT STEP.

COMMENT

11. ~~(X)~~ WHILE BEREZOVSKIY IS KNOWN FOR HIS CONFIDENCE AND HIS ABILITY TO GET THINGS DONE, CUTTING A DEAL WILL PROVE MORE DIFFICULT THAN HE SUGGESTED IN THIS CONVERSATION. HIS CONFIDENCE THAT ONLY FOUR OR FIVE MEN CONTROL THE SITUATION IS MISPLACED AND IGNORES THE LARGER SOCIAL FORCES AT WORK THAT WILL IMPEDE PROGRESS TOWARD A SETTLEMENT. MOREOVER, EVEN IF HE IS RIGHT THAT GIVING MONEY TO THE RIGHT PEOPLE IS THE KEY TO A SETTLEMENT, IT IS NOT CLEAR WHERE HE WILL FIND THE MONEY. "KOMMERSANT-DAILY" (NOVEMBER 6) REPORTED THAT MAJOR MOSCOW BANKS WERE NOT ABOUT TO MAKE THE LARGE INVESTMENTS IN CHECHNYA BEREZOVSKIY IS NOW URGING. THAT SAID, BEREZOVSKIY WILL PROBABLY PROVE CAPABLE OF MAKING SOME PROGRESS AND PREVENTING A SERIOUS DETERIORATION OF THE SITUATION ON THE GROUND IN CHECHNYA.

12. ~~(X)~~ FINALLY, BEREZOVSKIY DID NOT MENTION SECURITY COUNCIL SECRETARY RYBKIN WHILE DISCUSSING CHECHNYA, EVEN THOUGH RYBKIN IS TECHNICALLY IN CHARGE OF THE NEGOTIATIONS. THAT PROBABLY REFLECTS BEREZOVSKIY'S CONFIDENCE BOTH IN HIS OWN SKILLS AND IN HIS TIES TO CHERNOMYRDIN. TEFFT

<^SECT>SECTION: 01 OF 01

<^SSN>1658

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2012-0962-M
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PREC: ROUTINE CLASS: ~~CONFIDENTIAL~~ SSN: 4224 MSGID: M2534934

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ZNY CCCCC ZZH

R 111729Z DEC 96

FM AMEMBASSY MOSCOW

FM: AMEMBASSY MOSCOW

TO: RUEHC/SECSTATE WASHDC 9104

INFO: RUCNCIS/CIS COLLECTIVE
RUEHDX/MOSCOW POLITICAL COLLECTIVE
RUEHRA/AMEMBASSY RIGA 6967
RUEHVL/AMEMBASSY VILNIUS 7006
RUEHTL/AMEMBASSY TALLINN 6829

**DECLASSIFIED
PER E.O. 13526**

2012-0962-M (1.22)
RDS 12/24/2013

~~CONFIDENTIAL~~ SECTION 01 OF 03 MOSCOW 034224

E.O. 12958: DECL: 12/11/96

TAGS: PGOV, ECON, RS *business*

SUBJECT: FINANCIER [REDACTED] ON RUSSIAN POLITICS

1. (U) CLASSIFIED BY JOHN TEFFT, CHARGE. REASON:
1.5(D)

SUMMARY

2. (U) OVER LUNCH WITH CHARGE DECEMBER 5, MOST
FINANCIAL GROUP PRESIDENT [REDACTED], WIDELY CONSIDERED
ONE OF RUSSIA'S MOST INFLUENTIAL BUSINESSMEN:

-- ARGUED THAT DISINFORMATION TYING LEADING RUSSIAN
BUSINESSMEN TO THE MAFIA IS BEING SPREAD BY THE
RUSSIAN SPECIAL SERVICES TO PERSUADE THE WEST TO STEM
CAPITAL FLIGHT AND BY NON-RUSSIAN BUSINESSMEN HOPING
TO COMPROMISE THEIR RUSSIAN COMPETITORS.

-- CLAIMED HE AND OTHER LEADING BUSINESSMEN HAD
BECOME SO INFLUENTIAL THAT THEY NO LONGER HAD TO PAY
BRIBES, BUT ADMITTED MOSCOW MAYOR LUZHKOV OFTEN TURNS
TO HIM "FOR FAVORS" THAT HELP BURNISH LUZHKOV'S IMAGE
(E.G., MONEY FOR THE CHRIST THE SAVIOR CATHEDRAL).

-- SAID THAT OVER THE PAST YEAR LEADING BUSINESSMEN
HAD REALIZED THAT THEY HAD A RESPONSIBILITY TO DEFEND
RUSSIA'S NATIONAL INTERESTS AND COULD NOT SIMPLY
CONTINUE TO PURSUE THEIR OWN COMMERCIAL ADVANTAGE.

-- HOPED, BUT WAS NOT ENTIRELY CONFIDENT, YELTSIN
WOULD DEVOTE HIS SECOND TERM TO ACCELERATING REFORM
AND FIGHTING CRIME. END SUMMARY

AND FIGHTING CRIME. END SUMMARY

3. (U) MOST FINANCIAL GROUP PRESIDENT VLADIMIR [REDACTED] IS WIDELY CONSIDERED ONE OF THE MOST INFLUENTIAL BUSINESSMEN IN RUSSIA TODAY. HE IS AMONG THE SEVEN BANKERS WHO, SECURITY COUNCIL DEPUTY SECRETARY (AND FINANCIER) BEREZOVSKIY HAS CLAIMED, DOMINATE THE RUSSIAN ECONOMY AND HAVE TREMENDOUS POLITICAL INFLUENCE. IN HIS INITIAL MEETING WITH THE CHARGE, [REDACTED] OFFERED AN INTRODUCTION INTO WHAT IS ON THE MIND OF RUSSIA'S NEW BREED OF BIG CAPITALISTS. HIS COMMENTS ON RUSSIAN TELECOMMUNICATIONS ARE REPORTED SEPTEL. OTHER HIGHLIGHTS FOLLOW.

RUSSIAN BUSINESS

4. (S) [REDACTED] COMPLAINED ABOUT WHAT HE SAW AS THE WIDESPREAD PERCEPTION IN THE WEST THAT RUSSIAN BUSINESS AND THE MAFIA ARE CLOSELY LINKED. "WE OURSELVES ARE TO BLAME FOR THAT," HE NOTED. IN 1991-1992, WITH THE BREAK UP OF THE SOVIET UNION AND GROWING CONCERNS ABOUT STABILITY IN RUSSIA, CAPITAL FLIGHT HAD BECOME A MAJOR DRAIN ON THE RUSSIAN ECONOMY. IN AN EFFORT TO PERSUADE WESTERN COUNTRIES TO STEM THIS FLIGHT, [REDACTED] CONTINUED, THE RUSSIAN SPECIAL SERVICES BEGAN TO SPREAD THE NOTION THAT ALL MONEY FLOWING OUT OF RUSSIA WAS ULTIMATELY LINKED TO ORGANIZED CRIME. TODAY, SUCH DISINFORMATION IS SPREAD BY NOT ONLY THE SPECIAL SERVICES BUT ALSO NON-RUSSIAN BUSINESSMEN TO COMPROMISE THEIR RUSSIAN COMPETITORS. MORE SPECIFICALLY, [REDACTED] CLAIMED THAT FORMER PRESIDENTIAL SECURITY SERVICES HEAD KORZHAKOV (AND [REDACTED]'S NEMESIS) HAD VERY GOOD TIES IN FRANCE AND SWITZERLAND AND WAS USING THOSE CHANNELS TO SPREAD ALLEGATIONS OF CLOSE LINKS BETWEEN [REDACTED] AND ORGANIZED CRIME.

5. (S) [REDACTED] DID NOT DENY THAT MANY RUSSIAN BUSINESSMEN, INCLUDING HIMSELF, HAD ENGAGED IN DUBIOUS ACTIVITIES, ESPECIALLY AS THEY WERE SETTING UP THEIR OPERATIONS AND ACCUMULATING CAPITAL. NEVERTHELESS, A NUMBER OF BIG BUSINESSMEN HAD NOW EMERGED - FOR EXAMPLE, THE BEREZOVSKIY'S SEVEN BANKERS - WHO WERE SO LARGE AND INFLUENTIAL ENOUGH THAT THEY NO LONGER HAD TO ENGAGE IN SUCH ACTIVITIES AND NO LONGER DID.

6. (S) THE MOST FINANCIAL GROUP, FOR EXAMPLE, NO LONGER PAYS BRIBES, [REDACTED] CONTINUED, WHILE ADMITTING THAT HE STILL ENJOYED A CLOSE RELATIONSHIP WITH MOSCOW MAYOR LUZHKOVA, WHO FROM TIME TO TIME TURNED TO [REDACTED] "FOR FAVORS." LUZHKOVA IS NOT INTERESTED IN MONEY; HE IS INTERESTED IN "VLAST" (POWER AND AUTHORITY), [REDACTED] NOTED. TO ENHANCE HIS REPUTATION, LUZHKOVA WOULD ASK [REDACTED] AND OTHERS TO HELP, FOR EXAMPLE, WITH REBUILDING THE BORDER GUARDS APARTMEN

GUARDS APARTMEN
T BLOC, DESTROYED IN A TERRORIST ATTACK
IN KASPIYSK, DAGESTAN, LAST MONTH, OR THE CHRIST THE
SAVIOR CATHEDRAL IN MOSCOW; REPAIRING MOSCOW ROADS; OR
PAYING LOCAL SCHOOL TEACHERS' SALARIES. LUZHKOV, OF
~~CONFIDENTIAL~~ SECTION 02 OF 03 MOSCOW 034224

E.O. 12958: DECL: 12/11/96

TAGS: PGOV, ECON, RS

SUBJECT: FINANCIER ██████████ ON RUSSIAN POLITICS

COURSE, HAD LEVERAGE: WHEN ██████████ DEMURRED THAT IT
WOULD BE DIFFICULT TO COME UP WITH USD ONE MILLION FOR
THE APARTMENT BLOC IN KASPIYSK BY THE END OF THE YEAR,
LUZHKOV SIMPLY NOTED THAT ██████████ WOULD NEED TO GET
PERMISSION TO SET UP SATELLITE DISHES FOR HIS DBS
CHANNEL (I.E., HE WOULD NOT GET IT IF HE WASN'T
FORTHCOMING). ██████████ FOUND THE FUNDS.

7. (C) AT THE SAME TIME, ██████████ ADMITTED THAT THE
DRIVERS FOR MOST'S FLEET OF 600-700 CARS STILL PAID
BRIBES TO THE TRAFFIC POLICE (THE NOTORIOUS
"GAISHNIKI") A COMMON ENOUGH OCCURRENCE. THE POLICE,
HOWEVER, NOW KNEW ENOUGH NOT TO STOP ██████████'S
MERCEDES (THEY WOULD HAVE HELL TO PAY BECAUSE
██████████ HAD POWERFUL FRIENDS). ██████████, HOWEVER,
SIMPLY DID NOT HAVE THE TIME TO COMPLAIN EACH TIME THE
TRAFFIC POLICE HARASSED ONE OF HIS DRIVERS. PAYING
THESE BRIBES WAS JUST A COST OF BUSINESS.

8. (C) OVERALL, ██████████ SAID, SECURITY WAS A MAJOR
EXPENSE FOR ALL LARGE BUSINESSES, EATING UP AS MUCH AS
TWENTY-FIVE PERCENT OF INCOME (DOKHOD). ██████████
HIMSELF, HAD, HOWEVER, FOUND A WAY TO MAKE MONEY OUT
OF THIS SITUATION: "MOST" ITSELF HAD A LARGE SECURITY
FORCE IT HIRED OUT TO BUSINESSES AROUND MOSCOW.

RULES OF THE ROAD AND NATIONAL INTERESTS

9. (C) ██████████ ARGUED THAT TIES AMONG RUSSIA'S
LEADING BUSINESSMEN HAD SHARPLY IMPROVED OVER THE PAST
YEAR. THEIR COMMON EFFORT TO GET YELTSIN REELECTED
HAD BEEN BOTH A STIMULUS TO COOPERATION AND PROOF OF
ITS BENEFITS. THEY WERE SLOWLY DEVISING RULES OF THE
ROAD TO REGULATE THEIR COMPETITION. "I HATE
SMOLENSKIY (OF STOLICHNYY BANK) AND KHODORKOVSKIY (OF
MENATEP), BUT WE NEED TO COMPETE IN WAYS THAT DO NOT
DESTROY ALL OF US," ██████████ SAID.

10. (C) MOREOVER, ██████████ CONTINUED, AS A RESULT
OF THE PRESIDENTIAL CAMPAIGN AND THEIR GROWING
POLITICAL INFLUENCE, LEADING BUSINESSMEN NOW
UNDERSTOOD THAT THEY HAD AN OBLIGATION TO LOOK OUT FOR
MORE THAN THEIR NARROW COMMERCIAL INTERESTS; THEY HAD
RESPONSIBILITIES FOR RUSSIA'S NATIONAL INTERESTS.
RUSSIA, ██████████ EXPLAINED, WAS NOT A DEMOCRATIC OR
EUROPEAN COUNTRY; IT IS AN ASIATIC COUNTRY. THE

COUNTRY WAS RUN BY AN OLIGARCHY, OF WHICH BUSINESSMEN LIKE HIM WERE AN INTEGRAL PART, AND WOULD BE FOR SOME TIME. THAT MIGHT BE UNFORTUNATE BUT IT WAS REALITY.

KOMPROMAT

11. (S) ██████████ SAID HE KNEW WHERE THE RECENT KOMPROMAT AGAINST CHUBAYS AND HIS COLLEAGUES IN YELTSIN'S REELECTION EFFORT WAS COMING FROM, LEAVING THE CLEAR IMPRESSION IT WAS KORZHAKOV. HE DID NOT THINK IT WOULD ULTIMATELY LEAD TO MUCH. SINCE ALL CANDIDATES HAD ENGAGED IN ILLEGAL CAMPAIGN FINANCING - INCLUDING THE COMMUNISTS AND FORMER SECURITY COUNCIL SECRETARY LEBED, NO ONE WAS REALLY INTERESTED IN PURSUING THIS.

12. (S) ██████████ WAS FAMILIAR WITH THE DETAILS OF THE CASE OF THE FAMOUS BOX WITH USD 500,000 CHUBAYS' ASSOCIATES WERE CAUGHT TRYING TO TAKE OUT OF THE RUSSIAN WHITE HOUSE, HE ARGUED, HOWEVER, THAT THERE WAS NO EVIDENCE OF A CRIME. THAT SAID, HE HAD NO DOUBTS THAT THERE HAD BEEN A BOX AND THERE HAD BEEN MONEY IN IT. THE POINT WAS THAT THERE WAS NOTHING ILLEGAL IN WHAT CHUBAYS' ASSOCIATES WERE DOING.

YELTSIN AS THE LESSER EVIL

13. (S) ██████████ SAID HE HAD SUPPORTED YELTSIN FOR PRESIDENT AS THE "LESSER EVIL." HE DISAGREED WITH YELTSIN ON MANY ISSUES, BUT HE - LIKE HIS BUSINESS FRIENDS - ALL REALIZED THAT IF THE COMMUNISTS HAD WON THEY WOULD HAVE HAD BUT TWO CHOICES: EITHER TO GO "WEST" (INTO EMIGRATION) OR "NORTH" (TO A LABOR CAMP). FOR THAT REASON, THE MEDIA THESE BUSINESSMEN CONTROLLED OR INFLUENCED ALSO LINED UP SQUARELY BEHIND YELTSIN. "IT MAY NOT HAVE BEEN FAIR OR DEMOCRATIC - AND OUR FRIENDS IN THE WEST WERE RIGHT FOR CRITICIZING US - BUT WE FELT WE HAD NO CHOICE," ██████████ CONCLUDED.

~~CONFIDENTIAL~~ SECTION 03 OF 03 MOSCOW 034224

E.O. 12958: DECL: 12/11/96

TAGS: PGOV, ECON, RS

SUBJECT: FINANCIER ██████████ ON RUSSIAN POLITICS

14. (S) ANTICIPATING YELTSIN'S RETURN TO THE KREMLIN AFTER HIS HEART OPERATION, ██████████ HOPED YELTSIN WOULD MOVE FORWARD ON TWO KEY ISSUES: ECONOMIC REFORM AND CRIME. YELTSIN WOULD NOT HAVE TO WORRY ABOUT REELECTION AND THEREFORE COULD TAKE NECESSARY BUT UNPOPULAR MEASURES. ██████████, HOWEVER, WAS NOT WHOLLY PERSUADED YELTSIN WOULD MOVE IN THIS DIRECTION.

WHOLLY PERSUADED YELTSIN WOULD MOVE IN THIS DIRECTION.

ANTI-SEMITISM

15. (C) ASKED ABOUT ANTI-SEMITISM IN RUSSIA, ██████████ SAID HE HAD BEEN DEALING WITH THIS ALL HIS LIFE. HE HAD GROWN UP IN A WORKERS' BARRACKS, WHERE HIS WAS THE ONLY JEWISH FAMILY. HE WAS INVOLVED IN NUMEROUS SCUFFLES WITH BOYS WHO MADE ANTI-SEMITIC SLURS. LIKE THE JEWS IN ISRAEL, HE SAID, JEWS OF HIS GENERATION IN RUSSIA HAD LEARN HOW TO FIGHT TO DEFEND THEIR HONOR. AND THEY HAD DONE SO WITH SOME SUCCESS. WHATEVER MANY RUSSIANS MIGHT THINK IN PRIVATE, PUBLIC MANIFESTATIONS OF ANTI-SEMITISM HAD DECREASED DRAMATICALLY, AND THAT WAS OF PRINCIPAL CONCERN TO ██████████ AND THE JEWISH COMMUNITY. IN THIS CONTEXT, ██████████ EXPRESSED HIS GRATITUDE FOR AMBASSADOR PICKERING'S SUPPORT FOR THE JEWISH COMMUNITY.

COMMENT

16. (C) ██████████'S COMMENTS REFLECT THOSE WE HEAR FROM OTHER LEADING RUSSIAN BUSINESSMEN AND BANKERS. THEY ARE LOOKING FOR RESPECT, NOT ONLY IN RUSSIA BUT ABROAD, AND ARE INCREASINGLY CONCERNED BY THE BAD NAME RUSSIAN ORGANIZED CRIME IS GIVING RUSSIAN BUSINESS. INDEED, ██████████ RECENTLY TOLD A/POLCOUNS THAT HE WOULD SOON BE SETTING UP A SMALL PUBLIC RELATIONS UNIT, THE CHIEF RESPONSIBILITY OF WHICH WOULD BE REBUTTING CHARGES THAT MOST BANK HAD MAFIA LINKS. ██████████ ALSO MENTIONED HE WAS GOING TO HAVE A CORPORATE REORGANIZATION SHORTLY, WHICH WOULD SEPARATE THE BANK FROM THE MEDIA, AND REMOVE HIM FROM RUNNING THE BANK. AT THE SAME TIME, ██████████ CLEARLY WANTS TO EXPLOIT HIS COZY RELATIONSHIP WITH LEADING GOVERNMENT OFFICIALS FOR PERSONAL GAIN, ESPECIALLY AS HE MOVES MORE BOLDLY INTO THE TELECOMMUNICATIONS SECTOR. LIKE BEREZOVSKIY AND OTHERS, HE SEES NOTHING WRONG WITH THIS, ARGUING THAT OLIGARCHIC RULE IS ONLY APPROPRIATE FOR RUSSIA AT THIS STAGE OF DEVELOPMENT.
TEFFT

DIST:

DIST>
SIT: EGGERT FORT PASCUAL PIFER RUMER
SIT: NSC

~~CONFIDENTIAL~~

WHITE HOUSE SITUATION ROOM

DIST: EGGERT, FORT, HESLIN, PASCUAL, PIFER, RUMER, NSC

PREC: PRIORITY CLASS: ~~CONFIDENTIAL~~ DTG:301614Z OCT 96

FM: AMEMBASSY MOSCOW

TO:
RUEHC/SECSTATE WASHDC PRIORITY 6685

**DECLASSIFIED
PER E.O. 13526**

2012-0902-M (1.23)
RDS 12/24/2013

RUCNCIS/CIS COLLECTIVE
RUEHTL/AMEMBASSY TALLINN 6565
RUEHRA/AMEMBASSY RIGA 6672
RUEHXD/MOSCOW POLITICAL COLLECTIVE
RUEHVL/AMEMBASSY VILNIUS 6714

~~CONFIDENTIAL~~ SECTION 01 OF 03 MOSCOW 030488

E.O. 12958: DECL: 10/24/06
TAGS: PGOV, RS
SUBJECT: REFLECTIONS ON CHUBAYS' POWER

1. (U) CLASSIFIED BY AMBASSADOR THOMAS R. PICKERING.
REASON: 1.5 (D)

SUMMARY

2. ~~(C)~~ PRESIDENTIAL ADMINISTRATION HEAD CHUBAYS IS THE MOST POWERFUL FIGURE IN KREMLIN POLITICS TODAY, BESIDES THE AILING YELTSIN. HIS POWER RESTS ON RELIABLE ACCESS TO YELTSIN, CLOSE TIES WITH LEADING FINANCIERS, AND CONSIDERABLE INFLUENCE OVER THE MASS MEDIA. LIKE THE OLD BOLSHIEVIKS TO WHOM THEY ARE OFTEN COMPARED, CHUBAYS AND HIS TEAM ARE TOUGH, AMBITIOUS, AND CONFIDENT. HIS FATE IS CLOSELY TIED TO YELTSIN'S. SHOULD YELTSIN DIE, THE IMMENSELY UNPOPULAR CHUBAYS WOULD HAVE TROUBLE MAINTAINING HIS POSITION IN THE FACE OF NEW PRESIDENTIAL ELECTIONS. SHOULD YELTSIN RECOVER FULLY FROM HEART SURGERY, HE WOULD ALMOST CERTAINLY REIN CHUBAYS IN, IF ONLY TO ENLARGE HIS OWN ROOM FOR MANEUVER. THE CURRENT AILING YELTSIN IN FACT OFFERS CHUBAYS THE BEST OPPORTUNITY TO CONSOLIDATE HIS OWN POWER. THIS MIGHT NOT BE A BAD OUTCOME FOR THE WEST, GIVEN CHUBAYS' REPUTATION AS A MARKET REFORMER. BUT THE COMPANY CHUBAYS IS NOW KEEPING WITH FINANCIERS OF DUBIOUS PROBITY SHOULD GIVE US PAUSE, AS SHOULD THE TRUISM THAT POWER CORRUPTS. END SUMMARY.

3. (SBU) BY MOST ACCOUNTS, PRESIDENTIAL

~~CONFIDENTIAL~~

ADMINISTRATION HEAD CHUBAYS PLAYED THE LEAD ROLE IN ENGINEERING LEBED'S DISMISSAL AS SECURITY COUNCIL SECRETARY. IT WAS ANOTHER FINE DEMONSTRATION OF CHUBAYS' DEFT BUREAUCRATIC INFIGHTING SKILLS, WHICH HAS LEFT HIM THE MOST POWERFUL FIGURE - BESIDES THE AILING YELTSIN - IN KREMLIN POLITICS TODAY.

FOUNDATIONS OF CHUBAYS' POWER

4. ~~(C)~~ CHUBAYS' POWER AND AUTHORITY REST ON SEVERAL FOUNDATIONS, WHICH WERE LAID OR FORTIFIED DURING THE PRESIDENTIAL ELECTION CAMPAIGN EARLIER THIS YEAR:

-- RELIABLE AND READY ACCESS TO YELTSIN THROUGH YELTSIN'S DAUGHTER TATYANA DYACHENKO, WHO HAS BEEN CLOSELY ALLIED WITH CHUBAYS SINCE AT LEAST EARLY THIS YEAR, ACCORDING TO VARIOUS SOURCES IN CHUBAYS' INNER CIRCLE. (FEW OTHER POLITICAL FIGURES HAVE INDEPENDENT ACCESS TO YELTSIN. PRIME MINISTER CHERNOMYRDIN DOES, BUT IT IS NOT CLEAR HOW OFTEN HE TALKS TO YELTSIN BEYOND THEIR WEEKLY MEETINGS.)

-- CLOSE TIES WITH LEADING FINANCIERS AND BANKERS, IN PARTICULAR, LOGOVAZ PRESIDENT BEREZOVSKIY, MOST FINANCIAL GROUP PRESIDENT GUSINSKIY, ROSPROM (AND FORMER MENATEP) HEAD KHODORKOVSKIY, AND FIRST DEPUTY PRIME MINISTER (AND FORMER ONEKSIMBANK PRESIDENT) POTANIN.

-- CONSIDERABLE INFLUENCE OVER THE MEDIA, ESPECIALLY NATIONAL TELEVISION, FACILITATED BY HIS BANKER FRIENDS. BEREZOVSKIY, FOR EXAMPLE, IS A MAJOR INFLUENCE ON RUSSIAN PUBLIC TELEVISION (ORT); GUSINSKIY OWNS NTV (AN OSTENSIBLY INDEPENDENT CHANNEL). THE OTHER MAJOR CHANNEL, RUSSIAN TV (RTR), IS STATE OWNED. IN A RECENT CONVERSATION WITH POLOFF, RTR DEPUTY DIRECTOR SVANIDZE MADE IT CLEAR CHUBAYS SETS GOVERNMENT MEDIA POLICY.

5. ~~(C)~~ IN ADDITION, LIKE THE OLD BOLSHIEVICS TO WHOM THEY ARE OFTEN COMPARED, CHUBAYS AND HIS TEAM HAVE A REPUTATION - JUSTIFIED, BASED ON OUR OBSERVATIONS - FOR BEING TOUGH AND RUTHLESS, AMBITIOUS TO THE POINT OF CYNICISM AND CONFIDENT TO THE POINT OF HUBRIS. CHUBAYS HIMSELF, MANY BELIEVE IS THE MOST EFFECTIVE ADMINISTRATOR IN RUSSIA TODAY AND COMPARES FAVORABLY WITH RUSSIA'S OTHER GREAT PRE-REVOLUTIONARY ADMINISTRATORS, SUCH AS PRIME MINISTER STOLYPIN OF THIS CENTURY, AND ALEKSANDR I'S STATE SECRETARY SPERANSKIY OF THE LAST.

EXPANDING AUTHORITY

6. (SBU) OVER THE PAST SEVERAL WEEKS, CHUBAYS' HAS USED HIS ACCESS TO YELTSIN, HIS AUTHORITY TO VETO ALL PRESIDENTIAL DECREES, AND YELTSIN'S RELATIVE ISOLATION AND SHORT WORK DAY TO STRENGTHEN HIS BUREAUCRATIC BASE AND EXPAND HIS RESPONSIBILITY.

~~CONFIDENTIAL~~ SECTION 02 OF 03 MOSCOW 030488

E.O. 12958: DECL: 10/24/06
TAGS: PGOV, RS
SUBJECT: REFLECTIONS ON CHUBAYS' POWER

-- A DECREE ON THE PRESIDENTIAL ADMINISTRATION OF OCTOBER 2, FOR EXAMPLE, GAVE CHUBAYS BROAD RESPONSIBILITY FOR CADRE POLICY IN THE EXECUTIVE BRANCH AT THE NATIONAL AND REGIONAL LEVELS. IT ALSO ENSURED THAT ALMOST ALL PRESIDENTIAL ADMINISTRATION OFFICIALS HAVE ACCESS TO YELTSIN ONLY THROUGH CHUBAYS, WITH ONLY PRESS SPOKESMAN YASTRZHEMBSKIY AND CHIEF OF PROTOCOL SHEVCHENKO RETAINING A DIRECT CHANNEL TO THE PRESIDENT.

-- ON OCTOBER 11, YELTSIN NAMED CHUBAYS DEPUTY CHAIRMAN OF THE EXTRAORDINARY COMMISSION ON TAX COLLECTION. THAT APPOINTMENT, CHUBAYS ALLY BEREZOVSKIY RECENTLY TOLD US, WAS INTENDED TO GIVE CHUBAYS PRIMARY RESPONSIBILITY FOR ECONOMIC POLICY, WHICH TECHNICALLY IS SUPPOSED TO BELONG TO CHERNOMYRDIN.

-- ON OCTOBER 21, YELTSIN NAMED CHUBAYS HIS REPRESENTATIVE ON A CONSULTATIVE POLICY-COORDINATING COMMITTEE THAT ALSO INCLUDES CHERNOMYRDIN, FEDERATION COUNCIL CHAIRMAN STROYEV, AND DUMA SPEAKER SELEZNEV.

DEPENDENCE ON YELTSIN

7. ~~(S)~~ MORE THAN THAT OF ANY OTHER MAJOR POLITICAL FIGURE, HOWEVER, CHUBAYS' FATE IS DEPENDENT ON YELTSIN'S. IRONICALLY, BOTH YELTSIN'S DEATH AND FULL RECOVERY FROM HEART SURGERY POSE SERIOUS THREATS TO UNFETTERED EXERCISE OF CHUBAYS' CONSIDERABLE AUTHORITY.

8. ~~(S)~~ IN THE FIRST CASE, THE CONSTITUTION CALLS FOR NEW PRESIDENTIAL ELECTIONS WITHIN THREE MONTHS OF YELTSIN'S DEMISE. CHUBAYS HIMSELF WOULD HAVE NO CHANCE OF BEING ELECTED: THE DATA OF CHUBAYS' POLLSTER, PUBLIC OPINION FOUNDATION GENERAL DIRECTOR OSLOV, CONFIRMS THE PREVAILING OPINION THAT CHUBAYS IS THE MOST UNPOPULAR POLITICIAN IN RUSSIA TODAY; ON OCTOBER 13, CHUBAYS' NEGATIVE RATING STOOD AT 69 PERCENT AND

WAS GETTING WORSE. IT IS UNLIKELY THAT ANY CURRENTLY PLAUSIBLE NEXT PRESIDENT, WITH THE POSSIBLE EXCEPTION OF CHERNOMYRDIN, WOULD GIVE CHUBAYS A POWERFUL POSITION IN HIS ADMINISTRATION, AND EVEN CHERNOMYRDIN WOULD BE SURE TO CUT CHUBAYS DOWN AT LEAST A NOTCH OR TWO.

9. ~~(C)~~ IN THE SECOND CASE, YELTSIN WOULD ALMOST CERTAINLY SEEK TO REIN CHUBAYS IN, IF ONLY TO ENLARGE HIS OWN ROOM FOR MANEUVER. THAT WOULD ACCORD WITH YELTSIN'S PREFERRED LEADERSHIP STYLE: THROUGHOUT HIS PRESIDENCY, HE HAS SOUGHT TO MAINTAIN A CIRCLE OF COMPETING FORCES OF ROUGHLY EQUAL STRENGTH AROUND HIM. MOREOVER, CHUBAYS' RIVALS WITH THE POLITICAL ELITE - INCLUDING CHERNOMYRDIN AND MOSCOW MAYOR LUZHKOV - WOULD UNDOUBTEDLY USE IMPROVED ACCESS TO A HEALTHY YELTSIN TO SEEK TO MODERATE CHUBAYS' INFLUENCE AND AUTHORITY.

HOW LONG CAN THE CHUBAYS ERA LAST?

10. ~~(C)~~ IF CHUBAYS' PRINCIPAL GOAL IS TO CONSOLIDATE AND EXPAND HIS POWER AND AUTHORITY, YELTSIN'S CURRENT SEMI-ENGAGEMENT OFFERS CHUBAYS AN EXCELLENT OPPORTUNITY. IF YELTSIN CONTINUES TO BE ENGAGED ONLY PARTIALLY, THE QUESTION IS HOW LONG CHUBAYS CAN OPERATE BEFORE A COALITION OF KEY POLITICAL FORCES EMERGES TO DEMAND THAT YELTSIN STEP DOWN. THE ANSWER IS: PROBABLY FOR QUITE SOME TIME. FOR, WITH THE OBVIOUS EXCEPTION OF LEBED, NO OTHER MAJOR POLITICAL FIGURE OR FORCE APPEARS INTENT ON FORCING THE ISSUE, IN LARGE PART BECAUSE NONE ARE PREPARED FOR EARLY PRESIDENTIAL ELECTIONS.

-- CHERNOMYRDIN AND MOSCOW MAYOR LUZHKOV ARE BOTH TRAILING LEBED BY LARGE MARGINS IN THE POLLS (OSLON'S DATA ON VOTING INTENTIONS FROM OCTOBER 13 PUT BOTH IN LOW SINGLE DIGITS, WHILE LEBED WAS CLOSE TO 30 PERCENT). WHILE BOTH HAVE THE FINANCES, NEITHER YET HAS THE ORGANIZATION NEEDED TO RUN AN EFFECTIVE CAMPAIGN. MOREOVER, NEITHER CAN COUNT ON THE UNDIVIDED SUPPORT OF THE "PARTY OF POWER" THAT WAS INSTRUMENTAL IN YELTSIN'S COME-FROM-BEHIND VICTORY THIS PAST SPRING.

- THE COMMUNIST/PATRIOTIC LEADERS LIKEWISE FEAR LEBED, BUT IRONICALLY, THEY ALSO FEAR THEY COULD WIN EARLY PRESIDENTIAL ELECTIONS
. THEY ARE LOATHE, HOWEVER, TO TAKE ON PRIMARY RESPONSIBILITY FOR RUSSIA'S SOCIO-ECONOMIC SITUATION, PARTICULARLY BECAUSE THEY BELIEVE IT WILL DETERIORATE SHARPLY IN THE NEXT FE7 MONTHS. BOTH OUR CONTACTS WITHIN THE COMMUNIST/PATRIOTIC
~~CONFIDENTIAL~~ SECTION 03 OF 03 MOSCOW 030488

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E.O. 12958: DECL: 10/24/06
TAGS: PGOV, RS
SUBJECT: REFLECTIONS ON CHUBAYS' POWER

OPPOSITION AND OUTSIDE OBSERVERS SUGGEST THE
OPPOSITION'S PREFERENCE IS SOME KIND OF POWER-SHARING
ARRANGEMENT AND COLLECTIVE RESPONSIBILITY FOR THE
HARDSHIPS TO COME.

POWER CORRUPTS

11. ~~(C)~~ WHAT THE CONSEQUENCES OF AN INDEFINITE
CONTINUATION OF CHUBAYS' UNCHECKED AUTHORITY WOULD BE
FOR RUSSIA'S FUTURE IS AN OPEN QUESTION. HE HAS A
WELL-DESERVED REPUTATION FOR HAVING BEEN THE
INTELLECTUAL AND BUREAUCRATIC FORCE BEHIND RUSSIA'S
MARKET REFORM. WHETHER HE WILL CONTINUE TO REMAIN A
REFORMER REMAINS TO BE SEEN, HOWEVER. IN THE PAST FEW
WEEKS, CHUBAYS HAS MADE IT CLEAR THAT HIS TOP PRIORITY
IS CONSOLIDATING CENTRAL STATE POWER AND THAT HE WILL
LOOK TO THE INSTITUTIONS OF COERCION FOR SIGNIFICANT
HELP. FOR EXAMPLE, WHEN RECENTLY DISCUSSING THE NEWLY
FORMED TEMPORARY EXTRAORDINARY COMMITTEE ON TAX
COLLECTION WITH THE PRESS, HE STRESSED ITS PUNITIVE
CHARACTER.

12. ~~(C)~~ AFTER A DECADE OF DISINTEGRATION, THE
CONSOLIDATION OF STATE POWER IS NOW NECESSARY TO THE
BUILDING OF BOTH AN EFFICIENT MARKET ECONOMY AND A
WELL-ORDERED DEMOCRATIC SOCIETY IN RUSSIA. BUT WE
SHOULD NOT BE INDIFFERENT TO THE MEANS, PARTICULARLY IN
A COUNTRY WITH A LONG TRADITION OF AUTOCRATIC AND
AUTHORITARIAN RULE WHERE TEMPORARY PUNITIVE MEASURES
HAVE A WAY OF BECOMING PERMANENT. WHILE WE SHOULD GIVE
CHUBAYS THE BENEFIT OF THE DOUBT AT THIS POINT, HIS
GROWING CLOSENESS TO FINANCIERS OF DUBIOUS PROBITY IS A
CAUSE FOR CONCERN. MOREOVER, AS CHUBAYS ACCUMULATES
POWER AND AUTHORITY, WE SHOULD ALSO REMEMBER A TRUISM:
AS IS THE CASE EVERYWHERE, BUT ESPECIALLY IN RUSSIA,
POWER CORRUPTS. PICKERING

<^SECT>SECTION: 01 OF 03

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<^SECT>SECTION: 02 OF 03

<^SSN>0488

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Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. report	re: Current Russian Politics (10 pages)	11/04/1996	P1/b(1)
002. cable	re: Russian Presidential Candidates (3 pages)	08/21/1996	P1/b(1)
003. cable	re: Berezovskiy Complains (3 pages)	12/04/1996	P1/b(1)
004. cable	re: Editor on Chubays (4 pages)	12/03/1996	P1/b(1) RDS 12/24/2013
005. cable	re: Chernomyrdin Investigating (4 pages)	11/27/1996	P1/b(1)
006. cable	re: Russian Businessman Berezovskiy Denounces (3 pages)	11/27/1996	P1/b(1)
007. report	re: Compromising Materials (2 pages)	11/16/1996	P1/b(1)
008. cable	re: Political Impact of Yeltsin's Recovery (6 pages)	12/02/1996	P1/b(1) RDS 12/24/2013
009. cable	re: Deputy of Businessman Berezovskiy (4 pages)	11/26/1996	P1/b(1)
010. cable	re: Right-Wing Berezovskiy Advisors (3 pages)	11/26/1996	P1/b(1)
011. cable	re: Presidential Decree to Withdraw Brigades (3 pages)	11/25/1996	P1/b(1)
012. cable	re: Controversial Russian Businessman Berezovskiy (5 pages)	11/21/1996	P1/b(1)
013. cable	re: Chubays Asks Berezovskiy (2 pages)	11/01/1996	P1/b(1)

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Berezovskiy Magnates [2]

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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
014. report	re: Boris Berezovskiy (7 pages)	11/01/1996	P1/b(1)
015a. form	Fax Cover Sheet; re: FBIS Article of Berezovskiy [partial] (1 page)	11/01/1996	P3/b(3)
015b. report	re: FBIS Article of Berzovskiy [partial] (2 pages)	10/31/1996	P3/b(3)
016. report	re: Boris Berezovskiy (8 pages)	10/31/1996	P1/b(1)
017. report	re: Current Russian Politics (12 pages)	11/01/1996	P1/b(1)
018. cable	re: Most Group's Zverev (4 pages)	12/02/1996	P1/b(1)
019. cable	re: Thinking About Kompromat (6 pages)	12/19/1996	P1/b(1) RDS 12/24/2013
020. cable	re: Media Baron Gusinskiy (4 pages)	12/11/1996	P1/b(1) RDS 12/24/2013
021. cable	re: Sub-Plots Around Lebed's Firing (6 pages)	12/19/1996	P1/b(1) RDS 12/24/2013

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. cable	re: Russian Presidential Candidates (3 pages)	08/21/1996	P1/b(1)

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EXDIS

E.O. 12958: DECL: 12/02/01
TAGS: PGOV, RS
SUBJECT: "MOSKOVSKIY KOMSOMOLETS" EDITOR ON CHUBAYS
TRANSCRIPT

1. (U) CLASSIFIED BY JOHN ORDWAY, ACTING DCM. REASONS
1.5 (B) AND (D).

SUMMARY

2. ~~(C)~~ IN A MEETING WITH POLOFFS NOVEMBER 25,
"MOSKOVSKIY KOMSOMOLETS" (MK) CHIEF EDITOR GUSEV:

-- SAID HE WAS CONVINCED A TOP MOST-GROUP OFFICIAL HAD
MADE THE RECORDING OF THE ALLEGED CONVERSATION AMONG
CHUBAYS, ILYUSHIN, AND KRASAVCHENKO RECENTLY PUBLISHED IN
MK. THAT MOST-GROUP OFFICIAL - AND NOT KRASAVCHENKO -
WAS THE REAL THIRD PERSON IN THE CONVERSATION. THE
OFFICIAL HAD MADE THE RECORDING TO COVER HIMSELF SHOULD
HIS OWN ROLE IN CAMPAIGN FINANCING ABUSES COME TO LIGHT.
KORZHAKOV'S PEOPLE, HOWEVER HAD OBTAINED A COPY OF THE
TAPE AND LEAKED IT TO MK.

-- EXPECTED FURTHER LEAKS OF "KOMPROMAT," STRONGLY
SUGGESTING HE HAD ADDITIONAL MATERIAL ON CHUBAYS AND
YELTSIN'S DAUGHTER TATYANA DYACHENKO.

-- CALLED SECURITY COUNCIL DEPUTY SECRETARY BEREZOVSKIY A
"PURE MAFIOSO," WHO HOPED TO GAIN CONTROL OVER THE
AIRPORT IN GROZNY FOR TRAFFICKING IN ILLICIT GOODS.

GUSEV IS AN INTERESTED PARTY AND HIS ALLEGATIONS SHOULD

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BE TREATED WITH CAUTION. WE ARE REPORTING HIS STATEMENTS BECAUSE OF THE INSIGHT THEY PROVIDE INTO THE MINDSET OF A KEY PLAYER IN THE CURRENT BATTLE OF KOMPROMAT. END SUMMARY.

GUSEV'S VIEWS

3. ~~10~~ IN A DISCUSSION WITH POLOFFS NOVEMBER 25, "MOSKOVSKIY KOMSOMOLETS" (MK) CHIEF EDITOR, PAVEL GUSEV, SHARED HIS IDEAS ON THE SOURCE BEHIND THE RECORDED TRANSCRIPT DETAILING YELTSIN CAMPAIGN ABUSES PUBLISHED IN MK NOVEMBER 15; THE MEDIA'S REACTION TO THIS PUBLICATION; AND THE POSSIBLE CONS[QUENCES OF SUCH REVELATIONS. IN PARTICULAR:

-- GUSEV STATED THAT THE THIRD PERSON IN THE RECORDING IS NOT PRESIDENTIAL ASSISTANT SERGEY KRASAVCHENKO. INSTEAD, GUSEV WAS CONVINCED THAT THE THIRD PERSON IS A TOP MOST-GROUP OFFICIAL.

-- WITHOUT NAMING NAMES, GUSEV OUTLINED HIS UNDERSTANDING OF THE CHAIN OF EVENTS THAT LED TO THE TRANSCRIPT'S LEAK. THE MOST-GROUP OFFICIAL INVOLVED IN THE CONVERSATION MADE THE RECORDING HIMSELF AND DELIBERATELY COVERED UP HIS NAME TO CONCEAL HIS ROLE IN THE BUGGING. IF THE MOST-GROUP OFFICIAL'S ROLE IN CAMPAIGN FINANCE ABUSES EVER CAME TO LIGHT, HE COULD THEN USE THE RECORDING TO BOLSTER HIS CLAIM THAT HE WAS ONLY TAKING ORDERS FROM FIRST PRESIDENTIAL AIDE ILYUSHIN AND CAMPAIGN LEADER CHUBAYS. THE MOST-GROUP OFFICIAL SHARED THE RECORDING WITH MOST-GROUP'S HEAD OF SECURITY, FILIP BOBKOV, FORMER KGB FIRST DEPUTY CHAIRMAN. THE RECORDING SOMEHOW MADE IT FROM BOBKOV'S OFFICE TO HIS FORMER KGB ASSOCIATES (NOW WORKING IN THE FSB). KORZHAKOV'S FRIENDS IN THE FSB THEN LEAKED THE TAPE TO "MOSKOVSKIY KOMSOMOLETS" TO DAMAGE CHUBAYS AND TO TRY TO COMPEL PRESIDENT YELTSIN TO TAKE STEPS TO REIN HIM IN.

-- MEDIA REACTION TO THE LEAKED TRANSCRIPT PROVES THAT THEY ARE FULLY UNDER CHUBAYS' CONTROL, GUSEV SAID. IT WAS OBVIOUS BY THEIR COVERAGE THAT ALL THREE MAJOR RUSSIAN TV CHANNELS WERE UNDER ORDERS FROM CHUBAYS TO DIVERT ATTENTION AWAY FROM THE TRANSCRIPT'S REVELATIONS OF ILLEGAL FINANCING TO SECONDARY ISSUES SUCH AS WHO LEAKED THE TRANSCRIPT AND WHO AUTHORIZED THE BUGGING.

-- GUSEV INDICATED THAT WE COULD EXPECT FURTHER LEAKS OF "KOMPROMAT." ASKED WHETHER THEY MIGHT INVOLVE CHUBAYS AND/OR YELTSIN'S DAUGHTER TATYANA DYACHENKO, GUSEV SQUIRMED AND SAID YES. ASKED WHETHER HE WOULD PUBLISH SUCH MATERIAL, HE AGAIN SQUIRMED AND REPLIED THAT HE WOULD ONLY PUBLISH SOMETHING THAT MADE VERY PRECISE ALLEGATIONS. (NOTE: GUSEV LEFT THE IMPRESSION HE ALREADY

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HAS ADDITIONAL "KOMPRMAT" TO PUBLISH BUT IS TRYING TO USE HIS PAPER'S OWN INVESTIGATIVE RESOURCES TO CORROBORATE THE INFORMATION. END NOTE.)

-- ASKED WHETHER HE HAD FELT ANY REPERCUSSIONS FOR PUBLISHING THE LEAKED TRANSCRIPT, GUSEV SAID NO AND ADDED THAT HIGH-LEVEL POLITICAL OFFICIALS KNOW THAT HE AND HIS NEWSPAPER ENJOY TOO MUCH CLOUT AND INDEPENDENCE TO BE CURBED THROUGH POLITICAL OR FINANCIAL PRESSURE. HOWEVER,

GUSEV INDICATED THAT MOST-GROUP PRESIDENT GUSINSKIY HAD REQUESTED A MEETING WITH HIM, PRESUMABLY TO COME TO AN AGREEMENT OVER DAMAGE CONTROL. (NOTE: GUSEV TOLD POLOFF LAST SUMMER THAT GUSINSKIY HAD APPROACHED HIM BACK IN 1993 OR 1994 TO EXPLORE THE POSSIBILITY OF A "COOPERATIVE" RELATIONSHIP, BUT GUSEV DECLINED. END NOTE.)

-- DEPUTY SECURITY COUNCIL CHAIRMAN BEREZOVSKIY IS A "DANGEROUS" FIGURE, ACCORDING TO GUSEV. HE IS A "PURE MAFIOSO," AND HIS APPOINTMENT IS PROOF THAT MAJOR CRIMINAL GROUPS HAVE REACHED THE HIGHEST LEVELS OF GOVERNMENT. ACCORDING TO GUSEV, BEREZOVSKIY'S MAIN PRIORITY IN CHECHNYA HAS BEEN TO SECURE CONTROL OVER THE AIRPORT IN GROZNY, THROUGH WHICH HE CAN IMPORT "DRUGS, MONEY, MERCEDES 600'S, YOU NAME IT" -- ALL WITHOUT PAYING IMPORT TARIFFS AND WITHOUT ANY OVERSIGHT. BEREZOVSKIY AND HIS COHORTS NEED SUCH AN OPERATION, GUSEV CLAIMED, TO MAKE UP FOR THE LOSS OF INCOME FROM THE NATIONAL SPORTS FOUNDATION, THE AFGHAN VETERANS FUND, AND OTHER ACTIVITIES THAT HAVE DRAWN TOO MUCH ATTENTION.

-- "MOSKOVSKIY KOMSOMOLET" WILL CONTINUE TO PUBLISH INFORMATION RELATED TO CAMPAIGN OR OTHER ABUSES COMMITTED BY CHUBAYS AND ANY OTHER HIGH-LEVEL FIGURES. ALTHOUGH GUEV CONCEDES THAT SUCH DISCLOSURES PLAY INTO THE HANDS OF THE COMMUNISTS, HE ARGUES THEY ALSO BENEFIT THE GENERAL PUBLIC WHO HAVE THE RIGHT TO KNOW WHO IS GOVERNING THEM.

COMMENT

4. ~~10~~ GUSEV IS NO STRANGER TO SCANDAL AND HIS PAPER HAS BEEN AMONG THE MOST FEARLESS IN RUSSIA IN REPORTING THE PROBLEM OF HIGH-LEVEL CORRUPTION. ALTHOUGH VERY MUCH OPPOSED TO THE COMMUNISTS, GUSEV IS NOW DEEPLY CONCERNED ABOUT THE CHARACTER OF SOME TOP-LEVEL OFFICIALS SURROUNDING YELTSIN. BEFORE THE PRESIDENTIAL ELECTION, HE TOLD POLOFFS, A GROUP OF NEWSPAPER EDITORS MET WITH THE BRITISH AMBASSADOR. ONE EDITOR CAUTIONED THAT THE WEST WAS PREOCCUPIED ONLY WITH THE CONSEQUENCES OF A

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POSSIBLE COMMUNIST VICTORY AND HAD NOT THOUGHT ABOUT THE
CONSEQUENCES IF THE YELTSIN REGIME REMAINED IN POWER.
NOW, GUSEV STRESSED, SOME OF THOSE CONSEQUENCES ARE
BECOMING CLEAR IN A DIRTY WAR OF "KOMPROMAT" THAT
THREATENS TO UNDERMINE THE VERY POWERS THAT WERE ELECTED
ON JULY 3. TEFFT

<^SECT>SECTION: 01 OF 01

<^SSN>3241

<^TOR>961203044641 M2521183

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005. cable	re: Chernomyrdin Investigating (4 pages)	11/27/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia/Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovsky Magnates [2]

2012-0962-M
sb2544

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Withdrawal/Redaction Marker

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
006. cable	re: Russian Businessman Berezovski Denounces (3 pages)	11/27/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia/Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovsky Magnates [2]

2012-0962-M
sb2544

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
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- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Withdrawal/Redaction Marker

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
007. report	re: Compromising Materials (2 pages)	11/16/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia/Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovsky Magnates [2]

2012-0962-M
sb2544

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
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- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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WHITE HOUSE SITUATION ROOM

DIST: BUJOLD, EGGERT, FORT, HESLIN, PASCUAL, PASSDOWN, PIFER, RUMER, SUM, SUM2,
NSC, SIT{C2}

PREC: ROUTINE CLASS: ~~CONFIDENTIAL~~ DTG:021300Z DEC 96

FM: AMEMBASSY MOSCOW

TO:
RUEHC/SECSTATE WASHDC 8386

RUEHLI/AMEMBASSY LISBON 0038
RUEHVL/AMEMBASSY VILNIUS 6900
RUEHRA/AMEMBASSY RIGA 6869
RUEHTL/AMEMBASSY TALLINN 6746
RUCNCIS/CIS COLLECTIVE
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DECLASSIFIED
PER E.O. 13526
2012-0962-M (1.31)
RDS 12/24/2013

~~CONFIDENTIAL~~ SECTION 01 OF 03 MOSCOW 033078

E.O. 12958: DECL: 12/02/06
TAGS: PGOV, RS
SUBJECT: POLITICAL IMPACT OF YELTSIN'S RECOVERY

1. (U) CLASSIFIED BY THOMAS GRAHAM, ACTING POLITICAL
COUNSELOR. REASON: 1.5(D).

SUMMARY

2. ~~10~~ YELTSIN'S STEADY RECOVERY FROM HEART SURGERY
HAS ALTERED THE TIME FRAME FOR THE SUCCESSION
STRUGGLE, ALTHOUGH IT HAS NOT PUT AN END TO IT, AND
HAS LED PRESIDENTIAL ADMINISTRATION HEAD CHUBAYS'
RIVALS TO STEP UP EFFORTS TO WEAKEN HIM. FORMER
SECURITY COUNCIL SECRETARY LEBED, WHO HAD WAGERED MOST
ON EARLY PRESIDENTIAL ELECTIONS, IS GRADUALLY SHIFTING
HIS HORIZONS TO THE YEAR 2000, WHEN YELTSIN'S CURRENT
TERM ENDS. PRIME MINISTER CHERNOMYRDIN IS REMAKING
HIS IMAGE, HOPING TO PERSUADE FIRST THE ELITE AND THEN
THE PUBLIC THAT HE IS YELTSIN'S LOGICAL, AND CHOSEN,
HEIR. THE COMMUNISTS ARE REASSESSING THEIR TACIT
TACTICAL ALLIANCE WITH CHERNOMYRDIN, WHO THEY BELIEVED
WAS BEST PLACED TO LIMIT THE POWER OF THEIR BETE
NOIRE, CHUBAYS, WHILE YELTSIN WAS GRAVELY ILL. THEY
ARE STEPPING UP THEIR ATTACKS ON CHUBAYS, AS OTHER
FORCES MOUNT A "WAR OF KOMPROMAT" AGAINST HIM.
YELTSIN'S FIRST POST-OPERATION PUBLIC ADDRESS, WHICH
SHOULD OCCUR SOON, MAY PROVIDE IMPORTANT CLUES TO HOW

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HE ASSESSES THE CURRENT BALANCE OF FORCES AROUND HIM.
END SUMMARY.

EVERYONE'S ADJUSTING

3. (SBU) YELTSIN'S HEART OPERATION NOVEMBER 5 AND APPARENTLY STEADY RECOVERY MAY NOT PUT AN END TO THE SUCCESSION STRUGGLE, BUT THEY HAVE ALTERED ITS DYNAMICS. THE MAJOR CANDIDATES ARE NO LONGER ACTING AS IF THEY BELIEVE EARLY PRESIDENTIAL ELECTIONS ARE LIKELY. RATHER, THEY ARE CONCENTRATING ON HOW BEST TO POSITION THEMSELVES FOR ELECTIONS THAT COULD TAKE PLACE AS LATE AS THE YEAR 2000, WHEN YELTSIN'S CURRENT FOUR-YEAR TERM ENDS.

... LEBED

4. ~~is~~ THE MOST RADICAL CHANGE IN PERSPECTIVE BELONGS TO FORMER SECURITY COUNCIL SECRETARY LEBED, WHO HAD WAGERED MOST THAT YELTSIN'S DETERIORATING HEALTH WOULD FORCE HIM FROM OFFICE IN THE NEAR FUTURE. IMMEDIATELY AFTER HIS MID-OCTOBER DISMISSAL, LEBED AND HIS SUPPORTERS RULED OUT THE POSSIBILITY OF HIS RUNNING FOR GOVERNOR OF TULA OBLAST OR RETURNING TO WORK FOR YELTSIN, MAINTAINING THAT ALL EFFORT WOULD BE FOCUSED ON PREPARING FOR PRESIDENTIAL ELECTIONS. DURING HIS TRIP TO THE UNITED STATES IN MID-NOVEMBER, HOWEVER, LEBED SAID BOTH THOSE OPTIONS REMAINED OPEN. HE HAS APPARENTLY CONCLUDED THAT HE NEEDS A POSITION IN THE POWER STRUCTURE TO MAINTAIN ACCESS TO THE MEDIA AND KEEP HIMSELF IN THE PUBLIC SPOTLIGHT FOR THE LONG HAUL. LIKEWISE, LEBED HAS RECENTLY SAID HE WILL PAY PARTICULAR ATTENTION TO BUILDING A GENUINE PARTY ORGANIZATION OUT OF THE LOOSE COALITION, "FOR TRUTH AN ORDER," THAT NOW BACKS HIM. THAT WILL TAKE TIME, BUT SUCH AN ORGANIZATION WOULD BE CRITICAL TO RUNNING AN EFFECTIVE CAMPAIGN THREE OR FOUR YEARS DOWN THE ROAD; IT WOULD BE LESS IMPORTANT IN A NEAR-TERM CAMPAIGN, IN WHICH LEBED WOULD HAVE COUNTED ON HIS CHARISMA TO CARRY HIM TO POWER.

... LUZHKOV

5. ~~is~~ MEANWHILE, MOSCOW MAYOR LUZHKOV'S PEOPLE ARE BEGINNING TO VIEW THE CHAIRMANSHIP OF THE FEDERATION COUNCIL AS AN EXCELLENT SPRINGBOARD TO THE PRESIDENCY, ACCORDING TO AN ADVISOR TO THE CURRENT CHAIRMAN, YEGOR STROYEV. IT IS THE THIRD-RANKING PROTOCOL POSITION

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UNDER THE CONSTITUTION, YET IT DOES NOT BURDEN THE INCUMBENT WITH RESPONSIBILITY FOR GOVERNMENTAL ACTIONS. ALREADY, LUZHKOV EXERTS AN INFORMAL LEADERSHIP ROLE IN THE FEDERATION COUNCIL, AND HE HAS USED HIS POSITION AND A SERIES OF ECONOMIC COOPERATION AGREEMENTS TO BUILD UP SUPPORT OUTSIDE MOSCOW.

... CHERNOMYRDIN

~~CONFIDENTIAL~~ SECTION 02 OF 03 MOSCOW 033078

E.O. 12958Q2/02/06

TAGS: PGOV, RS

SUBJECT: POLITICAL IMPACT OF YELTSIN'S RECOVERY

6. ~~(C)~~ THE CONVENTIONAL WISDOM HAS BEEN THAT PRIME MINISTER CHERNOMYRDIN'S UNINSPIRING PUBLIC IMAGE, HIS GREYNESS, PRECLUDES HIS WINNING PRESIDENTIAL ELECTIONS IN THE NEAR TERM. TO HAVE ANY CHANCE OF SUCCESS, HIS STRATEGY HAD TO BE LONG-TERM AND AIMED AT PERSUADING FIRST THE ELITE AND THEN THE ELECTORATE THAT HIS POSITION AS PRIME MINISTER MADE HIM YELTSIN'S LOGICAL - AND CHOSEN - HEIR. INDEED, ONE CHERNOMYRDIN CONSULTANT RECENTLY TOLD US THAT THE GOAL NOW IS TO CREATE THE PERCEPTION THAT A DIARCHY - YELTSIN AND CHERNOMYRDIN - IS RUNNING THE COUNTRY, IN WHICH CHERNOMYRDIN WOULD PLAY THE GREATER PUBLIC ROLE GIVEN YELTSIN'S FRAIL HEALTH. THAT GOAL, OUR SOURCE NOTED, ENTAILS DIMINISHING THE PUBLIC ROLE OF PRESIDENTIAL ADMINISTRATION HEAD CHUBAYS AND LUZHKOV.

7. ~~(C)~~ MOREOVER, EVEN BEFORE YELTSIN'S OPERATION, CHERNOMYRDIN'S AIDES HAD EMBARKED ON AN EFFORT, WHICH THEY EXPECTED WOULD REQUIRE AT LEAST A YEAR, TO ENHANCE THEIR BOSS'S PUBLIC IMAGE. AN EARLY PRODUCT WAS A MAWKISH FAMILY PORTRAIT AIRED ON NTV IN LATE OCTOBER. IN ADDITION, CHERNOMYRDIN HAS RECENTLY RAISED HIS PROFILE BY MAKING WELL-PUBLICIZED APPEARANCES AND STATEMENTS AGAINST THE BACKGROUND OF EVENTS SUCH AS THE LABOR PROTEST NOVEMBER 5 AND THE MILITIA-DAY CEMETERY BOMBING NOVEMBER 10. HIS APPEARANCE IN LISBON THIS WEEK WILL OFFER HIM ANOTHER CHANCE TO APPEAR PRESIDENTIAL BY DEALING WITH AN ISSUE THAT IS FORMALLY YELTSIN'S, EUROPEAN SECURITY.

... YELTSIN

8. ~~(C)~~ FINALLY, YELTSIN'S STEADY RECOVERY HAS RENEWED SPECULATION THAT HE WILL SEEK REELECTION IN

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THE YEAR 2000. THE CONSTITUTION LIMITS A PRESIDENT TO TWO TERMS, BUT YELTSIN COULD TRY TO MAKE THE CASE TO THE CONSTITUTIONAL COURT THAT HIS 1991 ELECTION TOOK PLACE UNDER THE PREVIOUS CONSTITUTION AND THUS DOES NOT FALL WITHIN THE LIMITATIONS OF THE CURRENT ONE. EVEN IF, AS WE BELIEVE LIKELY, YELTSIN DECIDES NOT TO TAKE THAT ROUTE, HE WILL BE LOATHE TO ANOINT AN HEIR IN THE NEAR FUTURE. THAT WOULD UPSET THE BALANCE OF POWER HE LIKES TO MAINTAIN AMONG HIS TOP LIEUTENANTS TO MAXIMIZE HIS OWN ROOM FOR MANEUVER.

COMMUNISTS RETHINKING

9. ~~(C)~~ THROUGHOUT THE FALL, WHILE OTHER LEADERS WERE POSITIONING THEMSELVES TO SUCCEED YELTSIN, COMMUNIST LEADER ZYUGANOV WAS FOCUSED ON HOW TO MAXIMIZE HIS INFLUENCE WITHOUT HAVING TO FACE ELECTIONS AND HOW TO UNDERMINE THE GROWING POWER OF THE COMMUNISTS' BETE NOIRE, CHUBAYS. THAT THINKING LED TO THE COMMUNISTS' TACIT TACTICAL ALLIANCE WITH CHERNOMYRDIN, WHO THEY BELIEVED WAS BEST POSITIONED TO CONTAIN CHUBAYS WHILE YELTSIN WAS GRAVELY ILL. (THE COMMUNISTS ALSO BELIEVED THAT CHERNOMYRDIN MAY HAVE BEEN WILLING TO FORESTALL ELECTIONS IN THE EVENT YELTSIN BECAME UNABLE TO CONTINUE IN OFFICE.) WITH YELTSIN'S RECOVERY, THE COMMUNISTS ARE BEGINNING TO DISTANCE THEMSELVES FROM CHERNOMYRDIN, WHILE CONTINUING THEIR SHARP ATTACKS ON CHUBAYS. FOR THE FIRST TIME IN MONTHS, COMMUNIST LEADERS RECENTLY CRITICIZED CHERNOMYRDIN OVER HIS OFFICIAL ENDORSEMENT OF THE CHECHNYA PEACE AGREEMENT; SOME COMMUNISTS EVEN SUGGESTED A NO-CONFIDENCE VOTE IN THE DUMA. BY THE TIME OF THE NOVEMBER 29 EXTRAORDINARY SESSION ON CHECHNYA, HOWEVER, THE COMMUNISTS RETURNED TO THEIR TACTIC OF ATTACKING CHUBAYS AND IMPLICITLY SUPPORTING CHERNOMYRDIN. THUS ZYUGANOV REITERATED HIS WARNING THAT TWO GOVERNMENTS HAD ARISEN IN RUSSIA, AND DECLARED THAT "THE ONE LED BY CHUBAYS IN THE KREMLIN SHOULD RESIGN." AT THE SAME TIME, ZYUGANOV HAS STEPPED UP EFFORTS TO TIGHTEN CONTROL OVER THE OPPOSITION COALITION "PEOPLE'S PATRIOTIC UNION OF RUSSIA," PRESUMABLY CALCULATING THAT, WITH VERY LITTLE LIKELIHOOD OF NEAR-TERM ELECTIONS, PARTY DISCIPLINE BECOMES MORE IMPORTANT THAN BREADTH.

CHUBAYS DRAWS FIRE

~~CONFIDENTIAL~~ SECTION 03 OF 03 MOSCOW 033078

E.O. 12958: DECL: 12/02/06
TAGS: PGOV, RS

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

SUBJECT: POLITICAL IMPACT OF YELTSIN'S RECOVERY

10. ~~(S)~~ THE COMMUNISTS' GOAL IS PROBABLY TO WEAKEN RATHER THAN DESTROY CHUBAYS: A DIMINISHED YET STILL PRESENT CHUBAYS WOULD CONTINUE TO SERVE AS A USEFUL TARGET BUT WOULD BE LESS ABLE TO THWART COMMUNIST OBJECTIVES. OTHER ANTI-CHUBAYS FORCES HAVE ALSO STEPPED UP THEIR ATTACKS ON CHUBAYS SINCE YELTSIN'S OPERATION. THE BIGGEST BLOW SO FAR WAS THE PUBLICATION, ON THE DAY YELTSIN HAD PLANNED TO MAKE HIS FIRST PUBLIC SPEECH SINCE THE OPERATION, OF AN ALLEGED TRANSCRIPT OF CHUBAYS DISCUSSING ILLEGAL CAMPAIGN FINANCING WITH OTHER AIDES. SUBSEQUENT ATTACKS INCLUDE A COMMUNIST-LED DUMA INVESTIGATION INTO THE CAMPAIGN FINANCE ALLEGATIONS (ACCOMPANIED BY DEMANDS THAT YELTSIN SUSPEND CHUBAYS DURING THE INVESTIGATION). MEANWHILE, CHUBAYS ALLY AND SECURITY COUNCIL DEPUTY SECRETARY BEREZOVSKIY REMAINS UNDER FIERCE ATTACK OVER HIS EARLIER DUAL RUSSIAN-ISRAELI CITIZENSHIP AND REPORTS THAT HE HOLDS A U.S. GREEN CARD. FORMER PRESIDENTIAL BODYGUARD KORZHAKOV, CHUBAYS' ARCH-ENEMY, HAS PROMISED THE RELEASE OF FURTHER "KOMPROMAT," WHILE AT LEAST ONE EDITOR, "MOSKOVSKIY KOMSOMOLETS" GUSEV, CLAIMS TO BE PREPARED TO PUBLISH ADDITIONAL MATERIAL IN HIS POSSESSION.

YELTSIN DISPOSES

11. ~~(S)~~ AS HAS BEEN TRUE THROUGHOUT HIS PRESIDENCY, YELTSIN WILL MAKE THE FINAL DECISIONS ON THE FATE OF KEY GOVERNMENT OFFICIALS. THOSE HE MAKES IN THE NEAR FUTURE WILL HAVE FAR-REACHING CONSEQUENCES NOT ONLY FOR THE CURRENT BALANCE OF FORCES AROUND HIM BUT ALSO FOR THE SUCCESSION STRUGGLE OVER THE LONGER TERM. THE MOUNTING KOMPROMAT AGAINST CHUBAYS AND HIS ALLIES ALMOST ENSURES THAT YELTSIN WILL HAVE TO ADDRESS CADRES ISSUES IN HIS FIRST POST-OPERATION PUBLIC STATEMENT, WHICH SHOULD OCCUR IN THE NEAR FUTURE (EVEN THOUGH HIS PRESS SERVICE HAS NOT ANNOUNCED A DATE). IN ANY EVENT, THE MOSCOW POLITICAL ELITE WILL SCRUTINIZE WHATEVER HE DOES SAY FOR CLUES TO THE FATE OF CHUBAYS AND OTHER HIGH-RANKING GOVERNMENT OFFICIALS, AS WELL AS TO HOW ACTIVE A ROLE YELTSIN PLANS TO PLAY IN GOVERNING RUSSIA.

TEFFT

<^SECT>SECTION: 01 OF 03

<^SSN>3078

<^TOR>961202081051 M2519468

<^SECT>SECTION: 02 OF 03

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<^SSN> 3078
<^TOR> 961202081137 M2519469
<^SECT> SECTION: 03 OF 03
<^SSN> 3078
<^TOR> 961202081153 M2519471

FROM:
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
009. cable	re: Deputy of Businessman Berezovskiy (4 pages)	11/26/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia/Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovsky Magnates [2]

2012-0962-M
sb2544

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

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- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
010. cable	re: Right-Wing Berezovskiy Advisors (3 pages)	11/26/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia/Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovsky Magnates [2]

2012-0962-M
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
011. cable	re: Presidential Decree to Withdraw Brigades (3 pages)	11/25/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia/Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovsky Magnates [2]

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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
012. cable	re: Controversial Russian Businessman Berezovskiy (5 pages)	11/21/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia/Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovsky Magnates [2]

2012-0962-M
sb2544

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
013. cable	re: Chubays Asks Berezovskiy (2 pages)	11/01/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia/Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovsky Magnates [2]

2012-0962-M
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
014. report	re: Boris Berezovskiy (7 pages)	11/01/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia/Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovsky Magnates [2]

2012-0962-M
sb2544

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
015a. form	Fax Cover Sheet; re: FBIS Article of Berezovskiy [partial] (1 page)	11/01/1996	P3/b(3)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia/Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovsky Magnates [2]

2012-0962-M
sb2544

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
015b. report	re: FBIS Article of Berzovskiy [partial] (2 pages)	10/31/1996	P3/b(3)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia/Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovsky Magnates [2]

2012-0962-M
sb2544

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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SERIAL: WA0609001496

/***** THIS IS A COMBINED MESSAGE *****/

BODY:

PASS: ATTN BBCTRENDSSU

COUNTRY: RUSSIA

SUBJ: TAKE 1 OF 3--FBIS TRENDS-5SEP96-BEREZOVSKIY ROLE

SOURCE: FOREIGN BROADCAST INFORMATION SERVICE

TEXT:

FORMER KORZHAKOV ALLY BEREZOVSKIY PLAYED KEY ROLE IN HIS OUSTER

SUMMARY

(FBIS MEDIA ANALYSIS) BANKER AND TELEVISION MOGUL BORIS BEREZOVSKIY, PREVIOUSLY ONE OF THE MOST IMPORTANT ALLIES OF POWERFUL PRESIDENTIAL BODYGUARD AND YELTSIN CONFIDANT ALEKSANDR KORZHAKOV, PLAYED A KEY ROLE IN HIS MID-JUNE OUSTER, SWITCHING ALLEGIANCE TO KORZHAKOV'S RIVAL ANATOLIY CHUBAYS AND USING SECRETLY TAPED CONVERSATIONS AND DISTORTED TELEVISION REPORTS TO DISCREDIT KORZHAKOV. BEREZOVSKIY'S MANEUVERS HELP EXPLAIN CHUBAYS'S SUCCESS IN PERSUADING YELTSIN TO SUDDENLY TURN AGAINST HIS CLOSE FRIEND KORZHAKOV AND DISMISS THE PREVIOUSLY INFLUENTIAL GROUP OF KORZHAKOV, FEDERAL SECURITY SERVICE DIRECTOR MIKHAIL BARSUKOV, AND FIRST DEPUTY PREMIER OLEG SOSKOVETS.

END SUMMARY

BEREZOVSKIY APPEARS TO HAVE BEEN KORZHAKOV'S ALLY UNTIL EARLY 1996, TURNING AGAINST KORZHAKOV SOMETIME IN THE SPRING, ALTHOUGH KORZHAKOV APPARENTLY DID NOT REALIZE IT AT FIRST. LATER KORZHAKOV WAS SAID TO BE "SHAKEN" BY BEREZOVSKIY'S "BETRAYAL," ACCORDING TO A JUNE ZAVTRA (NO. 26) ACCOUNT. TWO BEREZOVSKIY ACTIONS IN APRIL APPEAR TO MARK HIS SWITCH:

-- HE INITIATED AN OPEN LETTER FROM 13 BUSINESSMEN CALLING FOR A COMPROMISE BETWEEN YELTSIN AND THE COMMUNISTS TO AVERT VIOLENCE IN THE JUNE PRESIDENTIAL ELECTION. IN ORGANIZING THE LETTER BEREZOVSKIY JOINED WITH HIS OLD RIVAL AND BITTER KORZHAKOV FOE MOST BANK CHAIRMAN VLADIMIR GUSINSKIY. SOON AFTER THE LETTER'S PUBLICATION (IZVESTIYA, 27 APRIL), KORZHAKOV PUBLICLY SUGGESTED THAT THE ELECTION BE POSTPONED (THE OBSERVER, 5 MAY; INTERFAX, 6 MAY), SEEMINGLY SIMPLY FOLLOWING UP ON THE LETTER. HOWEVER THE BUSINESSMEN QUICKLY DISASSOCIATED THEMSELVES FROM KORZHAKOV'S PROPOSAL, SAYING THEY DID NOT ADVOCATE A POSTPONEMENT, JUST A COMPROMISE (INTERFAX, 6 MAY). BEREZOVSKIY'S COOPERATION WITH GUSINSKIY AND THE DISAVOWAL OF KORZHAKOV'S PROPOSAL SUGGEST THAT BEREZOVSKIY WAS NO LONGER ACTING AS A KORZHAKOV ALLY (SEE NOTE 1),

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ALTHOUGH THIS WAS NOT CLEAR AT THE TIME.

-- A CLEARER SIGN OF BEREZOVSKIY'S SWITCH--NOT DISCLOSED UNTIL JULY--WAS HIS SECRET MOVE AGAINST KORZHAKOV BY TAPING CONVERSATIONS WITH NATIONAL SPORT FUND CHAIRMAN BORIS FEDOROV ABOUT FEDOROV'S RECENT CLASHES WITH CHAIRMAN OF THE STATE COMMITTEE FOR PHYSICAL CULTURE AND TOURISM SHAMIL TARPISHCHEV, A CLOSE KORZHAKOV ALLY AND YELTSIN ASSOCIATE. IN CONVERSATIONS IN BEREZOVSKIY'S OFFICE, FEDOROV SPOKE ABOUT ILLEGAL USE OF STATE FUNDS, INVOLVEMENT WITH CRIMINAL ELEMENTS, AND EVEN MURDER ON THE PART OF TARPISHCHEV, KORZHAKOV, AND BARSUKOV. BEREZOVSKIY TAPED THE DISCUSSIONS WITHOUT FEDOROV'S KNOWLEDGE, APPARENTLY TO COLLECT INCRIMINATING MATERIAL TO USE LATER AGAINST KORZHAKOV, IF HE SHOULD NEED TO (SEE NOTE 2), AS FEDOROV SUGGESTED IN A 27 JULY KOMSOMOLSKAYA PRAVDA INTERVIEW.

(NOTE 1) SEE THE FBIS TRENDS OF 15 MAY 1996, "PROPOSALS TO POSTPONE ELECTIONS RAISED."

(NOTE 2) THE 8 JULY NOVAYA GAZETA, WHICH PUBLISHED A TRANSCRIPT OF THE TAPES, EXPLAINED THAT THEY WERE TAPED "AT THE BEGINNING OF APRIL." IN THE TRANSCRIPT, BEREZOVSKIY IS NOT IDENTIFIED; FEDOROV CONVERSES WITH THREE PERSONS IDENTIFIED ONLY AS "ENTREPRENEUR," "JOURNALIST," AND "WOMAN." AFTER THE PUBLICATION, FEDOROV UNHAPPILY SPECIFIED THAT HE HAD BEEN TALKING WITH BEREZOVSKIY (KOMSOMOLSKAYA PRAVDA, 10 JULY, 27 JULY; NOVAYA GAZETA, 22-28 JULY).

WHEN A SPLIT BETWEEN GROUPS WITHIN YELTSIN'S ENTOURAGE CAME TO A HEAD IN JUNE, BEREZOVSKIY'S NEW LOYALTIES BECAME CLEAR. A GROUP LED BY CHUBAYS AND PREMIER VIKTOR CHERNOMYRDIN VIED FOR CONTROL OF YELTSIN'S REELECTION CAMPAIGN WITH KORZHAKOV AND SOSKOVETS. IN LATE MARCH YELTSIN HAD DROPPED SOSKOVETS AS HIS CAMPAIGN CHIEF AND NAMED A NEW REELECTION COUNCIL DOMINATED BY CHERNOMYRDIN, FIRST ASSISTANT TO THE PRESIDENT VIKTOR ILYUSHIN, AND CHUBAYS, AND INCLUDING HIS DAUGHTER TATYANA DYACHENKO (RTV, 23 MARCH). (SEE NOTE 3) WHEN THE SHOWDOWN OCCURRED BETWEEN KORZHAKOV AND CHUBAYS ON 19 JUNE, BEREZOVSKIY THREW HIS LOT IN WITH CHUBAYS. AFTER KORZHAKOV ARRESTED CHUBAYS AIDES ARKADIY YEVSTAFYEV AND SERGEY LISOVSKIY FOR APPARENT FOREIGN CURRENCY VIOLATIONS, CHUBAYS ORGANIZED A CAMPAIGN TO DEPICT KORZHAKOV AND HIS ALLIES AS ATTEMPTING SOME SORT OF COUP AND PLANNING TO POSTPONE THE 3 JULY RUNOFF ELECTION. BEREZOVSKIY JOINED WITH GUSINSKIY AND NTV PRESIDENT IGOR MALASHENKO DURING THE NIGHT TO DIRECT THE PRESENTATION OF THIS LINE ON TELEVISION, BEREZOVSKIY DIRECTING ORT AND MALASHENKO NTV (IZVESTIYA, 21 JUNE.) ACCORDING TO A 21 JUNE MOSKOVSKIY KOMSOMOLETS ACCOUNT, CHUBAYS ALSO WAS MEETING WITH BEREZOVSKIY, MALASHENKO, GUSINSKIY, AND NTV ANCHORMAN YEVGENIY KISELEV DURING THE NIGHT IN BEREZOVSKIY'S OFFICE. THE TELEVISION NETWORKS PRESENTED CLEARLY EXAGGERATED ACCOUNTS OF THE SITUATION AND WHIPPED UP PUBLIC SUSPICIONS AGAINST KORZHAKOV AND BARSUKOV. (SEE NOTE 4) CHUBAYS, BEREZOVSKIY, AND DYACHENKO REPORTEDLY PRESENTED YELTSIN WITH AN ULTIMATUM TO DISMISS KORZHAKOV (ZAVTRA, JUNE, NO. 26) AND THE LATTER AGREED TO FIRE KORZHAKOV, BARSUKOV, AND SOSKOVETS. (SEE NOTE 5) CHERNOMYRDIN ALSO WEIGHED IN WITH YELTSIN TO INSIST THAT SOSKOVETS BE FIRED, ACCORDING TO PRESIDENTIAL PRESS SECRETARY SERGEY MEDVEDEV (ITAR-TASS, 20 JUNE).

/***** BEGINNING OF TAKE 002 *****/

REF: WA0609001496 FOREIGN BROADCAST INFORMATION SERVICE/// TASS,

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Page: 2

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20 JUNE).

SOURCE: FOREIGN BROADCAST INFORMATION SERVICE

TEXT:

(NOTE 3) SEE THE FBIS TRENDS OF 1 APRIL 1996, "YELTSIN DROPS SOSKOVETS AS CAMPAIGN CHIEF."

(NOTE 4) SEE THE FBIS TRENDS OF 2 JULY 1996, "MEDIA PLAYS KEY ROLE IN DRAMATIC KREMLIN SHAKEUP."

(NOTE 5) SEE THE FBIS TRENDS OF 2 JULY 1996, "CHUBAYS OUTWITS KORZHAKOV, MANEUVERS YELTSIN INTO FIRING AIDES."

BEREZOVSKIY THEN SPRUNG HIS TAPES OF FEDOROV'S CONVERSATIONS, LEAKING THEM TO JOURNALIST ALEKSANDR MINKIN WHO GOT THEM PUBLISHED IN THE 8 JULY NOVAYA GAZETA. (SEE NOTE 6) **BEREZOVSKIY** APPARENTLY INTENDED PUBLICATION OF THE TAPES TO DISCREDIT KORZHAKOV AND BARSUKOV SO THAT YELTSIN WOULD NOT BE ABLE TO REHIRE THEM (ZAVTRA, NO. 29, JULY).

(NOTE 6) SEE THE FBIS TRENDS OF 18 JULY 1996, "CHARGES OF HIGH-LEVEL CORRUPTION EMERGE AFTER ELECTION."

BEREZOVSKIY'S RISE AS KORZHAKOV ALLY

BEREZOVSKIY APPEARED TO OWE HIS RISE TO POWER AND WEALTH TO THE HELP OF YELTSIN AND KORZHAKOV. YELTSIN HAD GRANTED HIS AUTO COMPANY BIG TAX AND TARIFF BREAKS IN 1993 AND 1994 (SOBRANIYE AKTOV PREZIDENTA I PRAVITELSTVA ROSSIYSKOY FEDERATSII, 27 DECEMBER 1993, PAGES 5800-L, AND 3 JANUARY 1994, PAGES 95-6; KOMMERSANT-DAILY, 11 JUNE 1994; NTV, 5 MARCH 1995), AND OBSHCHAYA GAZETA (9-15 MARCH 1995) SAID THESE PRIVILEGES "FORMED THE BASIS OF MR. **BEREZOVSKIY**'S COMMERCIAL SUCCESSES". (SEE NOTE 7) **BEREZOVSKIY** FORMED CLOSE TIES TO KORZHAKOV (SEGODNYA, 7, 17 MARCH 1995) AND OPENLY SPOKE OF HIS GOOD RELATIONS WITH KORZHAKOV AND SOSKOVETS (INTERVIEW IN KOMMERSANT-DAILY, 5 OCTOBER 1995). HE LATER REPORTEDLY GOT A BIG SHARE OF OIL BUSINESS WHEN KORZHAKOV ALLEGEDLY HELPED HIM SET UP THE SIBERIAN OIL COMPANY SIBNEFT (KOMMERSANT-DAILY, 5 OCTOBER 1995). (SEE NOTE 8)

(NOTE 7) SEE THE FBIS TRENDS OF 5 APRIL 1995, "YELTSIN CANCELS CRONIES' IMPORT-EXPORT PRIVILEGES."

(NOTE 8) SIBNEFT WAS FORMED BY AN AUGUST 1995 YELTSIN EDICT (SOBRANIYE ZAKONODATELSTVA ROSSIYSKOY FEDERATSII, 4 SEPTEMBER 1995, PAGE 6613). ACCORDING TO THE 30 APRIL 1996 IZVESTIYA, THE COMPANY WAS FORMED BY **BEREZOVSKIY** AND THE EDICT APPROVING IT WAS "PUSHED THROUGH" BY "THE PRESIDENT'S IMMEDIATE ENTOURAGE."

WITH THE HELP OF YELTSIN AND HIS FRIENDS, **BEREZOVSKIY** ALSO MOVED FROM BUSINESS INTO TELEVISION AND THE MEDIA. HE WAS ONE OF THE INITIATORS OF THE IDEA OF TURNING OSTANKINO TV INTO A JOINT-STOCK COMPANY (INTERFAX, 15 MARCH 1995; LITERATURNAYA GAZETA, 6 MARCH 1996) AND WHEN IT BECAME ORT HE BECAME DEPUTY CHAIRMAN AND THE BIGGEST PRIVATE STOCKHOLDER. (SEE NOTE 9) WHEN ORT GENERAL DIRECTOR VLADIMIR LISTYEV WAS MURDERED IN MARCH 1995, **BEREZOVSKIY** WAS HIGH ON THE LIST OF MURDER SUSPECTS BECAUSE OF HIS BUSINESS DISPUTES WITH LISTYEV (IZVESTIYA, 23 FEBRUARY 1996), BUT WHEN INVESTIGATORS QUESTIONED HIM HE CALLED ON HIS FRIENDS IN THE

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SECURITY ORGANS TO PROTECT HIM (OBSSHCHAYA GAZETA, 9-15 MARCH 1995; NTV, 5 MARCH 1995). (SEE NOTE 10)

(NOTE 9) SEE THE FBIS TRENDS OF 22 MARCH 1995, "YAKOVLEV QUILTS AS OSTANKINO HEAD IN UPROAR OVER PUBLIC TV," AND 29 MARCH 1995, "BANKER TAKES CENTER STAGE IN ORT CONTROVERSY."

(NOTE 10) SEE THE FBIS TRENDS OF 29 MARCH 1995, "BANKER TAKES CENTER STAGE IN ORT CONTROVERSY."

BEREZOVSKIY BECAME A KEY KORZHAKOV ALLY IN THE STRUGGLE AGAINST GUSINSKIY AND HIS ALLY MOSCOW MAYOR YURIY LUZHKOVA IN 1994-95 (OBSSHCHAYA GAZETA, 9-15 MARCH 1995; SEGODNYA, 7 MARCH 1995). BEREZOVSKIY COMPETED WITH GUSINSKIY AS A BANKER AND THEN DEVELOPED A RIVAL MEDIA EMPIRE MODELED ON GUSINSKIY'S. BEREZOVSKIY AND HIS LOGOVAZ BANK HELPED FORM THE PRO-YELTSIN "BIG EIGHT" GROUP OF BANKS IN EARLY 1995, A GROUP THAT EXCLUDED GUSINSKIY'S MOST BANK. (SEE NOTE 11) JUST AS GUSINSKIY OWNED NTV AND THE PAPER SEGODNYA, SO BEREZOVSKIY BECAME THE BIGGEST PRIVATE STOCKHOLDER IN CHANNEL 1 (ORT) (SEE NOTE 12), OWNED 26 PERCENT CONTROL OF CHANNEL 6, AND, THROUGH ANOTHER BANK HE OWNED (OBYEDINENNY BANK), FINANCIALLY SPONSORED THE NEWSPAPER NEZAVISIMAYA GAZETA (BEREZOVSKIY IN KOMMERSANT-DAILY, 5 OCTOBER 1995).

(NOTE 11) SEE THE FBIS TRENDS OF 29 MARCH 1995, "PRO-YELTSIN BANKERS PROPOSE POSTPONING ELECTIONS."

(NOTE 12) SEE THE FBIS TRENDS OF 29 MARCH 1995, "BANKER TAKES CENTER STAGE IN ORT CONTROVERSY."

/***** BEGINNING OF TAKE 003 *****/
REF: WA0609001496 FOREIGN BROADCAST INFORMATION SERVICE/// IN ORT CONTROVERSY."

SOURCE: FOREIGN BROADCAST INFORMATION SERVICE
TEXT:

BEREZOVSKIY SOON BECAME THE DOMINANT FIGURE IN ORT AND PERHAPS IN TELEVISION IN GENERAL. HE ALLEGEDLY ENGINEERED THE OUSTER OF OLEG POPTSOV AS HEAD OF RTV IN EARLY 1996 (PRAVDA, 1-8 MARCH 1996; ST. PETERSBURG TV, 5 MARCH), REPLACED THE ORT PRIME NEWS PROGRAM VREMYA'S LONGTIME ANCHORWOMAN TATYANA KOMAROVA WITH ARINA SHARAPOVA (KOMMERSANTSKAYA PRAVDA, 16 MARCH; MOSKOVSKIY KOMSOMOLET, 11 APRIL), AND TRIED TO PROMOTE A NEWS PROGRAM BY CONTROVERSIAL ULTRANATIONALIST ALEKSANDR NEZVOROV TO COMPETE WITH NTV'S KISELEV AND RTV'S NIKOLAY SVANIDZE (KOMMERSANTSKAYA PRAVDA, 17 AUGUST 1996). GENERAL DIRECTOR OF ORT SERGEY BLAGOVOLIN SAID THAT BEREZOVSKIY'S ROLE IN ORT "IS VERY GREAT" AND THAT HE REPRESENTS "THE CONSOLIDATED INTERESTS OF ORT'S NONSTATE SHAREHOLDERS" (KOMMERSANTSKAYA PRAVDA, 17 AUGUST 1996).

BEREZOVSKIY ABANDONS KORZHAKOV

THE REASON FOR BEREZOVSKIY'S TURN AGAINST KORZHAKOV AND TOWARD CHUBAYS IS UNCLEAR. ZAVTRA (NO. 29, JULY) CLAIMED THAT THE RIVAL KORZHAKOV AND CHUBAYS-CHEMNOMYRDIN GROUPS WERE STRUGGLING FOR CONTROL BECAUSE THEY SAW YELTSIN'S HEALTH WORSENING AND THAT AS BEREZOVSKIY OBSERVED THE GROWING CONFLICT BETWEEN FEDOROV AND HIS FORMER PATRONS TARPISHCHEV AND KORZHAKOV AND BETWEEN YELTSIN'S DAUGHTER AND KORZHAKOV, WHO ALLEGEDLY WAS RESTRICTING HER BUSINESS

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ACTIVITY, HE DECIDED TO SIDE WITH THE RIVAL GROUP OF CHUBAYS, GUSINSKIY, AND CHERNOMYRDIN.

BEREZOVSKIY PROBABLY HAD FREQUENT CONTACT WITH CHUBAYS IN THE COURSE OF THE PRESIDENTIAL CAMPAIGN. CHUBAYS HEADED THE CAMPAIGN'S ANALYSIS GROUP AND PLAYED A KEY ROLE IN CONTROLLING CAMPAIGN FUNDS, AS IS CLEAR FROM REFERENCES TO HIM IN FEDOROV'S TAPED STATEMENTS (NOVAYA GAZETA, 8 JULY) AND IN THE 19 JUNE ACTIVITIES OF HIS AIDES IN CARRYING AROUND LARGE AMOUNTS OF CASH. **BEREZOVSKIY** PLAYED A BIG ROLE BOTH AS A FINANCIER OF YELTSIN'S CAMPAIGN AND AS A MANAGER OF TELEVISION COVERAGE (IZVESTIYA, 6 AUGUST).

BEREZOVSKIY HAD CLOSE TIES TO YELTSIN'S DAUGHTER, WHO WORKED WITH HIM AND CHUBAYS IN YELTSIN'S REELECTION CAMPAIGN. MOREOVER, ACCORDING TO SOME SOURCES, SHE HAD ALSO WORKED WITH **BEREZOVSKIY** IN PUMPING FEDOROV FOR INCRIMINATING MATERIAL ON TARPISHCHEV AND KORZHAKOV. ZAVTRA (NO. 29, JULY) SAID SHE IS THE UNIDENTIFIED "WOMAN" MENTIONED IN THE NOVAYA GAZETA TRANSCRIPT OF THE CONVERSATIONS WITH FEDOROV.

KORZHAKOV RESPONSE

KORZHAKOV AND HIS ALLIES WERE AT FIRST SILENT IN THE WAKE OF THEIR DEFEAT. ONLY RECENTLY HAVE THEY BEGUN TO TALK ABOUT THE JUNE EVENTS, SUGGESTING THEY WERE THE VICTIMS OF AN UNDERHANDED PLOT BY CHUBAYS, **BEREZOVSKIY**, AND OTHERS.

-- KORZHAKOV IN THE AUGUST ARGUMENTY I FAKTY (NO. 34, AUGUST) CLAIMED THAT CHUBAYS WAS SITTING IN YELTSIN'S OFFICE WHEN THE PRESIDENT PHONED KORZHAKOV AND BARSUKOV TO ORDER THEM TO RESIGN. KORZHAKOV BITTERLY COMPLAINED THAT CHUBAYS IS NOW ACTING AS "REGENT" AND WILL CAUSE GREAT DAMAGE TO THE COUNTRY.

-- VALERIY STRELETSKIY, A DEPARTMENT CHIEF IN KORZHAKOV'S SECURITY SERVICE OF THE PRESIDENT (SBP), IN AN AUGUST PROF IL INTERVIEW ACCUSED CHUBAYS, **BEREZOVSKIY**, AND GUSINSKIY OF SECRETLY TAPING FEDOROV TO DISCREDIT KORZHAKOV AND PREVENT HIM FROM EXPOSING THEIR CORRUPTION. HE CLAIMED GUSINSKIY AND **BEREZOVSKIY** WERE CLOSE TO YELTSIN'S FAMILY AND HAD INFLUENCED THE PRESIDENT THROUGH HIS DAUGHTER, AND THAT THEY AND CHUBAYS HAD PRESENTED YELTSIN WITH "DISTORTED INFORMATION" DURING THE NIGHT OF 19-20 JUNE, CONVINCING HIM TO FIRE KORZHAKOV, BARSUKOV, AND SOSKOVETS. STRELETSKIY WAS INSTALLED BY TARPISHCHEV AS HEAD OF THE NATIONAL SPORT FUND IN MAY TO REPLACE FEDOROV AND, ACCORDING TO CHUBAYS, WAS ONE OF THE SBP OFFICERS WHO INTERROGATED YEVSTAFYEV AND LISOVSKIY ON 19 JUNE (ORT, 20 JUNE).

IMPLICATIONS

THE STRUGGLE TO INFLUENCE AND EVENTUALLY SUCCEED YELTSIN HAS BEEN MORE OBVIOUS RECENTLY WITH POLITICIANS AND BUSINESSMEN ENGAGED IN INTRIGUES TO PROTECT THEIR CAREERS AND FINANCIAL EMPIRES. YELTSIN'S UNCERTAIN HEALTH IS LIKELY TO INTENSIFY THIS STRUGGLE, AND KREMLIN POLITICS APPEAR LIKELY TO BE UNSTABLE IN THE NEAR FUTURE, WITH MORE REVELATIONS OF MISCONDUCT AND COUNTERCHARGES AMONG KREMLIN INTIMATES.

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QUESTIONS AND/OR COMMENTS, PLEASE CALL CHIEF ANALYST,
EURASIA/NEAR EAST/AFRICA GROUP, (b)(3)

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
016. report	re: Boris Berezovskiy (8 pages)	10/31/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia/Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovsky Magnates [2]

2012-0962-M
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RESTRICTION CODES

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RUSSIA: General Suspended in Arms Sale Scandal (Take 1 of 2) MS0912095796
London THE SUNDAY TIMES in English 8 Dec 96 p 15

Report by Carey Scott: "Arms Scandal Rocks Kremlin"; received
via Internet 9 Dec]

[FBIS Transcribed Text] A top general suspended last week by
President Boris Yeltsin on charges of corruption has been implicated
in the sale of military equipment to Chechen rebels, The Sunday Times
can reveal.

The findings of a secret Russian intelligence report into the
affair have sent shock waves through the defence ministry, prompting
expectations that a long-awaited purge of corrupt officers is about
to begin.

General Vladimir **Semyonov**, 56, the popular commander of the Russian
army's land forces and the third-highest general in the Russian armed
forces, was suspended pending a further investigation last Monday after
Igor **Rodionov**, the Russian defence minister, visited Yeltsin at the
suburban sanatorium where he is recovering from a quintuple heart bypass
operation.

Russian security sources said that **Rodionov** presented Yeltsin
with a secret, deeply damning report on the widely respected **Semyonov**
prepared by the intelligence services. This led Yeltsin to approve
the immediate suspension of the general. The ensuing scandal prompted
Rodionov to abruptly cancel his planned trip to America.

The defence ministry last week refused to elaborate on the
activities tarnishing the honour of a serviceman and incompatible
with his office" for which **Semyonov** has been suspended -- prompting
public declarations of support for the general and an outpouring of
conspiracy theories from the Russian media.

But security sources told The Sunday Times that the report included
evidence that **Semyonov** was involved in the sale of 17 Grad rocket launchers
to the Chechen rebel army that ultimately defeated his own troops.
Semyonov mostly stayed well clear of the Chechen battlefields during
the war, directing his miserably ill-prepared conscript soldiers from
the safety of Moscow.

It was widely rumoured throughout the bloody Chechen conflict that the separatists were purchasing many of their weapons from demoralised Russian soldiers. But until now no evidence of the traffic has surfaced.

Grad rockets -- named after the Russian word for hail -- are fired in clusters of 12 at a time, with a range of 25 miles. The missiles inflicted some of the most devastating casualties on both sides in almost two years of war. The fighting, in which some 80,000 people were killed, was brought to an end in August with a peace treaty brokered by Alexander Lebed, the former security chief.

Sources familiar with the investigation into **Semyonov** said that it was the hugely embarrassing prospect of the Chechens publicly revealing names of their high-ranking Russian arms suppliers that prompted the abrupt suspension of **Semyonov**. He had recently been tipped for promotion to the post of deputy defence minister.

Chechen leaders are believed to have co-operated with the investigation into **Semyonov**'s alleged weapons sales. In another twist to the scandal, questions have been raised in Moscow about **Semyonov**'s ethnic allegiances: **Semyonov** is a Karachai, one of the peoples of the north Caucasus who were brutally deported to central Asia by Stalin along with the Chechens in the 1940s, prompting military observers to ask whether **Semyonov**'s arms sales may have been motivated by loyalty to a fellow Caucasus minority.

An interior ministry inquiry into **Semyonov**'s activities is being conducted, and a final decision on whether he will be formally sacked depends on the results of the next report.

Other charges against **Semyonov** made in the intelligence report involve his wife's job at a helicopter company that supplies the defence ministry and whether improper influence was used to secure army contracts or sales elsewhere.

more)

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RUSSIA: General Suspended in Arms Sale Scandal (Take 2 of 2-- 055DEC09)

//or sales elsewhere. MS0912100096

[FBIS Transcribed Text] Another allegation concerns the illegal transport of timber from the Baikal area of Siberia for the construction of luxury dachas for army generals when **Semyonov** was the commander of the Baikal military region.

Semyonov has launched a public campaign to save his reputation. He called the investigation into his activities a "Jesuit-style" conspiracy, although he said he bore the defence minister no ill will.

"I think **Rodionov** became a prisoner of misconceptions or a policy I fail to understand," **Semyonov** said last week. "He is a Christian. May God forgive him."

Semyonov derided the rumours that he had sold any weapons to the Chechens: "Only an ignoramus or a child could believe such allegations," he said. "The armed forces are not yet so corrupt as to sell or transfer weaponry," he added -- a claim most Russians, all too aware of the activities of cash-strapped soldiers, would simply laugh at.

The outcome of the **Semyonov** affair will decide whether other top Russian military officers will face dismissal. When **Rodionov** was appointed defence minister last summer, succeeding the widely reviled Pavel Grachev, architect of the disastrous Chechen war, he described the Russian armed forces as a "Herculean stables" of graft, corruption and disillusion. His task, he said, was to clean it up.

Since then **Rodionov** has been navigating his way cautiously through a minefield. Chronic underfunding of the army and the utter humiliation of defeat and withdrawal from Chechnya have left morale at an all-time low.

But the money and power behind what is popularly referred to as the "military mafia" make the removal of arms-trading officers complicated. In Russia the concept of public accountability by government servants has yet to emerge and precious few high-ranking employees, military or civilian, have ever been convicted on corruption charges.

As one officer said angrily last week: "In this country, everything

As one officer said angrily last week: "In this country, everything can be bought. The rich officers, they just go to the military prosecutor with handfuls of cash and say, 'Lay off.' And they do, they say we have no case. There is no justice."

Last week it was being speculated that if **Semyonov** is cleared **Rodionov** himself could be sacked. The Kremlin press office strove to distance itself from the investigation, accusing the defence ministry of "jumping the gun" and refusing to list any of the charges against **Semyonov** -- hardly a show of support for **Rodionov's** anti-corruption drive.

But if the case against **Semyonov** succeeds, military observers expect **Rodionov** to push next for the dismissal of other generals, including Konstantin Kobets, one of the best-connected officers in

the Russian army. His name regularly surfaces in connection with alleged corruption.

One of Kobets's former cronies, the lawyer Dmitri Yakubovsky, was recently imprisoned in St Petersburg after being accused of stealing rare books from a library in the city -- a sign perhaps that the

untouchable" military mafia may not be completely untouchable after all.

endall)

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~~CONFIDENTIAL~~ SECTION 01 OF 03 MOSCOW 034765

E.O. 12958: 12/19/01
TAGS: PGOV, RS

SUBJECT: THINKING ABOUT KOMPROMAT: TEN QUESTIONS AND THESES

1. (U) CLASSIFIED BY TOM GRAHAM, ACTING POLITICAL COUNSELOR. REASON 1.5 (B).

INTRODUCTION

2. (SBU) IN THE COURSE OF PRESIDENT YELTSIN'S LONG PUBLIC ABSENCE, THE RUSSIAN PUBLIC HAS BEEN TREATED TO A STEADY STREAM OF "KOMPROMAT" (COMPROMISING MATERIAL) AS TOP KREMLIN LEADERS HAVE JOCKEYED FOR INFLUENCE IN A SECOND YELTSIN ADMINISTRATION AND POSITIONED THEMSELVES FOR EVENTUAL SUCCESSION. INDEED, THE WIELDING OF KOMPROMAT HAS BECOME AN INTEGRAL ELEMENT OF THE STRUGGLE FOR POWER IN RUSSIA, BUT ITS ROLE IS NOT FULLY UNDERSTOOD. BELOW WE OFFER SOME THOUGHTS ON WHAT KOMPROMAT CAN TEACH US ABOUT THE RUSSIAN POLITICAL SYSTEM. END INTRODUCTION.

TEN QUESTIONS AND THESES

3. (SBU) WHAT IS KOMPROMAT?

-- IN THE NARROWEST SENSE, KOMPROMAT IS COMPROMISING

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MATERIALS -- USUALLY ON ABUSE OF OFFICE, CRIMINAL ACTIVITIES, OR PERSONAL DISLOYALTY -- GATHERED SPECIFICALLY FOR POSSIBLE USE IN PUBLIC OR PRIVATE AGAINST RIVALS IN POWER STRUGGLES. IN A BROADER SENSE, KOMPROMAT IS INFORMATION THAT MAKES ITS WAY INTO THE PUBLIC SPHERE AND SHEDS LIGHT ON THE INNER WORKINGS OF RUSSIA'S POLITICAL ELITES, WHO WOULD PREFER TO KEEP THIS INFORMATION OUT OF THE PUBLIC SPHERE.

4. (SBU) WHY GO PUBLIC WITH KOMPROMAT?

-- LEAKING KOMPROMAT TO THE MEDIA SERVES AS AN ALTERNATIVE CHANNEL TO THE HIGHEST DECISION-MAKING LEVEL, ESPECIALLY FOR THOSE WHO HAVE LOST POWER AND, CONSEQUENTLY, ACCESS. FOR THOSE WHO HAVE ACCESS, KOMPROMAT RELEASED TO THE PUBLIC AUGMENTS EXISTING CHANNELS AND ADDS PRESSURE TO TAKE ACTION.

5. (SBU) WHAT DOES KOMPROMAT DO?

-- UNLIKE LEAKS IN THE WEST, WHICH GENERALLY ARE INTENDED TO SQUELCH A PARTICULAR POLICY CHOICE, KOMPROMAT TARGETS INDIVIDUALS. AS SUCH, IT PROVIDES INSIGHT INTO THE ETERNAL RUSSIAN QUESTION KTO KOGO (WHO IS DOING WHAT TO WHOM?) AND IS A REFLECTION OF A CENTRAL TRUTH: POWER (WHO DECIDES) IS MORE IMPORTANT TO THE POLITICAL EQUATION IN RUSSIA THAN POLICY (WHAT IS DECIDED).

-- ONE WAY THAT KOMPROMAT WEAKENS RIVALS IS BY DISTRACTING THEM FROM OTHER SERIOUS BUSINESS AND MORE SUBTLE THREATS TO THEIR POLITICAL POSITIONS. ONCE RIVALS ARE FORCED TO DEFEND THEMSELVES IN PUBLIC OR PRIVATE, ENGAGE IN DAMAGE CONTROL, AND ATTEMPT TO PREVENT FUTURE FLOWS OF KOMPROMAT, OTHER POLITICAL FIGURES FIND THEMSELVES WITH INCREASED ROOM FOR MANEUVER. FOR THIS REASON, PRIME MINISTER CHERNOMYRDIN AND MOSCOW MAYOR LUZHKOV ARE INDIRECT BENEFICIARIES OF THE CHUBAYS-KORZHAKOV KOMPROMAT WAR, ACCORDING TO "MOSKOVSKIY KOMSOMOLETS" CHIEF EDITOR GUSEV.

-- IN ADDITION, THE RELEASE OF KOMPROMAT WEAKENS RIVALS BY SIGNALING WHO MIGHT BE UP OR DOWN IN THE NEAR FUTURE, CAUSING MEMBERS OF THE POLITICAL CLASS TO RECONSIDER THEIR RELATIONS WITH THE VICTIMS OF KOMPROMAT.

6. (C) WHO IS THE INTENDED AUDIENCE?

-- WHEN KOMPROMAT IS RELEASED THROUGH LEAKS TO THE MEDIA, THE COMMON ASSUMPTION IS THAT IT IS INTENDED FOR THE BROAD PUBLIC AUDIENCE. THE CHOICE OF MEDIA VEHICLES MAY SAY SOMETHING ABOUT THE INTENDED AUDIENCE OR MAY SIMPLY INDICATE THE DEGREE OF ACCESS BETWEEN A

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POLITICAL PLAYER AND A MEDIA OUTLET. DID KORZHAKOV, FOR EXAMPLE, CHOOSE TO GIVE HIS FIRST PUBLIC INTERVIEW AFTER HIS SACKING TO "ARGUMENTY I FAKTY" BECAUSE THAT WEEKLY HAS BY FAR THE HIGHEST CIRCULATION IN RUSSIA OR BECAUSE THE SECURITY SERVICES HAVE TRADITIONALLY HAD GOOD ACCESS TO THAT PAPER?

-- THE REAL AUDIENCE IS PROBABLY VERY NARROW. ACCORDING TO GLEB PAVLOVSKIY, DIRECTOR OF THE EFFECTIVE ~~CONFIDENTIAL~~ SECTION 02 OF 03 MOSCOW 034765

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SUBJECT: THINKING ABOUT KOMPROMAT: TEN QUESTIONS AND THESES

POLICY FOUNDATION, KOMPROMAT GENERALLY RESONATES ONLY AMONG THE POLITICALLY ACTIVE CLASS IN MOSCOW AND A FEW OTHER KEY CITIES, SUCH AS ST. PETERSBURG AND YEKATERINBURG.

-- IN MOST CASES INVOLVING SENIOR GOVERNMENT OFFICIALS, THE KEY AUDIENCE IS PRESIDENT YELTSIN. WHEN NTV AND ORT WENT ON THE AIR IN THE EARLY HOURS OF JUNE 20 TO RAISE THE ALARM OVER THE ARRESTS OF YELTSIN CAMPAIGN STAFFERS YEVSTAFYEV AND LISOVSKIY, THEIR AIM WAS TO INFLUENCE YELTSIN. ACCORDING TO ONE EDITOR FAMILIAR WITH THAT NIGHT'S EVENTS, CHUBAYS NEEDED TO DEMONSTRATE TO YELTSIN THAT TELEVISION HAD THE STORY TO INCREASE PRESSURE ON HIM TO TAKE ACTION AGAINST KORZHAKOV, SOSKOVETS, AND BARSUKOV. SIMILARLY, FORMER YELTSIN PRESS SECRETARY SERGEY MEDVEDEV CONTENTED IN A RECENT MEETING WITH A/POLCOUNS THAT CHUBAYS NEEDED TO GET HIS VERSION OF EVENTS OUT IN PUBLIC TO REACH YELTSIN -- PROBABLY THROUGH HIS DAUGHTER -- BEFORE KORZHAKOV AND BARSUKOV COULD TELL THEIR VERSION TO YELTSIN FIRST THING IN THE MORNING IN HIS OFFICE.

7. (SBU) WHAT EFFECT DOES KOMPROMAT HAVE ON THE PUBLIC?

-- RESIGNATION RATHER THAN PUBLIC MORAL OUTRAGE IS THE GENERAL RESPONSE, WIDENING THE GAP BETWEEN "VLAST" (POWER AND AUTHORITIES) AND "NAROD" (THE PEOPLE). NUMEROUS CONTACTS HAVE ARGUED THAT KOMPROMAT TENDS TO DISCREDIT "VLAST" AS SUCH MUCH MORE THAN ANY SINGLE INDIVIDUAL.

-- IN ONE TELLING GAUGE OF THE PUBLIC'S CASUAL ACCEPTANCE OF OFFICIAL MALFEASANCE REPORTED BY "ROSSIYSKIYE VESTI" (NOVEMBER 22), A JOURNALIST OBSERVED: "CORRUPTION HAS ALWAYS BEEN A CHARACTERISTIC FEATURE OF RUSSIA. THE PRESENT TIME IS NO EXCEPTION.

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EVEN IF ONLY ONE ONE-HUNDREDTH OF WHAT YOU READ IN THE PRESS IS THE TRUTH, IT'S ENOUGH TO BE CONVINCED THAT WE LIVE IN A TOTALLY CORRUPT STATE."

-- FOLLOWING THE PUBLICATION OF AN ALLEGED TRANSCRIPT OF A CONVERSATION AMONG CHUBAYS, ILYUSHIN, AND AN INDIVIDUAL IDENTIFIED AS SERGEY KRASAVCHENKO DISCUSSING CAMPAIGN FINANCING ILLEGALITIES, "MOSKOVSKIY KOMSOMOLETS" COMMISSIONED A POLL OF 1600 MUSCOVITES -- WHO TEND TO BE MORE POLITICALLY ENGAGED THAN MOST RUSSIANS -- TO GAUGE PUBLIC REACTION. A FULL 40 PERCENT HAD NO OPINION ABOUT WHAT MEASURES SHOULD BE TAKEN AGAINST THE THREE OFFICIALS, AND ONLY 30 PERCENT THOUGHT THE TRANSCRIPT HAD ANY FACTUAL BASIS.

8. (SBU) WHEN DOES KOMPROMAT LEAD TO SOMEONE'S DISMISSAL?

-- PUBLIC OPINION IS FAR FROM THE MOST IMPORTANT MEASURE OF POLITICAL LIABILITY. THE PUBLIC RELEASE OF KOMPROMAT IS NOT ENOUGH TO LEAD AUTOMATICALLY TO A LEGAL HEARING THAT EITHER EXONERATES THE INDIVIDUAL OR LEADS TO HIS DISMISSAL AND PUNISHMENT. IN AN INTERVIEW TO "KOMMERSANT" (NO. 45), FOR EXAMPLE, FORMER STATE SECRETARY BURBULIS (A MAJOR POLITICAL LIABILITY IN HIS TIME) OBSERVED THAT ONLY IF "THE MOOD OF THE MASSES" COINCIDES WITH THE VIEWS OF THE REGIONAL, BUSINESS, AND INTELLECTUAL ELITES DOES THE COMBINED PRESSURE BECOME "HARDER" FOR THE PRESIDENT TO IGNORE -- BUT NOT IMPOSSIBLE. MINISTER OF DEFENSE GRACHEV SURVIVED FOR MORE THAN A YEAR IN YELTSIN'S INNER CIRCLE DESPITE CONSIDERABLE AMOUNTS OF PUBLIC AND PRIVATE KOMPROMAT AGAINST HIM. YELTSIN DISMISSED HIM ONLY WHEN THE PRESIDENTIAL ELECTIONS MADE IT POLITICALLY EXPEDIENT.

-- TIMING IS CRITICAL TO THE SUCCESSFUL WIELDING OF KOMPROMAT. GATHERING EVIDENCE OF OFFICIAL WRONG-DOING AND ROUTINELY PUTTING IT INTO A FILE FOR PRESIDENT YELTSIN, AS MEDVEDEV RECOUNTED, IS NOT ENOUGH. IF, HOWEVER, YELTSIN IS ALREADY IRRITATED AT A LEBED OR A KORZHAKOV FOR OTHER REASONS, BRINGING THE DOSSIER OF KOMPROMAT TO HIS ATTENTION -- ESPECIALLY THROUGH THE ADDED PRESSURE OF THE MEDIA -- STRENGTHENS THE LIKELIHOOD OF DISMISSAL AND CREATES THE APPEARANCE OF A CAUSAL RELATIONSHIP BETWEEN KOMPROMAT AND DISMISSAL.

9. (C) WHAT ARE THE MOST SERIOUS KINDS OF KOMPROMAT?

-- IN RUSSIA'S POLITICAL SYSTEM, WHERE PERSONAL TIES ARE MORE IMPORTANT THAN FORMAL INSTITUTIONS, KOMPROMAT THAT REVEALS A BETRAYAL OF PERSONAL LOYALTY DOES MORE DAMAGE THAN KOMPROMAT THAT ALLEGES CRIMINAL ACTIVITY. IN AN ANALYSIS OF SIX INFRACTIONS THAT CO

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SUBJECT: THINKING ABOUT KOMPROMAT: TEN QUESTIONS AND THESE

ULD LEAD TO AN OFFICIAL'S DISMISSAL, "KOMMERSANT" RATED BETRAYAL OF LOYALTY AS BY FAR THE MOST EGREGIOUS. YELTSIN'S PERCEPTION THAT KORZHAKOV BETRAYED AN INTIMATE FAMILY SECRET WAS, ACCORDING TO "ITOGI" ANCHORMAN YEVGENIY KISELEV, A MAJOR REASON THAT YELTSIN SEVERED ALL TIES TO KORZHAKOV AND TURNED AGAINST LEBED, WHO WAS PUBLICLY FLAUNTING HIS TIES TO KORZHAKOV AT THE TIME (SEE SEPTTEL).

10. ~~(C)~~ HOW DOES KOMPROMAT AFFECT POLITICAL DECISION-MAKING?

-- BEFORE IT BECOMES PUBLIC, KOMPROMAT IS USED AS BLACKMAIL TO INFLUENCE POLICY DECISIONS. THE THREAT THAT POLITICAL RIVALS WILL LEAK DAMAGING INFORMATION OR PASS IT ON TO YELTSIN (OR ANOTHER KEY INDIVIDUAL) INCREASES THE RISK OF PUSHING A POLICY INITIATIVE THAT WOULD DAMAGE RIVAL INTERESTS.

-- ACCORDING TO A SOCIOLOGIST WHO HAS CLOSELY STUDIED POLITICAL ELITES IN TYUMEN OBLAST, FOR EXAMPLE, GOVERNOR ROKETSKIY IS SO TERRIFIED OF REVELATIONS OF PERSONAL CORRUPTION THAT HE HAS BECOME A VIRTUAL HOSTAGE TO THE DEMANDS OF LOCAL OPPOSITION LEADER ATROSHENKO, WHO HIMSELF HAS MADE A QUESTIONABLE CAREER IN THE SHADY AREAS OF SPORTS, BANKING, AND POLITICS.

11. ~~(C)~~ IS ANYONE IMMUNE TO KOMPROMAT?

-- PRESIDENT YELTSIN, OR WHOEVER SUCCEEDS HIM AS THE SYSTEM'S RECOGNIZED, LEGITIMATE LEADER. IN HIS ROLE AS ARBITER, YELTSIN IS ESSENTIAL TO RUSSIA'S OLIGARCHIC SYSTEM OF COMPETING GROUP INTERESTS. IT WOULD RUN COUNTER TO ANY OF THE BENEFICIARIES OF THE CURRENT SYSTEM TO USE KOMPROMAT TO WEAKEN THE ONE FORCE THAT ACTS AS THE GUARANTOR OF THE SYSTEM'S BALANCE. MOREOVER, THE GOAL IS TO USE KOMPROMAT TO STRENGTHEN ONE'S POSITION AGAINST RIVALS AND MOVE INTO THE CENTER OF POWER -- YELTSIN'S INNER CIRCLE -- NOT TO DESTROY THE SYSTEM OF POWER ITSELF.

-- MORE BROADLY, HOWEVER, TO THE EXTENT THAT YELTSIN SYMBOLIZES THE REGIME'S LEGITIMACY AND THE PUBLIC RELEASE OF KOMPROMAT UNDERMINES THE REGIME, YELTSIN, TOO, IS WOUNDED POLITICALLY BY THE RECURRING KOMPROMAT WARS EVEN THOUGH HE IS NOT THE INTENDED TARGET.

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12. (C) WHY DID THE GORBACHEV ERA PRODUCE GLASNOST AND THE YELTSIN ERA KOMPROMAT?

-- GLASNOST WAS, IN EFFECT, WHOLESAL KOMPROMAT AGAINST THE ENTIRE REGIME USED BY THE TOP LEADER AS A WEAPON IN ADVANCING HIS EFFORT TO RADICALLY REFORM THE REGIME. TODAY, YELTSIN HAS NO INTEREST IN FUNDAMENTALLY QUESTIONING HOW THE REGIME FUNCTIONS. INDIVIDUALS WITHIN THE REGIME, HOWEVER, HAVE AN INTENSE INTEREST IN ENHANCING THEIR POSITION AND RESORT TO KOMPROMAT AS PART OF THEIR STRUGGLE FOR POWER. NEVERTHELESS, ONE UNINTENDED CONSEQUENCE OF EVEN THIS KIND OF KOMPROMAT IS DAMAGE TO THE LEGITIMACY OF THE REGIME ITSELF. TEFFT

<^SECT>SECTION: 01 OF 03

<^SSN>4765

<^TOR>961219124755 M2547080

<^SECT>SECTION: 02 OF 03

<^SSN>4765

<^TOR>961219124906 M2547082

<^SECT>SECTION: 03 OF 03

<^SSN>4765

<^TOR>961219124921 M2547084

FROM:
SITREPT

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

WHITE HOUSE SITUATION ROOM

DIST: KYLE, LEE, PASCUAL, RUMER, TARULLO, WALSH, NSC

PREC: ROUTINE CLASS: ~~CONFIDENTIAL~~ DTG: 111720Z DEC 96

FM: AMEMBASSY MOSCOW

TO:
RUEHC/SECSTATE WASHDC 9095

RUCPDOG/USDOC WASHDC
RUEHXD/MOSCOW POLITICAL COLLECTIVE
RHDIFCC/FCC WASHDC
RUEATRS/DEPTTREAS WASHDC

DECLASSIFIED
PER E.O. 13526

2012-0962-M (1.42)
RDS 12/24/2013

~~CONFIDENTIAL~~ MOSCOW 034220

STATE PLEASE PASS OPIC

DEPT FOR E: DMILLER; EUR/RUS: MEARLE, JGESHWILER;
OES/STH: RBRAIBANTI; EB/CIP: REARNEST
USDOC FOR NTIA/DSTEINOUR
USDOC FOR 3313/USFCS/OIO/NIS
USDOC FOR 4231/IEP/EUR/OEERIS/JBROUGHNER
USDOC FOR 6320/ITA/TDTAI/RPADDOCK
TREASURY FOR IEE
FCC FOR IB: KCOLLINS
DEPARTMENT PLEASE PASS USTR FOR EISS
OPIC FOR HURLEY

E.O. 12958: DECL: 12/09/01
TAGS: PGOV, RS, ECPS, EINV, ECON, CTRD
SUBJECT: MEDIA BARON GUSINSKIY ON SVYAZINVEST DEAL

REF: MOSCOW 33363 AND PREVIOUS

1. (U) CLASSIFIED BY JOHN TEFFT, CHARGE. REASON:
1.5 (D)

SUMMARY

2. OVER LUNCH DECEMBER 5, MOST FINANCIAL GROUP
PRESIDENT GUSINSKIY ASSURED THE CHARGE THAT THE TENDER
FOR SHARES IN SVYAZINVEST (RUSSIA'S TELECOMMUNICATION
GIANT) WOULD BE TRANSPARENT AND THAT WESTERN FIRMS
WOULD BE ABLE TO PARTICIPATE ON THE SAME TERMS AS
RUSSIAN INVESTORS. HE EXPECTED THE SALE OF TWENTY-
FIVE PERCENT OF SVYAZINVEST'S SHARES TO YIELD USD 10-

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12 BILLION FOR THE RUSSIAN FEDERAL BUDGET, NOTING THAT THE RUSSIAN GOVERNMENT WOULD UNDERTAKE TO INVEST FIFTEEN PERCENT OF THE PROCEEDS IN RUSSIA'S TELECOMMUNICATIONS SECTOR (I.E., SVYAZINVEST). GIVEN GUSINSKIY'S OWN INTEREST IN TELECOMMUNICATIONS, WE WOULD BE SURPRISED IF HE DID NOT FIND A WAY TO GAIN CONTROL OF A LARGE SHARE OF THE SVYAZINVEST TENDER, DESPITE HIS LAMENT THAT "MOST" SIMPLY DID NOT HAVE THE SUMS NEEDED TO DO THAT. END SUMMARY

3. (X) GUSINSKIY BEGAN BY SAYING HE SUPPORTED THE PLAN TO MERGE ROSTELEKOM (WHICH CONTROLS INTERNATIONAL LINES) AND SVYAZINVEST (A HOLDING COMPANY FOR THE STATE'S CONTROLLING SHARES IN LOCAL TELECOMMUNICATIONS COMPANY), ARGUING HAVING A SINGLE ENTITY CONTROLLING BOTH INTERNATIONAL AND DOMESTIC TELECOMMUNICATIONS SYSTEMS WAS WIDESPREAD THROUGHOUT THE DEVELOPED WORLD. THE UNITED STATES, HE NOTED, HAD HAD SUCH A SYSTEM UNTIL VERY RECENTLY. THE RUSSIAN SYSTEM HAD BEEN BROKEN UP WITH THE DISINTEGRATION OF THE SOVIET UNION, GUSINSKIY CONTINUED; IT MADE SENSE NOW TO MERGE THE VARIOUS PIECES TO BUILD UP RUSSIA'S TELECOMMUNICATIONS SYSTEM. HE ALLOWED THAT IN THE FUTURE IT MIGHT MAKE SENSE TO BREAK IT UP ONCE AGAIN TO ENCOURAGE COMPETITION AS HAD BEEN DONE IN THE UNITED STATES.

4. (X) TURNING TO PLANS TO PRIVATIZE RUSSIAN TELECOMMUNICATIONS SYSTEMS, GUSINSKIY NOTED THAT THERE WAS LITTLE OPPOSITION TO SELLING SHARES IN ROSTELEKOM TO WESTERN INVESTORS BECAUSE THE COMMUNICATIONS LINES WERE INTERNATIONAL (NOTE: ROSTELEKOM HAS BEEN PREPARING AN ADR ISSUE IN NEW YORK FOR SOME TIME. SEE MOSCOW 31723. END NOTE.) SVYAZINVEST WAS ANOTHER MATTER, HOWEVER, BECAUSE THE MILITARY AND SECURITY SERVICES DEPENDED ON ITS NETWORK FOR MOST OF THEIR OWN COMMUNICATIONS. MINISTER OF COMMUNICATIONS BULGAK WAS FRONTING FOR THESE SERVICES WHEN HE HELPED BLOCK THE SALE OF SHARES IN SVYAZINVEST TO THE ITALIAN TELECOMMUNICATIONS FIRM STET LAST DECEMBER, GUSINSKIY SAID. THAT STET WAS A NATIONALIZED FIRM ONLY HEIGHTENED THE SUSPICIONS OF THE MILITARY AND SECURITY SERVICES THAT A FOREIGN GOVERNMENT WAS SEEKING TO GAIN ACCESS TO THEIR COMMUNICATIONS NETWORKS. (SEE MOSCOW 31724.)

5. (X) A FEW MONTHS AGO, GUSINSKIY CONTINUED, STATE PROPERTY COMMITTEE (GKI) CHAIRMAN KOKH ASKED GUSINSKIY (AS PRESIDENT OF THE MOST FINANCIAL GROUP) AND ALFA BANK TO ORGANIZE THE TENDER OF SVYAZINVEST (BEFORE THE SHARE TRANSFER WITH ROSTELEKOM). (NOTE: GKI CONTROLS THE GOVERNMENT SHARE IN BOTH COMPANIES. END NOTE.) KOKH HAD BECOME DISENCHANTED WITH ROTHSCHILD INVESTMENT BANK, WHICH HAD BEEN ORGANIZING THE TENDER. "ROTHSCHILD HAD PRODUCED NOTHING IN A YEAR AND A HALF," GUSINSKIY EXPLAINED. "AND NOW ALL THEY WERE

PREPARED TO DO WAS LOAN USD 250 MILLION ON THE CONDITION THAT THEY RECEIVED A RUSSIAN GOVERNMENT GUARANTEE."

6. ~~(C)~~ BEFORE ACCEPTING KOKH'S OFFER, HOWEVER, GUSINSKIY HAD CONSULTED WITH VARIOUS GOVERNMENT OFFICIALS, INCLUDING REPRESENTATIVES OF THE MILITARY AND SECURITY SERVICES, TO SATISFY HIMSELF THAT HE

COULD OVERCOME OPPOSITION TO THE SALE OF SVYAZINVEST SHARES TO WESTERN INVESTORS. HE PERSUADED THE MILITARY AND SECURITY SERVICES BY ARGUING THAT NO WESTERN TELECOMMUNICATIONS FIRMS WOULD PURCHASE SHARES AND THAT THE WESTERN INVESTORS WOULD NOT BE INVOLVED IN SVYAZINVEST'S OPERATIONS.

7. ~~(C)~~ ACCORDING TO GUSINSKIY, THE TENDER WOULD BE FOR TWENTY-FIVE PERCENT OF THE SHARES IN SVYAZINVEST. WESTERN AUDITORS HAD ESTIMATED THAT THE PACKAGE COULD SELL FOR AS MUCH AS USD 10-12 BILLION -- BY FAR, THE HIGHEST ESTIMATES WE HAVE SEEN. THE MOST GROUP, OF COURSE, WOULD BE INTERESTED IN BUYING SOME OF THE SHARES, GUSINSKIY ADMITTED, BUT IT AND ALFA BANK SIMPLY DID NOT HAVE THE MONEY TO BUY THE ENTIRE PACKAGE. THUS, HE ARGUED, THIS TENDER WOULD NOT BE A REPEAT OF THE WIDELY AND SHARPLY CRITICIZED "LOANS-FOR-SHARES" DEALS OF LAST FALL (UNDER WHICH THE FINANCIAL INSTITUTION THAT ARRANGED A TENDER WOUND UP ACQUIRING A COMPANY'S SHARES AT CUT-RATE PRICES.) THE TRANSACTION WOULD BE TRANSPARENT AND WESTERN FIRMS WOULD BE ABLE TO PARTICIPATE ON THE SAME TERMS AS RUSSIAN INVESTORS. GUSINSKIY STRESSED THAT SEVERAL WESTERN FIRMS WERE ALREADY PREPARED TO BUY SHARES. THE PROCEEDS WOULD GO TO THE RUSSIAN FEDERAL BUDGET, WHILE THE RUSSIAN GOVERNMENT WOULD UNDERTAKE TO INVEST FIFTEEN PERCENT OF THE PROCEEDS IN THE TELECOMMUNICATIONS SECTOR (THAT IS, SVYAZINVEST).

COMMENT

8. ~~(C)~~ GUSINSKIY HAS A GROWING INTEREST IN TELECOMMUNICATIONS. HE TOLD CHARGE OF HIS PLANS TO MOVE OUT OF BANKING AND OTHER SECTORS IN ORDER TO CONCENTRATE ON TELECOMMUNICATIONS AND HIS BLOSSOMING MEDIA EMPIRE. HE IS LOOKING AT BOTH RUSSIA AND FARTHER AFIELD, INCLUDING EUROPE AND ISRAEL. GIVEN THIS STRATEGIC DIRECTION, WE WOULD BE SURPRISED IF GUSINSKIY DID NOT FIND A WAY TO GAIN CONTROL OF A MAJOR SHARE OF THE SVYAZINVEST TENDER, DESPITE HIS LAMENT THAT "MOST" SIMPLY DID NOT HAVE THE SUMS NEEDED TO DO THAT.

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9. ~~(C)~~ GUSINSKY'S ESTIMATE OF USD 10-12 BILLION IS FAR ABOVE THE USD 1.4 BILLION OF LAST YEAR'S TENDER, NOT TO SPEAK OF THE USD 2-4 BILLION GENERALLY CITED BY EMBASSY CONTACTS IN THE SECTOR. IT WAS NOT CLEAR WHERE THE "WESTERN AUDITORS" EXPECTED THE MONEY TO COME FROM. TELECOMMUNICATIONS DEMAND IN RUSSIA HAS GROWN EXPONENTIALLY AND THE VALUE OF SHARES IN SOME OF THE LOCAL COMPANIES HAS QUADRUPLED IN THE LAST FEW MONTHS; GUSINSKY MAY BE COUNTING ON CONTINUING MARKET INTEREST IN TELECOMS AND RUSSIAN STOCKS TO BOOST INTEREST. RUSSIAN INVESTORS WITH LARGE STOCKS OF CAPITAL OVERSEAS MAY WELL BE GUSINSKY'S TARGET. WESTERN INVESTORS MIGHT WELL BE WARY OF A PLAN THAT RETURNS ONLY FIFTEEN PERCENT INTO THE SECTOR. PRESUMABLY THE REST WILL GO TOWARD LESSENING RUSSIA'S YAWNING BUDGET DEFICIT.

10. ~~(C)~~ THE AREA MANAGER FOR ONE OF RUSSIA'S LARGEST TELECOMMUNICATIONS EQUIPMENT SUPPLIERS, WHO WOULD STAND TO BENEFIT FROM A MONOPOLY, TOLD ESTOFF ON DECEMBER 6 THAT THE QUESTION WAS STILL BEING FOUGHT OVER. THE SECURITY FORCES MAY BE EXPLORING SETTING UP AN ALTERNATIVE NATIONAL NETWORK OF THEIR OWN; THEY HAVE REPORTEDLY APPROACHED AT LEAST ONE WESTERN SUPPLIER ABOUT PROVIDING EQUIPMENT FOR PARTS OF SUCH A SYSTEM.

11. ~~(C)~~ GUSINSKY'S PLAN TO EXCLUDE WESTERN TELECOMMUNICATIONS FIRMS -- PRESUMABLY SERVICE PROVIDERS, WHO WOULD HAVE AN INTEREST IN MANAGEMENT CONTROLS -- FROM THE TENDER WILL COME AS BAD NEWS FOR THE WESTERN TELECOMS PROVIDERS HERE, PARTICULARLY IF A MONOPOLY THREATENS TO RESTRICT COMPETITIVE LICENSING. WESTERN INVOLVEMENT PER SE IS NOT A REQUIREMENT FOR RUSSIAN SUCCESS ON THE STOCK MARKETS -- WITNESS THE

RECENT SUCCESS OF GAZPROM AND THE PRIVATE CELLULAR COMPANY VYMPELCOM, BUT IT COULD BE BAD NEWS FOR THE RUSSIAN CONSUMER.

TEFFT
<^SECT>SECTION: 01 OF 01
<^SSN>4220
<^TOR>961214173309 M2539748

FROM:
SITREPT

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WHITE HOUSE SITUATION ROOM

DIST: EGGERT, FORT, PASCUAL, PIFER, RUMER, NSC

PREC: ROUTINE CLASS: ~~CONFIDENTIAL~~ DTG:191334Z DEC 96

FM: AMEMBASSY MOSCOW

TO:
RUEHC/SECSTATE WASHDC 9411

RUEHVL/AMEMBASSY VILNIUS 7074
RUEHRA/AMEMBASSY RIGA 7029
RUEHTL/AMEMBASSY TALLINN 6891
RUCNCIS/CIS COLLECTIVE
RUEHXD/MOSCOW POLITICAL COLLECTIVE

DECLASSIFIED
PER E.O. 13526
2012-0962-M (1.43)
RDS 12/24/2013

~~CONFIDENTIAL~~ SECTION 01 OF 03 MOSCOW 034672

E.O. 12958: DECL: 12/19/06
TAGS: PGOV, RS
SUBJECT: SUB-PLOTS AROUND LEBED'S FIRING

REF: MOSCOW 32154

1. (U) CLASSIFIED BY TOM GRAHAM, ACTING POLITICAL
COUNSELOR. REASONS 1.5 (A) AND (D).

SUMMARY

2. ~~is~~ ALTHOUGH THE BASIC PLOTLINE OF LEBED'S RISE (IN
ORDER TO HELP ENSURE YELTSIN'S ELECTION) AND FALL
(BECAUSE HE THREATENED THE POWER STRUCTURE) IS WELL
KNOWN, DETAILS OF THE MACHINATIONS LEADING TO HIS
DISMISSAL OFFER INSIGHTS INTO HOW THE GAME IS PLAYED AT
THE UPPER REACHES OF RUSSIA'S POWER PYRAMID. THE ANTI-
LEBED CAMPAIGN INCLUDED EFFORTS TO SOW PERSONAL ANIMOSITY
BETWEEN HIM AND YELTSIN AND TO TARNISH LEBED'S REPUTATION
IN THE EYES OF KEY ELITES AND OPINION-MAKERS IN MOSCOW;
MEANWHILE, CHERNOMYRDIN WORKED TO BURNISH HIS OWN IMAGE
AND SHORE UP HIS STATUS AS PRESUMPTIVE SUCCESSOR. THE
ANTI-LEBED CAMPAIGN UNDERSCORES THE PRESIDENT'S ROLE AS
RUSSIA'S ULTIMATE POLITICAL ARBITER; HIGHLIGHTS THE
GROWING USE OF THE MEDIA, ESPECIALLY NATIONAL TELEVISION,
AS A WEAPON IN POLITICAL CONTESTS; AND ILLUSTRATES THE
ROLE OF KOMPROMAT (COMPROMISING MATERIAL), GENUINE OR
FABRICATED, AS AN INSTRUMENT OF PERSUASION. (SEE SEPTEL
FOR MORE ON THE ROLE OF KOMPROMAT.) END SUMMARY.

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THE LEBED PROBLEM

3. (SBU) YELTSIN TOOK LEBED, AN OUTSPOKEN CRITIC AND RIVAL, INTO HIS ADMINISTRATION IMMEDIATELY AFTER THE FIRST ROUND OF THE PRESIDENTIAL ELECTION IN AN ACT OF PREMEDITATED EXPEDIENCY. VIRTUALLY NO ONE EXPECTED THE "PARTNERSHIP" TO ENDURE FOR LONG. LEBED IMMEDIATELY CAST HIMSELF AS THE NATURAL SUCCESSOR, THEREBY DIRECTLY THREATENING CHERNOMYRDIN. LEBED'S UNCONCEALED THIRST FOR POWER AND UNCOMPROMISING CRITICISM OF THE STATUS-QUO QUICKLY BROUGHT HOME TO MOST OF THE REST OF THE MOSCOW POWER STRUCTURE THAT HE CONSTITUTED A THREAT TO THEIR INTERESTS AS WELL. THE ATTEMPT TO DISCREDIT LEBED BY ENTANGLING HIM IN THE CHECHNYA MESS BACKFIRED BADLY, BUT ONLY ACCELERATED THE MOVE TO OUST HIM.

4. (SBU) MEMBERS OF THE MOSCOW POLITICAL ELITE EACH HAD THEIR OWN FEARS ABOUT LEBED. PRIME MINISTER CHERNOMYRDIN HAD LONG BEEN ANNOYED BY LEBED'S TALK ABOUT SUCCEEDING YELTSIN AND HIS EFFORTS TO ENCROACH ON CHERNOMYRDIN'S TURF IN ECONOMIC POLICY-MAKING. MINISTER OF INTERNAL AFFAIRS KULIKOV WAS DISTURBED BY LEBED'S PEACEMAKING INITIATIVE IN CHECHNYA, WHICH HE SAW AS A BETRAYAL OF NATIONAL INTERESTS; KULIKOV WAS NO DOUBT EVEN MORE DISCOMFITED BY LEBED'S CHARGE THAT HE WAS ONE OF THOSE PRINCIPALLY RESPONSIBLE FOR THE FIASCO. PRESIDENTIAL ADMINISTRATION HEAD CHUBAYS WAS CONCERNED BY LEBED'S RISING POPULARITY COUPLED WITH HIS REFUSAL TO BEHAVE AS A TEAM PLAYER. MANY FEARED THAT LEBED WAS AN "UNPREDICTABLE" (READ: UNWILLING TO ACCEPT BUSINESS AS USUAL) POPULIST WHO COULD QUICKLY COME TO POWER SHOULD YELTSIN'S DETERIORATING HEALTH FORCE HIM FROM OFFICE.

5. ~~(S)~~ THE EFFORT TO REMOVE LEBED HINGED PRIMARILY ON CONVINCING YELTSIN THAT HE HAD TO GO. AN IMPORTANT SECONDARY CONSIDERATION WAS ASSURING THE POLITICAL ELITE THAT LEBED WOULD BE LESS OF A PROBLEM OUT OF POWER THAN IN. JUDGING BY OUR CONVERSATIONS WITH PEOPLE WHO PLAYED A ROLE IN OUSTING LEBED, VARIOUS GROUPS LAUNCHED THEIR OWN CAMPAIGNS FOR THEIR OWN REASONS. AS PRESIDENTIAL COUNCIL MEMBER ALEKSEY SALMIN PUT IT, THE VARIOUS ANTI-LEBED FORCES WERE ACTING LIKE A MILITARY UNIT THAT HAD BEEN SCATTERED ON THE BATTLEFIELD: EACH SEPARATE SUBUNIT HAD A VAGUE NOTION OF THE BASIC OBJECTIVE AND THE LOCATION OF THE FRONT, BUT WAS OPERATING ON ITS OWN. BY MOST ACCOUNTS, ONLY AT THE VERY END DID CHUBAYS AND HIS ALLIES COORDINATE WITH THE OTHER ELEMENTS TO DELIVER THE FINAL BLOW TO LEBED.

6. (SBU) THE STRAINS CHUBAYS BROUGHT TOGETHER INCLUDED EFFORTS TO TURN YELTSIN AGAINST LEBED (BOTH POLITICALLY

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AND PERSONALLY),-TO UNDERMINE LEBED'S STANDING AMONG KEY ELITES IN MOSCOW, AND TO BUILD AN ALTERNATIVE IMAGE OF "VLAST" (GOVERNMENTAL POWER AND AUTHORITY) AROUND YELTSIN AND CHERNOMYRDIN THAT DIMINISHED LEBED'S ROLE. THIS EFFORT WAS FACILITATED BY LEBED'S OWN WEAKNESSES AND MISSTEPS, INCLUDING HIS OVERWEENING AMBITION, HIS ILL-ADVISED PUBLIC ANTI-SEMITIC REMARKS AND COMMENTS ABOUT YELTSIN'S HEALTH, AND HIS COOPERATION WITH FORMER PRESIDENTIAL SECURITY SERVICES HEAD KORZHAKOV.

~~CONFIDENTIAL~~ SECTION 02 OF 03 MOSCOW 034672

E.O. 12958: DECL: 12/19/06

TAGS: PGOV, RS

SUBJECT: SUB-PLOTS AROUND LEBED'S FIRING

TURNING YELTSIN AGAINST LEBED

7. ~~(C)~~ ASSOCIATION WITH KORZHAKOV BURDENED LEBED WITH THE HEAVY LOAD OF GRIEVANCES AGAINST KORZHAKOV. ACCORDING TO "ITOGI" ANCHORMAN KISELEV, YELTSIN HAD COME TO LOATHE HIS FORMER BODYGUARD IN THE BELIEF THAT HE WAS THE SOURCE OF AN OCTOBER 3 "KOMSOMOLSKAYA PRAVDA" ARTICLE ON TATYANA DYACHENKO'S FIRST HUSBAND THAT REVEALED THAT THE FATHER OF YELTSIN'S GRANDSON WAS TATYANA'S FIRST HUSBAND, AND NOT HER SECOND AS THE GRANDSON HAD BELIEVED ALL HIS LIFE. KISELEV SAID THE ARTICLE HAD TRAUMATIZED THE GRANDSON AT A TIME WHEN THE YELTSIN FAMILY WAS ALREADY OVERBURDENED WITH CONCERN ABOUT NAINA'S RECENT KIDNEY OPERATION AND YELTSIN'S UPCOMING HEART SURGERY. AGAINST THIS BACKDROP OF WOUNDED FAMILY PRIDE, LEBED'S ENDORSEMENT OF KORZHAKOV FOR HIS FORMER DUMA SEAT IN A JOINT PUBLIC APPEARANCE WITH KORZHAKOV IN TULA OCTOBER 13 WAS THE FINAL EVENT THAT PERSUADED YELTSIN TO FIRE LEBED, ACCORDING TO KISELEV.

8. ~~(C)~~ IN ANOTHER EFFORT TO SOW DISCORD BETWEEN YELTSIN AND LEBED, LEBED WAS FED DISINFORMATION INDICATING THAT YELTSIN WAS ON HIS DEATHBED. IN LATE AUGUST, SALMIN TOLD POLOFF LEBED WAS MOVING AGGRESSIVELY TO MOUNT A PRESIDENTIAL ELECTION CAMPAIGN ON THE BASIS OF "(MISLEADING) INFORMATION ON YELTSIN'S HEALTH HE WAS RECEIVING FROM THE WEST." IN A RECENT MEETING WITH A/POLCOUNS, IGOR BUNIN, DIRECTOR OF THE CENTER FOR POLITICAL TECHNOLOGIES AND CURRENTLY A CONSULTANT FOR PRIME MINISTER CHERNOMYRDIN, ADMITTED THAT THAT INFORMATION WAS TO SOME EXTENT DISINFORMATION PREPARED BY LEBED'S RIVALS AND SOURCED TO WESTERN INTELLIGENCE SERVICES. THE ASSUMPTION WAS THAT LEBED WOULD GIVE GREATER CREDENCE TO A WESTERN ASSESSMENT, ESPECIALLY IF HE BELIEVED THE RUSSIAN GOVERNMENT HAD OBTAINED IT CLANDESTINELY. THE DISINFORMATION WORKED: LEBED STEPPED

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UP HIS CAMPAIGN, AND YELTSIN CITED THAT AS ONE REASON FOR DISMISSING HIM.

TARNISHING LEBED'S REPUTATION

9. ~~(C)~~ IN ADDITION, DURING THE FALL, LEBED'S RIVALS SOUGHT TO UNDERMINE HIS POTENTIAL SUPPORT WITHIN THE MOSCOW LIBERAL INTELLIGENTSIA, WHICH PLANS A CENTRAL ROLE IN SHAPING ELITE AND PUBLIC OPINION. SEVERAL PIECES OF DISINFORMATION WERE CIRCULATING IN MOSCOW (BOTH GLEB PAVLOVSKIY, THE DIRECTOR OF THE EFFECTIVE POLICY FOUNDATION, AND SERGEY KURGINYAN, WHO CLAIMS TO ADVISE MINISTER OF INTERNAL AFFAIRS KULIKOV, STRONGLY HINTED IN CONVERSATIONS WITH POLOFF THAT KULIKOV WAS BEHIND THIS EFFORT.) KISELEV MENTIONED TWO IN PARTICULAR:

-- A PURPORTED TRANSCRIPT OF A CONVERSATION BETWEEN A LEBED ADVISOR AND A FORMER HIGH-RANKING KGB OFFICIAL. LEBED'S ADVISOR LAYS OUT LEBED'S STRATEGY FOR COMING TO POWER, WHICH ESSENTIALLY CALLS FOR WORKING WITH CHUBAYS TO OUST CHERNOMYRDIN, THEN ALLYING WITH MOSCOW MAYOR LUZHKOVA TO OUST CHUBAYS, AND FINALLY USING THE ANTI-CORRUPTION CAMPAIGN TO ELIMINATE LUZHKOVA. ONCE LEBED HAD COME TO POWER HE WOULD ESTABLISH AN AUTHORITARIAN REGIME, DISBAND THE FEDERAL ASSEMBLY AND CLOSE DOWN THE PRESS. (KISELEV THOUGHT THE TRANSCRIPT WAS FABRICATED OR HEAVILY DOCTORED. IN PARTICULAR, HE FOUND IT "TOO LITERARY" TO HAVE BEEN A NORMAL CONVERSATION.)

-- AN ALLEGED REPORT OF A CONVERSATION BETWEEN LEBED AND HIS ADVISORS AFTER HIS DUMA APPEARANCE OCTOBER 2 (DURING WHICH HE WAS SHARPLY CRITICIZED FOR HIS CHECHEN PEACE INITIATIVE). LEBED REPORTEDLY RANTED ABOUT SHUTTING DOWN THE PRESS AND DUMA AND "DEALING WITH THE JEWS." (NOTE: IT IS UNCLEAR WHETHER THIS IS SUPPOSED TO REFER TO HIS OPPONENTS GUSINSKIY AND BEREZOVSKIY, OR TO JEWS IN GENERAL.) (KISELEV THOUGHT THIS REPORT HAD THE RING OF TRUTH, BUT WAS NOT CERTAIN THE TRANSCRIPT WAS GENUINE.)

10. ~~(C)~~ AT THE SAME TIME, THE NATIONAL MEDIA, ESPECIALLY RUSSIAN PUBLIC TELEVISION (ORT) AND INDEPENDENT TELEVISION (NTV), MOUNTED AN ANTI-LEBED CAMPAIGN. FINANCIERS BEREZOVSKIY AND GUSINSKIY, WHO HAVE MAJOR INFLUENCE OVER ORT AND NTV RESPECTIVELY, WERE THE KEY FIGURES BEHIND THIS CAMPAIGN, WHICH KISELEV AND RUSSIAN STATE TELEVISION (RTR) DEPUTY DIRECTOR SVANIDZE TOLD POLOFF HAD CHUBAYS' BLESSING. BEREZOVSKIY, MOREOVER, HELPED ORCHESTRATE THE ANTI-KORZHAKOV (AND INDIRECTLY ANTI-LEBED) KOMPROMAT CAMPAIGN THAT FEATURED ACCUSATIONS

~~CONFIDENTIAL~~ SECTION 03 OF 03 MOSCOW 034672

~~CONFIDENTIAL~~

E.O. 12958: DECL: 12/19/06
TAGS: PGOV, RS
SUBJECT: SUB-PLOTS AROUND LEBED'S FIRING

BY NATIONAL SPORTS FEDERATION OFFICIAL BORIS FEDOROV THAT KORZHAKOV WAS CLOSELY TIED TO ORGANIZED CRIME GROUPS. KISELEV HELPED HYPE MINISTER OF INTERIOR AFFAIRS KULIKOV'S CHARGES THAT LEBED WAS PLOTTING A COUP, CHARGES KISELEV LATER TOLD POLOFF HE HIMSELF DID NOT BELIEVE.

11. ~~(S)~~ IT IS DIFFICULT TO JUDGE THE IMPACT OF THIS CAMPAIGN. LEBED'S APPARENTLY ANTI-SEMITIC GAFFE (IN NAMING TRADITIONALLY ESTABLISHED RELIGIONS IN RUSSIA, HE FAILED TO INCLUDE JUDAISM) MAY HAVE BEEN SUFFICIENT TO RAISE CONCERNS AMONG LEADING BANKERS AND OTHER OPINION MAKERS, MANY OF WHOM ARE JEWISH, ABOUT HIS SUITABILITY FOR HIGH POLITICAL OFFICE; THE DISINFORMATION MAY HAVE REINFORCED THOSE CONCERNS. THE ANTI-LEBED TELEVISION CAMPAIGN RECEIVED MIXED REVIEWS IN MOSCOW. PUBLIC OPINION FOUNDATION DIRECTOR OSLOM, FOR EXAMPLE, TOLD POLOFF IN LATE SEPTEMBER THAT HE THOUGHT IT HAD HELPED BRING DOWN LEBED'S HIGH POPULARITY RATING. PAVLOVSKIY AND "IZVESTIYA" COMMENTATOR OTTO LATSIS, HOWEVER, WORRIED THAT THE CAMPAIGN WAS TOO CRUDE AND WOULD ENHANCE LEBED'S POPULARITY WHILE DISCREDITING "VLAST" AS SUCH IN THE LONG RUN. AT THE MOMENT, LEBED STILL REMAINS THE MOST POPULAR POLITICIAN IN RUSSIA.

BUILDING A POSITIVE IMAGE OF POWER

12. ~~(S)~~ COMPLEMENTING THE ANTI-LEBED CAMPAIGN WAS AN EFFORT TO ENHANCE CHERNOMYRDIN'S REPUTATION AS YELTSIN'S SECOND-IN-COMMAND AND THE NATURAL HEIR. ACCORDING TO PAVLOVSKIY, IN LATE AUGUST/EARLY SEPTEMBER, CHERNOMYRDIN AND CHUBAYS HAD DECIDED TO CUT OFF LEBED'S DIRECT ACCESS TO YELTSIN. PAVLOVSKIY HIMSELF WROTE A MEMO FOR THE TWO ADVOCATING THAT LEBED BE MADE TO REPORT TO YELTSIN THROUGH CHERNOMYRDIN, A PROCEDURE THAT WAS IN FACT PUT IN PLACE. IN ADDITION, THERE WERE EFFORTS TO MAKE CHERNOMYRDIN LOOK BOTH PRESIDENTIAL AND CLOSE TO YELTSIN. (YELTSIN ISSUED A DECREE TRANSFERRING TEMPORARILY TO CHERNOMYRDIN SOME OF HIS AUTHORITY OVER THE MILITARY AND DECIDED TO HAVE CHERNOMYRDIN CHAIR MEETINGS OF THE DEFENSE COUNCIL IN HIS ABSENCE.) FINALLY, AS KISELEV HAS POINTED OUT, THE MAJOR TELEVISION STATIONS MADE A CONCERTED EFFORT TO PORTRAY CHERNOMYRDIN IN A MORE POSITIVE LIGHT AND TO RAISE HIS PROFILE, AN EFFORT THAT CONTINUES TO THIS DAY.

CONCLUDING OBSERVATIONS

~~CONFIDENTIAL~~

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13. ~~(C)~~ THE EFFORT TO OUST YELTSIN UNDERSCORES SOME CONTINUING TRUTHS ABOUT RUSSIAN POLITICS.

-- YELTSIN RETAINS THE CENTRAL ROLE BECAUSE, AS PRESIDENT, HE IS THE KEY SYMBOL OF THE REGIME'S LEGITIMACY. EVEN BEFORE HIS OPERATION, WHEN CONCERNS ABOUT HIS ABILITY TO GOVERN WERE GREATEST, KEY DECISIONS HAD TO BE REFERRED TO HIM.

-- PERSONAL CONSIDERATIONS LOOM LARGE, ESPECIALLY BECAUSE "VLAST" IS WEAKLY INSTITUTIONALIZED.

-- TOP GOVERNMENT LEADERS INCREASINGLY GIVE IN TO THE TEMPTATION TO USE THE MEDIA AGAINST THEIR POLITICAL OPPONENTS. THIS DOES NOT MEAN THAT THE MEDIA HAS GROWN LESS OBJECTIVE ACROSS THE BOARD; ONLY THAT ITS OBJECTIVITY IS SELECTIVE. NTV, FOR EXAMPLE, RECENTLY CARRIED REPORTS ON BELARUS AND FORMER YUGOSLAVIA THAT RAN CONTRARY TO GOVERNMENT POLICY. SELECTIVE OBJECTIVITY PER SE DAMAGES THE MEDIA'S CREDIBILITY OVER TIME, HOWEVER.

-- KOMPROMAT (COMPROMISING MATERIAL), USED PUBLICLY OR SURREPTITIOUSLY, CAN BE AN EFFECTIVE POLITICAL WEAPON, ALTHOUGH PUBLIC SCANDALS ULTIMATELY TEND TO DISCREDIT "VLAST" ITSELF MORE THAN THE INDIVIDUALS IMPLICATED.

TEFFT

<^SECT> SECTION: 01 OF 03

<^SSN> 4672

<^TOR> 961219195150 M2547703

<^SECT> SECTION: 02 OF 03

<^SSN> 4672

<^TOR> 961219195233 M2547704

<^SECT> SECTION: 03 OF 03

<^SSN> 4672

<^TOR> 961219195317 M2547707

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Folder Title: Berezovsky Magnates [3]				
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Row: 48	Section: 2	Shelf: 8	Position: 2	Stack: V

Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. cable	re: Chernomyrdin Top Aide (2 pages)	12/19/1996	P1/b(1)
002. cable	re: Joint Russo-Austrian Inquiry (2 pages)	12/16/1996	P1/b(1)
003. cable	re: Nordex CEO Loutchansky [incomplete copy] (1 page)	12/16/1996	P1/b(1)
004. report	re: Russia's Future (14 pages)	12/00/1996	P1/b(1)
005. cable	re: Murders of Tatum and Shcherban (2 pages)	12/13/1996	P1/b(1)
006. cable	re: Moscow Mayor Yurily Luzhkov (5 pages)	12/10/1996	P1/b(1)
007. cable	re: Yeltsin's Operation (5 pages)	11/06/1996	P1/b(1) , P3/b(3) RDS 12/24/2013
008. memo	re: Notes on Chechnya and berezovskiy (2 pages)	11/01/1996	P1/b(1)
009. cable	re: Berezovskiy Joins (4 pages)	11/01/1996	P1/b(1)
010. report	re: Informal Notes on Boris Berezovskiy (7 pages)	11/00/1996	P1/b(1)
011. cable	re: Media Mogul Gusinskiy (4 pages)	02/25/1997	P1/b(1)
012. cable	re: Dismiss Chubays (4 pages)	02/21/1997	P1/b(1)
013. report	re: Russian Presidential Aide (5 pages)	02/20/1997	P1/b(1)

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FOLDER TITLE:

Berezovskiy Magnates [3]

2012-0962-M
sb2545

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
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C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
014. report	re: CIS Integration (4 pages)	02/18/1997	P1/b(1)
015. cable	re: Yeltsin (5 pages)	02/13/1997	P1/b(1)
016. cable	re: TV Executives on NATO Expansion Debate (4 pages)	02/04/1997	P1/b(1) RDS 12/24/2013
017. cable	re: Russian President Yeltsin's Health (5 pages)	02/04/1997	P1/b(1)
018. cable	re: Comments on Berezovskiy and Russian Foreign Policy (4 pages)	11/19/1996	P1/b(1) RDS 12/24/2013
019. cable	re: Russia, Who's in Charge? (9 pages)	12/10/1996	P1/b(1)
020. cable	re: Duma's Bark Worse Than Bite (5 pages)	01/16/1997	P1/b(1) RDS 12/24/2013
021. cable	re: Russian Domestic Political Affairs (4 pages)	01/16/1997	P1/b(1)
022. cable	re: Kremlin Insider Berezovskiy Assists (4 pages)	01/11/1997	P1/b(1)
023. cable	re: Holiday Home (2 pages)	12/12/1996	P1/b(1)
024. cable	re: Domestic Political Affairs Summary (5 pages)	12/17/1996	P1/b(1)
025. cable	re: Bad Press for Berezovskiy (3 pages)	12/27/1996	P1/b(1)
026. cable	re: Moscow Reacts to Latest (2 pages)	12/12/1996	P1/b(1)

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027. cable	re: Kompromat Wars Continue (2 pages)	12/06/1996	P1/b(1)
028. cable	re: New Media Service to be Provided (3 pages)	12/12/1996	P1/b(1)
029. cable	[Duplicate of 026] (2 pages)	12/12/1996	P1/b(1)
030. cable	re: Communist Leader Zyuganov (5 pages)	12/09/1996	P1/b(1) RDS 12/24/2013

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002. cable	re: Joint Russo-Austrian Inquiry (2 pages)	12/16/1996	P1/b(1)

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003. cable	re: Nordex CEO Loutchansky [incomplete copy] (1 page)	12/16/1996	P1/b(1)

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004. report	re: Russia's Future (14 pages)	12/00/1996	P1/b(1)

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006. cable	re: Moscow Mayor Yurily Luzhkov (5 pages)	12/10/1996	P1/b(1)

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007. cable	re: Yeltsin's Operation [10 USC 424; National Security Act] [partial] (1 page)	11/06/1996	P3/b(3)

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- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
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November 6, 1996

96 NOV -6 A4:41

WASHFAX RECEIPT
DEPARTMENT OF STATE

IB

S/S #

SA
~~SE~~
GR

042833

MESSAGE NO. CLASSIFICATION: ~~CONFIDENTIAL~~ No. Pages C+3

FROM: Toby T. Gatl (Officer name) INR/FO (Office symbol) Ext. 7-8933 (Extension) 6531 (Room No.)

MESSAGE DESCRIPTION: INR Memo

<u>TO: (Agency)</u>	<u>DELIVER TO:</u>		<u>Extension</u>	<u>Room No.</u>
NSC	Anthony Lake	BASS	202 456-2255	WW/WH
NSC	Samuel R. Berger	SENS	202 456-2257	WW/WH
NSC	Nancy E. Soderberg	DOHSE	202 456-9461	7D60
WH_OVP	Leon Fuerth (OVP)	HARMON	N/A	N/A
NSC	Steve Pifer	WISE (OVP)	202 456-9161	374
NSC	Alexander Vershbow	EUCIND(OVP)	456-9151	N/A
NSC	Daniel Fried		456-9151	
NSC	Shella Heslin		456-9161	
NSC	Robert Bell		456-9191	

(b)(3)

JCS/J2 James King 702-697-9773

FOR: CLEARANCE INFORMATION PER REQUEST COMMENT

REMARKS: INR analysis on Yeltsin's Operation and its Implications

S/S Officer: _____

C, F, G, D

UNCLASSIFIED UPON REMOVAL
OF CLASSIFIED ATTACHMENTS
Initials: KBM Date: 9/9/2019
2012-0962-M



United States Department of State

Washington, D. C. 20520

November 5, 1996

~~CONFIDENTIAL~~DECL: 1.6X1
INFORMATION MEMORANDUM
S/SDECLASSIFIED
PER E.O. 135262012-0962-M (1.50)
RDS 12/24/2013

TO: The Secretary

FROM: INR - Toby T. Gati *TGati*

SUBJECT: Yeltsin's Operation and its Implications

The apparent success of Yeltsin's operation should mean the return of strong leadership to the Kremlin, following four months of infighting during Yeltsin's illness. Other political figures must adjust to the likelihood that Yeltsin may remain until the end of his term in 2000. (S)

* * *

Successful surgery, power transfer. Following seven hours of surgery at Moscow's Cardiological Center, Yeltsin's doctors and foreign medical observers, including Dr. Debakey, pronounced the operation a success. The head of the surgical team, Dr. Renat Akchurin, told a press conference that Yeltsin's condition is stable, and that the president's heart is receiving a sufficient supply of blood. As of mid-day today, Yeltsin was reported to have come out from anesthesia; he is expected to remain on a respirator until tomorrow. Dr. Akchurin noted that the team stopped Yeltsin's heart for sixty-eight minutes and carried out several artery bypasses--he declined to say how many. Dr. Debakey later told Embassy Moscow that the number of bypasses was five; he also said Yeltsin's heart looked healthy and had good color after being restarted. Dr. Akchurin said the length of the rehabilitation period cannot be accurately predicted for several days. (S)

Prior to today's operation, Yeltsin signed a decree handing over presidential powers, including nuclear release authority, to Prime Minister Chernomyrdin, in accordance with the constitution. Dr. Akchurin said Yeltsin likely would be able to reclaim his powers within two days. Assuming no complications, Yeltsin probably would begin gradually to resume some of his duties within a few weeks, and would return full-time around the beginning of next year. (U)

CLASSIFIED BY: Toby T. Gati, INR A/S
REASON: 1.5(c)(d)

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- 2 -

Implications of Yeltsin's return. The return of a vigorous Yeltsin to the Kremlin should bring much-needed stability to the Russian political scene, which has been characterized by executive branch infighting over the past four months. Key political figures would all be affected:

-- Lebed has badly miscalculated and Yeltsin will not soon forget Lebed's insubordination and arrogance. If Yeltsin recovers fully, presidential elections are a long four years off. Maintaining Lebed's high popularity ratings will require strong financial and organizational support, both of which he currently lacks, and political skills that he has yet to demonstrate. The Russian media is unlikely to afford Lebed the coverage required to keep him in the public eye.

-- Chief-of-staff Chubays can maintain his powerful position, in part because of his close relations with Yeltsin's daughter, but will almost certainly have to lower his public profile. It would not be out of character for Yeltsin to demonstrate he is back in charge by making a point of trimming Chubays's influence or the influence of people beholden to Chubays.

-- Chernomyrdin would almost certainly be relieved not to have to run a presidential campaign next year, an effort that would require a complete image makeover and sap most of his energy from the job of running the government. His loyalty to Yeltsin is his strong suit, but no one can guarantee that a reinvigorated Yeltsin might not order a government shakeup. (C)

Long term problems remain. Yeltsin's return does nothing to diminish the serious problems the country faces. The current economic crisis will be Yeltsin's first priority (though it is unlikely to be solved anytime soon), with Chechnya a close second. As before, progress on foreign policy issues, such as NATO enlargement, is more likely with the president's direct involvement. (C)

Yeltsin's return increases the odds that the government's reform course will continue and allows the Russian political establishment to focus more of its energy on substance rather than jockeying for influence. Political infighting will not disappear, but its practitioners will have to be more cautious about attracting the President's wrath. After Yeltsin makes his return, he is likely to take a careful look at how his subordinates behaved in his absence. (C)

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~~CONFIDENTIAL~~

- 3 -

A new Yeltsin? Initially, Yeltsin would benefit politically from a period of "rebirth" and a sense that the leader has returned. His successful surgery and recovery also would provide an important signal that the country can come through such a crisis by following constitutional provisions. The event has already established a new tradition of openness on the health Russia's top leadership.

However, the issue of Yeltsin's leadership style remains. Never a hands-on president, he has always been prone to bouts of depression and periodic withdrawal from the political scene. If this pattern continues despite apparently successful surgery, Russia's political scene will continue to be erratic. (C)

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Drafted: REA/JWilliams/x7-9186

Cleared: REA/JSontag/x7-9203
REA/LSell/x7-5642

Approved: INR/DAS/AN: TFingar

File Name: 961105MEMO.

Withdrawal/Redaction Marker

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
008. memo	re: Noteson Chechnya and berezovski (2 pages)	11/01/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia, Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovski Magnates [3]

2012-0962-M
sb2545

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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Withdrawal/Redaction Marker

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
009. cable	re: Berezovskiy Joins (4 pages)	11/01/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia, Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovskiy Magnates [3]

2012-0962-M
sb2545

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
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DTG: 011157Z NOV 96

CONTROLS:

UNCLAS 3B/FAX

WARNING: TOPIC: POLITICAL, DOMESTIC, CONFLICT

SERIAL: MM0111115796

BODY:

PASS: COPY TO RISD

COUNTRY: RUSSIA

SUBJ: **BEREZOVSKIY** SEEN APPOINTED TO BUILD **CHECHNYA** ECONOMIC ZONE

SOURCE: MOSCOW PRAVDA PYAT IN RUSSIAN 1-8 NOV 96 PP 1, 2

TEXT:

(ARTICLE BY YURIY LAKERBAY UNDER THE "DOMESTIC VIEW" RUBRIC: "HOLY FOOLS AND CYNICS")

(FBIS TRANSLATED TEXT) IT APPEARS THAT THIS PERSON SERIOUSLY ASPIRES TO GET HIS NAME ON THE LIST OF, IF I MAY CALL THEM SO, THE RUSSIAN STATE'S HOLY FOOLS. THE LIST IS HONORARY AND, CERTAINLY, SHORT, BECAUSE THERE HAVE ALWAYS BEEN FAR FEWER HOLY FOOLS ON RUSSIAN SOIL THAN POLITICIANS, COURTIER, BANKERS, PEACEKEEPERS, POETS, AND SO ON.

JUST JUDGE FOR YOURSELVES. A PERSON HAS THE LOGOVAZ EMPIRE IN HIS HANDS. IN ADDITION, HE IS DEPUTY CHAIRMAN OF THE COUNCIL OF DIRECTORS OF THE OMNIPOTENT ORT, OF HIS OWN, IF ONE MAY SAY SO, RUSSIAN TELEVISION STATION. WEALTHY AND SATIATED, HE LAVISHLY SUBSIDIZES ELECTION AND VARIOUS OTHER CAMPAIGNS IN WHICH HIS FRIENDS ARE INVOLVED. AND SWEEPS AWAY THOSE WHO GET IN HIS WAY, BE THEY PRESIDENTIAL SECURITY CHIEF GENERAL KORZHAKOV OR THE LOWLY POLICE TASK FORCE MEMBER WHO DARED COME TO HIS OFFICE TO QUESTION ONE OF THE EMPLOYEES IN CONNECTION WITH THE LISTYEV MURDER. WELL, SUCH A PERSON, A NOUVEAU RICHE OF THE HIGHEST CATEGORY, A FRIEND OF THE PRESIDENT AND AND AN OLD PAL OF CHUBAYS, SUDDENLY AGREES TO GIVE UP EVERYTHING THAT HAS COST HIM SO MUCH AND TO SERVE THE FATHERLAND IN THE CAPACITY OF -- FANCY! -- DEPUTY TO THE SECURITY COUNCIL SECRETARY, TO THE POST THAT LEBED HAS LOST AND RYBKIN HAS NOW ACQUIRED.

THE SECURITY COUNCIL, WHICH CAN HARDLY BE REGARDED AS A LOW MOUND, LET ALONE A HIGH PLACE IN THE PRESENT STATE POWER STRUCTURE!

BORIS **BEREZOVSKIY**, GIANT OF RUSSIAN BUSINESS: LOOK HERE, HE SAYS, AS A LAW-ABIDING CITIZEN I AM GIVING UP COMMERCIAL ACTIVITY FROM NOW ON. A HOLY FOOL INDEED!

ONCE BANKERS START JOINING THE SECURITY COUNCIL IT BECOMES A A DIFFERENT KIND OF COUNCIL, STATE DUMA CHAIRMAN SELEZNEV SAID, ANNOUNCING THAT HE WAS SUSPENDING HIS MEMBERSHIP OF THE OTHER COUNCIL OF FOUR UNTIL THE PRESIDENT'S RECOVERY.

YABLOKO LEADER YAVLINSKIY, WHOSE VIEWS ARE REMOTE FROM SELEZNEV'S, SHOWED SOLIDARITY WITH SELEZNEV IN HIS ASSESSMENT OF CHUBAYS' PERSONNEL POLICY: "A SYMBOL OF INCOMPETENCE!"

BUT THEN PEOPLE APPEARED ON THE STAGE TO DEFEND OUR HERO, AND IT BECAME EVEN MORE OBVIOUS THAT HE, **BEREZOVSKIY**, IS NOT JUST A HOLY FOOL BUT A HOLY FOOL ON THE GRAND SCALE, INDEED THERE IS NOBODY LIKE HIM!

IT TURNS OUT THAT HE WILL BE IN CHARGE OF QUESTIONS CONCERNING... **CHECHNYA**.

AFTER THE INITIAL SHOCK WE WILL ALSO EXCLAIM, ECHOING RYBKIN AND CHERNOMYRDIN: WHAT KIND OF RUSSIAN BANKER, WHO HAS TURNED FORMER

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STATE CAPITAL INTO HIS OWN AND HAS MADE A FORTUNE IN DOING SO, IS GOING TO RUSH DOWN OF HIS OWN FREE WILL TO THAT DEVASTATED, OBSTINATE, BLOODIED **CHECHNYA** TO RESTORE, AND RAISE, AND ASSUAGE, AND MOURN?!

WHO, INDEED, IS GOING TO HAND OUT HIS OWN MONEY, ACQUIRED THROUGH HARD WORK IN THE PROCESS OF RESCUING THE STATE BUDGET, TO LOCAL PENSIONERS AND THE TEMPORARILY UNEMPLOYED BECAUSE THERE ARE NO LONGER ANY GUERRILLAS OR CIVILIAN WORKERS IN THE REPUBLIC. THERE ARE ONLY TWO CATEGORIES OF PEOPLE THERE NOW: PENSIONERS AND THE TEMPORARILY UNEMPLOYED.

YET HE HAS RUSHED THERE. LIKE JUMPING INTO A MAELSTROM. THIS IS THE TYPE OF PERSON BORIS **BEREZOVSKIY** IS, A LENIN KOMSOMOL PRIZE WINNER AND A CORRESPONDING MEMBER OF THE ACADEMY OF SCIENCES!

WE SHOULD NOT CRITICIZE HIM, BUT APPLAUD. PREFERABLY WITH A STANDING OVATION.

AN IMPRESSIONABLE PERSON, AS I LISTENED TO WHAT RYBKIN AND CHERNOMYRDIN WERE SAYING I WAS READY TO START CLAPPING MY HANDS; BUT, TO MY CHAGRIN A GUEST CAME TO SEE ME AND, AFTER HEARING WHAT IT WAS ALL ABOUT, SPOILED THE WHOLE THING.

A CYNIC BY NATURE, A DOUBTING THOMAS, HE SMILED, AND THERE WAS NO STOPPING HIM!

AREN'T YOU ASHAMED, HE SAID, TO DEPICT AN INTELLIGENT PERSON AS A TOTAL IDIOT! "HOLY FOOL, DEVASTATION, PENSIONERS, UNEMPLOYED...."

EVERYTHING HAD BEEN CALCULATED WELL IN ADVANCE. WHAT IS IT THAT THE RUSSIAN AUTHORITIES ARE GOING TO CREATE IN **CHECHNYA**? RIGHT, A FREE ECONOMIC ZONE. BUT WHAT FOR? TO SEE TO IT THAT, WHILE THEY LACK POLITICAL INFLUENCE ON THE SEPARATISTS, FINANCIAL INFLUENCE CAN BE ACHIEVED THROUGH TURNING THE REPUBLIC'S CRIMINAL CAPITAL INTO LEGAL CAPITAL. ITS MAJESTY OIL!

AND **BEREZOVSKIY** IS SIMPLY INDISPENSABLE THERE. HE WILL, NO DOUBT, FIND A COMMON LANGUAGE WITH YANDARBIYEV AND WITH MASKHADOV -- SIMPLY WITH ANYBODY! HE WILL CREATE A NEW EMPIRE, AN EMPIRE OF OIL, AND THERE WILL BE A NEW COUNCIL OF DIRECTORS WITH TWO COCHAIRMEN -- A CHECHEN AND....

A BUSINESS MOVE: THIS IS WHAT THIS NEW VENTURE SHOULD BE CALLED. USING RYBKIN'S VOCABULARY, IT IS "AN UNORTHODOX APPROACH TO THE SOLUTION OF THE CHECHEN PROBLEM."

YES, IT IS SAD. IT ONLY TAKES SUCH A GUEST, A DOUBTING THOMAS, A CYNIC BY NATURE, TO DISPEL ALL YOUR ILLUSIONS AND MAKE YOU REGARD THE SWEET FATHERLAND'S HOLY FOOLS AND SAINTS WITH THE SARDONIC, COLD LOOK OF A RAYON-SCALE PRIVATE GAS STATION OWNER!

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DTG: 011242Z NOV 96

CONTROLS:

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WARNING: TOPIC: POLITICAL, DOMESTIC

SERIAL: MM0111124296

BODY:

PASS: ATTN WIRE SELECT
COPY TO RISD

COUNTRY: RUSSIA

SUBJ: BOROVOY, CHECHNYA'S KUTAYEV AMONG FEW WELCOMING BEREZOVSKIY

SOURCE: MOSCOW ROSSIYSKIYE VESTI IN RUSSIAN 1 NOV 96 P 1

TEXT:

(REPORT BY FELIKS BABITSKIY UNDER THE RUBRIC "INCIDENTALLY":
"PRAISE AND ABUSE")

(FBIS TRANSLATED TEXT) VIKTOR CHERNOMYRDIN STATED THAT BORIS BEREZOVSKIY HAS BEEN CHARGED WITH LOOKING AFTER QUESTIONS CONNECTED WITH THE SETTLEMENT OF THE CHECHEN CRISIS.

IVAN RYBKIN STRESSED THAT BEREZOVSKIY IS THE FIRST PERSON TO TAKE ON THIS THANKLESS TASK VOLUNTARILY.

THE DUMA HAS NOT BEEN SLOW TO REACT TO HIS APPOINTMENT.

"THERE IS NOTHING MORE TERRIBLE FOR THE PEACE PROCESS IN CHECHNYA THAN STRONG-ARM ACTIONS OR THE INVOLVEMENT OF CRIMINAL CAPITAL," GRIGORIY YAVLINSKIY TOLD CORRESPONDENTS. THIS VERY WELL-KNOWN PARLIAMENTARIAN VIRTUALLY CALLED THE DEPUTY SECURITY COUNCIL SECRETARY A "MAFIOSO."

"WE EXPECTED NOTHING ELSE FROM CHUBAYS," GENNADIY ZYUGANOV SAID AT A PRESS CONFERENCE. THIS REMARK SHOWS, CONTRARY TO THE GENERAL SECRETARY'S INTENTION, THAT BEREZOVSKIY'S APPOINTMENT IS FOR THE COMMUNISTS ONLY A CONVENIENT PRETEXT TO DECLARE WAR ON THE LEADER OF THE PRESIDENTIAL STAFF.

A NOTEWORTHY FACT: NDR (RUSSIA IS OUR HOME) SPOKESMEN ALSO CAUTIOUSLY HINTED THAT BORIS BEREZOVSKIY IS NOT, IN THEIR OPINION, A MAN LIKELY TO BE USEFUL TO IVAN PETROVICH (RYBKIN) RIGHT NOW.

ONLY ONE STATE DUMA DEPUTY, KONSTANTIN BOROVOY, SPOKE OPENLY IN MR. BEREZOVSKIY'S SUPPORT. HE EXPLAINED THAT THERE ARE SIMPLY NO FUNDS TO REBUILD CHECHNYA. ATTRACTING PRIVATE INVESTMENTS THERE IS ESSENTIAL. AND WHO COULD COPE WITH THIS TASK BETTER THAN A RECOGNIZED AUTHORITY LIKE BORIS BEREZOVSKIY?



INCIDENTALLY, THIS IS ALSO WHAT THEY BELIEVE IN CHECHNYA. "SEPARATIST LEADERS WELCOME THE RUSSIAN PRESIDENT'S DECISION TO APPOINT BORIS BEREZOVSKIY DEPUTY SECURITY COUNCIL SECRETARY," RUSLAN KUTAYEV, VICE PREMIER OF THE COALITION GOVERNMENT, STATED YESTERDAY IN CONVERSATION WITH AN ITAR-TASS CORRESPONDENT. BORIS BEREZOVSKIY, IN THE VICE PREMIER'S OPINION, WILL BE ABLE TO RESOLVE CHECHNYA'S MOST ACUTE PROBLEMS CONNECTED WITH FUNDING THE ECONOMY, THE SOCIAL SPHERE, AND ATTRACTING INVESTMENTS.

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DTG: 311504Z OCT 96

CONTROLS:

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WARNING: TOPIC: DOMESTIC, POLITICAL

SERIAL: MK3110150496

/***** THIS IS A COMBINED MESSAGE *****/

BODY:

PASS: COPY TO RISD

COUNTRY: RUSSIA

SUBJ: TAKE 1 OF 2 -- LEFT VIEWS CHUBAYS AS 'REGENT'

SOURCE: MOSCOW KOMMERSANT-DAILY IN RUSSIAN 31 OCT 96 PP 1, 3

TEXT:

(REPORT BY GEORGIY BOVT AND NATALYA KALASHNIKOVA: "THE COMMUNISTS ARE FEARFUL OF A DICTATORSHIP WITHIN THE COUNTRY'S AUTHORITY")

(FBIS TRANSLATED TEXT) PRESIDENT YELTSIN'S ILLNESS HAS TRIGGERED TALK ABOUT AN EMERGING POWER VACUUM. THE CONSOLIDATION OF AUTHORITY AND THE TIGHTENING OF STATE DISCIPLINE HAVE BECOME THE BUZZWORDS OF THE DAY. BUT WHILE SOME ARE JUST TALKING, OTHERS HAVE TAKEN ENERGETIC ACTIONS TO FILL THE VACUUM. WHILE IN ST. PETERSBURG ANATOLIY CHUBAYS SAID: "IF SOCIETY IS TO HAVE A DEMOCRACY, THERE MUST BE A DICTATORSHIP WITHIN ITS AUTHORITY." THE APPOINTMENT OF BORIS BEREZOVSKIY, CHAIRMAN OF THE BOARD OF DIRECTORS OF THE "LOGOVAZ" JOINT-STOCK COMPANY AND A MEMBER OF THE ORT TELEVISION CLOSED-END JOINT-STOCK COMPANY'S BOARD, AS DEPUTY SECURITY COUNCIL SECRETARY ON TUESDAY EVENING WAS INTERPRETED BY MANY PRECISELY IN THE CONTEXT OF CHUBAYS' UTTERANCE -- AS THE ESTABLISHMENT OF HIS PARTY'S DICTATORSHIP, WHICH THROWS INTO DOUBT ANY ATTEMPTS TO CONSOLIDATE THE CURRENT RUSSIAN ELITE AND AUTHORITY. GEORGIY BOVT AND NATALYA KALASHNIKOVA ANALYZE THE SITUATION.

IN PRINCIPLE, IT IS IN A WAY LOGICAL TO GIVE A STATE POST TO A PROMINENT BUSINESSMAN. FIRST, IN MANY COUNTRIES BIG BUSINESS IS QUITE OPENLY ENGAGED IN BIG POLITICS. THE OCCASIONAL SKEPTIC WOULD RESPOND THAT RUSSIA HAS NOT YET GROWN MATURE ENOUGH FOR SUCH A MARKET DEMOCRACY. YET, THERE IS A "SECOND" FOR THE SKEPTICS. IN FACT BEREZOVSKIY HAS LONG BEEN ACTUALLY ENGAGED IN POLITICS. IT IS SMALL SECRET THAT MANY QUITE INFLUENTIAL REPRESENTATIVES OF THE RUSSIAN POLITICAL ELITE GATHERED AT THE "LOGOVAZ" RECEPTION CENTER BEFORE MAKING MOMENTOUS DECISIONS. IT IS NO SECRET EITHER THAT BORIS BEREZOVSKIY HAS MADE A CONSIDERABLE IMPACT ON THE POLICY OF THE ORT TELEVISION CHANNEL. HE ALSO PLAYED A SUBSTANTIAL PART IN THE ORGANIZATION OF BORIS YELTSIN'S ELECTION CAMPAIGN. SO IN THIS REGARD HIS OFFICIAL ENTRY INTO POLITICS IS A SORT OF ACKNOWLEDGMENT OF THE STATUS QUO. IT IS ANOTHER MATTER WHAT SORT OF POST IT IS AND WHAT PREROGATIVES IT ENTAILS.

YET, DESPITE THE APPARENT LOGIC BEHIND THE "LOGOVAZ" HEAD'S APPOINTMENT, THE PRESIDENTIAL DECISION HAS TRIGGERED AN EXCEPTIONALLY STORMY REACTION FROM SOME POLITICAL CIRCLES -- AND MIXED OR CONFUSED RESPONSES FROM OTHERS. UPON CLOSER SCRUTINY IT IS EASY TO SURMISE, HOWEVER, THAT THE TIDE OF EMOTIONS SHOULD NOT BE ASCRIBED EXCLUSIVELY TO THE PERSONALITY OF BORIS BEREZOVSKIY HIMSELF. WHAT CAUSED SUCH A STORMY REACTION WAS THE WAY THIS APPOINTMENT WAS MADE AND AT WHOSE PRODDING THIS HAPPENED.

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IT IS DIFFICULT TO DISTINGUISH BETWEEN THE REACTION "TO BEREZOVSKIY" FROM THE REACTION "TO CHUBAYS." THE IMPRESSION IS THAT, FOR MANY OF THOSE WHO HAVE WATCHED THE PRECIPITOUS GROWTH IN THE CHUBAYS FACTION'S INFLUENCE IN THE KREMLIN, THIS APPOINTMENT BECAME THE LAST ARGUMENT PROVING THAT THE CHIEF MANAGER HAS ESSENTIALLY UNLIMITED INFLUENCE ON THE HEAD OF STATE. THE FIRST TO LOSE HIS TEMPER WAS THE STATE DUMA'S COMMUNIST SPEAKER GENNADIY SELEZNEV. HE FLATLY DEMANDED THAT CHUBAYS BE FIRED AND ANNOUNCED HIS REFUSAL TO ATTEND THE FIRST MEETING OF THE CONSULTATIVE COUNCIL OR THE GROUP OF FOUR, WHICH WAS SCHEDULED FOR FRIDAY. SELEZNEV WAS BACKED BY HIS PARTY COMRADE, GENNADIY ZYUGANOV, TO WHOM, BY THE WAY, THIS GAVE THE UNEXPECTED OPPORTUNITY TO HALT AT THE VERY START THE COMMUNIST SPEAKER'S INCORPORATION IN A NEW QUASI-POLITBURO OVER THE HEAD OF ZYUGANOV HIMSELF, WHO WAS LEFT OUTSIDE IT. THE REACTION OF THE OTHER REPRESENTATIVES OF THE OPPOSITION -- BOTH "CONSTRUCTIVE" AND "NONCONSTRUCTIVE" -- TURNED OUT TO BE JUST AS HARSH.

WAS THIS REACTION PREDICTABLE? CHUBAYS, A GRAND MASTER OF APPARATUS GAMES, COULD NOT BUT FORESEE THAT HIS NEW PERSONNEL INITIATIVE WAS UNLIKELY TO BECOME "A PRODUCT OF THE SIDES' NOT-RESISTANCE," AS OSTAP BENDER (HERO OF "TWELVE CHAIRS" AND "THE GOLDEN CALF" NOVELS BY ILF AND PETROV) USED TO PUT IT. THE REASON IS THAT CHUBAYS, WHO STAGED A SPECTACULAR COMEBACK TO GOVERNMENT IN JULY AND SOARED TO THE VERY PEAK OF INFLUENCE AS EARLY AS SEPTEMBER, HAS ALREADY GIVEN THE LEFT MANY A PRETEXT FOR DISLIKING HIM. PROOF OF THAT ARE BILLS DRAWN UP BY THE COMMUNISTS ON THE PRESIDENTIAL STAFF, ON THE STATE MEDICAL COMMISSION, ON THE PROCEDURE FOR TRANSFERRING PRESIDENTIAL AUTHORITY, AND, FINALLY, ON THE SECURITY COUNCIL. THE COMMUNISTS INVARIABLY REFER TO THE CHIEF OF STAFF AS A "REGENT." IT SEEMS THAT ALL THEY ARE CONCERNED ABOUT IS HOW TO PREVENT THE "REGENT" FROM CONTRIVING SOMEHOW TO SEIZE POWER. THE RESOLUTE INTENTION THE CHIEF OF STAFF DEMONSTRATED OVER THE PAST FEW DAYS "TO CUT THE GOVERNORS DOWN TO SIZE" (KOMMERSANT-DAILY HAS REPORTED ON PLANS FOR GUBERNATORIAL REFORM, BEING DRAWN UP BY THE PRESIDENTIAL STAFF, AND A MEETING ON TIGHTENING STATE CONTROL OVER LOCAL LAWMAKING) ARE UNLIKELY TO GIVE A BOOST TO THE UPPER CHAMBER'S LOVE TO CHUBAYS EITHER. FORESEEING ALL THESE COMPLICATIONS, CHUBAYS STILL CHOSE TO TAKE A CHANCE. ONE MAY EVEN SUSPECT THAT HE HAS DELIBERATELY PROVOKED THE PARLIAMENT INTO IMPULSIVE AND NONCONSTRUCTIVE ACTIONS.

/***** BEGINNING OF TAKE 002 *****/

REF: MK3110150496 MOSCOW KOMMERSANT-DAILY IN RUSSIAN 31 OCT 96
PP 1, 3 ///AND NONCONSTRUCTIVE ACTIONS.

TEXT:

(FBIS TRANSLATED TEXT) BUT DOES HE NEED THAT AT THE MOMENT? HARDLY SO. YET THERE CAN BE NO UNEQUIVOCAL ANSWER TO THIS QUESTION. LITERALLY JUST THE OTHER DAY THE GROUP OF FOUR WAS CREATED, WITH CHUBAYS DIRECTLY HAVING A HAND IN THIS DECISION. APART FROM OTHER THINGS, IT COULD HAVE EMBARKED ON A SEARCH FOR INFORMAL, COMPROMISE WAYS OF COLLABORATION WITH THE LEFT. IT IS WITHIN THIS GROUP THAT CHUBAYS HIMSELF COULD HAVE ESTABLISHED STABLE -- HITHERTO NONEXISTENT -- CONTACTS WITH THE LEFT OPPOSITION, WHICH HAVE UP TO THIS DAY BEEN MONOPOLIZED BY THE PREMIER. NOW THIS WILL BE MUCH MORE DIFFICULT TO DO. BUT COULD THESE JUST BE THE INEVITABLE, PRE-PLANNED COSTS? THE REASON IS THAT THE TEASING OF THE PARLIAMENT WITH A "RED RAG" MIGHT HAVE PURSUED THE OBJECTIVE OF AROUSING THIS PARLIAMENT'S ANGER AND SETTING IT AGAINST BOTH THE GOVERNMENT IN GENERAL AND, FIRST OF ALL, THE PREMIER. IF THIS SUGGESTION IS TRUE,

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IT FITS IN NEATLY WITH THE RUMORS AND SUGGESTIONS BUZZING AT THE WHITE HOUSE AND THE STATE DUMA; NAMELY, THAT CHUBAYS WOULD STAND TO BENEFIT FROM CHERNOMYRDIN'S RESIGNATION OVER THE REJECTION OF THE BUDGET BILL, WITH CHUBAYS ASSUMING THE POST OF ACTING PREMIER. ALLEGEDLY THE CHIEF OF STAFF IS "PRODDED" TOWARD THAT OPTION BY SOME FINANCIAL AND POLITICAL STRUCTURES STANDING BEHIND HIM AND A CLASH OF INTERESTS BETWEEN CHERNOMYRDIN AND CHUBAYS IS, IN PRINCIPLE, INEVITABLE, BECAUSE THEY REPRESENT TWO DIFFERENT FACTIONS AND DIFFERENT FINANCIAL AND ECONOMIC INTEREST GROUPS. FURTHERMORE, IT IS HINTED THAT THE CHUBAYS FACTION'S AMBITIONS STRETCH FAR BEYOND THE PREMIERSHIP.

YET IT WOULD BE DIFFICULT TO SET THE LEFT AGAINST THE GOVERNMENT. CHERNOMYRDIN HAS NOT YET PUBLICLY REACTED TO THE FAIRLY THINLY VEILED ENCROACHMENTS OF THE PRESIDENTIAL STAFF ON THE GOVERNMENT'S PURELY ECONOMIC PREROGATIVES -- NOW ONE CAN ALREADY TALK ESSENTIALLY ABOUT THE FORMATION OF A "SHADOW CABINET" AT THE KREMLIN.

BORIS BEREZOVSKIY WAS VAGUE IN DESCRIBING HIS EXPECTED TERMS OF REFERENCE, SAYING THAT THE SPECIFIC RANGE OF MATTERS WITH WHICH HE IS DUE TO DEAL HAS NOT YET BEEN DEFINED, REMARKING THAT "STRATEGICALLY SPEAKING, RUSSIAN SECURITY HINGES ON THE CONTINUATION OF ECONOMIC CHANGE." THE PREMIER -- NOT WITHOUT JEALOUSY -- WAS SWIFT TO REACT TO THAT, EXPRESSING HIS DOUBTS AS TO THE FACT THAT BEREZOVSKIY WILL SUPERVISE THE PACKAGE OF ECONOMIC MATTERS AT THE SECURITY COUNCIL. BY CONTRAST, THE PREROGATIVES OF ANOTHER DEPUTY SECRETARY -- 55-YEAR-OLD COLONEL GENERAL LEONID MAYOROV -- WERE ANNOUNCED AT ONCE: DEFENSE MATTERS, SECURITY, THE MILITARY-INDUSTRIAL SECTOR, THE PEACE SETTLEMENT IN CHECHNYA.

AS FOR RUMORS ABOUT THE INTENTION TO CAUSE A CLASH BETWEEN THE PREMIER AND THE STATE DUMA, NOW THEY ARE UNLIKELY TO COME TRUE. TO ALL APPEARANCES, THE CONSOLIDATION ON ONE FLANK IS BOUND TO CAUSE A COUNTER CONSOLIDATION ON THE OTHER FLANK, AROUND CHERNOMYRDIN. THE GENERATORS OF KREMLIN RUMORS ARE ALREADY CONTEMPLATING THAT EVENTUALITY: ACCORDING TO KOMMERSANT-DAILY'S INFORMATION, THE LEFT WILL NOW BE ENERGETICALLY SEEKING CONTACTS WITH THE PREMIER -- AND HIS TRUST. IT IS ALSO WORTH NOTING THAT CHERNOMYRDIN -- LET'S PUT IT THIS WAY -- WAS NOT ENRAGED BY SELEZNEV'S STRONGLY WORDED STATEMENT AND REFUSED TO COMMENT ON IT. THE REACTION OF CHERNOMYRDIN'S NDR ("RUSSIA IS OUR HOME") FACTION AT THE DUMA WAS ALSO CHARACTERISTIC. ROMAN POPKOVICH, DEPUTY FACTION CHAIRMAN, SAID THAT BEREZOVSKIY'S APPOINTMENT "RUNS COUNTER TO THE PRESIDENT'S LATEST RADIO ADDRESS, WHICH CONTAINS A CALL FOR ACCORD." WE SHALL VENTURE TO SUGGEST THAT IF MEETING OF CHERNOMYRDIN WITH ZYUGANOV OR SELEZNEV TAKES PLACE ONE OF THESE DAYS, IT WILL NOT CAUSE A SENSATION.

BE THAT AS IT MAY, CHUBAYS' ACTIONS WERE A PRIORI RISKY AND IN MANY RESPECTS SPONTANEOUS. ACCORDING TO KOMMERSANT-DAILY'S INFORMATION, THEY ALSO CAME AS A SURPRISE TO A CONSIDERABLE PORTION OF THE PRESIDENTIAL STAFF, AND EVEN TO THE PRIME MINISTER HIMSELF, TO SPEAK NOTHING OF RYBKIN. THE RISK WAS PROMPTED -- AND JUSTIFIED -- BY AN URGENT LACK OF TIME: THE DUMA MIGHT FULMINATE AS LONG AS IT MUST, BUT ONLY THE PRESIDENT -- WHO IS AT THE MOMENT ABSENT FROM THE SCENE -- CAN RESCIND ALL THESE DECISIONS AND "PUNISH CHUBAYS.

A TIGHT -- ALBEIT UNOFFICIAL -- LIMIT OF TIME WAS SET FOR THE REALIGNMENT OF FORCES ON THE POLITICAL OLYMPUS. ALL DECISIONS REQUIRING PRESIDENTIAL APPROVAL WERE TO HAVE BEEN MADE LITERALLY BY YESTERDAY, WHEN THE FINAL STAGE OF PREPARATIONS FOR YELTSIN'S OPERATION BEGAN. THE NEXT STAGE IS THE OPERATION ITSELF, TO BE FOLLOWED BY REHABILITATION. BY THE TIME YELTSIN'S ABILITY TO WORK IS FULLY RESTORED, HE MUST TO PRESENTED WITH A COMPLETELY NEW -- ALBEIT NOT LEGALLY FORMALIZED -- POLITICAL MODEL DESIGNED SO AS TO

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ACCOMMODATE SPECIFIC PEOPLE. THIS MODEL IS INTENDED TO PLAY THE PART OF LIFE BUOY IN THE EVENT OF AN "EMERGENCY." MANY OF THE LATEST ACTIONS -- THE "FINISHING OFF" OF KORZHAKOV, THE HASTY AND NOT VERY GRACEFUL DITCHING OF LEBED, THE CREATION OF "EMERGENCY AGENCIES" IN THE ECONOMY (THE EMERGENCY TAX COMMISSION), WHICH HAVE ENABLED CHUBAYS TO EFFECTIVELY RETURN TO THE POST OF FIRST DEPUTY PRIME MINISTER IN CHARGE OF THE ECONOMY -- HAVE BEEN TAKEN IN AN ACKNOWLEDGED RACE AGAINST TIME.

YET A NUMBER OF OBVIOUS BLUNDERS THAT ARE UNCHARACTERISTIC OF CHUBAYS, THE "APPARATUS GRAND MASTER," CAN ALSO HAVE THE FOLLOWING EXPLANATION: THE CHIEF OF STAFF IS NO LONGER QUITE FREE IN HIS ACTION. BUT EVEN IF THIS IS TRUE, ANY POLITICIAN OF SUCH A RANK CANNOT BUT HEED THE INTERESTS OF BIG BUSINESS.

(ARTICLE INCLUDES THE FOLLOWING BOXED PARAGRAPH)

WHAT IS A DEPUTY SECURITY COUNCIL SECRETARY, AND HOW DOES HE WORK (SUBHEAD)

THE SECURITY COUNCIL STAFF IS LOCATED AT THE SIXTH ENTRANCE OF THE SET OF PRESIDENTIAL STAFF BUILDINGS ON STARAYA (SLAVYANSKAYA) SQUARE, WHICH FORMERLY HOUSED THE CENTRAL COMMITTEE'S DEFENSE DEPARTMENT. IN ORDER TO REACH THE SECURITY COUNCIL ONE HAS TO PASS THROUGH THREE CHECK POINTS OF THE FEDERAL PROTECTION SERVICE (FSO). A DEPUTY SECURITY COUNCIL SECRETARY HAS A FAIRLY SPACIOUS RECEPTION ROOM WITH A SECRETARY. FROM IT, ONE DOOR LEADS TO AN AIDE'S OFFICE AND THE OTHER, TO THAT OF THE DEPUTY SECRETARY, A SPACIOUS OFFICE WITH A T-SHAPED DESK; THIS IS THE DEPUTY SECRETARY'S WORK PLACE. THERE IS A LARGE MAP ON THE WALL, A REST ROOM, MANY TELEPHONES, INCLUDING A GOVERNMENT "HOT LINE." NATURALLY, HE HAS ACCESS TO ANY DOCUMENTS. ALL THE COUNTRY'S SPECIAL SERVICES ARE AT THE SECURITY COUNCIL'S DISPOSAL; ANY INFORMATION CAN BE REQUESTED FROM THEM. THE DEPUTY SECRETARY DOES NOT ATTEND SECURITY COUNCIL MEETINGS UNLESS HE IS SPECIFICALLY INVITED TO.

THE SECURITY COUNCIL HAS A FAIRLY BROAD AUTHORITY. UNDER THE STATUTE OF THE SECURITY COUNCIL, THIS AGENCY IS TASKED "TO DRAW UP PRESIDENTIAL DECISIONS ON MATTERS OF ENSURING THE PROTECTION OF THE VITAL INTERESTS OF INDIVIDUALS, SOCIETY, AND THE STATE FROM INTERNAL AND EXTERNAL THREATS, AS WELL AS CONDUCTING A SINGLE STATE SECURITY POLICY." THE SECURITY COUNCIL "DEFINES THE VITAL INTERESTS OF SOCIETY AS WELL AS THE STATE AND EXPOSES INTERNAL AND EXTERNAL THREATS TO SECURITY TARGETS; DEVISES THE GUIDELINES OF THE SECURITY STRATEGY OF THE RUSSIAN FEDERATION; DRAWS UP PROMPT DECISIONS ON PREVENTING EMERGENCIES; DRAWS UP PROPOSALS ON THE INTRODUCTION, RENEWAL, OR ABOLITION OF A STATE OF EMERGENCY; ATTENDS TO MATTERS OF THE COORDINATION OF THE SECURITY-RELATED ACTIVITIES OF THE FEDERAL AND REGIONAL AGENCIES OF THE EXECUTIVE BRANCH."

SECURITY COUNCIL SECRETARY IVAN RYBKIN SAID YESTERDAY THAT HIS DEPUTIES, BORIS **BEREZOVSKIY** AND LEONID MAYOROV, WOULD VISIT **CHECHNYA** IN THE NEAR FUTURE. RYBKIN ALSO NOTED THAT **BEREZOVSKIY** WOULD SUPERVISE MATTERS AT THE SECURITY COUNCIL RELATED TO THE FINANCIAL COLLABORATION WITH **CHECHNYA**. RYBKIN ALSO EMPHASIZED THAT NOW THAT THE STATE TREASURY IS EMPTY IT IS ESSENTIAL TO ATTRACT TO **CHECHNYA** FUNDS FROM THE PRIVATE SECTOR OF THE RUSSIAN ECONOMY. **BEREZOVSKIY**, RYBKIN ADDED, WILL ACT IN ACCORDANCE WITH GUIDELINES TO BE APPROVED BY THE SECURITY COUNCIL.

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
010. report	re: Informal Notes on Boris Berezovskiy (7 pages)	11/00/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia, Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovskiy Magnates [3]

2012-0962-M
sb2545

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
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- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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011. cable	re: Media Mogul Gusinskiy (4 pages)	02/25/1997	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia, Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

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Berezovskiy Magnates [3]

2012-0962-M
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012. cable	re: Dismiss Chubays (4 pages)	02/21/1997	P1/b(1)

COLLECTION:

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Russia, Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

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2012-0962-M
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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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013. report	re: Russian Presidential Aide (5 pages)	02/20/1997	P1/b(1)

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2012-0962-M
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014. report	re: CIS Integration (4 pages)	02/18/1997	P1/b(1)

COLLECTION:

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National Security Council
Russia, Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

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2012-0962-M
sb2545

RESTRICTION CODES

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015. cable	re: Yeltsin (5 pages)	02/13/1997	P1/b(1)

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OA/Box Number: 922

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2012-0962-M
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Presidential Records Act - [44 U.S.C. 2204(a)]

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WHITE HOUSE SITUATION ROOM

DIST: BELL, DOWLING, EGGERT, ELKIND, FEELEY, FORT, MATERA, PASCUAL, PIFER, RUMER, SCHMIDT, VERSHBOW, WITKOWSKY, NSC

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2012-0962-M (1.58)
RDS 12/24/2013

~~CONFIDENTIAL~~ SECTION 01 OF 02 MOSCOW 002543

E.O. 12958: DECL: 02/04/97
TAGS: PGOV, PREL, RS
SUBJECT: TV EXECUTIVES ON NATO EXPANSION DEBATE

REF MOSCOW 01960

1. (U) CLASSIFIED BY CHARGE D'AFFAIRES JOHN F. TEFFT.
REASONS 1.5 (B) AND (D).

SUMMARY

2. ~~(S)~~ AT A LUNCHEON HOSTED JANUARY 30 BY CHARGE, THE TOP EXECUTIVES OF PUBLIC RUSSIAN TV (ORT), INDEPENDENT TV (NTV), AND THE ENTERTAINMENT-ORIENTED TV-6 AGREED THAT THE DEBATE IN RUSSIA OVER NATO EXPANSION HAS BECOME COUNTERPRODUCTIVE. THE TWO MOST POLITICALLY ENGAGED EXECUTIVES ARGUED THAT THE NATO-RUSSIA DEBATE HAS DISPLACED A PUBLIC AIRING OF MORE FUNDAMENTAL ISSUES THAT WOULD ALLOW RUSSIA TO COME TO TERMS WITH ITS PAST AND DEAL EFFECTIVELY WITH ITS PRESENT. THE THIRD, LESS CONCERNED WITH GEOPOLITICS AND NATIONAL IDENTITY, PAINTED A COMPELLING PICTURE OF THE DESPERATE SOCIAL CONDITIONS THAT ARE GOING UNRESOLVED AS THE RUSSIAN LEADERSHIP POSTURES OVER RUSSIA'S RIGHTFUL PLACE IN THE WORLD. IN DIFFERENT WAYS, EACH AGREED THAT UNTIL THERE IS A PROBING EXAMINATION OF THE REASONS FOR RUSSIA'S CURRENT DIFFICULTIES, THE RUSSIAN LEADERSHIP WILL BE HARD-PRESSED TO MOVE FORWARD AND CREATE THE CONDITIONS FOR ITS CITIZENS TO LEAD A

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"NORMAL LIFE." END SUMMARY.

THREE PERSPECTIVES

3. (SBU) THE VIEWS OF THE THREE TV EXECUTIVES WERE INFORMED BOTH BY THEIR BACKGROUNDS AND THE AUDIENCES THEIR RESPECTIVE COMPANIES CATER TO. ORT'S SERGEY BLAGOVOLIN, A LONG-TIME FOREIGN AFFAIRS EXPERT WHO CAME UP THROUGH THE PRESTIGIOUS SOVIET INSTITUTE FOR THE WORLD ECONOMY AND INTERNATIONAL RELATIONS (MEMO--WHERE HE WORKED FOR FOREIGN MINISTER PRIMAKOV), SPOKE FOR THE MOST TRADITIONAL AUDIENCE. IN HIS OWN WORDS, BOTH HIS PEERS AND HIS VIEWERS ARE "TRAPPED IN THE OLD PROPAGANDA" AND HAVE DIFFICULTY RELATING TO NATO AS ANYTHING OTHER THAN A POTENTIAL ENEMY. NTV'S IGOR MALASHENKO, WHO ALSO CAME UP THROUGH THE RANKS OF ELITE FOREIGN POLICY THINK-TANKS, REPRESENTS THE COUNTRY'S NEW BUSINESS ELITES, THOSE WHO ARE CONCERNED ABOUT "EUROPEAN SECURITY ARCHITECTURE" DEBATES ONLY TO THE EXTENT THEY AFFECT THE POLITICAL CLIMATE IN RUSSIA AND THEIR OPPORTUNITY TO MAKE MONEY. TV-6 GENERAL DIRECTOR ALEKSANDR PONOMAREV IS A PROVINCIAL JOURNALIST WHO MADE GOOD AND NOW HEADS A TV COMPANY THAT HAS CONSCIOUSLY TARGETED RUSSIA'S POLITICALLY ALIENATED MASSES FOR WHOM NATO EXPANSION IS UTTERLY IRRELEVANT.

OLD THINK

4. (C) FOR THE MOST PART, BLAGOVOLIN MADE THE SAME UTTERANCES ABOUT THE UNDESIRABILITY OF NATO EXPANSION AND THE NEED FOR "SPECIAL AGREEMENTS" THAT HAVE BEEN HEARD AD NAUSEUM AROUND TOWN (REF). HIS ONLY DIVERGENCE FROM THE PARTY LINE WAS WHEN HE CONCEDED THAT POLICY AND OPINION MAKERS "ARE TRAPPED IN THE PROPAGANDA OF THE PAST," UNABLE TO BREAK OUT OF OLD SOVIET STEREOTYPES ABOUT NATO. AS THE DEBATE DRAGS ON AND PEOPLE'S DESPERATE LIVING STANDARDS CONTINUE TO GO UNADDRESSED, HE SAID, RUSSIA'S LEADERS WILL FIND THEMSELVES "SITTING ON A POWDER KEG."

NEW THINK

5. (C) MALASHENKO SHOWED OBVIOUS IMPATIENCE OVER THE WHOLE NATO EXPANSION DEBATE AND ARGUED THAT IT HAS BADLY DISTRACTED THE LEADERSHIP FROM MORE PRESSING PROBLEMS ON THE DOMESTIC FRONT. REFLECTING HIS POSITION AS AN ENTREPRENEUR WHO HAS A STAKE IN POLITICAL STABILITY AND ECONOMIC RECOVERY, MALASHENKO STATED THAT "DOMESTIC ISSUES ARE THE ONLY PROBLEMS THAT

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MATTER TO ME." HE RECOGNIZES THAT NATO EXPANSION IS INEVITABLE AND RECOMMENDED HALF-SERIOUSLY THAT THE U.S. "JUST DO IT QUIETLY." IN RESPONSE TO CHARGE'S COMMENT THAT DEPUTY SECRETARY TALBOTT HAD RECENTLY TOLD RUSSIAN LEADERS WE WILL WORK HARD WITH RUSSIA TO MANAGE THE NATO ENLARGEMENT ISSUE "BUT IT TAKES TWO TO TANGO," MALASHENKO REITERATED HIS DISINTEREST: "THIS IS NOT MY TANGO."

~~CONFIDENTIAL~~ SECTION 02 OF 02 MOSCOW 002543

E.O. 12958: DECL: 02/04/97

TAGS: PGOV, PREL, RS

SUBJECT: TV EXECUTIVES ON NATO EXPANSION DEBATE

6. ~~(S)~~ MORE FUNDAMENTALLY, MALASHENKO ARGUED, THE ELITES HAVE USED THE DEBATE OVER THE FUTURE OF U.S.-RUSSIAN RELATIONS AND RUSSIA'S ROLE IN EUROPE AS A SUBSTITUTE FOR A FULL PUBLIC AIRING OF THE MORE FUNDAMENTAL ISSUE OF THE COLLAPSE OF THE SOVIET UNION. "RUSSIA LOST THE COLD WAR," HE SAID, "BUT YOU WILL NEVER HEAR ANY OF OUR LEADERS SAY THIS." HE NOTED THAT JAPAN AND GERMANY HAD TO GO THROUGH A PROCESS OF NATIONAL RE-EXAMINATION AFTER THEIR DEFEAT IN WORLD WAR II BEFORE THEY COULD EVEN BEGIN TO THINK OF THEIR ROLE IN THE WORLD. GERMANY HAD DONE SO; JAPAN STILL HAD NOT COME TO TERMS WITH ITS PAST. IN HIS VIEW, THE RUSSIAN LEADERSHIP'S INABILITY TO COME TO TERMS WITH THE COLLAPSE OF THE SOVIET UNION AND THE CURRENT REALITY OF RUSSIA'S WEAKNESS PREVENTS THE NATION FROM MOVING AHEAD TO DEVELOP A NEW NATIONAL IDENTITY THAT WOULD ITSELF RESOLVE RUSSIA'S RIGHTFUL PLACE IN THE WORLD.

MASS THINK

7. ~~(S)~~ TV6'S PONOMAREV EXPRESSED THE VIEW OF RUSSIA'S SILENT MAJORITY WHEN ASKED FOR HIS OPINION ON THE NATO EXPANSION DEBATE. HE RESPONDED BY TELLING IN STARK TERMS THE STORY OF A SMALL TOWN -- AND THOUSANDS OTHERS LIKE IT -- THAT IS DYING A SLOW SOCIAL AND ECONOMIC DEATH WHILE THE RUSSIAN LEADERSHIP DEBATES NATO EXPANSION. HIS STORY CONCERNED HIS NATIVE TOWN OUTSIDE SAMARA, WITH A POPULATION OF 30,000 (ALMOST HALF OF WHICH ARE PENSIONERS) AND ONLY TWO FACTORIES. THE FACTORIES HAVE BEEN IDLE FOR ALMOST TWO YEARS. THE ONLY MONEY THAT PEOPLE HAVE HAD TO SPEND HAS COME IN THE FORM OF PENSIONS, BUT IMMEDIATELY AFTER THE GUBERNATORIAL ELECTION LAST FALL, EVEN PENSIONS STOPPED BEING PAID. HIS SISTER, A SCHOOL TEACHER, THEORETICALLY EARNS 180,000 RUBLES PER MONTH (ABOUT USD 35), BUT THAT WAS CUT TO 90,000 RUBLES (USD 17) BECAUSE

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THE CLASS IS NOT ENTIRELY FULL. "AND EVEN THEN, SHE DOESN'T GET PAID ANYWAY." HE SAID HE LEARNED LATER THAT 40 PERCENT OF RUSSIANS LIVE IN TOWNS SUCH AS THIS. "FOR THEM AND FOR ME," HE SAID, "THE DEBATE ABOUT NATO EXPANSION IS A CONVERSATION CONDUCTED BETWEEN TWO SPACE ALIENS."

COMMENT

8. ~~(S)~~ THE LUNCHEON DISCUSSION DROVE HOME WHAT WE HAVE KNOWN ABOUT THE NATO EXPANSION DEBATE IN RUSSIA FOR A LONG TIME: IT IS BEING CONDUCTED BY AND FOR A VERY NARROW ELITE WHO (1) DO NOT FULLY UNDERSTAND THE NATURE OF NATO AND THE ADAPTATION PROCESS UNDERWAY, AND (2) HAVE ALLOWED THE NATO DEBATE TO DISTRACT THEM FROM MORE DIFFICULT AND FUNDAMENTAL ISSUES FOR RUSSIA'S FUTURE. THE MISINFORMATION CURRENTLY CIRCULATING IN MOSCOW ARGUES IN FAVOR OF A MORE DYNAMIC PUBLIC DIPLOMACY CAMPAIGN, ALTHOUGH MALASHENKO'S INJUNCTION TO THE U.S. TO JUST GET ON WITH NATO ENLARGEMENT "BUT DO IT QUIETLY" IS A USEFUL WARNING OF THE NEED FOR A DEFT HAND IN THE PRESENT POLITICALLY CHARGED ATMOSPHERE. THE EFFECTIVENESS OF A PUBLIC DIPLOMACY CAMPAIGN ON NATO WILL DEPEND GREATLY ON THE RUSSIAN LEADERSHIP'S WILLINGNESS TO SET A MORE APPROPRIATE TONE IN THEIR OWN PUBLIC PRONOUNCEMENTS. IN THIS CONNECTION WE NOTE THAT PRIME MINISTER CHERNOMYRDIN SAID FLATLY IN A NATIONAL TV INTERVIEW FROM DAVOS FEBRUARY 2 THAT NATO HAD NOT CHANGED A BIT. TEFFT

<^SECT>SECTION: 01 OF 02

<^SSN>2543

<^TOR>970204070820 M2602032

<^SECT>SECTION: 02 OF 02

<^SSN>2543

<^TOR>970204070909 M2602033

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
017. cable	re: Russian President Yeltsin's Health (5 pages)	02/04/1997	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia, Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovskiy Magnates [3]

2012-0962-M
sb2545

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
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- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

~~SECRET~~

WHITE HOUSE SITUATION ROOM

DIST: EGGERT, FORT, HESLIN, PASCUAL, PIFER, RUMER, NODIS

PREC: PRIORITY CLASS: ~~SECRET~~ DTG:191226Z NOV 96

FM: AMEMBASSY TBILISI

TO:
SECSTATE WASHDC PRIORITY 2240

DECLASSIFIED
PER E.O. 13526

2012-0962-M (1.60)
RDS 12/24/2013

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~~SECRET~~ SECTION 01 OF 02 TBILISI 003809

NODIS

DEPT PLEASE REPEAT TO EMBASSY MOSCOW, ALSO FOR AMB COLLINS

E.O. 12958: 19 NOV 06

TAGS: PREL, GG

SUBJECT: SHEVARDNADZE COMMENTS ON BEREZOVSKIY AND RUSSIAN
FOREIGN POLICY

CLASSIFIED BY AMB WILLIAM COURTNEY, REASONS 1.5(B,D)

REF: TBILISI 3707 (EXDIS)

SUMMARY

1. IN A PRIVATE NOVEMBER 15 MEETING WITH AMBASSADOR-AT-LARGE COLLINS, PRESIDENT SHEVARDNADZE CAUTIONED THAT THE U.S. SHOULD BE PREPARED FOR ANY UNEXPECTED TURN IN RUSSIA, BUT NOT EXCLUDE A SMOOTH DEVELOPMENT, WHICH WAS QUITE POSSIBLE. MUCH DEPENDED ON YELTSIN AND HIS REEMERGENCE IN POLITICAL LIFE. NEW SECURITY COUNCIL DEPUTY SECRETARY BEREZOVSKIY COULD BE AN IMPORTANT FIGURE IN RUSSIAN FOREIGN POLICY. BEREZOVSKIY WAS DISMISSIVE OF ATTEMPTS TO RESTORE THE OLD ORDER, AND WANTED A RADICALLY DIFFERENT FOREIGN POLICY, PUTTING RUSSIA SQUARELY WITH THE WEST. HE MERITED U.S. SUPPORT. END SUMMARY.

2. FOLLOWING THE NOVEMBER 15 PLENARY WITH THE U.S. DELEGATION, SHEVARDNADZE MET PRIVATELY WITH AMBASSADORS COLLINS AND COURTNEY AND NSC SENIOR DIRECTOR PIFER.

RUSSIA -- ANY TURN POSSIBLE

~~SECRET~~

3. SHEVARDNADZE SAID THE U.S. SHOULD BE PREPARED FOR ANY UNEXPECTED TURN IN RUSSIA BUT SHOULD NOT EXCLUDE A SMOOTH DEVELOPMENT -- THAT WAS QUITE POSSIBLE. MUCH WOULD DEPEND ON YELTSIN AND HIS REEMERGENCE. PRIOR TO YELTSIN'S OPERATION, A REAL POWER STRUGGLE HAD BEEN UNDERWAY. FORTUNATELY, THE MOD LEADERS WERE "NORMAL."

RODIONOV A FACTOR FOR STABILITY

4. SHEVARDNADZE SAID YELTSIN WOULD NOT HAVE APPOINTED RODIONOV DEFENSE MINISTER HAD GEORGIA INDICATED IT WOULD REACT NEGATIVELY. LEBED HAD CALLED SHEVARDNADZE IN ADVANCE AND SAID YELTSIN'S DECISION DEPENDED ON SHEVARDNADZE'S VIEW. SHEVARDNADZE NOTED THAT RODIONOV WAS RESPONSIBLE FOR THE 1989 TRAGEDY (IN WHICH SOVIET TROOPS ATTACKED AND KILLED A NUMBER OF CIVILIAN DEMONSTRATORS IN TBILISI), ALTHOUGH HE WAS FULFILLING ORDERS. SHEVARDNADZE COMMENTED THAT HE HAD SUPPORTED RODIONOV'S CANDIDACY. RODIONOV WAS NOT A MAN TO SEEK POWER. HE WAS NO ONE'S MAN -- NOT CHERNOMYRDIN'S OR ANYONE ELSE'S. THIS REPRESENTED A FACTOR FOR STABILITY.

CHUBAYS-CHERNOMYRDIN

5. SHEVARDNADZE ASSERTED THAT A POWERFUL WING WAS BEING FORMED UNDER CHUBAYS. IF YELTSIN DID NOT REGAIN HIS FORM, THE CHUBAYS-CHERNOMYRDIN RELATIONSHIP WOULD DEVELOP IN A "PAINFUL MANNER." THE CHOICE OF RYBKIN AS SECURITY COUNCIL SECRETARY WAS FORTUNATE AND RIGHT. IT WAS GOOD THAT RYBKIN HAD HAD THE CHANCE TO MEET WITH PRESIDENT CLINTON IN 1994. RYBKIN WAS A MODERATE.

BEREZOVSKIY AN IMPORTANT FIGURE

6. SHEVARDNADZE CONTINUED THAT BEREZOVSKIY'S EMERGENCE AS RYBKIN'S DEPUTY WAS IMPORTANT. HE REPRESENTED RUSSIA'S BIG NEW CAPITAL, AND WAS ONE OF THE SIX OR SEVEN MOST POWERFUL PERSONS IN RUSSIA ECONOMICALLY, A GROUP IN WHICH BEREZOVSKIY SAID THERE WAS NO INFIGHTING. HE WAS AN "EXTRAORDINARY PERSON."

7. SHEVARDNADZE SAID THERE HAD BEEN A SHIFT IN KAZAKSTANI PRESIDENT NAZARBAYEV'S STANCE, AND BEREZOVSKIY HAD CONFIRMED IT. DUE TO THE LARGE ETHNIC RUSSIAN POPULATION IN KAZAKSTAN, NAZARBAYEV WAS UNDER PRESSRE FROM THE RUSSIANS AND HAD TO CONSIDER THEIR VIEWS. BUT HE HAD RECENTLY VISITED TBILISI, AND SHEVARDNADZE HAD DISCOVERED

ANOTHER MAN.

8. SHEVARDNADZE SAID BEREZOVSKIY FELT RUSSIAN POLICY SHOULD RADICALLY CHANGE, AND HE UNDERSTOOD THIS WOULD BE IMPOSSIBLE WITHOUT CHANGES IN PERSONNEL. BEREZOVSKIY BELIEVED THE RUSSIA/BELARUS/KAZAKSTAN/KYRGYZSTAN CUSTOMS UNION WAS NONSENSICAL, A VIEW SHARED BY NAZARBAYEV. BEREZOVSKIY UNDERSTOOD IT WAS SENSELESS FOR RUSSIA TO SPEAK OF RESTORING THE OLD ORDER. SHEVARDNADZE HAD TOLD BEREZOVSKIY THAT RUSSIA HAD LOST AN OPPORTUNITY FOR BETTER

~~SECRET~~ SECTION 02 OF 02 TBILISI 003809

NODIS

DEPT PLEASE REPEAT TO EMBASSY MOSCOW, ALSO FOR AMB COLLINS

E.O. 12958: 19 NOV 06

TAGS: PREL, GG

SUBJECT: SHEVARDNADZE COMMENTS ON BEREZOVSKIY AND RUSSIAN FOREIGN POLICY

RELATIONS WITH THE WEST; RUSSIA SHOULD HAVE GONE WEST AFTER THE SOVIET UNION'S COLLAPSE. BY NOT HAVING DONE SO, RUSSIA HAD ACCELERATED THE MOVE BY OTHER NIS (UKRAINE, AZERBAIJAN, GEORGIA, UZBEKISTAN, KAZAKSTAN) TO THE WEST. RUSSIA WAS IN SELF-ISOLATION. SHEVARDNADZE REPORTED THAT BEREZOVSKIY AGREED. (REF)

MERITING U.S. SUPPORT

9. SHEVARDNADZE SAID BEREZOVSKIY BELIEVED RUSSIAN POLICY WAS NOT PREEMPTIVE OR FORWARD-LOOKING BUT BEHIND THE TIMES. BEREZOVSKIY HAD OTHER INTERESTING IDEAS. SHEVARDNADZE VIEWED HIM POSITIVELY AND HAD TOLD HIM HE MIGHT SHARE SOME OF THEIR DISCUSSION WITH WESTERN OFFICIALS. BEREZOVSKIY WOULD NEED "YOUR SUPPORT," BUT ONLY WHEN IT WAS REALLY NECESSARY; SUPPORT NOW WOULD HARM HIM. BEREZOVSKIY HAD A CORRECT ORIENTATION, AND SUPPORT WOULD HAVE TO BE DONE IN THE RIGHT DOSAGES. HE WOULD DEVELOP INTO A NECESSARY AND USEFUL MAN.

TALKING TO RUSSIA ABOUT THE NIS

10. COLLINS COMMENTED THAT HE WAS TROUBLED THAT THE U.S. AND RUSSIA HAD NOT FOUND A WAY TO TALK EFFECTIVELY ABOUT THE NIS AND THEIR RESPECTIVE INTERESTS. THERE WAS A GOOD DEAL OF SUSPICION. COLLINS HAD SUGGESTED TO RYURIKOV THAT IT WAS TIME FOR SUCH AN EXCHANGE, AND RYURIKOV WAS RECEPTIVE. THE STRATEGIC INTERESTS OF THE U.S., RUSSIA AND EUROPE IN THE CAUCASUS AND CENTRAL ASIA WERE

COMPATIBLE -- A STABLE AND DEVELOPING REGION THAT DID NOT BECOME LIKE ITS SOUTHERN NEIGHBORS. THE PROBLEM WAS HOW RUSSIA WOULD PURSUE ITS INTERESTS. IT WAS IMPORTANT TO FIND THE RIGHT RUSSIANS FOR THIS DISCUSSION.

11. SHEVARDNADZE RESPONDED THAT IT WOULD TAKE A LONG TIME FOR RUSSIA TO BE CURED OF IMPERIAL DISEASE. THE EMPIRE CREATED TANGLES OF CONTROVERSY ON ITS BORDERS. RUSSIA WAS USING ABKHAZIA AND THINKING ABOUT USING AJARIA (A MUSLIM GEORGIAN REGION IN THE SOUTHWEST ON THE BLACK SEA) AGAINST GEORGIA. NAZARBAYEV, ALIYEV, AND KUCHMA WOULD SAY THE SAME IF THEY WERE CANDID. KUCHMA HAD BEEN IN DESPAIR WITH SHEVARDNADZE ABOUT HOW THE RUSSIANS WORKED OPENLY IN UKRAINE'S DONBASS REGION. SHEVARDNADZE SAID HE SAW IN BEREZOVSKIY A MAN FREE OF ALL THIS -- A PERSON WHO BELIEVED THAT PROCEEDING ON SUCH AN IMPERIAL BASIS WOULD LEAD TO RUSSIA'S COLLAPSE.

12. SHEVARDNADZE NOTED THAT THE EMERGENCE OF A NEW FORCE IN MOSCOW DID PROVIDE SOME HOPE. IF YELTSIN CAME BACK TO FULL FORM, ONE SCENARIO WOULD BE A BOOST FOR THIS NEW FORCE. THAT COULD CHANGE MANY THINGS. IT WAS IMPORTANT NOT TO LET THE OPPORTUNITY SLIP AWAY. RUSSIA NEEDED AMERICA'S HELP, BUT THE U.S. SHOULD GET SOME QUID PRO QUO. THERE MUST BE AN OPEN AND DIRECT DIALOGUE.

DISAPPOINTMENT WITH PRIMAKOV

13. SHEVARDNADZE OBSERVED THAT HE HAD HAD HIGH HOPES FOR PRIMAKOV, BELIEVING HE WOULD ASSUME A PRO-WESTERN POLICY. BUT PRIMAKOV HAD PROVED CAPTIVE TO OLD IDEAS AND IDEOLOGIES. PLAYING WITH IRAQ NOW WAS TOO LATE; IT WAS RIDICULOUS. BEREZOVSKIY AND HIS TEAM WANTED TO CREATE SOMETHING LIKE A SECRETARY OF STATE WITHIN THE RUSSIAN SECURITY COUNCIL; OTHERWISE THEY COULD NOT OPPOSE PRIMAKOV. SHEVARDNADZE SAID HE HAD MENTIONED FORMER DEPUTY FOREIGN MINISTER ADAMISHIN TO BEREZOVSKIY AS SOMEONE WHO WAS MORE FLEXIBLE.

14. AMBASSADOR COLLINS HAS CLEARED THIS TELEGRAM.

COURTNEY

<^SECT> SECTION: 01 OF 02

<^SSN> 3809

<^TOR> 961120000318 M2501993

<^SECT> SECTION: 02 OF 02

<^SSN> 3809

<^TOR> 961120000404 M2501994

FROM:
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
019. cable	re: Russia, Who's in Charge? (9 pages)	12/10/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia, Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovskiy Magnates [3]

2012-0962-M
sb2545

RESTRICTION CODES

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WHITE HOUSE SITUATION ROOM

DIST: EGGERT, ELKIND, FORT, MATERA, PASCUAL, PIFER, RUMER, NSC

PREC: ROUTINE CLASS: ~~CONFIDENTIAL~~ DTG:161301Z JAN 97

FM: AMEMBASSY MOSCOW

**TO:
RUEHC/SECSTATE WASHDC 0595**

**DECLASSIFIED
PER E.O. 13526
2012-0962-m (1.62)
RDS 12/24/2013**

**RUEHVL/AMEMBASSY VILNIUS 7231
RUCNCIS/CIS COLLECTIVE
RUEHDX/MOSCOW POLITICAL COLLECTIVE
RUEHTL/AMEMBASSY TALLINN 7039
RUEHRA/AMEMBASSY RIGA 7193**

~~CONFIDENTIAL~~ SECTION 01 OF 03 MOSCOW 000970

**E.O. 12958: DECL: 01/16/07
TAGS: PGOV, PREL, ECON, RS
SUBJECT: DUMA'S BARK WORSE THAN BITE IN FALL '96**

**REF(S): A) 96 MOSCOW 22499 B) 96 MOSCOW 31806
C) 96 MOSCOW 33787 D) 96 MOSCOW 35027**

**1. (U) CLASSIFIED BY ACTING POLITICAL COUNSELOR
THOMAS GRAHAM. REASONS: 1.5 B) AND D).**

SUMMARY

**2. (S) DURING ITS AUTUMN SESSION, THE RUSSIAN
STATE DUMA FOSTERED SURPRISINGLY COOPERATIVE
RELATIONS WITH THE GOR UNDER THE LEADERSHIP OF
SPEAKER GENNADIY SELEZNEV AND COMMUNIST FACTION
BOSS GENNADIY ZYUGANOV. ON KEY ISSUES, THIS LED
TO A PATTERN OF FIERY PARLIAMENTARY POLEMICS
FOLLOWED BY RAPID RETREAT FROM THE BRINK OF
CONFRONTATION WITH THE GOR. AS A RESULT, THE
DUMA FAILED TO STRENGTHEN EITHER RUSSIAN REFORM
OR ITS OWN POSITION AS A POLITICAL INSTITUTION.
(DETAILS ON ECONOMIC/COMMERCIAL LEGISLATIVE
AGENDA FOLLOW SEPTTEL.) END SUMMARY.**

FEW NEW LAWS; PLENTY OF POLEMICS

**3. (SBU) THE RUSSIAN STATE DUMA'S AUTUMN 1996
SESSION WAS DOMINATED BY FIERY POLEMICS BUT**

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LITTLE LEGISLATIVE ACHIEVEMENT. ECONOMIC REFORM MOVED AHEAD -- IF AT ALL -- AT A SNAIL'S PACE, WITH LAWS ON PROFIT SHARING, PRIVATIZATION, TRADE, AND THE LAND CODE PUT ON THE BACK BURNER. (DETAILS SEPTEL). THE DUMA ALSO MADE LITTLE PROGRESS ON STRENGTHENING RUSSIA'S DEMOCRATIC INSTITUTIONS. THE DUMA DID PASS CONSTITUTIONAL LAWS ON THE HUMAN RIGHTS OMBUDSMAN, GOVERNMENT, AND COURT SYSTEM, WHICH SPEAKER SELEZNEV DUBBED THE DUMA'S TOP ACHIEVEMENTS THIS FALL. BUT THESE WERE DRAFTED DURING PRIOR DUMA SESSIONS. DURING AUTUMN 1996, THE DUMA SIMPLY RE-WORKED PREVIOUS VERSIONS OF THESE BILLS FOLLOWING THEIR REJECTION BY THE FEDERATION COUNCIL.

4. (SBU) AS 1996 CLOSED, THE DUMA THUS CONTINUED TO FUNCTION PRIMARILY AS A FORUM FOR POPULIST DEBATE BY OPPOSITION POLITICIANS. AS DURING THE FIRST PART OF 1996, TOP DUMA DEPUTIES REMAINED MORE CONCERNED WITH MAINTAINING ACCESS TO THE MEDIA THAN ENACTING LEGISLATION. AT THE SAME TIME, SPEAKER SELEZNEV'S PROFESSIONAL LEADERSHIP STYLE HAS HELPED TO PURGE THE DUMA OF CLOWNISH BEHAVIOR, SUCH AS THE SEPTEMBER 1995 MINI-BRAWL IN WHICH EXTREME NATIONALISTS VLADIMIR ZHIRINOVSKIY (LDPR) AND NIKOLAY LYSENKO BEAT FATHER GLEB YAKUNIN WITH THE PRIEST'S OWN CROSS AND PULLED THE HAIR OF A FEMALE DEPUTY. ON THE OTHER HAND, THE DUMA'S REPEATED THREATS OF NO-CONFIDENCE VOTES FOLLOWED BY ITS BACKING DOWN FROM CONFRONTATION WITH THE GOR UNDERSCORED THE EMPTINESS OF PARLIAMENTARIANS' RHETORIC.

KEY DEVELOPMENT: IMPROVED DUMA-GOR RELATIONS

5. (C) THE MOST SIGNIFICANT DEVELOPMENT IN THE DUMA THIS AUTUMN WAS THE COOPERATION IT DEVELOPED WITH THE GOR. ONE YEAR AGO, GENNADIY ZYUGANOV AND HIS COMMUNISTS WERE SQUARING OFF FOR A BRUISING FIGHT IN RUSSIA'S APPROACHING PRESIDENTIAL ELECTION CAMPAIGN, FOLLOWING THEIR SWEEPING VICTORY IN DECEMBER 1995'S DUMA ELECTIONS. MANY OBSERVERS THUS PREDICTED A YEAR OF EXECUTIVE-LEGISLATIVE GRIDLOCK, POSSIBLY MIRRORING THE STRUGGLE BETWEEN PRESIDENT YELTSIN AND THE SUPREME SOVIET THAT CULMINATED IN THE BLOODY EVENTS OF OCTOBER 1993. THE FIRST FEW MONTHS OF 1996 WERE INDEED STORMY. IN MARCH, MOSCOW BUZZED WITH RUMORS THAT YELTSIN WAS ON THE VERGE OF DISSOLVING THE DUMA AFTER THE COMMUNISTS ENGINEERED A DUMA VOTE DECLARING THE DECEMBER 1991 BELOVEZHSKOYE ACCORD NULL AND VOID. THE

~~CONFIDENTIAL~~

DUMA'S COMMUNIST-LED ATTACKS ON RUSSIA'S EXECUTIVE BRANCH CONTINUED THROUGH THE PRESIDENTIAL ELECTION IN JULY.

6. ~~(S)~~ THE DUMA'S ATTITUDE SHIFTED ABRUPTLY HOWEVER, WHEN IT CONVENED ON AUGUST 10 TO VOTE ON THE RE-CONFIRMATION OF PRIME MINISTER CHERNOMYRDIN. DESPITE ZYUGANOV'S WARNING THAT ~~CONFIDENTIAL~~ SECTION 02 OF 03 MOSCOW 000970

E.O. 12958: DECL: 01/16/07
TAGS: PGOV, PREL, ECON, RS
SUBJECT: DUMA'S BARK WORSE THAN BITE IN FALL '96

HIS COMMUNISTS -- HOLDING NEARLY ONE-THIRD OF THE DUMA'S SEATS -- WOULD NOT SUPPORT THE NOMINATION, THE DUMA RE-CONFIRMED CHERNOMYRDIN BY A VOTE OF 314 TO 85 (REF. A). AS THE DUMA'S AUTUMN SESSION PROGRESSED, THE COMMUNISTS INCREASINGLY FOCUSED THEIR CRITICISM ON PRESIDENTIAL ADMINISTRATION CHIEF ANATOLIY CHUBAYS RATHER THAN PRIME MINISTER CHERNOMYRDIN. ZYUGANOV AND SELEZNEV WORKED TO BUILD A TACTICAL ALLIANCE WITH CHERNOMYRDIN, WHOM THEY SAW AS A NATURAL COUNTERWEIGHT TO CHUBAYS AND A PROVIDER OF ACCESS TO REAL POWER (REFS. B, C). ZYUGANOV AND SELEZNEV THUS LED THE DUMA FROM THE BRINK OF CONFRONTATION WITH THE GOR ON SEVERAL OCCASIONS, INCLUDING THREATENED NO-CONFIDENCE VOTES OVER THE CHECHEN PEACE AGREEMENT AND BUDGET (REF. D) IN DECEMBER.

7. (U) COOPERATION THUS CONTINUED TO CHARACTERIZE THE DUMA'S RELATIONS WITH THE GOR THROUGH THE END OF 1996. AS THE DUMA CLOSED ITS AUTUMN SESSION ON DECEMBER 28, FIRST DEPUTY PRIME MINISTER ALEKSANDR LIVSHITS WARMLY INVITED DUMA DEPUTIES TO CONTINUE WORKING WITH THE GOR IN 1997 TO RESOLVE RUSSIA'S MOST PRESSING PROBLEMS. SPEAKER SELEZNEV, MEANWHILE, GUSHED THAT "FOR THE FIRST TIME, THE DUMA AND GOVERNMENT ARE NOW WORKING TOGETHER TO PULL RUSSIA OUT OF CRISIS."

COOPERATION ROOTED IN DUMA'S WEAKNESS

8. ~~(S)~~ WHILE THE IMPROVEMENT OF DUMA-GOR RELATIONS WAS A POSITIVE DEVELOPMENT, ITS ROOT CAUSE PROVIDES REASON FOR CONCERN. ZYUGANOV AND SELEZNEV ULTIMATELY SOUGHT ACCOMMODATION RATHER THAN CONFRONTATION WITH THE GOR BECAUSE OF THE DUMA'S RELATIVE WEAKNESS AS A POLITICAL INSTITUTION. THE RUSSIAN CONSTITUTION DELINEATES

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A POLITICAL SYSTEM CONSISTING OF A WEAK PARLIAMENT AND A STRONG PRESIDENT, WHICH ALLOWS THE PRESIDENT TO ISSUE DECREES ON ALMOST ANY MATTER, AS LONG AS THEY DO NOT CONTRADICT THE CONSTITUTION OR FEDERAL LAW. MOREOVER, THE PRESIDENT'S AUTHORITY TO DISSOLVE THE DUMA (UNDER CERTAIN CIRCUMSTANCES) HAS UNDERMINED THE WILLINGNESS OF MANY DUMA DEPUTIES TO STAND UP TO THE GOR ON KEY ISSUES SUCH AS THE PRIME MINISTER'S CONFIRMATION AND THE BUDGET.

9. ~~10~~ THE ZYUGANOV-SELEZNEV "STRATEGY" OF ACCOMMODATION IS OPPOSED BY CONSERVATIVE COMMUNISTS WHO ARGUE THAT THIS APPROACH DENIES THEIR FACTION ITS OPPOSITION STATUS. GRIGORIY YAVLINSKIY AND HIS PRO-REFORM YABLOKO FACTION, MEANWHILE, SIMILARLY MAINTAIN THAT THE DUMA IS LOSING ITS RELEVANCE AS AN INDEPENDENT BRANCH OF POWER DUE TO ITS FAILURE TO STAND UP TO THE GOR. HOWEVER, ZYUGANOV'S USE OF STRICT PARTY DISCIPLINE AND HIS CONTROL OF A NEAR-MAJORITY 222 DUMA SEATS (THROUGH THE COMMUNISTS' ALLIANCE WITH THE AGRARIAN AND "PEOPLE'S POWER" FACTIONS) SHOULD ALLOW HIM TO KEEP THE DUMA ON A COOPERATIVE COURSE WITH THE GOR, IF HE SO DESIRES.

NEXT SESSION: AMENDMENT STRENGTHENING DUMA POWER?

10. ~~10~~ AS THE DUMA OPENS ITS SPRING 1997 SESSION, ITS LEGISLATIVE PRIORITIES ARE LIKELY TO INCLUDE SOCIAL WELFARE ISSUES, MILITARY REFORM, A FOURTH AND FINAL READING OF THE 1997 BUDGET, AND ATTEMPTS TO STRENGTHEN PARLIAMENTARY POWERS RELATIVE TO THE PRESIDENCY. IN THE WAKE OF YELTSIN'S LATEST ILLNESS, SELEZNEV AND FELLOW COMMUNIST VIKTOR ILYUKHIN HAVE REVIVED THEIR THREAT OF LAST OCTOBER TO INTRODUCE LEGISLATION TO DETERMINE WHEN THE PRESIDENT IS PHYSICALLY INCAPACITATED, AND THUS REQUIRED TO SURRENDER HIS AUTHORITY TO THE PRIME MINISTER. TO A CERTAIN EXTENT, THIS LATEST MOVE REFLECTS THE COMMUNISTS' PERCEIVED NEED TO REPAIR THEIR IMAGE AS AN OPPOSITION PARTY. IT DOES NOT, HOWEVER, MARK A DEPARTURE FROM THEIR TACTIC OF ATTACKING THE PRESIDENCY WHILE WORKING WITH THE GOVERNMENT. IT IS THEREFORE APPARENT THAT THE DUMA'S RECENT PATTERN OF BARKING LOUDLY BUT NOT BITING IS LIKELY TO CONTINUE FOR THE NEXT FEW MONTHS, ABSENT A MAJOR KREMLIN SHAKE-UP.

~~CONFIDENTIAL~~ SECTION 03 OF 03 MOSCOW 000970

~~CONFIDENTIAL~~

E.O. 12958: DECL: 01/16/07
TAGS: PGOV, PREL, ECON, RS
SUBJECT: DUMA'S BARK WORSE THAN BITE IN FALL '96

TEFFT

<^SECT> SECTION: 01 OF 03

<^SSN> 0970

<^TOR> 970116155351 M2576650

<^SECT> SECTION: 02 OF 03

<^SSN> 0970

<^TOR> 970116155413 M2576652

<^SECT> SECTION: 03 OF 03

<^SSN> 0970

<^TOR> 970116155518 M2576656

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
021. cable	re: Russian Domestic Political Affairs (4 pages)	01/16/1997	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia, Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovskiy Magnates [3]

2012-0962-M
sb2545

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
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- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
022. cable	re: Kremlin Insider Berezovskiy Assists (4 pages)	01/11/1997	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia, Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovskiy Magnates [3]

2012-0962-M
sb2545

RESTRICTION CODES

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UNCLASSIFIED

PREC: RUSH

CATEGORY: INTERNATIONAL

NWSID: F0061294

SOURCE: FBIS

F4220
FBIS S 220DEC24
UNCLAS 3B

RUSSIA:'Sensational' **Berezovskiy** Interview on Chechnya Previewed MM2412193496
Moscow ROSSIYSKAYA GAZETA in Russian 25 Dec 96 p 1

Unattributed report under the "Our Guest" rubric: "Secrets Are
Divulged. When Boris **Berezovskiy** Comes to Editorial Office"]

[FBIS Translated Text] Security Council Deputy Secretary Boris
Abramovich **Berezovskiy** was ROSSIYSKAYA GAZETA's guest yesterday.

We knew that you cannot pry any secrets at all out of a person
in such a high-ranking state post. Moreover, **Berezovskiy** is marked
by a laudable laconicism. But the conversation was so interesting that
Boris Abramovich failed to notice that he had given in to our attempts
to remove the veil of secrecy. Several of the Security Council deputy
secretary's replies were sensational. He informed us that:

-- None of the Chechen leadership, in his opinion, intends to
break with Russia.

-- The commander of the detachment of Penza policemen actually
saved the lives of 20 of his men by flouting an irregular order from
his commanding officer.

-- There will be no "free zone" in Chechnya; it will be a Russian
Federation component with a developed market economy and a large influx
of private capital.

-- The presidential elections in the Chechen Republic will take
place however much people try to stop them. Who will become president...?
The person the people elect.

Read the detailed account of this interesting meeting with Boris
Berezovskiy in one of ROSSIYSKAYA GAZETA's next few issues.

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
023. cable	re: Holiday Home (2 pages)	12/12/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
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Russia, Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovskiy Magnates [3]

2012-0962-M
sb2545

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

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- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
024. cable	re: Domestic Political Affairs Summary (5 pages)	12/17/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia, Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovskiy Magnates [3]

2012-0962-M
sb2545

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

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- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
025. cable	re: Bad Press for Berezovskiy (3 pages)	12/27/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia, Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovskiy Magnates [3]

2012-0962-M
sb2545

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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Freedom of Information Act - [5 U.S.C. 552(b)]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
026. cable	re: Moscow Reacts to Latest (2 pages)	12/12/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia, Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovskiy Magnates [3]

2012-0962-M
sb2545

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
027. cable	re: Kompromat Wars Continue (2 pages)	12/06/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia, Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

Berezovskiy Magnates [3]

2012-0962-M
sb2545

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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Freedom of Information Act - [5 U.S.C. 552(b)]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
028. cable	re: New Media Service to be Provided (3 pages)	12/12/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia, Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

FOLDER TITLE:

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2012-0962-M
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
029. cable	[Duplicate of 026] (2 pages)	12/12/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia, Ukraine, and Eurasian Affairs (Rumer, Eugene)
OA/Box Number: 922

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Berezovskiy Magnates [3]

2012-0962-M
sb2545

RESTRICTION CODES

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R 090946Z DEC 96

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INFO: RUCNCIS/CIS COLLECTIVE
RUEHXD/MOSCOW POLITICAL COLLECTIVE
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RUEHTL/AMEMBASSY TALLINN 6793
RUEHRA/AMEMBASSY RIGA 6915

DECLASSIFIED
PER E.O. 13526
2012-0962-M (1.72)
RDS 12/27/2013

~~CONFIDENTIAL~~ SECTION 01 OF 03 MOSCOW 033787

E.O. 12958: DECL: 12/9/06

TAGS: PGOV, PREL, RS

SUBJECT: COMMUNIST LEADER ZYUGANOV RESETS HIS SIGHTS

REFS: A) MOSCOW 30398 B) MOSCOW 26590 C) MOSCOW 31806
D) MOSCOW 27420 E) MOSCOW 33078

1. (U) CLASSIFIED BY ACTING POLITICAL COUNSELOR THOMAS GRAHAM. REASONS: 1.5 B) AND D).

SUMMARY

2. (C) ALTHOUGH HE LOST JULY'S PRESIDENTIAL RUNOFF ELECTIONS BY A WIDE MARGIN, COMMUNIST LEADER GENNADIY ZYUGANOV REMAINS RUSSIA'S MOST PROMINENT OPPOSITION POLITICIAN. HIS MAIN AMBITION, HOWEVER, SEEMS TO HAVE SHIFTED FROM WINNING THE PRESIDENCY TO BECOMING THE UNRIVALED LEADER OF A BROAD OPPOSITION BLOC CENTERED IN THE DUMA, AND ENJOYING ACCESS TO EXECUTIVE AUTHORITY. DESPITE SUBSTANTIAL ORGANIZATIONAL AND FINANCIAL RESOURCES, ZYUGANOV IS UNLIKELY TO ACQUIRE SIGNIFICANTLY GREATER INFLUENCE THAN HE ENJOYS AT PRESENT. HIS LONGEVITY AT THE TOP LEVEL OF RUSSIAN POLITICS WILL ULTIMATELY DEPEND ON WHETHER HE CAN SUCCESSFULLY RESIST CENTRIFUGAL FORCES WITHIN THE OPPOSITION CAMP. END SUMMARY.

AMBITIONS: TSAR OF ALL THE OPPOSITIONS

3. (C) ZYUGANOV WOULD PROBABLY RUN IN THE NOW UNLIKELY EVENT OF EARLY PRESIDENTIAL ELECTIONS. AS ZYUGANOV-

EVENT OF EARLY PRESIDENTIAL ELECTIONS. AS ZYUGANOV-ADVISOR ALEKSEY PODBEREZKIN TOLD US JUST BEFORE YELTSIN'S HEART SURGERY, "OF COURSE ZYUGANOV WOULD RUN. THERE REALLY IS NO OTHER OPPOSITION CANDIDATE." ZYUGANOV'S APPARENT PREFERENCE, HOWEVER, IS TO AVOID ANOTHER POTENTIALLY HUMILIATING PRESIDENTIAL RACE. THROUGHOUT THE AUTUMN, HE CONSISTENTLY AVOIDED ADVANCING HIS OWN NAME AS A POSSIBLE CANDIDATE IN EARLY PRESIDENTIAL ELECTIONS. WHILE HE REPEATEDLY CALLED ON YELTSIN TO RESIGN FOR HEALTH REASONS, ZYUGANOV ALSO CONSISTENTLY DEMANDED THAT PRESIDENTIAL AUTHORITY BE TRANSFERRED TO PRIME MINISTER CHERNOMYRDIN. EVEN WHEN ASKED DIRECTLY AND PRIVATELY BY AMBASSADOR PICKERING WHETHER HE WOULD RUN IF EARLY PRESIDENTIAL ELECTIONS WERE HELD, ZYUGANOV DODGED THE QUESTION (REF. A).

4. (C) ABOVE ALL, ZYUGANOV SEEKS TO GAIN THE RESPECTABILITY AND AUTHORITY OF A TRUE STATESMAN WITHOUT HAVING TO RUN AGAIN FOR PRESIDENT. HE WISHES TO BE SEEN AS THE LEADER OF A BROAD BUT LOYAL OPPOSITION BLOC, SERVING THE INTERESTS OF A WIDE CROSS-SECTION OF RUSSIAN SOCIETY, AND ENJOYING ACCESS TO EXECUTIVE BRANCH POWER. THE KEY TO ZYUGANOV'S POLITICAL STRATEGY IS HIS CONTINUING EFFORT TO PORTRAY HIMSELF AS A MODERATE NATIONALIST RATHER THAN A SOVIET-STYLE COMMUNIST. HE HAS EMBRACED NATIONALIST RHETORIC AND PUBLISHED A BOOK OUTLINING HIS VISION OF A STRONG, INDEPENDENT, NON-SOCIALIST RUSSIA. HE ALSO ENGINEERED THE FORMATION OF THE PEOPLE'S PATRIOTIC UNION OF RUSSIA (PPUR), A COALITION OF COMMUNISTS, NATIONALISTS, AND AGRARIANS, TO BROADEN HIS SUPPORT BASE (REF. D).

STRENGTHS: PERSONAL STATUS AND ORGANIZATION

5. (SBU) ZYUGANOV'S GREATEST STRENGTH IS HIS STATUS AS RUSSIA'S MOST PROMINENT OPPOSITION FIGURE. BY LEADING (AND MAINTAINING STRICT DISCIPLINE OVER) THE DUMA'S MOST POWERFUL FACTION, ZYUGANOV'S AUTHORITY OUTSTRIPS THAT OF ANY OTHER PARLIAMENTARIAN, INCLUDING DUMA SPEAKER GENNADIY SELEZNEV. ZYUGANOV IS ALSO THE DE-FACTO LEADER OF A NEAR-MAJORITY BLOC OF 220 DUMA DEPUTIES THAT INCLUDES THE COMMUNIST, PEOPLE'S POWER, AND AGRARIAN FACTIONS. HE CONSEQUENTLY ENJOYS CONSTANT MEDIA EXPOSURE, DRAWING MORE JOURNALISTS TO HIS PRESS CONFERENCES THAN ANY OTHER DUMA DEPUTY.

6. (SBU) ZYUGANOV'S SECOND ADVANTAGE IS HIS ACCESS TO ORGANIZATIONAL STRUCTURES. AS LEADER OF A DUMA FACTION, ZYUGANOV RECEIVES A LARGE SUITE OF OFFICES, STAFF, PHONES, COMPUTERS AND CARS, ALL AT GOR EXPENSE. MOREOVER, AS

CHAIRMAN OF THE COMMUNIST PARTY OF THE RUSSIAN FEDERATION (CPRF), ZYUGANOV ALSO SITS ATOP RUSSIA'S ONLY TRULY NATIONWIDE POLITICAL PARTY. THE CPRF CLAIMS A MEMBERSHIP OF OVER 500,000, WITH LOCAL CHAPTERS OPERATING IN THOUSANDS OF TOWNS AND VILLAGES IN EACH OF THE 89 SUBJECTS OF THE RUSSIAN FEDERATION. THE CPRF ALSO OWNS DOZENS OF

OF THE RUSSIAN FEDERATION. THE CPRF ALSO OWNS DOZENS OF NEWSPAPERS AND OVERSEES A NATIONWIDE NETWORK OF GRASS-ROOTS ACTIVISTS. NO OTHER POLITICAL ORGANIZATION CAN MATCH EITHER THE NUMBERS OR THE GEOGRAPHIC REACH OF THE CPRF.

~~CONFIDENTIAL~~ SECTION 02 OF 03 MOSCOW 033787

E.O. 12958: DECL: 12/9/06

TAGS: PGOV, PREL, RS

SUBJECT: COMMUNIST LEADER ZYUGANOV RESETS HIS SIGHTS

7. ~~(C)~~ ZYUGANOV MAY ALSO ENJOY SIGNIFICANT SOURCES OF FINANCIAL SUPPORT. IT IS WIDELY RUMORED THAT THE CPRF GAINED ACCESS TO SOME OF THE BILLIONS OF DOLLARS IN COMMUNIST PARTY FUNDS THAT WERE TRANSFERRED TO COMMERCIAL BANKS AS THE SOVIET UNION WAS COLLAPSING, THANKS IN PART TO THE EFFORTS OF FORMER SOVIET PRIME MINISTER AND PEOPLE'S POWER LEADER NIKOLAY RYZHKOV. WHETHER OR NOT THESE RUMORS ARE TRUE, SEVERAL WELL-CONNECTED JOURNALISTS HAVE ALSO TOLD US THAT ZYUGANOV AND THE CPRF ARE NOW DEVELOPING PATRONS IN MOSCOW'S BANKING WORLD. A SENIOR EDITOR OF "SEGODNYA", FOR EXAMPLE, RECENTLY MENTIONED THAT INKOMBANK AND MENATEP ARE PROVIDING SOME FUNDS TO ZYUGANOV AND THE CPRF. ZYUGANOV ADVISOR ALEKSEY PODBEREZKIN HAS ALSO TOLD US THAT THE COMMUNISTS ENJOY GOOD RELATIONS WITH MOSCOW BANKERS AND BUSINESSMEN. HE ADDED THAT IN THE CASE OF EARLY PRESIDENTIAL ELECTIONS, "WE WOULD HAVE ENOUGH MONEY FOR ZYUGANOV TO RUN A DECENT CAMPAIGN."

WEAKNESSES: NARROW SUPPORT; LOW CHARISMA

8. ~~(C)~~ ZYUGANOV'S PRIMARY WEAKNESS IS THE POOR PROSPECTS FOR EXPANDING HIS ELECTORATE BEYOND THE CORE COMMUNIST VOTE, ROUGHLY 20-25 PERCENT OF THE ELECTORATE. THE COMMUNIST MONIKER THUS APPEARS TO ALIENATE MORE VOTERS THAN IT ATTRACTS. AS MIKHAIL GORBACHEV TOLD AMBACsADOR PICKERING IN OCTOBER, "50 PERCENT OF THE RUSSIANS THAT VOTED FOR YELTSIN DID NOT SUPPORT HIM; THEY SIMPLY FEARED THE COMMUNISTS." SIMILARLY, ONE ZYUGANOV AIDE RECENTLY CONFIDED TO US, "WE NEVER REALIZED HOW BADLY THE WORD 'COMMUNIST' WOULD HURT US DURING THE PRESIDENTIAL RACE." WHETHER ZYUGANOV CAN CONVINCe RUSSIAN VOTERS HE IS ANYTHING "MORE" THAN A SOVIET-STYLE COMMUNIST REMAINS TO BE SEEN. FOR NOW, HOWEVER, EVEN FORMER COMMUNISTS FROM EASTERN EUROPE VIEW ZYUGANOV AS AN OLD-STYLE THINKER. ACCORDING TO A CONTACT AT THE POLISH EMBASSY, PRESIDENT KWASNIEWSKI REMARKED AFTER HIS MOSCOW VISIT THIS SUMMER THAT HIS VIEWS ARE MUCH CLOSER TO YELTSIN'S THAN TO ZYUGANOV'S. ON THE OTHER HAND, IF ZYUGANOV IS SUCCESSFUL IN PLAYING DOWN THE COMMUNIST ELEMENTS OF HIS WORLDVIEW, IT IS NOT CLEAR THAT HE WILL BE ABLE TO HOLD ON TO THE LARGER SHARE OF THE CORE COMMUNIST VOTE.

9. ~~(C)~~ ZYUGANOV'S LACK OF CHARISMA IS ANOTHER WEAKNESS. IN PRIVATE MEETINGS, HE DOES NOT EMIT THE AURA OF A GREAT

LEADER. DESPITE HIS WARM PERSONALITY AND HEALTHY SENSE OF HUMOR, HIS WOODEN MANNERISMS AND USE OF PARTY SLOGANS CONVEY THE SENSE OF A PRE-PROGRAMMED POLITICIAN RATHER THAN AN ENERGETIC THINKER. IN PUBLIC, HIS FACE OFTEN TAKES ON A DEER-IN-THE-HEADLIGHTS EXPRESSION THAT SEEMS TO BETRAY SELF-DOUBT. WHILE HIS BOOMING VOICE AND ABILITY TO DODGE TOUGH QUESTIONS MAY COMFORT COMMUNIST TRUE-BELIEVERS, THEY DO NOT SEEM TO REASSURE YOUNGER LOOKING FOR REASONABLE AND FORWARD-LOOKING ANSWERS TO RUSSIA'S ECONOMIC PROBLEMS.

PROSPECTS

10. (C) IN ALMOST ANY PRESIDENTIAL ELECTION SCENARIO OVER THE NEXT FEW YEARS, ZYUGANOV WOULD ENCOUNTER STIFF OPPOSITION FROM MOSCOW'S BUSINESS ELITE. BUSINESS/POLITICAL GIANTS SUCH AS VLADIMIR GUSINSKIY AND BORIS BEREZOVSKIY ARE SURE TO RENEW THEIR ALL-OUT ASSAULT ON ZYUGANOV, FREEZING HIM OUT OF POSITIVE MEDIA STORIES AND PORTRAYING HIM AS A FRIGHTENING REACTIONARY, AS THEY DID DURING THIS SUMMER'S PRESIDENTIAL CAMPAIGN. IT IS HARD TO BELIEVE THAT ZYUGANOV WOULD ENJOY GREATER SUCCESS A SECOND TIME AROUND.

11. (C) CEN
TRIFUGAL FORCES WITHIN THE OPPOSITION CAMP, MEANWHILE, UNDERCUT ZYUGANOV'S QUEST TO LEAD A UNIFIED OPPOSITION. HIS ABILITY TO RELY ON THE PPUR TO BROADEN HIS ELECTORAL APPEAL WAS UNDERMINED BY THE DEFECTIONS OF TWO OF THE UNION'S TOP LEADERS, AMAN TULEYEV (NOW MINISTER OF CIS AFFAIRS) AND ALEKSANDR RUTSKOY (WHO DECLARED HIS LOYALTY TO THE KREMLIN FOLLOWING HIS GUBERNATORIAL VICTORY IN KURSK). MOREOVER, PPUR CO-CHAIRMAN AND AGRARIAN PARTY (APR) LEADER MIKHAIL LAPSHIN HAS TOLD US FOR MONTHS OF HIS CONTINUING RESISTANCE TO THE CPRF'S ATTEMPTS TO DOMINATE THE APR. A LAPSHIN STAFFER SIMILARLY COMPLAINED TO US RECENTLY OF CPRF ATTEMPTS "TO EXTEND ITS ROOF (KRYSHA) OVER ALL OPPOSITION GROUPS."

12. (C) FISSURES WITHIN ZYUGANOV'S OWN PARTY AND DUMA FACTION POSE ANOTHER DANGER. A BLOC OF CONSERVATIVE COMMUNISTS ARE RUMORED TO BE READY TO QUIT THE FACTION IN
C O N F I D E N T I A L SECTION 03 OF 03 MOSCOW 033787

E.O. 12958: DECL: 12/9/06

TAGS: PGOV, PREL, RS

SUBJECT: COMMUNIST LEADER ZYUGANOV RESETS HIS SIGHTS

PROTEST OF ZYUGANOV'S STRICT PARTY DISCIPLINE AND HIS WILLINGNESS TO COOPERATE WITH THE GOVERNMENT. ACCORDING TO ANOTHER RUMOR, THE GOR IS SIMULTANEOUSLY TRYING TO FORM A NEW PRO-GOVERNMENT FACTION BY DRAWING MEMBERS AWAY FROM THE COMMUNISTS, PEOPLE'S POWER, AND THE AGRARIANS. IF SUCCESSFUL, THIS EFFORT COULD DROP PEOPLE'S POWER AND THE AGRARIANS BELOW THE MINIMUM 35 MEMBERS REQUIRED TO QUALIFY AS FACTIONS. IN THIS CASE, THE COMMUNISTS WOULD LOSE MUCH

AS FACTIONS. IN THIS CASE, THE COMMUNISTS WOULD LOSE MUCH OF THEIR ABILITY TO EXERT CONTROL OVER DUMA STRUCTURES, THUS DEALING A SERIOUS BLOW TO ZYUGANOV'S PRESTIGE.

13. (C) ZYUGANOV MUST ALSO COME UP WITH A NEW POLITICAL STRATEGY IN RESPONSE TO YELTSIN'S IMPROVING HEALTH (REF. E). SINCE LATE SUMMER, ZYUGANOV HAS RELIED ON A TACIT ALLIANCE WITH PRIME MINISTER CHERNOMYRDIN TO PROVIDE ACCESS TO REAL POWER (REFS. B,C). AS YELTSIN'S HEALTH DETERIORATED, ZYUGANOV AND CHERNOMYRDIN RECOGNIZED THAT THEY SHARED TWO KEY INTERESTS: UNDERCUTTING THE GROWING POWER OF PRESIDENTIAL ADMINISTRATION CHIEF CHUBAYS AND DELAYING EARLY PRESIDENTIAL ELECTIONS THAT ALEKSANDR LEBED WAS LIKELY TO WIN. ZYUGANOV'S AND CHERNOMYRDIN'S TEAMS BEGAN TO CONSULT REGULARLY, AND THE TWO LEADERS AVOIDED PUBLIC CRITICISM OF EACH OTHER. AS THE THREAT OF EARLY ELECTIONS HAS RECEDED, HOWEVER, THIS RELATIONSHIP APPARENTLY HAS BEGUN TO BREAK DOWN. DURING THE PAST TWO WEEKS, ZYUGANOV HAS PUBLICLY ATTACKED CHERNOMYRDIN FOR THE FIRST TIME IN MONTHS, CRITICIZING THE PRIME MINISTER'S HANDLING OF THE CHECHNYA PEACE AGREEMENT AND THE FEDERAL BUDGET. VIKTOR ILYUKHIN, A LEADING COMMUNIST DUMA DEPUTY, HAS TOLD US TO EXPECT MAJOR CHANGES IN CPRF STRATEGY SOON: "OUR COOPERATION WITH CHERNOMYRDIN HAS NOT WORKED OUT... AND A MAJOR CORRECTION IN OUR APPROACH IS LIKELY AT OUR DECEMBER 13-14 PLENUM."

14. (C) OVER THE NEXT FEW MONTHS, ZYUGANOV'S STRENGTHS ARE LIKELY TO KEEP HIM ATOP THE OPPOSITION CAMP. BUT HIS FAILURE TO WRAP UP JULY'S PRESIDENTIAL ELECTION AND HIS READINESS TO COOPERATE WITH THE GOVERNMENT LEAVE THE DOOR OPEN FOR A MORE CHARISMATIC AND CONSERVATIVE CHALLENGER TO ARISE LATER IN 1997.

TEFFT

DIST:

DIST>

SIT: FORT PIFER RUMER

SIT: NSC

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Folder Title: Russia-Abramovich, 1998-2000				
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Original OA/ID Number: 3199				
Row: 48	Section: 2	Shelf: 11	Position: 3	Stack: V

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. report	re: Abramovich Asserts (7 pages)	07/21/1999	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Russia/Ukraine/Eurasian Affairs (Weiss, Andrew)
OA/Box Number: 3199

FOLDER TITLE:

Russia-Abramovich, 1998-2000

2012-0962-M

rs791

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
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- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. cable	re: Meeting with Russian Business Tycoon Berezovskiy (6 pages)	02/10/1999	P1/b(1) RDS 12/24/2013
002. memo	re: Berezovskiy Meeting (2 pages)	01/28/1999	P1/b(1) RDS 12/24/2013

COLLECTION:

Clinton Presidential Records
 National Security Council
 Russia/Ukraine/Eurasian Affairs (Weiss, Andrew)
 OA/Box Number: 3199

FOLDER TITLE:

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2012-0962-M
rs792

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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Weiss, Andrew S.

From: WHSR
Sent: Wednesday, February 10, 1999 10:26 AM
To: Pascual, Carlos E.; Sigler, Ralph H.; Weiss, Andrew S.
Subject: AMBASSADOR'S FEBRUARY 5 MEETING WITH RUSSIAN

CLASS: ~~SECRET~~
DTG: 101429Z FEB 99
MSGTO: SECSTATE WASHDC IMMEDIATE 4902
ORIG: AMEMBASSY MOSCOW
PREC: IMMEDIATE
SSN: 2993
TOR: 990210101605 M3687769

**DECLASSIFIED
PER E.O. 13526
2012-0962-M (1.74)
RDS 12/24/2013**

~~SECRET~~ SECTION 01 OF 04 MOSCOW 002993

NODIS

E.O. 12958: DECL: 02/10/2004
TAGS: PREL, PGOV, RS
SUBJECT: AMBASSADOR'S FEBRUARY 5 MEETING WITH RUSSIAN
BUSINESS TYCOON BEREZOVSKIY

CLASSIFIED BY AMBASSADOR JAMES F. COLLINS. REASON: 1.5
(B) AND (D).

SUMMARY

1. (S) IN THE MIDST OF WHAT HE CALLED A "WAR" WITH PRIMAKOV, BEREZOVSKIY CALLED ON THE AMBASSADOR ON FEBRUARY 5 TO WARN OF PRIMAKOV'S DESIGNS ON THE RUSSIAN PRESIDENCY AS YELTSIN'S SUCCESSOR. BEREZOVSKIY SHRUGGED OFF THE MUCH PUBLICIZED GOVERNMENT RAIDS ON BUSINESSES REPUTED TO BE STRONGHOLDS OF BEREZOVSKIY'S EMPIRE, BUT COMPLAINED THAT PRIMAKOV IS USING THE POWER MINISTRIES AND PRESSURE ON THE MEDIA TO HELP SECURE HIS CLAIM TO YELTSIN'S POST. ARGUING THAT PRIMAKOV'S "POLITICAL ACCORD" BACKFIRED, BEREZOVSKIY PREDICTED THAT THE PRIME MINISTER WOULD BE OUT OF A JOB BY MAY - AND HE MADE CLEAR THAT HE AND OTHERS WERE WORKING TO ENSURE A "SOFT" (I.E., WITHOUT CONFRONTATION) TRANSITION TO A NEW PRIME MINISTER. BEREZOVSKIY ASKED IF THE U.S. WOULD BE PREPARED TO HELP STABILIZE RUSSIA IN SUCH A CIRCUMSTANCE. END SUMMARY

PRIMAKOV AND BEREZOVSKIY AT WAR

2. (S) BORIS BEREZOVSKIY'S FIRST CALL ON THE AMBASSADOR IN 1999, ON FEBRUARY 5, WAS DISTINGUISHED BY THE OBVIOUS SIGNS OF WORRY REFLECTED ON THE FACE AND IN THE VOICE OF THE REPUTED "OLIGARCH." BEREZOVSKIY DESCRIBED HIS CURRENT CONFRONTATION WITH PRIMAKOV AS A "WAR," BUT SHRUGGED OFF THE REAL IMPACT IT WOULD HAVE ON HIS INTERESTS IN THE BUSINESSES WHICH GOVERNMENT FORCES HAVE RAIDED SINCE THE BEGINNING OF THE MONTH. THIS WAR IS DIFFERENT, HE ARGUED - TACTICALLY DIFFERENT AND COMPLICATED.

3. (S) BEREZOVSKIY DREW THE AMBASSADOR'S ATTENTION TO THE NEWS OF PROCURATOR GENERAL YURIY SKURATOV'S MUCH

PUBLICIZED REQUEST TO RESIGN. HE NOTED THAT SKURATOV'S RESIGNATION WOULD BE A WELCOME DEVELOPMENT, GIVEN SKURATOV'S CLOSE ASSOCIATION WITH HARD-LINE COMMUNIST DUMA DEPUTY VIKTOR ILYUKHIN. BEREZOVSKIY COMPARED SKURATOV'S CONNECTIONS WITH THE COMMUNISTS TO THOSE OF TAX POLICE CHIEF SERGEY ALMAZOV'S, ARGUING THAT WHILE ALMAZOV'S LINKS ARE JUST AS BAD, SKURATOV IS MUCH MORE BLATANT ABOUT HIS.

4. (S) REGARDING REPLACEMENTS FOR SKURATOV, BEREZOVSKIY MENTIONED THREE POSSIBILITIES -- SKURATOV'S PRESENT DEPUTY MIKHAIL KATYSHEV, THE ACTING PROCURATOR GENERAL YURIY CHAYKA, AND PRESIDENTIAL ADMINISTRATION DEPUTY HEAD YEVGENIY LISOV. BEREZOVSKIY RULED OUT KATYSHEV, CONCLUDED THAT CHAYKA WOULD NOT TAKE THE JOB, AND SPECULATED THAT LISOV IS THE MOST LIKELY SUCCESSOR.

PRIMAKOV'S PRESIDENTIAL AMBITIONS

5. (S) IT IS MORE AND MORE OBVIOUS, BEREZOVSKIY WARNED, WHAT PRIMAKOV'S REAL INTENTIONS ARE. WITH PRIMAKOV'S MEAGER EFFORTS TO IMPROVE THE ECONOMY FAILING, IT IS CLEAR THAT HIS PRIORITY IS NOT THE ECONOMY. ACCORDING TO BEREZOVSKIY, HIS REAL OBJECTIVE AND CLEAR PRIORITY IS GETTING INTO POWER. BEREZOVSKIY EXPLAINED HOW PRIMAKOV'S ACTIONS REGARDING HIS PROPOSED "POLITICAL ACCORD" HAD UPSET PRESIDENT YELTSIN. IT BECAME OBVIOUS TO YELTSIN THAT PRIMAKOV WAS AFTER THE PRESIDENCY.

6. (S) BEREZOVSKIY RELATED THAT WHEN YELTSIN AND PRIMAKOV FIRST MET FACE-TO-FACE AFTER PRIMAKOV ALREADY HAD SENT THE PROPOSAL TO THE DUMA, THEY HAD A NASTY CONFRONTATION. PRIMAKOV STORMED OUT OF THE MEETING THREATENING TO "WRITE HIS STATEMENT" (I.E., RESIGNATION), THOUGH HE ACTUALLY DID NOT FOLLOW THROUGH WITH THIS THREAT. YELTSIN HAS NO LOVE FOR PRIMAKOV, BEREZOVSKIY CONCLUDED.

7. (S) THE REASONING BEHIND THE LETTER IS NOT AN EASY THING TO UNDERSTAND, ARGUED BEREZOVSKIY. HE COMPARED IT TO SHAKHRAV'S PROPOSAL ABOUT CHECHNYA -- A BAD IDEA, AND AN OVERSIMPLISTIC ATTEMPT TO SEPARATE HIS SUPPORTERS FROM HIS DETRACTORS. BEREZOVSKIY BELIEVED THAT NEITHER LUZHKOV NOR ZYUGANOV WOULD SUPPORT THE ACCORD AND IT ULTIMATELY WOULD FADE FROM THE POLITICAL SPECTRUM. BESIDES, BEREZOVSKIY CONCLUDED, THE ACCORD IS ONLY WORDS ON A LETTER. THE PRESIDENT UNDERSTANDS THIS AND IT WILL NOT AFFECT HIS POSITION.

~~SECRET~~ SECTION 02 OF 04 MOSCOW 002993

NODIS

E.O. 12958: DECL: 02/10/2004
TAGS: PREL, PGOV, RS
SUBJECT: AMBASSADOR'S FEBRUARY 5 MEETING WITH RUSSIAN BUSINESS TYCOON BEREZOVSKIY

8. (S) PRIMAKOV'S STRATEGY, BEREZOVSKIY MAINTAINS, IS TO USE POWER MINISTRIES AND PRESSURE ON THE MEDIA, PARTICULARLY ORT, TO ENSURE HIS CONTROL OF THE LEVERS BY WHICH HE CAN ELEVATE HIMSELF TO THE PRESIDENCY. TO UNDERSCORE THIS, BEREZOVSKIY NOTED THAT PRIMAKOV GRADUALLY HAS BEEN PUTTING INTO INFLUENTIAL POSITIONS HIS OWN PEOPLE (I.E., FORMER SVR/KGB CRONIES). THIS GIVES PRIMAKOV GREATER FREEDOM OF MOVEMENT AND HELPS TO ENSURE THAT THE QUALITY OF HIS POWER IS 100 PERCENT

COMPLETE. BEREZOVSKIY CITED SPECIFICALLY GOVERNMENT PRESSURE TO REMOVE ORT'S SHABDURASULOV AS AN EXAMPLE. SUCH "PALACE GAMES" WILL CONTINUE AS LONG AS PRIMAKOV IS PURSUING HIS OBJECTIVE, BEREZOVSKIY MAINTAINED.

9. (S) BEREZOVSKIY ARGUED, HOWEVER, THAT BORIS YELTSIN, THOUGH WEAKER, REMAINS THE LAST HOPE FOR RUSSIA'S IMMEDIATE FUTURE. YELTSIN STILL HAS TREMENDOUS LEVERS AT HIS DISPOSAL AND, DESPITE HIS ILL HEALTH, WILL MANAGE TO SERVE OUT HIS TERM AS PRESIDENT, BEREZOVSKIY MAINTAINS. MEANWHILE, THE INTERNAL SITUATION IS LIKELY TO WORSEN, THOUGH THE EXTERNAL SITUATION FOR RUSSIA HAS MORE POTENTIAL FOR STABILITY.

PRIMAKOV OUT BY MAY - BUT WITH A "SOFT" LANDING

10. (S) DESCRIBING PRIMAKOV AS HIS "IDEOLOGICAL ENEMY," BEREZOVSKIY WARNED AGAINST BEING TAKEN IN BY THE PRIME MINISTER AND CHARGED THAT PRIMAKOV ACTUALLY IS AS "RED AS A TOMATO." BEREZOVSKIY DECLARED THAT PRIMAKOV WOULD NOT SERVE AS PRIME MINISTER BEYOND MAY. WARNING THAT IF THE "REDS" COME TO POWER AGAIN THEY WILL STAY MUCH LONGER, BEREZOVSKIY STRESSED THAT WITHOUT EXTERNAL HELP, IT WILL BE IMPOSSIBLE FOR RUSSIA TO GET ITSELF OUT OF THE POLITICAL AND ECONOMIC SWAMP IT IS IN NOW. HE EXPRESSED PROFOUND PESSIMISM THAT RUSSIA'S DOMESTIC SITUATION WOULD IMPROVE.

11. (S) THE AMBASSADOR UNDERSCORED THE VALUE AND IMPORTANCE OF THE COMMON STRATEGY OF OUR TWO PRESIDENTS AIMED AT RUSSIA'S INTEGRATION INTO THE POLITICAL, SECURITY, ECONOMIC AND DEMOCRATIC GLOBAL COMMUNITIES. HE REMINDED BEREZOVSKIY OF THE SECRETARY'S MESSAGE REGARDING A REALISTIC APPROACH IN OUR RELATIONS WITH RUSSIA AND THAT THE U.S. HAS MADE CLEAR ITS PRINCIPLES IN THIS REGARD AND INTENDS TO STICK TO THEM. THE AMBASSADOR ASKED ABOUT OTHER PRESIDENTIAL CONTENDERS.

12. (S) BEREZOVSKIY OBSERVED THAT MOSCOW MAYOR YURIY LUZHKOVA HAS CHANGED SOMEWHAT HIS POLITICAL POSITION RECENTLY AND HAS ADOPTED A WAIT-AND-SEE ATTITUDE (ABOUT THE PRESIDENCY). STILL, BEREZOVSKIY NOTED, LUZHKOVA REMAINS MUCH WEAKER THAN PRIMAKOV. REGARDING LEBED, BEREZOVSKIY OBSERVED THAT THE KRASNOYARSK GOVERNOR IS CLOSER TO MANY OF THE PRESIDENT'S OWN POSITIONS, PARTICULARLY REGARDING THE WAR ON CRIME AND CORRUPTION AND NON-PROLIFERATION. LEBED WANTS TO SHOW THAT HE IS A FIGHTER AGAINST CORRUPTION AND IS DEMONSTRATING THIS EVEN NOW IN KRASNOYARSK WAR HE IS ENGAGED IN AGAINST LOCAL ALUMINUM MAGNATE BYKOV. BEREZOVSKIY EVEN CLAIMED THAT, ACCORDING TO THE LATEST POLLS, SHOULD THE PRESIDENTIAL ELECTION BE HELD TODAY LEBED COULD WIN. (COMMENT: NOT ACCORDING TO THE POLLS WE HAVE SEEN. END COMMENT)

13. (S) YAVLINSKIY, MEANWHILE, REMAINS TOO CLOSELY ASSOCIATED WITH MOST (I.E., GUSINSKIY) AND IT PAST TIME FOR HIM TO TAKE A DEFINITIVE STANCE OF HIS OWN. YAVLINSKIY, BEREZOVSKIY BELIEVES, CONTINUES TO SUFFER FROM AN ILLUSION THAT PRIMAKOV WILL INVITE HIM TO REPLACE MASLYUKOV (AS FIRST DEPUTY PM), BUT THIS IS ONLY AN ILLUSION. PRIMAKOV WILL NOT DO THAT. AT THE SAME TIME, MOST'S NTV IS STILL TRYING TO PLAY ALL SIDES. BEREZOVSKIY STRESSED THAT NTV'S INFLUENCE COULD BE DANGEROUS.

BEREZOVSKIY'S VIEWS FOREIGN POLICY ISSUES

14. (S) IN RESPONSE TO THE AMBASSADOR'S QUESTION ABOUT RISING ANTI-AMERICANISM, BEREZOVSKIY NOTED THAT THERE ARE MANY LEVELS TO THIS. HE WARNED THAT THE PRIME MINISTER IS NOT A CONCRETE (I.E., RELIABLE) PARTNER AND, CITING KOSOVO AS AN EXAMPLE, SAID THAT U.S.-RUSSIAN RELATIONS ARE ON THE WRONG TRACK. HE ARGUED THAT THE MORE LIBERAL PART OF RUSSIAN SOCIETY HOLD OPPOSITE VIEWS OF AMERICA. IT CONTINUES TO PERCEIVE THE U.S. AS THE CARRIER OF DEMOCRATIC IDEALS AS WELL AS A POWERFUL COUNTRY WITH GLOBAL PLANS. UNFORTUNATELY, THE U.S. BOMBING OF IRAQ AND OTHER RECENT EVENTS HAVE CALLED THIS POSITIVE ASSESSMENT INTO QUESTION.

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15. (S) BEREZOVSKIY COMMENTED ON THE EXPANSION OF NATO, CHARGING THAT IT WAS A MISTAKE FOR RUSSIA NOT TO CAPITALIZE IMMEDIATELY ON NATO'S INVITATION TO RUSSIA TO BECOME A MEMBER. EVEN IF RUSSIA HAD AGREED SIMPLY TO LEAVE SUCH AN OPTION OPEN FOR THE FUTURE, IT WOULD BE IN A FAR BETTER POSITION VIS-A-VIS NATO THAN IT IS TODAY. BEREZOVSKIY ADMITTED THAT HE HAD OPPOSED RUSSIA'S AGREEMENT TO THE "FOUNDING ACT," ARGUING THAT IT SEVERELY LIMITED RUSSIA'S INFLUENCE WITH NATO. PRIMAKOV'S VIEW ON THIS MATTER, HOWEVER, PREVAILED. AS A RESULT, BEREZOVSKIY MAINTAINED, RUSSIA EXTRACTED NO BENEFITS FROM THIS MOVE.

16. (S) NOTING AN EMERGING CONVICTION ON THE PART OF THE RUSSIAN ELITE THAT A CONFRONTATION (ECONOMIC) BETWEEN THE U.S. AND EUROPE IS BREWING, BEREZOVSKIY REPORTED THAT THERE ARE THOSE THAT WELCOME THIS, BELIEVING THAT SUCH A CONFRONTATION WOULD BENEFIT RUSSIA. HE EXPRESSED DOUBTS THAT SUCH CONVICTIONS HAVE ANY BASIS SINCE RUSSIA CAN ONLY BENEFIT IF THERE IS A SOUND ECONOMIC BASIS FOR INTEGRATION. HE LATER NOTED THAT SUCH IS THE SAME FOR THE CIS -- THE MOST IMPORTANT REAL OBJECTIVE IS THE INTEGRATION OF THE ECONOMIES. EVEN BELARUS PRESIDENT LUKASHENKO AGREED THAT, WITHOUT A COMMON ECONOMIC STANDARD BETWEEN RUSSIA AND BELARUS, THERE IS NO POINT TO A UNION.

17. (S) THE AMBASSADOR EMPHASIZED THE IMPORTANCE OF STABILITY AND PREDICTABILITY IN THE BUILDING OF ECONOMIC TIES AND URGED BEREZOVSKIY TO EXERCISE CAUTION ABOUT VIEWING EUROPE AND THE U.S. IN CONFRONTATION. HE UNDERSCORED THE IMPORTANCE OF COMMON ECONOMIC TIES, NOTING IN PARTICULAR THAT SUCH TIES ARE STRONG BETWEEN EUROPE AND THE U.S. AND THAT RUSSIA SHOULD AIM TO CREATE A SIMILAR ECONOMIC BASIS FOR COOPERATION. ASKED IF POLITICAL CHANGES IN THE U.S. COULD AFFECT THE LEVEL OF ASSISTANCE THE U.S. WOULD OFFER RUSSIA, THE AMBASSADOR SAID MUCH WOULD DEPEND ON WHETHER OR NOT THERE WERE SIGNIFICANT DISRUPTIONS (AS VIEWED FROM THE U.S.) IN RUSSIA.

18. (S) FOLLOWING UP, MAKING HIS POINT NOW IN CAREFULLY CHOSEN ENGLISH BEREZOVSKIY ASKED A HYPOTHETICAL QUESTION. IF, AS A RESULT OF AN INTERNAL POLITICAL FIGHT, THE "RIGHT" GOVERNMENT EMERGED IN MAY, WITHOUT A CONFRONTATION WITH THE DUMA, BUT RATHER WITH

A "SOFT" CHANGE IN LEADERSHIP, IT CERTAINLY WOULD NOT BE ABLE TO IMPROVE THE ECONOMIC SITUATION BEFORE THE ELECTIONS. BUT SUCH A GOVERNMENT WOULD UNDERSTAND AND HAVE A "CLEARER" APPROACH ON WHO AND HOW THE ECONOMY SHOULD BE LEAD. IN THIS CASE, HE ASKED, WOULD THE U.S. BE READY TO HELP STABILIZE THE SITUATION IN RUSSIA? WOULD THE U.S. BE ABLE TO MOVE THE COUNTRY FORWARD?

19. (S) THE AMBASSADOR RESPONDED BY SAYING THAT WASHINGTON AND THE EUROPEAN GOVERNMENTS ARE REALISTIC ABOUT RUSSIA AND STAND BY THEIR PRINCIPLES NO MATTER WHO LEADS THE GOVERNMENT OF RUSSIA. MOST WANT AND BELIEVE THEY MUST HAVE SOME MEANS OF PARTICIPATING IN RUSSIA IN A WAY THAT CAN WORK. THEY WANT TO KNOW THAT THERE IS A GOVERNMENT THAT CAN IMPLEMENT A REALISTIC BUDGET, THAT WILL GOVERN DEMOCRATICALLY, AND THAT HAS STABLE AND REALISTIC POLICIES. IF WE SEE THAT KIND OF GOVERNMENT, THE KIND THAT IS COMMITTED TO THESE GOALS AND CAN ACHIEVE THEM, THE U.S. WILL SUPPORT THE PRINCIPLES WE HAVE ARTICULATED CONSISTENTLY. THE AMBASSADOR EMPHASIZED THAT IT IS IMPORTANT TO BE REALISTIC ABOUT WHAT IS NEEDED IN TODAY'S ENVIRONMENT. AT THE SAME TIME, IT IS IMPORTANT THAT RUSSIANS UNDERSTAND THAT IT IS NOT TRUE THAT THE U.S. WANTS TO WEAKEN RUSSIA -- A WEAKENED RUSSIA WOULD BE A DANGEROUS PARTNER.

20. (S) BEREZOVSKIY THANKED THE AMBASSADOR FOR HIS TIME AND INFORMED HIM THAT HE WOULD BE RESTING FOR THE NEXT TWO WEEKS, PERHAPS SPENDING PART OF THAT TIME OUT OF THE COUNTRY, BUT WOULD RETURN THREE DAYS BEFORE THE CIS SUMMIT ON FEBRUARY 26.

COMMENT

21. (S) DESPITE SHRUGGING OFF THE POSSIBLE IMPACT GOVERNMENT RAIDS ON HIS BUSINESS INTERESTS COULD HAVE, BEREZOVSKIY APPEARED WORRIED AND SPOKE IN HUSHED TONES. HE DISMISSED AS FOOLISHNESS THE DUMA'S THIRD CALL TO SACK HIM AS CIS EXECUTIVE SECRETARY, ADOPTED EARLIER THE SAME DAY, BUT SEEMED LESS SELF-CONFIDENT ABOUT HIS ABILITY TO ENGINEER PRIMAKOV'S REMOVAL ANYTIME SOON. WHETHER OR NOT HE STILL BELIEVES HE HAS THE INFLUENCE TO SEE TO PRIMAKOV'S OUSTER, HE CLEARLY SEES MAY AS THE

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TURNING POINT. BEREZOVSKIY DID NOT COMMENT ON RECENT RUMORS OF PENDING RESIGNATIONS FROM PRIMAKOV'S CABINET NOW CIRCULATING ABOUT MOSCOW. BRITISH AMBASSADOR SIR ANDREW WOOD INFORMED US FEBRUARY 10 THAT FORMER YELTSIN CHIEF OF STAFF YUMASHEV EXPRESSED TO HIM SERIOUS CONCERN ABOUT DEPUTY PRIME MINISTERS MASLYUKOV AND KULIK. YUMASHEV, WIDELY BELIEVED TO BE CLOSE TO BEREZOVSKIY, SAID THAT THEY DEFINITELY ARE NOT UP TO THE JOB AND SHOULD GO, AND THAT PRIMAKOV MAY HAVE TO GO AS WELL, THOUGH HE WAS LESS CATEGORICAL ON THAT POINT.

22. (S) NEVERTHELESS, BEREZOVSKIY DID NOT SOUND THREATENING IN HIS DESIRE TO SEE PRIMAKOV REMOVED. HIS REFERENCE TO A "SOFT" TRANSITION INDICATES THAT HE FORESEES PRIMAKOV'S DEPARTURE AS ONE TO WHICH PRIMAKOV

ALSO WOULD AGREE, AND WHICH WOULD HAVE THE SUPPORT OF THE DUMA AND THE PRESIDENT. STILL, BEREZOVSKIY'S THINLY-VEILED QUERY ABOUT U.S. SUPPORT IN SUCH A CIRCUMSTANCE AND HIS WELL-DEVELOPED PENCHANT FOR SCHEMING SHOULD BE INTERPRETED AS A WARNING TO BE EXTRA CAUTIOUS ABOUT REACTING TO RUMORS OR EVENTS IN THE COMING MONTHS TOO QUICKLY. IT ALSO PUTS A PREMIUM ON OUR BEING CLEAR AND UNAMBIGUOUS IN STATING OUR SUPPORT FOR POLICY AND PRINCIPLE AND NOT PERSONALITIES.

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Toria:

John Tefft saw Berezovskiy today. Berezovskiy, saying he was meeting tomorrow (January 29) with Summers in Davos, told us the following.

He started off by praising the earlier reformers, and knocking Primakov. He claimed that Primakov was trying to consolidate power, getting control over the secret services, media, and "cash flow." Only after getting complete power would he really turn to the economy, and the methods he was employing to get power showed what he would do to the economy.

Berezovskiy cited the letter this week from Primakov to the Duma as showing "clearly" that YMP is aiming to become President. Stating that he had not seen the President personally (but also saying he had spoken to people "very close" to the President), Berezovskiy said that yesterday BNY told YMP that YMP was not going about the BNY-YMP relationship in the right way. Berezovskiy said he did not believe Primakov would last as prime minister more than a few months. Berezovskiy said that he was applying indirect persuasion on the President to can YMP. Berezovskiy said that he wanted the West to be aware of his views and activities, and he wanted to understand the position of the West on supporting the current government. He noted he had met the day before with the British Ambassador, and would see Summers the next day.

John Tefft reviewed very briefly and very generally the points the Secretary had made in Moscow about the extent of our support for the government, and the need for a realistic budget. He asked Berezovskiy whod would be the next prime minister.

Berezovskiy listed a bunch of "qualifications" for the next PM (more reform oriented, not opposed by the Duma, predictable and understandable to the west, not opposed by Primakov. Good solution: Ivanov. Showed his independence at the MFA, good ties with the west, growing authority at home, acceptable to YMP. "We" (business, capitalists, reformers) "gave him a message to think about it."

Tefft asked about Luzhkov. Berezoskiy dumped all over the Mayor ("very, very dangerous"). He claimed that Lebed, whom he acknowledged supporting in the ract for governor and now, was the most electable candidate. (His reasoning was the the people are against everything. The only person who expresses this feeling is Lebed. Berezovskiy said he supported Lebed in order to oppose Luzhkov, who otherwise would claim 70% of the electoral spectrum.

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Asked how the President was, Berezovskiy said that he had not seen him, but had information that it really was stomach trouble. The condition had existed for 10 months before this hospitalization. BNY is now better. Berezovskiy was convinced that BNY would survive until the end of his presidential term and would not yield any of his powers.