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PREC: PRIORITY CLASS: ~~CONFIDENTIAL~~ DTG:201405Z NOV 96

FM: AMEMBASSY MOSCOW

TO:
RUEHC/SECSTATE WASHDC PRIORITY 7781

RUEHVL/AMEMBASSY VILNIUS 6833
RUEHRA/AMEMBASSY RIGA 6796
RUCNCIS/CIS COLLECTIVE
RUEHTL/AMEMBASSY TALLINN 6690
RUEHXD/MOSCOW POLITICAL COLLECTIVE

~~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. ~~(C)~~ 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 ESCHUED 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
~~CONFIDENTIAL~~ SECTION 02 OF 03 MOSCOW 032207

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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. ~~(C)~~ 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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TAGS: PGOV, RS
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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. ~~(C)~~ 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.

TEFFT

<^SECT> SECTION: 01 OF 03
<^SSN> 2207
<^TOR> 961120095346 M2502728
<^SECT> SECTION: 02 OF 03
<^SSN> 2207
<^TOR> 961120095402 M2502729
<^SECT> SECTION: 03 OF 03
<^SSN> 2207
<^TOR> 961120095452 M2502730

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FM: AMEMBASSY MOSCOW

TO:
RUEHC/SECSTATE WASHDC PRIORITY 7733

RUEHTL/AMEMBASSY TALLINN 6680
RUEHRA/AMEMBASSY RIGA 6786
RUEHVL/AMEMBASSY VILNIUS 6823
RUEHXL/MOSCOW POLITICAL COLLECTIVE
RUCNCIS/CIS COLLECTIVE

~~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. ~~(C)~~ 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 TARRED 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. ~~(C)~~ 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 LUZHKOVA 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 POLCOONS 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

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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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. ~~(C)~~ TAKEN TOGETHER, THE BERZOVSKIY, 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. ~~(C)~~ 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

<^SECT> SECTION: 01 OF 02

<^SSN> 2143

<^TOR> 961119122758 M2501065

<^SECT> SECTION: 02 OF 02

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FM: AMEMBASSY MOSCOW

TO:
RUEHC/SECSTATE WASHDC PRIORITY 7646

RHEHAAA/WHITE HOUSE WASHDC PRIORITY

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C O R R E C T E D C O P Y (MISSING TEXT)

STATE FOR EUR/RUS (GESHWILER) AND OES/RPI (PIFER)
WHITE HOUSE FOR OSTP (CAMPBELL)

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. ~~(C)~~ 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. ~~(C)~~ 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. ~~(C)~~ 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. ~~(C)~~ 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. ~~(C)~~ 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

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FM: AMEMBASSY MOSCOW

TO:
RUEHC/SECSTATE WASHDC PRIORITY 7566

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

~~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

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"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 KOMSOMOLETS," 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. ~~(C)~~ 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. ~~(C)~~ 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 LUZHKOVA, 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. ~~(C)~~ 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

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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.

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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 PROFESSES 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. ~~(C)~~ 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 GUILDIMANN 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 GUILDIMANN 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 GUILDIMANN'S ROLE, ALTHOUGH HE STILL WISHED GUILDIMANN 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. ~~(C)~~ 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. ~~(C)~~ 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

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INFO: RUCNCIS/CIS COLLECTIVE
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RUEHRA/AMEMBASSY RIGA 6967
RUEHVL/AMEMBASSY VILNIUS 7006
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~~CONFIDENTIAL~~ SECTION 01 OF 03 MOSCOW 034224

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

TAGS: PGOV, ECON, RS

SUBJECT: FINANCIER *Burnish* [REDACTED] ON RUSSIAN POLITICS

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

SUMMARY

2. ~~(C)~~ 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

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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 SEPTTEL. OTHER HIGHLIGHTS FOLLOW.

RUSSIAN BUSINESS

4. (C) [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. (C) [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. (C) 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 APARTMENT
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

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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. (C) ██████████ 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. (C) ██████████ 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. (C) ██████████ 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. (C) 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.

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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

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 BOLSHEVIKS 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

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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 BOLSHEVIKS 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. ~~(C)~~ 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. ~~(C)~~ 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 OSLON, 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

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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

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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

<^SSN> 0488

<^TOR> 961030121902 M2469906

<^SECT> SECTION: 02 OF 03

<^SSN> 0488

<^TOR> 961030121917 M2469907

<^SECT> SECTION: 03 OF 03

<^SSN> 0488

<^TOR> 961030122007 M2469908

FROM:

~~CONFIDENTIAL~~

WHITE HOUSE SITUATION ROOM

DIST: FORT, PIFER, RUMER, NSC

PREC: PRIORITY CLASS: ~~CONFIDENTIAL~~ DTG:030926Z DEC 96

FM: AMEMBASSY MOSCOW

TO:
SECSTATE WASHDC PRIORITY 8456

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~~CONFIDENTIAL~~ T T A L MOSCOW 033241

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 "KOMPRMAT," 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. ~~(C)~~ 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. ~~(C)~~ 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

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FM: AMEMBASSY MOSCOW

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~~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. ~~(C)~~ 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' RIVALRY 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. ~~(C)~~ 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. ~~(C)~~ 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

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

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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

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

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SUBJECT: POLITICAL IMPACT OF YELTSIN'S RECOVERY

10. ~~(C)~~ 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 POSSESSIN.

YELTSIN DISPOSES

11. ~~(C)~~ 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 N 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

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FM: AMEMBASSY MOSCOW

TO:
RUEHC/SECSTATE WASHDC PRIORITY 9461

RUEHVL/AMEMBASSY VILNIUS 7081
RUEHTL/AMEMBASSY TALLINN 6898
RUEHRA/AMEMBASSY RIGA 7036
RUCNCIS/CIS COLLECTIVE
RUEHDX/MOSCOW POLITICAL COLLECTIVE

~~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 LUZHKOVA ARE INDIRECT BENEFICIARIES OF THE CHUBAYS-KORZHAKOV KOMPROMAT WAR, ACCORDING TO "MOSKOVSKIY KOMSOMOLET" 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

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

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

SUBJECT: THINKING ABOUT KOMPROMAT: TEN QUESTIONS AND
THESES

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
SEPTEL).

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. TEFPT

<^SECT>SECTION: 01 OF 03

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<^TOR>961219124755 M2547080

<^SECT>SECTION: 02 OF 03

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<^SECT>SECTION: 03 OF 03

<^SSN>4765

<^TOR>961219124921 M2547084

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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. ~~(C)~~ 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. ~~(C)~~ 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. ~~(C)~~ 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. ~~(C)~~ 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

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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

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FM: AMEMBASSY MOSCOW

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

~~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. ~~(C)~~ 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 SEPTTEL
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. ~~(C)~~ 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 LUZHKOV TO OUST CHUBAYS, AND FINALLY USING THE ANTI-CORRUPTION CAMPAIGN TO ELIMINATE LUZHKOV. 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

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. ~~(C)~~ 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. ~~(C)~~ 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

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13. ~~(C)~~ THE EFFORT TO OUST LEBED 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

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<^TOR> 961219195233 M2547704

<^SECT> SECTION: 03 OF 03

<^SSN> 4672

<^TOR> 961219195317 M2547707

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United States Department of State

Washington, D. C. 20520

November 5, 1996

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DECL: 1.6X1

INFORMATION MEMORANDUM

S/S

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. (c)

* * *

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. (c)

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)

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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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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. (S)

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Drafted: REA/JWilliams/x7-9186

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RUEHRA/AMEMBASSY RIGA 7367
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RUEHTL/AMEMBASSY TALLINN 7194

~~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. ~~(C)~~ 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 (IMEMO--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. ~~(C)~~ 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 GRIPS 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. ~~(C)~~ 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. ~~(C)~~ 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

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FM: AMEMBASSY TBILISI

TO:
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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

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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 VEWS. 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

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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 AHD 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:
SITREPR

~~CONFIDENTIAL~~

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

RUEHVL/AMEMBASSY VILNIUS 7231
RUCNCIS/CIS COLLECTIVE
RUEHXD/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. ~~(C)~~ 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

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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. ~~(C)~~ 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. ~~(C)~~ 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.

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

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<^SECT> SECTION: 01 OF 03
<^SSN> 0970
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FM AMEMBASSY MOSCOW

FM: AMEMBASSY MOSCOW

TO: RUEHC/SECSTATE WASHDC 8801

INFO: RUCNCIS/CIS COLLECTIVE
RUEHXL/MOSCOW POLITICAL COLLECTIVE
RUEHVL/AMEMBASSY VILNIUS 6965
RUEHTL/AMEMBASSY TALLINN 6793
RUEHRA/AMEMBASSY RIGA 6915

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

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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 GOV 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.

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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 AMBACADOR 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

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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
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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

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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

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

~~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

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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.

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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

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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 LUZHKOv HAS CHANGED SOMEWHAT HIS POLITICAL POSITION RECENTLY AND HAS ADOPTED A WAIT-AND-SEE ATTITUDE (ABOUT THE PRESIDENCY). STILL, BEREZOVSKIY NOTED, LUZHKOv 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

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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.

~~SECRET~~ SECTION 03 OF 04 MOSCOW 002993

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SUBJECT: AMBASSADOR'S FEBRUARY 5 MEETING WITH RUSSIAN BUSINESS TYCOON BEREZOVSKIY

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

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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

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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.

COLLINS

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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, Berezovski 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. Berezovski was convinced that BNY would survive until the end of his presidential term and would not yield any of his powers.