
Clinton Presidential Records Mandatory Declassification Review

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Exchange Mail

DATE-TIME 05/05/2000 6:19:46 PM
 FROM Wolosky, Lee S. (TNT)
 CLASSIFICATION ~~CONFIDENTIAL~~
 CLASSIFICATIONREASON 1.5(b)(d)
 DATECLASSIFIEDON 05/05/2000
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 SUBJECT ALFA BANK CHIEF WARNS AGAINST UNREALISTIC
 EXPECTATIONS FOR PUTIN'S TERM
~~CONFIDENTIAL~~
 TO Wolosky, Lee S. (TNT)
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-----Message Text-----

~~C~~
~~CONFIDENTIAL~~ SECTION 01 OF 02 MOSCOW 010365

E.O. 12958:
 DECL: 4/16/10
 TAGS: ECON, EFIN, EINV, PGOV, RS
 SUBJECT: ALFA BANK
 CHIEF WARNS AGAINST UNREALISTIC
 EXPECTATIONS FOR PUTIN'S TERM

(U)
 CLASSIFIED BY A. DANIEL WEYGANDT, MINISTER-
 COUNSELOR FOR ECONOMIC
 AFFAIRS. REASONS 1.5 (B) AND
 (D).

1 ~~(C)~~SUMMARY: IN A FAREWELL
 MEETING WITH DEPARTING
 ECON MINCOUNS, ALFA BANK CHIEF PETER AVEN
 WAS NOT
 OPTIMISTIC ABOUT PROSPECTS FOR MOVEMENT ON
 ECONOMIC
 REFORM
 EARLY IN PRESIDENT-ELECT PUTIN'S FIRST TERM

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INSTEAD HE PREDICTED
 "NOTHING TOO CATASTROPHIC,
 NOTHING TOO GOOD" IN THE IMMEDIATE FUTURE.
 AVEN
 CONCEDED THAT NOMINATION OF ANDREY ILLARIONOV AS
 ECONOMIC
 ADVISOR WAS A POSITIVE SIGN, BUT SUGGESTED
 THAT THE ABSENCE OF A
 MANDATE FOR ECONOMIC REFORM, OF
 A PROVEN ECONOMIC TEAM, OR OF DEEP
 PRESIDENTIAL
 COMMITMENT TO THE CAUSE WOULD PRECLUDE SWIFT
 ACTION.

AVEN
 ADDED THAT THE LACK OF MANAGERIAL EXPERIENCE IN
 PUTIN'S ENTOURAGE
 WILL ALSO BE A SERIOUS HANDICAP:
 PUTIN NEEDS PEOPLE FROM BUSINESS,
 HE ARGUED, WHO CAN
 "MANAGE" WHAT WILL CONTINUE TO BE A DIFFICULT
 TRANSITION
 AND TRANSLATE IDEAS INTO REALITY. FOR THAT
 REASON, HE PREDICTED
 THAT WHILE FDPK KASYANOV WILL BE
 SELECTED AS PRIME MINISTER, HE
 WILL ONLY BE AN INTERIM
 FIGURE. PUTIN HAS NO ONE ELSE, HE SAID,
 BUT "KASYANOV
 IS NOT PREPARED FOR RADICAL STEPS." END SUMMARY.

2.

~~(C)~~ EXPECTATIONS: AVEN OFFERED A SOBER ASSESSMENT
 OF RUSSIA'S IMMEDIATE
 FUTURE UNDER PUTIN, OPINING THAT
 RUSSIA WOULD NOT GET THE "REVOLUTION
 THAT IS NEEDED IN
 THE NEAR FUTURE." INSTEAD, HE PREDICTED "NOTHING
 TOO
 CATASTROPHIC, NOTHING TOO GOOD." HE AGREED THAT
 INVESTMENT
 WOULD BE MORE SECURE UNDER PUTIN THAN
 YELTSIN, THOUGH "PERHAPS NOT
 SECURE ENOUGH." HE
 EXPECTED THE COUNTRY COULD MANAGE MODEST GROWTH

RATES
 OF 2-3 PERCENT BUT NOTED THAT AS A RESULT RUSSIA
 WOULD
 CONTINUE
 TO LOSE GROUND RELATIVE TO ITS TRADING

COMPETITORS WHO ARE GROWING AT FASTER RATES. HE PREDICTED THAT THE PROBLEM OF REGULATION MIGHT BECOME WORSE RATHER THAN BETTER UNDER PUTIN.

3. ~~(C)~~ PUTIN'S ADVISOR:
AVEN DID SEE GROUNDS FOR HOPE IN THE APPOINTMENT OF ANDREY ILLARIONOV AS ECONOMIC ADVISOR TO PUTIN. THE APPOINTMENT WAS AN EXCELLENT ONE,
HE SAID, IN THAT ILLARIONOV IS "WESTERN AND NOT EASTERN" IN OUTLOOK AND WILL BE VERY STRAIGHTFORWARD WITH PUTIN, ALWAYS TELLING HIM WHAT HE THINKS. AVEN AGREED THAT AS ADVISOR ILLARIONOV WILL NOT BE INVOLVED IN CARRYING OUT DECISIONS, BUT EXPECTS HE WILL PLAY AN IMPORTANT ROLE IN POLICY FORMULATION AND IN IDEOLOGY.
"PUTIN NEEDS LEAVENING AND EDUCATION IN THE ECONOMIC SPHERE," AVEN SAID, AND ILLARIONOV IS WELL-EQUIPPED TO PROVIDE IT. HE EXPRESSED DOUBT THAT PUTIN SUPPORTS ALL OF HIS ADVISOR'S VIEWS, BUT EXPRESSED HOPE THAT ILLARIONOV WOULD HELP PUTIN "BECOME A BELIEVER" IN ECONOMIC REFORM. THE ABSENCE OF SUCH STRONG PRESIDENTIAL COMMITMENT TO REFORM, AVEN ARGUED, IS ONE CONSTRAINT MITIGATING AGAINST A FAST START OUT OF THE BOX FOR A NEW PUTIN ADMINISTRATION. A PRESIDENT NEEDS SUCH CERTITUDE HE SUGGESTED, GIVEN THE BROAD OPPOSITION HE WILL FACE.

4.
~~(C)~~ OTHER CONSTRAINTS: ADDITIONAL CONSTRAINTS IDENTIFIED BY AVEN INCLUDE THE ABSENCE OF A MANDATE FROM THE ELECTION FOR ECONOMIC REFORM, AS PUTIN

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LARGELY AVOIDED OFFERING A DETAILED PROGRAM DURING THE CAMPAIGN, AND THE LACK OF A COHERENT ECONOMIC TEAM TO DEVELOP AND CARRY OUT POLICY. ILLARIONOV MUST HELP ASSEMBLE A TEAM, AVEN ARGUED, AS "PUTIN KNOWS NO ONE" BEYOND THE SMALL GROUP ALREADY IN GOVERNMENT OR IN THE STRATEGIC RESEARCH CENTER. OF THESE FIGURES, MOST LIKE DEPUTY FINANCE MINISTER KUDRIN OR GERMAN GREF LACK MANAGERIAL EXPERIENCE AND THE ABILITY TO TRANSLATE IDEAS INTO REALITY. AVEN NOTED THAT THIS HAS HAMPERED THE WORK OF THE STRATEGIC RESEARCH CENTER, WHICH IS STILL LARGELY FOCUSED ON CONCEPTS AND IDEAS RATHER THAN ON THEIR PRACTICAL IMPLEMENTATION.

5. ~~(C)~~ KASYANOV: TURNING TO PRESIDENT-ELECT PUTIN'S LIKELY CHOICE AS PRIME MINISTER, AVEN SUGGESTED THAT KASYANOV IS "VERY ORIENTAL," DESCRIBING HIM AS "MUTNY"-- THE RUSSIAN WORD FOR "CLOUDY WATER" THAT DOES NOT REVEAL ITS DEPTH. HE TERMED HIM A TYPICAL RUSSIAN BUREAUCRAT, THOUGH "ONE OF THE BEST," AND SAID PUTIN WILL CHOOSE HIM AS PRIME MINISTER BECAUSE HE HAS NO ONE ELSE. "HE WILL STAY FOR A WHILE," AVEN ADDED, BUT NOT FOR LONG AS HE IS "NOT PREPARED FOR RADICAL STEPS."

6. ~~(C)~~ BUSINESS-PEOPLE: AVEN WAS CATEGORICAL THAT IN THE NOT-TO-DISTANT FUTURE PUTIN WILL HAVE TO TURN TO PEOPLE FROM BUSINESS TO RUN THE GOVERNMENT. HE POINTEDLY EXCLUDED HIMSELF, NOTING THAT HE HAS NO INTEREST

IN SUCH A CHANGE OF CAREER, BUT POINTED TO
~~CONFIDENTIAL~~
~~SECTION 02 OF 02 MOSCOW 010365~~

E.O. 12958: DECL: 4/16/10

TAGS:

ECON, EFIN, EINV, PGOV, RS

SUBJECT: ALFA BANK CHIEF WARNS AGAINST
 UNREALISTIC
 EXPECTATIONS FOR PUTIN'S TERM

YOUNG STEEL MAGNATE
 MORDASHEV, HEAD OF THE SEVERSTAL
 STEEL MILL IN CHEREPOVETS AS THE
 TYPE OF FIGURE PUTIN
 NEEDS. "WE NEED SOMEONE WHO CAN BUILD SOMETHING,"
 AVEN
 SAID, ARGUING THAT THE NEW CLASS OF PROFESSIONALS
 IN THEIR MID-THIRTIES
 WHO HAVE STUDIED ABROAD AND ARE
 FLUENT IN THREE TO FOUR LANGUAGES
 FIT THE BILL. IF A
 RUSSIAN LEADER CAN PROVIDE THEM WITH A "SENSE
 OF
 MISSION," AVEN ADDED, THEN THEY WILL BE PREPARED TO
 MAKE THE
 SACRIFICES NECESSARY TO PURSUE SUCH A CAREER.

7-~~(C)~~AVENS WISHLIST:
 ASKED ABOUT HIS OWN PRIORITY
 LIST OF REFORMS THAT PRESIDENT-ELECT
 PUTIN SHOULD
 PURSUE, AVEN CITED A FAMILIAR LITANY OF NEEDED
 CHANGES,
 INCLUDING LEGAL REFORM, TAX REFORM, REFORM OF
 THE STATE APPARATUS,
 DEREGULATION OF NATURAL
 MONOPOLIES, AND A STRONG ANTI-CORRUPTION
 PUSH. ON THE
 LATTER, AVEN JUDGED THAT PUTIN COULD BEST ACT BY
 SETTING
 A GOOD EXAMPLE: "A NON-CORRUPTED TOP WILL
 SPREAD" DOWN THROUGH THE
 RANKS. AVEN ARGUED THAT
 PUTIN CAN DO THIS FOR HE IS NOT BEHOLDEN
 TO ANY
 OLIGARCHS AND IS INSTEAD VERY INDEPENDENT. AVEN
 DISCOUNTED

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THE IDEA OF A SPECIAL TIE TO BEREZOVSKIY,
NOTING THAT HE HIMSELF
HAD INTRODUCED THE TWO. PUTIN
PERIODICALLY MEETS AND SPEAKS TO
THE OLIGARCHS, AVEN
SAID, BUT THEY HAVE NO "INSTRUMENT OF INFLUENCE
OVER
HIM." AVEN CLAIMED TO SEE PUTIN ABOUT ONCE A MONTH
FOR BROAD
DISCUSSIONS OF REFORM.

8. ~~(C)~~ BANKING: AVEN NOTED THAT CBR CHAIRMAN
GERASHCHENKO
IS CONDUCTING HIMSELF AS IF HE IS SURE
THAT HE WILL STAY ON IN THE
NEW ADMINISTRATION. IT
APPEARS THAT HE HAS A DIRECT PROMISE, AVEN
SAID, AND
AS A RESULT HE JUDGED THAT THERE IS VIRTUALLY "NO
CHANCE"
FOR SERIOUS REFORM OF THE BANKING SECTOR.
AVEN NOTED THAT SBERBANK,
THE STATE SAVINGS BANK,
CONTINUES TO KILL ITS COMMERCIAL COMPETITION,
WHICH
CANNOT COMPETE WITH THE RATES IT OFFERS. HE ARGUED
THAT
SBERBANK, INSTEAD OF DOMINATING THE FIELD OF
CORPORATE LENDING AS
IT DOES, SHOULD BE INVOLVED IN
RETAIL LENDING, FOR CONSUMER PURCHASES
AND THE
MORTGAGE MARKET. HOWEVER, HE STRESSED THAT ALFA IS
DOING
WELL, PARTICULARLY IN ITS INTERNATIONAL
OPERATIONS.

9. ~~(C)~~ COMMENT:
AVEN IS AN OPINIONATED AND EXTREMELY
WELL-CONNECTED INTERLOCUTOR.
HIS APPRAISAL OF THE
RUSSIAN SCENE WAS NOTABLE FOR ITS GENERALLY
PESSIMISTIC
TONE, AND ITS CAUTION ABOUT PROSPECTS FOR
DRAMATIC REFORMS IN THE
SHORT TERM. HE ALSO DID NOT
REITERATE HIS RECENT COMMENTS IN THE
PRESS THAT RUSSIA
NEEDS A "PINOCHET" TO HELP IT TURN THE CORNER
ON

ECONOMIC REFORM." END COMMENT.
COLLINS

Exchange Mail

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 FROM Wolosky, Lee S. (TNT)
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 SUBJECT THE KREMLIN AND BIG BUSINESS: A NEW ERA?
~~[CONFIDENTIAL]~~
 TO Rosa, Frederick M. (TNT)

CARBON_COPY
 TEXT_BODY

-----Message Text-----

~~C~~
~~CONFIDENTIAL~~ SECTION 01 OF 03 MOSCOW 015383

E.O. 12958:
 DECL: 8/3/10
 TAGS: ECON, EFIN, EINV, PGOV, RS
 SUBJECT: THE KREMLIN
 AND BIG BUSINESS: A NEW ERA?

REF: MOSCOW 14664

(U) CLASSIFIED
 BY A. DANIEL WEYGANDT, ACTING DEPUTY
 CHIEF OF MISSION. REASONS
 1.5 (B) AND (D).

1. ~~(C)~~ SUMMARY: PRESIDENT PUTIN'S CORRECT, BUT
 FAR
 FROM CORDIAL JULY 27TH MEETING WITH LEADING RUSSIAN
 BUSINESSMEN,
 TOGETHER WITH THE RECENT WAVE OF
 INVESTIGATIONS INTO TAX FRAUD AND
 OTHER MISDEEDS BY
 LEADING RUSSIAN FIRMS AND BUSINESSMEN, SUGGESTS
 THAT A

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NEW ERA IN RUSSIAN GOVERNMENT-BUSINESS RELATIONS
MAY
BE
OPENING. IN PLACE OF THE INTERMIXING OF ECONOMIC
AND POLITICAL
POWER THAT LED TO THE COINING OF THE
TERM "OLIGARCH," PUTIN APPEARS
DETERMINED TO DISTANCE
GOVERNMENT AND BUSINESS, DRAWING ON BUSINESS'
EXPERTISE
AND CONNECTIONS WHEN IT IS USEFUL TO HIM,
BUT MAKING CLEAR THAT
HE IS AN INDEPENDENT ACTOR WITH
NO DEBTS TO PAY. WHETHER HIS STATED
GOAL OF KEEPING
ALL BUSINESSMEN "EQUIDISTANT" FROM THE STATE WILL
BE
FULFILLED, HOWEVER, REMAINS UNCLEAR. WHILE THE
RECENT
CRACKDOWN
SUGGESTED THAT CERTAIN BUSINESS LEADERS
CLOSELY TIED TO THE GOR
ARE STILL OFF-LIMITS, COMMENTS
BY PUTIN AND GOR OFFICIALS HINT THAT
EVEN BUSINESSES
WITH TIES TO KREMLIN ALLIES, SUCH AS SIBNEFT, COULD
BE
BE TARGETED FOR TAX VIOLATIONS. END SUMMARY.

2. ~~(C)~~ WORDS:
FROM THE TIME HE ASSUMED THE RUSSIAN
PRESIDENCY ON AN ACTING BASIS
AT THE START OF THE
YEAR, PRESIDENT PUTIN HAS SENT CLEAR VERBAL
SIGNALS
THAT THE YELTSIN ERA, WITH ITS INTERMIXING OF
ECONOMIC
AND
POLITICAL POWER, IS OVER. THE THEME MADE ITS
FIRST MODEST APPEARANCE
IN HIS "OPEN LETTER ON THE EVE
OF THE MILLENNIUM," WHERE HE SPOKE
OF THE NEED FOR
OLIGARCHS TO BE KEPT "EQUIDISTANT" FROM THE STATE.
SOON,
IN THE PRE-ELECTION PERIOD, PUTIN'S RHETORIC
BECAME TOUGHER. HE
TOLD RADIO MAYAK IN AN INTERVIEW
IN FEBRUARY, FOR INSTANCE, THAT
THOSE WHO SEEK TO

"MESH" THE STATE AND CAPITAL WOULD NO LONGER EXIST AS A CLASS. PUTIN ALSO REPEATEDLY EMPHASIZED THAT ALL SHOULD BE EQUAL BEFORE THE LAW, FROM SO-CALLED OLIGARCHS TO THE NODEST SHOE REPAIRMAN. HE ALSO PLEDGED NOT TO INTERFERE IN ONGOING INVESTIGATIONS OF THE PROCURACY AND OTHER LAW ENFORCEMENT AUTHORITIES.

3. ~~(C)~~

AND DEEDS: WHETHER PUTIN'S RECENT ACTIONS LIVE UP TO THIS AMBITIOUS AGENDA HAS BEEN HOTLY DEBATED IN MOSCOW. CRITICS POINT TO THE FACT THAT THE CRACKDOWN OF RECENT MONTHS HIT KREMLIN CRITICS, INCLUDING MOST NOTABLY MEDIA-MOST MAGNATE VLADIMIR GUSINSKIY, AND LEFT UNSCATHED SUCH KREMLIN INSIDERS AS BORIS BEREZOVSKIY AND RONAN ABRAMOVITCH. OTHERS WHO WERE TARGETED ALSO HAD CONNECTIONS TO THE POLITICAL OPPOSITION: LUKOIL'S VAGIT ALEKPEROV, FOR INSTANCE, LIKE GUSINSKIY, SUPPORTED "FATHERLAND-ALL RUSSIA". SOME CRITICS, LIKE FORMER "UNITY" PARTY DEPUTY VLADIMIR RYZHKOV, SUGGESTED THAT VLADIMIR POTANIN (NORILSK NICKEL) AND ANATOLIY CHUBAYS (UES) HAD BEEN TARGETED FOR THEIR SUPPORT OF THE "UNION OF RIGHT FORCES." GIVEN THAT PARTY'S STRONG SUPPORT FOR PUTIN, HOWEVER, SUCH SUGGESTIONS SEEN STRAINED. CHUBAYS, IN FACT, HAS BEEN HARDLY INCONVENIENCED BY THE AS YET UNPURSUED PLAN OF THE ACCOUNTING CHAMBER TO LOOK INTO FOREIGN OWNERSHIP OF UES SHARES, A MOVE THAT IN ANY EVENT WAS INITIATED BY THE DUMA RATHER THAN THE GOVERNMENT.

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INTERESTINGLY, WHILE SPS LEADER BORIS NEMTSOV TOLD THE AMBASSADOR IN JULY THAT HE BELIEVED A "PERSONAL VENDETTA" EXPLAINED THE ASSAULT ON GUSINSKIY, HE OFFERED NO POLITICAL/PERSONAL RATIONALE FOR THE OTHER INVESTIGATIONS.

4. ~~(C)~~ A TELLING DEFECTION: THE RECENT POLITICAL TRAJECTORY OF BORIS BEREZOVSKIY SUGGESTS, HOWEVER, THAT MORE THAN SETTLING SCORES MAY BE AT WORK. WE UNDERSTAND THAT FROM AN EARLY STAGE IN THE PUTIN ADMINISTRATION, BEREZOVSKIY LOST HIS PRIVILEGED ACCESS TO THE KREMLIN, AND WAS REQUIRED TO APPLY FOR PERMISSION EACH TIME HE WISHED TO VISIT THERE. HIS DECISION TO LEAVE THE DUMA AND PUBLICLY OPPOSE PUTIN'S FEDERAL REFORMS IS A CLEAR SIGNAL THAT HE NO LONGER FELT SURE OF KREMLIN PROTECTION. THE RECENT INVESTIGATION INTO AVTOVAZ, IN WHICH BEREZOVSKIY REPORTEDLY HAS AN INTEREST, THE REOPENING OF THE INVESTIGATION INTO EMBEZZLEMENT FROM AEROFLOT, AND APPARENT PLANS BY THE GOR TO TAKE BACK CONTROL OF ORT TELEVISION CHANNEL MAKES CLEAR THAT HIS PERCEPTION OF HIS CHANGING FORTUNES WAS NOT FAR OFF.

5. ~~(C)~~ THE UNTOUCHABLE?: CENTRAL TO CONTINUED CRITICISM OF THE KREMLIN FOR FAILURE TO ADHERE TO THE PRINCIPLE OF "EQUIDISTANCE" HAS BEEN THE CONTINUED IMMUNITY OF ROMAN ABRAMOVICH FROM INVESTIGATION. KREMLIN INSIDER GLEB PAVLOVSKIY MADE CLEAR TO POLOFF

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~~AL~~ SECTION 02 OF 03 MOSCOW 015383

E.O. 12958: DECL: 8/3/10

TAGS:

ECON, EFIN, EINV, PGOV, RS

SUBJECT: THE KREMLIN AND BIG BUSINESS:

A NEW ERA?

IN JULY THAT THE KREMLIN PERCEIVES A DIFFERENCE

BETWEEN

HIM AND POTANIN, BEREZOVSKIY AND GUSINSKIY.

IN CONTRAST TO THE

LATTER, HE SUGGESTED, ABRAMOVICH

IS A "GOOD" OLIGARCH WHO DOES "HELPFUL"

WORK IN THE

OIL BUSINESS, AND DID NOT CROSS THE KREMLIN THROUGH

TAX

AVOIDANCE, FUNNELING MONEY TO THE REGIONS, OR

SUPPORTING THE OPPOSITION.

6.

~~(C)~~ NEXT IN LINE?: MORE RECENTLY, HOWEVER, A CHANGE
IN TONE HAS

OCCURRED. FINANCE MINISTER KUDRIN

RECENTLY COMMENTED CRITICALLY

ON THE TAX RECORD OF

ABRAMOVICH'S SIBNEFT OIL COMPANY (WHICH PAYS

SEVEN-

FOLD LESS IN TAXES ON EACH BARREL OF OIL IT PRODUCES

THAN

ITS RIVALS, INCLUDING LUKOIL). PUTIN HIMSELF

SHARPLY QUESTIONED

SIBNEFT OFFICIALS ON THE ISSUE

DURING THE JULY 27TH ROUNDTABLE.

HOWEVER,

ABRAMOVICH'S BUSINESS EMPIRE EXTENDS FAR BEYOND

SIBNEFT

AND ANY MOVE AGAINST SIBNEFT COULD BE LIMITED

TO THE COMPANY AND

NOT TOUCH ABRAMOVICH PERSONALLY.

FURTHERMORE, GIVEN THAT THE KREMLIN

HAS BEEN THE

OBJECT OF CRITICAL PRESS DUE TO THE LACK OF

"EQUIDISTANCE"

OF ABRAMOVICH, MAMUT AND DERIPASKA,

COMPARED TO OTHER OLIGARCHS,

THE SWIPES AGAINST

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SIBNEFT COULD BE AN ATTEMPT TO DEFLECT SUCH CRITICISM.

7.

~~(C)~~ A CHILLY EMBRACE: THE NEW DYNAMICS OF RELATIONS BETWEEN GOVERNMENT AND BUSINESS WERE ON DISPLAY AT THE JULY 27TH ROUNDTABLE, WITH PUTIN STERNLY ADMONISHING LEADING BUSINESSMEN THAT THEY THEMSELVES HAD HELPED CREATE THE RUSSIAN STATE IN ITS CURRENT FORM, AND SHOULD NOT COMPLAIN AT THE REFLECTION THAT FACED THEM IN THE MIRROR AS A RESULT. IN CONTRAST TO MEETING INITIATOR BORIS NEMTSOV, WHOSE INITIAL MORE ROBUST VISION OF THE SESSION INCLUDED CONCLUSION OF AN AGREEMENT BETWEEN GOVERNMENT AND BUSINESS DELINEATING THE RIGHTS AND RESPONSIBILITIES OF EACH SIDE, PUTIN REJECTED ANY SUCH EFFORT TO PUT GOVERNMENT AND BUSINESS ON AN EQUAL FOOTING. THE KREMLIN ALSO BLOCKED SUGGESTIONS THAT GUSINSKIY, BEREZOVSKIY AND AMBRAMOVICH BE INCLUDED IN THE GUEST LIST.

8.

~~(C)~~ STRAIGHT TALK: IN HIS EXCHANGES WITH LEADING BUSINESSMEN, ALL OF WHOM HE OFFERED AN OPPORTUNITY TO SPEAK, PUTIN WAS TERSE AND DIRECT. HE REITERATED HIS LONGSTANDING POLICIES, REASSURING THOSE PRESENT THAT THE WHOLESALE REOPENING OF PAST PRIVATIZATIONS IS NOT ON HIS AGENDA. BUT HE RULED OUT A GENERAL AMNESTY FOR PAST WRONGDOING, SAYING THAT HE WILL NOT INTERFERE WITH INVESTIGATIONS BY LAW-ENFORCEMENT AUTHORITIES. AS NOTED ABOVE, HE QUESTIONED SIBNEFT CHIEF YEVGENIY

SHVYDLER
OVER WHY HIS FIRM PAID SO LITTLE TAX. HE
WARNED ALL PRESENT THAT
THEY SHOULD ABANDON ATTEMPTS
TO PUT THEIR SUPPORTERS IN GOVERNMENT
"POWER
STRUCTURES." TO VLADIMIR POTANIN, WHO HAS PROTESTED
HIS
INNOCENCE IN RESPONSE TO PROCURACY ALLEGATIONS
THAT HE UNDERPAID
BY 140 MILLION USD FOR A CONTROLLING
STAKE IN NORILSK NICKEL, PUTIN
ASKED IF HE WAS SURE HE
COULD DEMONSTRATE THIS FACT IN COURT. WHEN
POTANIN
REPLIED AFFIRMATIVELY, PUTIN REPORTEDLY RESPONDED
"WELL,
GO AHEAD AND PROVE IT," ADDING "WHAT ARE YOU
AFRAID OF THEN?"

9.

~~(C)~~ THE KREMLIN'S STATEMENT: IN PLACE OF THE
AGREEMENT AND JOINT
STATEMENT NEMTSOV ENVISIONED, THE

KREMLIN PUT OUT A SIMPLE STATEMENT
OUTLINING THE
MEETING'S CONTENT. NO MENTION WAS MADE OF THE
BUSINESSMEN'S
CONCERN ABOUT ONGOING LEGAL PROCEEDINGS.
THE STATEMENT INCLUDED
PUTIN'S ASSURANCE THAT
PRIVATIZATIONS WOULD NOT BE REVIEWED, BUT
ADDED THAT
HE MADE THE POINT THAT IT IS "UNACCEPTABLE FOR
COMPETING
COMPANIES TO TRY TO USE STATE STRUCTURES AND
LAW ENFORCEMENT AGENCIES
TO ACHIEVE THEIR GOALS." IN
THE ONE CONCRETE RESULT OF THE SESSION,
THE STATEMENT
NOTED THAT AN ADVISORY COUNCIL WOULD BE SET UP TO
ADVISE
THE PRESIDENT AND THE GOVERNMENT ON ISSUES OF
INTEREST TO BUSINESS.
THIS SUGGESTION OF PRIME
MINISTER KASYANOV, WHO WITH MINISTERS
KUDRIN AND GREF
ALSO ATTENDED THE SESSION, CLEARLY AIMS TO CALL
ON

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BUSINESS WHEN
 IT IS IN THE GOVERNMENT'S INTEREST TO DO
 SO. THIS HAPPENED MOST
 RECENTLY JUST IN THE WEEK
 BEFORE THE MEETING, WHEN KASYANOV CONVENED
 BUSINESS
 LEADERS AND URGED THEM TO LOBBY THE FEDERATION
 COUNCIL
 IN
 FAVOR OF TAX REFORM.

10. ~~(C)~~ MIXED REACTIONS: THOSE PRESENT PUT
 THE BEST
 FACE ON THE MEETING AFTERWORDS, CITING PUTIN'S
 ASSURANCE
 THAT PRIVATIZATION WOULD NOT BE REOPENED.
 BORIS NEMTSOV SAID THE
 SESSION WAS A SIGN THAT THE
 "PERIOD OF PRIMITIVE ACCUMULATION OF
 CAPITAL" IS AT AN
~~CONFIDENTIAL~~ SECTION 03 OF 03 MOSCOW
 015383

E.O. 12958: DECL: 8/3/10
 TAGS: ECON, EFIN, EINV, PGOV,
 RS
 SUBJECT: THE KREMLIN AND BIG BUSINESS: A NEW ERA?

END, AND
 BUSINESS CAN NOW GET DOWN TO NORMAL WORK.

"THE OLIGARCHS HAVE
 BECOME SICK OF BEING OLIGARCHS,"
 HE TOLD A NEWS CONFERENCE, AND
 WANT TO BE "LAW-ABIDING
 TAXPAYERS." NOT ALL PRESENT SHARED NEMTSOV'S
 POSITIVE
 APPRAISAL. SEVERAL COMMENTED ANONYMOUSLY IN THE
 MOSCOW
 PRESS THAT THE MEETING HAD NOT BEEN USEFUL. IN
 A POST-MEETING PRESS
 CONFERENCE, KAKHA BENDUKIDZE OF
 URALMASH, UNITED MACHINE-BUILDING
 PLANTS, DISTANCED
 HIMSELF FROM THE POSITIVE ASSESSMENT OF OTHER
 PARTICIPANTS,
 COMMENTING IRONICALLY THAT PERHAPS HE

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HAD BEEN IN A DIFFERENT MEETING.

11.

~~(C)~~ COMMENT: FROM THE KREMLIN'S PERSPECTIVE, THE GOAL OF THE SESSION (AS WAS ADMITTED BY ONE ANONYMOUS SOURCE IN THE BUSINESS DAILY "VEDEMOSTIY") WAS TO "PUT THE OLIGARCHS IN THEIR PLACE," AND DISPEL ANY PRETENSIONS THEY MIGHT CONTINUE TO ENTERTAIN AS TO THEIR INFLUENCE OVER NATIONAL POLICY. UNLIKE YELTSIN, PUTIN CLEARLY DOES NOT FEEL INDEBTED TO BIG BUSINESS, AND APPEARS DETERMINED TO REIN IT IN, AS HE HAS REINED IN THE NATION'S REGIONAL ELITES. REGARDLESS OF WHETHER ANY FORMER "OLIGARCH" IS EVER PROSECUTED, THE RECENT CRACKDOWN HAS MADE PUTIN'S POINT: THE FORMER UNTOUCHABLES HAVE BECOME TOUCHABLE. PUTIN IS NOT DEPENDENT ON OLIGARCHS, THEY ARE DEPENDENT ON HIM, AND IT IS NOT CLEAR AT THIS POINT THAT HE WILL HELP THEM.

12. ~~(C)~~ THE OUTCOME

OF THIS CAMPAIGN MAY BE TO TURN OLIGARCHS INTO SOMETHING RESEMBLING TAXPAYING BUSINESSMEN, AS NEMTSOV SUGGESTS THEY WANT TO BE. TO THIS POINT, SOME ARE BEING JAWBONED INTO IT (ABRAMOVICH, CHUBAYS) AND OTHERS INTIMIDATED (ALEKPEROV, POTANIN) AND STILL OTHERS FORCED (GUSINSKIY). THE TREATMENT METED OUT TO EACH APPEARS TO BE RELATED TO POLITICS AND PERSONALITIES, NOT UNUSUAL ANYWHERE IN THE WORLD. END COMMENT. ORDWAY

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~~[CONFIDENTIAL]~~
 TO Rosa, Frederick M. (TNT)

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~~(c)~~
~~CONFIDENTIAL~~ STATE 190013

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 SUBJECT: U/S PICKERING MEETING WITH BORIS BEREZOVSKIY
 (SEPT.
 18, 2000, NEW YORK)

CLASSIFIED BY U/S FOR POLITICAL AFFAIRS THOMAS
 R.
 PICKERING. REASONS: 1.5 B AND D.

1. ~~(c)~~SUMMARY: RUSSIAN MEDIA
 MAGNATE BORIS BEREZOVSKIY
 TOLD U/S PICKERING IN NEW YORK THAT PUTIN
 IS GOING DOWN
 THE PATH OF PERON OR PINOCHET - NOT SEEKING AN
 AUTHORITARIAN
 STATE PER SE, BUT PURSUING THE GOAL OF A
 DEMOCRATIC STATE VIA AN
 AUTHORITARIAN PATH. PUTIN, HE
 SAYS, HAS UNDERMINED THE INDEPENDENCE
 OF THE SEPARATE
 BRANCHES OF GOVERNMENT AND IS INTENT ON RE-
 CENTRALIZING

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POWER.
HE HAS STRIPPED THE REGIONS OF THE RIGHT TO PURSUE
THEIR OWN FOREIGN
INVESTORS AND FIRED ELECTED MAYORS AND
GOVERNORS. PUTIN IS ALSO
PURSUING STATIST ECONOMIC
POLICIES WITHOUT UNDERSTANDING THE PRIVATE
SECTOR. PUTIN
NOW SEEKS TO GAIN "TOTAL CONTROL" OF THE THREE TV
STATIONS
THAT DOMINATE THE MASS MEDIA. (BEREZOVSKIY HAS THUS
PLACED
HIS ORT TELEVISION HOLDINGS IN A SPECIAL TRUST HELD

BY A GROUP
OF INDEPENDENT JOURNALISTS.) BEREZOVSKIY
CLAIMED TO WANT TO BUILD
A SOCIAL DEMOCRATIC "LOYAL
OPPOSITION" AND NOTED THAT, IN VIEW OF
THE PRESTIGE OF THE
UNITED STATES AMONG MOST RUSSIANS, MORE PUBLIC
U.S.
CRITICISM OF PUTIN'S MEASURES WOULD FIND RESONANCE
IN
RUSSIA.
HE ADMITS HE LACKS A LEADER FOR THIS APPROACH; A
CRITICAL FACTOR
FOR SUCCESS. HE ADDED THAT PUTIN FEARS
NEITHER THE U.S. NOR NATO,
BUT THINKS THE U.S. HOLDS
POSITIONS THAT RUN COUNTER TO RUSSIAN
INTERESTS.
PICKERING NOTED THAT, WHILE YELTSIN HAD A CLEAR
STRATEGY
BUT
WAS CONFUSED ON TACTICS, PUTIN WAS AT THE MOMENT
UNPREDICTABLE IN
BOTH STRATEGY AND TACTICS. END SUMMARY.

2. ~~(C)~~ RUSSIAN MEDIA MAGNATE
BORIS BEREZOVSKIY CALLED ON
U/S PICKERING OCTOBER 18 ON THE MARGINS
OF THE UNGA IN NEW
YORK. BEREZOVSKIY WAS ACCOMPANIED BY ALEC
GOLDFARB
AND
VLADIMIR VORONKO. U/S PICKERING WAS ACCOMPANIED BY
P
STAFF
(NOTETAKER). BEREZOVSKIY OPENED BY OUTLINING HIS

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THREE GOALS FOR HIS TRIP TO NEW YORK: TO GIVE HIS VISION OF CURRENT STATE OF EVENTS IN RUSSIA; TO SEND A MESSAGE ON THE NEED FOR DEMOCRATIC OPPOSITION TO PUTIN; AND, TO OPEN COMMUNICATIONS WITH THE RUSSIAN EXPATRIATE COMMUNITY IN THE UNITED STATES. OVERSEAS RUSSIANS, HE SAID, NEED TO DEVELOP A MODERN AND SUPPORTIVE RELATIONSHIP TO MOTHER RUSSIA. NOTING HE WAS GOING STRAIGHT TO BRIGHTON BEACH AFTER THE MEETING, HE PLACED THE NEW YORK CITY RUSSIAN COMMUNITY AT 900,000 AND 4 MILLION IN THE ENTIRE U.S. (A FIGURE PICKERING SAID SOUNDED HIGH).

3.

~~(C)~~ BEREZOVSKIY BEGAN BY RECOUNTING THAT YELTSIN HAD INITIATED SOUND, LOGICAL REFORMS, NOT ONLY LAYING THE FOUNDATION FOR NEW ECONOMIC SYSTEM BUT CHANGING THE RUSSIAN MENTALITY. NO LONGER DO PEOPLE DEPEND ON THE STATE, HE SAID, BUT ON THEMSELVES. PUTIN, HE AVERRED, NEEDS TO CONTINUE WITH THIS LONG EVOLUTIONARY PROCESS. YELTSIN TURNED THE COUNTRY 180 DEGREES, BUT PUTIN NOW APPEARS INTENT ON CONTINUING SOME OF YELTSIN'S OWN STRATEGIC MISTAKES WHILE ADDING NEW ONES OF HIS OWN. PUTIN IS CONTINUING YELTSIN'S ERRORS IN CHECHNYA, HE SAID, AS WELL AS THE FAILING TO ATTEND TO THE ISSUE OF PRESIDENTIAL SUCCESSION. PUTIN, CLAIMED BEREZOVSKIY, IS DESTROYING THE DEMOCRATIC SYSTEM BY HIS MOVES AGAINST THE COURTS AND THE LEGISLATURE. THE DUMA, HE SAID, IS "NOW JUST A RUBBER STAMP OF THE KREMLIN."

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4. ~~(C)~~
PICKERING CONCURRED THAT PUTIN HAS UNDERMINED DIFFERENCES BETWEEN THE GOVERNMENTAL BRANCHES, WHILE DOING AWAY WITH THE FEDERATION COUNCIL AND LIMITING THE AUTONOMY OF THE OBLASTS. THE GOAL APPEARS TO BE THE RECENTRALIZATION OF POWER. BEREZOVSKIY STATED THAT CONTROL OF THE MASS MEDIA IS ALSO BEING CONCENTRATED, CLAIMING THAT 90 PERCENT OF ALL TV INFLUENCE IS CONCENTRATED IN THE TOP THREE CHANNELS: ORT, NTV ("NOT MASS MEDIA, IT HAS GOOD URBAN, BUT NOT RURAL OR NATIONAL COVERAGE") AND RTR ("WEAK, WITH NO POLITICAL POWER").

5. ~~(C)~~ BEREZOVSKIY STATED THAT HE BELIEVES THAT PUTIN DOES NOT ACTIVELY SEEK THE CONSTRUCTION OF AN AUTHORITARIAN STATE, JUST THAT HE BELIEVES A DEMOCRATIC STATE CAN BE ESTABLISHED VIA THE AUTHORITARIAN PATH. HE LIKENED PUTIN TO PERON AND PINOCHET. ASKED IF HE THOUGHT PUTIN WAS ALSO MOVING TOWARDS A STATIST ECONOMY, BEREZOVSKIY REPLIED "ABSOLUTELY," NOTING THE REGIONS WERE NO LONGER PERMITTED TO DEVELOP THEIR OWN BUSINESS RELATIONS WITH FOREIGN INVESTORS. STILL, BEREZOVSKIY SAID, "PUTIN IS BETTER THAN PRIMAKOV," ALTHOUGH HE IS "NO INTELLECTUAL." HE ADMITTEDLY INHERITED A TERRIBLE SITUATION, SAID BEREZOVSKIY, BUT SEEKS SIMPLE SOLUTIONS WHERE THERE ARE NONE. NONETHELESS, HE CLAIMED, HE IS OPTIMISTIC THAT THE COUNTRY IS GENERALLY PROCEEDING IN THE RIGHT DIRECTION (PUTIN ASIDE) AND "MILLIONS OF RUSSIANS REMAIN OPTIMISTIC."

6.

~~(C)~~ ASKED ABOUT HIS OWN BUSINESS SITUATION, BEREZOVSKIY STATED "THEY CAN PUT ME IN JAIL BUT IT WON'T HELP." HE EXPLAINED THAT HE HAS PLACED HIS OWNERSHIP SHARES OF ORT TV INTO A SHARE TRUST CONTROLLED BY A GROUP OF JOURNALISTS. HE STRESSED HE WAS NOT DIVESTING HIMSELF OF ORT. THE PRESIDENT OF RUSSIA COULD PROPOSE TO REPLACE THE CURRENT GENERAL MANAGER ("NOT A STRONG MAN, BUT.."). A QUALIFIED MAJORITY OF THREE-FOURTH'S OF THE TOTAL

SHARES, HOWEVER, WOULD BE NEEDED IN ORDER TO APPROVE SUCH A MOVE. ASKED BY PICKERING WHY THE KURSK AFFAIR WAS HANDLED SO POORLY, BEREZOVSKIY REPLIED THAT PAVLOVSKY AND THE FSB LEADERSHIP WERE "STALINISTS" WHO DID NOT UNDERSTAND THAT THESE ARE NOT SOVIET TIMES. NOT ONLY ARE OTHER INFORMATION STREAMS AVAILABLE TO PEOPLE, BUT THE PEOPLE HAVE ALSO CHANGED IN THEIR EXPECTATIONS OF THEIR GOVERNMENT.

7. ~~(C)~~ BEREZOVSKIY STATED THAT THIS WAS A CLEAR EXAMPLE OF WHY, IF RUSSIA TRULY WANTED TO DEVELOP A LIBERAL SYSTEM, IT NEEDED TO CREATE "A REAL OPPOSITION, NOT A POTEKIN ONE." BEREZOVSKIY HAD SOUGHT TO DEVELOP, HE SAID, A SOCIAL DEMOCRATIC OPPOSITION. "BUT PUTIN MOVED LEFT, SO I ASKED FOR A RIGHT OPPOSITION." EVEN AFTER HE EXPLAINED THE IDEA OF A LOYAL, DEMOCRATIC OPPOSITION TO PUTIN, HE SAID, PUTIN "REACTED AGGRESSIVELY,"

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CHALLENGING
AND QUESTIONING BEREZOVSKIY'S EVERY MOVE. PUTIN
MADE
A
STRATEGIC ERROR, HE ANALYZED, "BY PICKING A FIGHT
WITH THE
BUSINESS
ELITE." THE GOVERNORS HAD BEEN DIVIDED IN 1999.
BUT AFTER PUTIN
ATTACKED ONE OF THEM, THEY WERE UNITED IN
SUPPORTING PUTIN. AFTER
HE BECAME PRESIDENT, EACH OF THE
GOVERNORS SAW PUTIN AS "HIS" PRESIDENT
- ONLY TO FEEL
BETRAYED AFTER HE REDUCED THEIR POWER AND TOOK
THEM
OUT OF
THE FEDERATION COUNCIL.

8. ~~(C)~~ THE CENTRAL ISSUE NOW,
SAID BEREZOVSKIY, IS
WHETHER RUSSIAN SOCIETY ACCUMULATES ENOUGH
OF THE "POWER
OF FREEDOM" TO LIMIT PUTIN. TACTICALLY, HE SAID HE
HAS
CONCLUDED THAT "IT IS USELESS TO FIGHT PUTIN; IT IS
BETTER
TO
PRESS HIM." THE FSB HAS SOME POWER OVER PUTIN, BUT
IVANOV HAS THE
MOST INFLUENCE. VOLOSHYN, HE ARGUED, IS A
BIGGER INTELLECT THAN
PUTIN, BUT HAS "NO CHANCE AT ALL" OF
REPLACING PUTIN. ONLY HIGH
WORLD OIL PRICES WERE KEEPING
THE ECONOMY AFLOAT, AND PUTIN, WHO
DOES NOT UNDERSTAND THE
PRIVATE SECTOR OR THE EFFECTS OF HIS OWN
DECISIONS, HAS NO
IDEA OF HOW TO HELP THE ECONOMY. THE YOUNGER
GENERATION
IS
LEAVING RUSSIA, HE CLAIMED, TRUSTING NEITHER PUTIN
NOR
THE FUTURE.
GOVERNMENT CONFISCATIONS AND TAXES WERE ALSO
FORCING MORE OF THE
ECONOMY UNDERGROUND AND TOWARD HIDING
THEIR ASSETS.

9. ~~(C)~~ ASKED
BY PICKERING IF PUTIN FEARS EITHER THE
UNITED STATES OR NATO, BEREZOVSKIY
REPLIED, "NO, BUT HE
THINKS THE U.S. HOLDS A POSITION (THAT IS)
AGAINST THE
INTERESTS OF RUSSIA." PUTIN'S MAIN GOVERNMENTAL
SUPPORT
RESTS
ON THE MILITARY AND THE INTELLIGENCE SERVICES. HE
FEARED THAT PUTIN'S
INNER CIRCLE IS ISOLATED AND "DO NOT
KNOW REALITY." ONE EXAMPLE:
PUTIN TRULY BELIEVES
MILOSEVIC WOULD WIN A FAIR VOTE IN SERBIA BECAUSE
THE FSB
TELLS HIM SO. PUTIN, SAID BEREZOVSKIY, MEETS EVERY
TWO
WEEKS
WITH YELTSIN. YELTSIN HAS REPORTEDLY TOLD PUTIN TO
JETTISON MANY
OF THE FSB PEOPLE SURROUNDING HIM, BUT PUTIN
HAS REFUSED TO DO SO.
WHEN HE FEELS THREATENED,
BEREZOVSKIY SAID PUTIN WITHDRAWS, SUSPECTS
THE WORST AND
LOOKS FOR THE SIMPLEST OF SOLUTIONS. HE SAID PUTIN
DOES
NOT LIKE THE CURRENT DEFENSE MINISTER AND WILL
LIKELY
NOMINATE
A CIVILIAN POLITICIAN (ONE ACCEPTABLE TO THE
MILITARY LEADERSHIP)
TO REPLACE HIM. HE SPECULATED THAT
SERGEI IVANOV OR KUDRIN MIGHT
BECOME PRIME MINISTER. HE
SAID THE COMMUNIST PARTY AND ZUGANOV ARE
TRYING TO SUPPORT
PUTIN. HE PLACED ZHIRINOVSKY'S POPULAR SUPPORT
AT LESS
THAN FIVE PERCENT, NOTING HE HAD SUPPORTED PUTIN'S
REFORM
OF
THE FEDERATION COUNCIL. HE SAID ROSSEL, RUTSKOI AND
SHAYMEYEV WERE
THE STRONGEST GOVERNORS WORTH WATCHING.

10. ~~(C)~~ PICKERING SUMMARIZED
THE VIEW AT THIS JUNCTURE.
RUSSIA'S FUTURE REMAINS IN PUTIN'S HANDS.

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HE IS
NONETHELESS CONFUSED AND UNABLE TO MOVE FORWARD
ON MAY
ISSUES
THAT ARE IMPORTANT TO THE UNITED STATES. AN
ECONOMIC IMPROVEMENT
MIGHT HELP SOME (AND OIL EXPORTS ARE
HELPING), BUT WE SEE NO LONG-TERM
EFFORTS BY PUTIN IN THAT
REGARD. YELTSIN MAY HAVE BEEN UNPREDICTABLE
IN TACTICS,
BUT HE HAD A PLAN - AND CONFIDENCE IN THAT PLAN.
PUTIN
IS
PROVING UNPREDICTABLE IN BOTH TACTICS AND STRATEGY.

11. ~~(c)~~
BEREZOVSKIY NOTED "ORT IS SILENCED, WE CANNOT
CRITICIZE HIM; NO
CHANCE." ORT'S MOST INFLUENTIAL
JOURNALIST AS WELL AS THE INFORMATION
MANAGER HAD BOTH
BEEN FIRED BY THE GOVERNMENT. BERZOVSKIY WAS
STUMPED
WHEN
THEN ASKED BY PICKERING WHO NOW COMPETES WITH
PUTIN
FOR NATIONAL
LEADERSHIP OR HOW A NATIONAL OPPOSITION COULD

BE DEVELOPED IF
ORT WAS, AS BERZOVSKIY PUT IT, "90
PERCENT MUZZLED." BERZOVSKIY
SAID LEADERS WOULD ARISE IF
THE PEOPLE WERE NOT AFRAID TO STEP FORWARD.
THE USG, HE
ARGUED, SHOULD BE MORE CRITICAL PUBLICLY OF PUTIN'S
MISTAKES.
THE USG IN GENERAL, AND PRESIDENT CLINTON IN
PARTICULAR, ENJOY
BROAD PUBLIC SUPPORT AND APPRECIATION.
TALBOTT