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~~RELEASED IN PART~~~~B1, 1.4(B), 1.4(C), 1.4(D), B4~~~~SECRET~~

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ACTION NODS-00

INFO LOG-00 CCOE-00 OASY-00 /000W
-----E7121E 221359Z /38

O 221337Z SEP 97.
FM AMEMBASSY CHISINAU
TO SECSTATE WASHDC IMMEDIATE 0984

~~SECRET~~ SECTION 01 OF 03 CHISINAU 004684

DECAPTIONED

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PASS DOD FOR U/S SLOCOMBE

E.O. 12958: 1.6XL
TAGS: PARM, PREL, ETTC, SOCI, KCRM, PGOV, MASS, MD, RU, US
SUBJECT: (N) MOLDOVANS ALLEGEDLY AUTHORIZE PRIVATE U.S. CITIZEN
TO BROKER MIG-29 SALE

REF: CHISINAU 4595

1. (U) CLASSIFIED BY AMB. J.T. STEWART. REASONS: 1.5 (B, C, D).

2. (N) SUMMARY: A PRIVATE U.S. CITIZEN HAS INFORMED ME THAT THE
MOLDOVAN GOVERNMENT HAS AUTHORIZED HIM TO BROKER THE SALE OF ALL
27 MIG-29'S WITH THE USG AS THE INTENDED BUYER. IN ADDITION, THE
RUSSIAN COMMANDER IN TRANSNISTRIA HAS ALLEGEDLY ASKED HIM TO HELP
SELL THE ARMS AND AMMUNITION REMAINING THERE.

THEY REINFORCE THE NEED

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UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: APPEALS REVIEW PANEL
APPEAL ACTION: ADDITIONAL INFORMATION RELEASED
REASON(S): B1, 1.4(B), 1.4(C), 1.4(D), B3, INA
DATE/CASE ID: 27 JUL 2009 200605075

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UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: THEODORE SELLIN
DATE/CASE ID: 26 JAN 2007 200605075

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FOR THE USG TO GAIN CONTROL OVER THE REMAINING MIG'S. I REPEAT MY REQUEST, THEREFORE, FOR INSTRUCTIONS TO PROCEED WITH AN OFFER FOR THE 21 MIG'S WHICH SUPPOSEDLY REMAIN UNSOLD. END SUMMARY.

3. ~~(S)~~ MICHAEL R. SPAK, PRESIDENT OF VIRTUAL DEFENSE AND DEVELOPMENT INTERNATIONAL, INCORPORATED (VDI), BETHESDA, MD, CALLED ON ME SEPT. 17 TO REPORT ON CONVERSATIONS HE HAD HELD THAT WEEK WITH MOLDOVAN AND RUSSIAN OFFICIALS REGARDING THE SALE OF MOLDOVAN MIG-29'S AND RUSSIAN MATERIEL IN TRANSNISTRIA. SPAK IS A FORMER [REDACTED] EMPLOYEE, AND WE DISCOVERED WE HAD KNOWN EACH OTHER [REDACTED] WE WERE NOT CLOSE ASSOCIATES AT THAT TIME, BUT MY RECOLLECTIONS OF HIM ARE POSITIVE.

4. ~~(S)~~ SPAK TRACED HIS PRESENCE IN MOLDOVA TO A RELATIONSHIP HIS FIRM MAINTAINED WITH MILPORT LTD., A NEW YORK INVESTMENT HOUSE, WHICH EARLIER THIS YEAR HAD INVITED HIM TO CANADA TO MAKE A PRESENTATION TO A GROUP OF VISITING MOLDOVAN OFFICIALS FOR THE SALE OF A FORENSICS LABORATORY. HE RECALLED THAT THE GROUP INCLUDED MINISTER OF NATIONAL SECURITY TUDOR BOTNARU, MINISTER OF INTERNAL AFFAIRS MIHAI PLAMADEALA, AND DEPUTY MINISTER OF FOREIGN AFFAIRS VASILII SHOVA. THE CONTACT WITH THE MOLDOVANS WAS ARRANGED BY THE MOLDOVA INTERNATIONAL INVESTMENT GROUP (MIIG), AN ORGANIZATION ASSOCIATED WITH BORIS BIRSSTEIN, HE BELIEVED. (COMMENT: A FORMER SOVIET CITIZEN, BIRSSTEIN IS AN INTERNATIONAL "BUSINESSMAN" OF [REDACTED] WHO FREQUENTLY VISITS MOLDOVA [REDACTED] HE REPORTEDLY HOLDS A CANADIAN PASSPORT.)

5. ~~(S)~~ ACCORDING TO HIS ACCOUNT, SPAK ORIGINALLY PROPOSED A LABORATORY COSTING DOLS 17 MILLION, BUT AFTER ASSESSING THE

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ABILITY OF THE MOLDOVANS TO COME UP WITH SUCH A SUM, HE DRASTICALLY SCALED DOWN THE PROPOSAL TO A PACKAGE COSTING ONLY DOLS 1 MILLION. THE MOLDOVANS SUBSEQUENTLY INDICATED THAT THEY WISHED TO MOVE FORWARD WITH THE PROJECT AND INVITED HIM TO CHISINAU TO DISCUSS IT FURTHER. AFTER ARRIVING HERE A FEW DAYS BEFORE, HE RECEIVED A LETTER OF COMMITMENT FOR THE DEAL, BUT HE ADMITTED THAT HE SEES NO PROSPECT FOR ACTUAL CONSUMMATION OF A SALE UNLESS THE MOLDOVANS ARE ABLE TO COME UP WITH FUNDING FROM A FOREIGN DONOR. I AGREED AND CAUTIONED THAT THE USG WOULD ALMOST

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CERTAINLY NOT PROVIDE THAT LEVEL OF SUPPORT. (COMMENT: THE MOLDOVANS HAVE NEVER APPROACHED THE EMBASSY ABOUT BUYING SUCH A LABORATORY ALTHOUGH TWO OFFICIALS [REDACTED] LAST MONTH ON THE STRENGTH OF A MINISTRY OF INTERNAL AFFAIRS LETTER STATING THAT THEY WERE TRAVELING TO THE U.S. TO DISCUSS THE PROJECT. ODDLY, THE TWO WERE NOT TRAVELING ON OFFICIAL PASSPORTS. IN THIS WAY, THEY EXPLAINED, THE TRIP COULD BE PRESENTED AS A PRIVATE VISIT IF THE DEAL DID NOT MATERIALIZE. THEY ALSO TOLD [REDACTED] THAT THE LABORATORY'S MILLION DOLLAR COST COULD BE PAID FROM THE GOVERNMENT'S DISCRETIONARY FUND AND FROM LOANS FROM UNIDENTIFIED SOURCES.)

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6. (S) WHILE IN CHISINAU, SPAK CONTINUED, HE WAS ASKED BY THE MOLDOVANS TO BROKER THE SALE OF ALL 27 OF MOLDOVA'S MIG-29'S TO A FOREIGN GOVERNMENT OR

GOVERNMENTS, IN THE FIRST INSTANCE TO THE USG. WHILE PROTESTING HE HAD NO EXPERIENCE IN THIS AREA, HE HAD CONVERSATIONS ON THE SUBJECT WITH PRESIDENT PETRU LUCINSCHI, PRIME MINISTER ION CIUBUC, MINISTER OF STATE NICOLAE CERNOMAZ, MINISTER OF DEFENSE VALERIU PASAT, AND GENERAL ION NANII, AN ADVISOR TO PASAT WHO WAS DESIGNATED POINT OF CONTACT FOR THE DEAL. THE MOLDOVANS TOLD HIM THEY HAD RECEIVED OFFERS OR FEELERS

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FOR THE MIG'S FROM NINE COUNTRIES, INCLUDING A DOLS 96 MILLION OFFER WHICH WAS STILL ON THE TABLE. THEY ALSO EXPLAINED THAT THE USG HAD MADE AN OFFER, SPAK ADDED AND PROCEEDED TO RATTLE OFF TO ME ALL KEY DETAILS FROM U/S SLOCOMBE'S LETTER TO MINISTER PASAT.

7. (S) FOLLOWING THESE DISCUSSIONS, SPAK CONCLUDEO, HE WAS GIVEN A WRITTEN "MANDATE" FROM PRESIDENT LUCINSCHI TO SELL ALL 27 MIG-29'S. HIS COMMISSION WOULD BE WHATEVER PRICE HE COULD GET FOR THE PLANES MINUS A FIXED AMOUNT (NOT SPECIFIED BY SPAK) WHICH HE WOULD HAVE TO PAY TO THE MOLDOVANS. THE MANDATE REPORTEDLY EXPLICITLY PERMITS HIM TO SHARE ALL INFORMATION REGARDING HIS ACTIVITIES WITH THE USG. WHAT HE NOW WANTS, HE EXPLAINED, IS FOR THE EMBASSY TO ADVOCATE IN HIS BEHALF WITH THE MOLDOVAN GOVERNMENT TO MAKE THE SALE THROUGH HIM, RATHER THAN WORK THROUGH OTHER FOREIGN INTERMEDIARIES WHO HOLD SIMILAR MANDATES FROM THE MOLDOVANS TO SELL THE PLANES.

8. (S) CONFESSING TO SOME CONFUSION, I ASKED WHY THE MOLDOVANS WOULD WANT TO INSERT A PRIVATE BROKER INTO THE SALE WHEN THE

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ACTION NODS-00

INFO LOG-00 CCOE-00 OASY-00 /000W
-----E71232 221359Z /38

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FM AMEMBASSY CHISINAU
TO SECSTATE WASHDC IMMEDIATE 0985

~~SECRET~~ SECTION 02 OF 03 CHISINAU 004684

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E.O. 12958: 1.6XL
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WERE ALREADY DEALING DIRECTLY WITH THE USG. I POINTED OUT THAT THE BROKER'S COMMISSION WOULD EITHER INCREASE THE PRICE PAID BY THE USG, REDUCE THE PROCEEDS RECEIVED BY THE MOLDOVAN GOVERNMENT, OR BOTH. REGARDING HIS REQUEST FOR OUR ADVOCACY IN HIS BEHALF, I COMMENTED THAT HE WAS ASKING MORE FOR EMBASSY ADVOCACY WITH THE USG, RATHER THAN WITH THE MOLDOVAN GOVERNMENT, AND I COULD NOT UNDERSTAND WHY HIS PARTICIPATION WOULD BE IN THE USG'S INTEREST.

9. ~~(S)~~ SPAK REPLIED THAT THE MOLDOVANS PREFERRED TO DEAL THROUGH A PRIVATE INTERMEDIARY WHO WOULD SHOW HIS GRATITUDE FOR THE COMPENSATION HE RECEIVED BY ACTING AS MOLDOVA'S ADVOCATE IN THE

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10. ~~(S)~~ SPAK WAS ALSO TAKEN TO TIRASPOL, HE CONTINUED, FOR A MEETING WITH LTG VALERIY YEVNEVICH, COMMANDER OF THE OPERATIONAL GROUP OF RUSSIAN FORCES. YEVNEVICH REPORTEDLY REFERRED TO THE LARGE CACHE OF RUSSIAN ARMS AND AMMUNITION REMAINING IN TRANSNISTRIA AND OFFERED SPAK THE RIGHT TO SELL THEM.

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AND WAS ASSURED THAT HE COULD DEAL DIRECTLY WITH YEVNEVICH'S COMMAND AND GET PROMPT DELIVERY. HIS SALES STRATEGY IS TO APPROACH THE PENTAGON WITH A LIST OF AVAILABLE MATERIEL WITH THE HOPE OF GETTING ORDERS FOR A FEW EXAMPLES OF EACH ITEM WHICH THE U.S. ARMED FORCES WOULD LIKE TO TEST. AFTER FILLING THE ORDER HE WOULD REPEAT THE APPROACH TO THE DEFENSE MINISTRIES OF BRITAIN, GERMANY, AND OTHER FRIENDLY COUNTRIES.

11. ~~(S)~~ I TOLD SPAK IT WAS NO SECRET THAT THIS RUSSIAN MATERIEL WAS FOR SALE, FOR A LIST OF AVAILABLE ITEMS HAD EVEN BEEN CIRCULATED TO OSCE MEMBER COUNTRIES. WHILE I COULD NOT SPEAK TO THE LEGALITIES OF INDIVIDUAL TRANSACTIONS IN THE U.S. OR ELSEWHERE, I SAID THERE WAS NO FOREIGN POLICY OBJECTION TO ITS

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SALE TO ACCEPTABLE END-USE COUNTRIES. HOWEVER, I AGAIN EXPRESSED PUZZLEMENT OVER THE USE OF AN INTERMEDIARY WHEN COUNTRIES COULD BUY THESE ARMS AND AMMUNITION DIRECT FROM ROZVOORUZHENIE.

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12. ~~(S)~~ SPAK CLAIMED THAT HE COULD PURCHASE THE MATERIEL DIRECT FROM YEVNEVICH'S COMPANY AT PRICES LOWER THAN ROZVOORUZHENIE WOULD CHARGE AND THAT HE WOULD SHARE THIS PRICE ADVANTAGE WITH HIS BUYERS.

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13. ~~(S)~~ IN CLOSING, I TOLD SPAK I WOULD REPORT OUR CONVERSATION TO WASHINGTON AND HAD NO OBJECTION TO HIS APPROACHING WASHINGTON AGENCIES WITH HIS PROPOSALS. HE SAID HE PLANNED TO APPROACH BOTH DEFENSE AND STATE.

(U) COMMENT

14. ~~(S)~~ FIRST, SPAK HIMSELF FREELY ADMITTED THAT HE HAS NO BACKGROUND IN THIS AREA AND SPEAKS NO RUSSIAN OR ROMANIAN. GIVEN THE GENERALLY POOR QUALITY OF INTERPRETATION HERE, IT IS POSSIBLE--AND MAYBE PROBABLE--THAT HE DID NOT ACCURATELY UNDERSTAND ALL OF WHAT WAS BEING SAID TO HIM. NONETHELESS, HE CAME ACROSS TO ME AS TELLING THE TRUTH AS HE UNDERSTOOD IT. IT

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IS CERTAINLY HARD TO UNDERSTAND WHY HE WOULD FABRICATE SUCH A
TALE.

15. (S) WITH THIS CAVEAT, IT APPEARS TO ME THAT SPAK WAS OFFERED
NON-EXCLUSIVE BROKERAGE RIGHTS FOR ALL 27 MIG-29'S WITH A VIEW TO
THEIR SALE TO THE USG. THIS IS REMARKABLE IN TWO RESPECTS.
FIRST, DEFENSE MINISTER PASAT TOLD ME TWO DAYS EARLIER THAT SIX
OF THESE PLANES HAD BEEN SOLD. (I DID NOT TELL THIS TO SPAK.)
SECOND, IT IS HARD TO SEE WHY THE MOLDOVANS WOULD THINK THAT USG
WOULD AGREE TO SUCH AN ARRANGEMENT, WHICH COULD NOT BE TO OUR
ADVANTAGE, UNLESS THEY HAVE SOME EXTRAORDINARILY INFLATED IDEA OF
SPAK'S IMPORTANCE IN THE UNITED STATES.

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ACTION NODS-00

INFO LOG-00 CCOE-00 OASY-00 /000W
-----E71235 221359Z /38

O 221337Z SEP 97
FM AMEMBASSY CHISINAU
TO SECSTATE WASHDC IMMEDIATE 0986

~~SECRET~~ SECTION 03 OF 03 CHISINAU 004684

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(U) ACTION REQUESTED

17. (S) [REDACTED] THE MOLOOVANS' [REDACTED]
MAKE IT APPEAR EVEN MORE PROBABLE THAT THE REMAINING MIG-29'S (27
OR 21 AS THE CASE MAY BE) WILL END UP IN THE WRONG HANDS IF WE DO
NOT BUY THEM. I BELIEVE, THEREFORE, THAT THE ACTION RECOMMENDED
REFTEL IS EVEN MORE NECESSARY - I.E., THAT I BE INSTRUCTED TO GIVE
THE MOLOOVANS AN OFFER FOR 21 MIG'S WITH A SHORT DEADLINE

ATTACHED FOR THEM TO TAKE IT OR LEAVE IT. HOWEVER, I PROPOSE TO
GIVE THAT MESSAGE DIRECTLY TO PRESIDENT LUCINSCHI, RATHER THAN
DEFENSE MINISTER
R PASAT, AND TO OSMANO AN EXPLANATION OF THE
APPROACH MADE TO SPARK WHILE WE WERE CONDUCTING NEGOTIATIONS IN
GOOD FAITH WITH THE MOLOOVAN GOVERNMENT. FINALLY, I PROPOSE TO
WARN LUCINSCHI ONCE AGAIN OF THE DISASTROUS CONSEQUENCES FOR
MOLDOVA IF THE MIG'S END UP IN A ROGUE STATE.

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