DECAPTIONED

PASS DOD FOR U/S SLOCOMBE

E.O. 12958: 1.6XL
TAGS: PARM, PREL, ETTC, SOCI, KCRM, PGOV, MASS, MD, RU, US
SUBJECT: 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.
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. M. 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 EMPLOYEE, AND WE DISCOVERED WE HAD KNOWN EACH OTHER
WE WERE NOT CLOSE ASSOCIATES AT THAT TIME, BUT MY
RECOLLECTIONS OF HIM ARE POSITIVE.

4. 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 VASILY SHOVA. THE CONTACT WITH THE MOLDOVANS
WAS ARRANGED BY THE MOLDOVA INTERNATIONAL INVESTMENT GROUP
(MIG), AN ORGANIZATION ASSOCIATED WITH BORIS BIRSTEIN, HE
BELIEVED. (COMMENT: A FORMER SOVIET CITIZEN, BIRSTEIN IS AN
INTERNATIONAL 'BUSINESSMAN' OF
VISITS MOLDOVA
HE REPORTEDLY HOLDS A CANADIAN PASSPORT.)

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

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 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 that the laboratory's million dollar cost could be paid from the government's discretionary fund and from loans from unidentified sources.]

6. (a) 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 Neniu, an advisor to Pasat who was designated point of contact for the deal. The Moldovans told him they had received offers or feelers.

7. (a) Following these discussions, Spak concluded, 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
O 221337Z SEP 97
FM AMEMBASSY CHISINAU
TO SECSTATE WASHDC IMMEDIATE 0985

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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: (SHELTERED) MOLDOVANS ALLEGEDLY AUTHORIZE PRIVATE U.S. CITIZEN TO BROKER MIG-29 SALE
WE'RE 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. 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 FUTURE.

10. 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 TRANSMISTRIA AND OFFERED SPAK THE RIGHT TO SEL THEM 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. 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.

12. SPAKclaimed that he could purchase the materiel direct
from Yevnevich's Co
mand at prices lower than Rozvooruzhenie
would charge and that he would share this price advantage with
his buyers.

13. 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.

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(U) COMMENT
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14. 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 EXTRAORDINARY 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 SECESTATE WASHDC IMMEDIATE 0986

SECRET  SECTION 03 OF 03 CHISINAU 004684

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(U) ACTION REQUESTED

17. MAKE IT APPEAR EVEN MORE PROBABLE THAT THE REMAINING MIG-29’S (27 OR 21 AS THE CASE MAY BE) WILL ENO UP IN THE WRONG HANOS 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 MINISTE.

R PASAT, ANO TO OEMANO AN EXPLANATION OF THE APPROACH MADE TO SPAK 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 ENO UP IN A ROGUE STATE.

STEWARD

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