

Gore, Chernomyrdin caught up in Russian gem scandal

by Edward Spannaus

In 1995, when the CIA uncovered what its analysts regarded as conclusive evidence of the personal corruption of then-Prime Minister Viktor Chernomyrdin of Russia, a secret report was sent to the White House. According to a Nov. 23, 1998 *New York Times* account, when the report found its way to the desk of Vice President Al Gore, it was rejected and sent back to the agency “with a barnyard epithet scrawled across its cover.” The message was clear, intelligence officials told the *New York Times*: “The Vice President did not want to hear allegations that Mr. Chernomyrdin was corrupt and was not interested in further intelligence reports on the matter.”

Within the past few weeks, new evidence has surfaced regarding Chernomyrdin’s corruption, and specifically, with regard to his direct involvement around a billion-dollar precious-metals-smuggling operation which was authorized and protected by high-level Russian officials. And naturally, this has serious implications for his crony Al Gore.

The diamond- and gold-smuggling operation centered around a company called Golden ADA, which set up shop in San Francisco in 1992-93. An FBI official, testifying at a House Banking Committee hearing last September, described it thusly: “This particular investigation . . . centered upon a company known as GOLDEN ADA. This firm was ostensibly incorporated for the purpose of processing precious gems, including diamonds, which were to be imported from Russia. . . . The principal subjects of this investigation included ANDREI KOZLENOK, a Russian national with ties to high-level officials in the Russian Federation.

“It appears that KOZLENOK and his business partners, in collusion with high-level governmental figures in Russia, utilized GOLDEN ADA as a ‘golden calf.’ Although established for the stated purpose of procuring and distributing Russian diamonds on the world market in order to generate collateral for U.S. bank loans, GOLDEN ADA became an efficient mechanism for looting the Russian treasury.

Through high-level contacts in Russia who had access to vast government repositories of raw diamonds, gold and objects of art, GOLDEN ADA received shipments of these precious goods by the ton. Most of these materials eventually disappeared. . . .”

The “high-level officials” in the Russian government included many of the free-market “reformers” who were the darlings of the International Monetary Fund. While many former high-level officials have been implicated in the Russian investigation of Golden ADA, including former Finance Minister Boris Fyodorov, one-time Prime Minister Yegor Gaidar, and another top “reformer,” Anatoli Chubais, “the most sensitive issue” is Chernomyrdin’s involvement in the case, according to an article in the Russian *Obshchaya Gazeta* on Feb. 25, 1999. “Firstly, the Golden ADA operations were discussed in the mid-’90s at the Gore-Chernomyrdin Commission,” writes *Obshchaya Gazeta*. “Secondly . . . the Prime Minister expressed personal concern about the fate of the diamond smuggler [Kozlenok],” about a year before he denied to journalists that he knew anything about the case.

Chernomyrdin is, of course, Vice President Al Gore’s principal point of contact in Russia. To understand the significance of this relationship, let us review some of the salient points of the Gore-Chernomyrdin link, before delving into the details of the Golden ADA case.

The Gore-Chernomyrdin deals

By virtue of his position as co-chairman of the Joint Commission on Economic and Technological Cooperation, created in late 1993 and known as the “Gore-Chernomyrdin Commission,” Gore and his national security adviser, Leon Fuerth, have been described as the day-to-day managers of U.S.-Russia relations. By summer-fall of 1998, Gore’s role had become downright treacherous, with Gore trying to reinstate Chernomyrdin as Prime Minister. Already during the



Gore's association with Russian mafia figures, from the diamond- and gold-smuggling operation Golden ADA, was covered in U.S. News & World Report and picked up in the Reader's Digest.

March 1998 meetings of the Gore-Chernomyrdin Commission, the two reached an agreement—according to informed sources—to “cover each others’ backs” and to try and each promote themselves from the number-two position in their respective governments, to number one. Yeltsin reportedly got wind of the deal, and within a few weeks he had replaced Chernomyrdin with Sergei Kiriyenko.

That was one side of Gore's Russia operation. The other end of it was on Wall Street. During 1998, a group of speculators who were deeply exposed on the Russian markets—including George Soros, Maurice Greenberg, and David E. Shaw—had poured a million dollars into Gore's political action committee. In July, after the Russia financial crisis had erupted, Shaw put up another \$40,000 into Gore's committee. As the Russia crisis was boiling over, Gore convened a secret meeting of his Wall Street backers at the White House.

When Kiriyenko was fired by Yeltsin following the Aug. 17 debt freeze, Gore went into a frenzy of activity behind President Clinton's back. Gore made a series of phone calls to Moscow—to Chernomyrdin (three times), to Kiriyenko, and to Yeltsin. Clinton was only informed of the Gore intervention *after the fact*, and he was livid.

The outcome of Gore's intervention: Chernomyrdin was back in power, as acting Prime Minister. But, the Russian State Duma (lower house of parliament) wouldn't go along

with the deal, and rejected the Chernomyrdin nomination. On Sept. 10, 1998, Yeltsin nominated Yevgeni Primakov, inaugurating a new era in post-Soviet Russia, and one in which Gore and Chernomyrdin now have to watch their own backs, leaving little time to guard each other's.

For example, a few days after the publication of the *New York Times* story on Gore's rejection of the CIA report on Chernomyrdin, *New York Post* financial columnist John Dizard wrote: “Leon Fuerth, the manners-challenged national security adviser to Vice President Gore, has his fingerprints all over this week's scandal about the coverup of Chernomyrdin's and Chubais' organized crime connections. . . . Fuerth's role in this might become an issue when people look at Gore's record.”

Out of 'The Closet'

The origins of Golden ADA go back to 1992, when Yevgeny Bychkov, named by his old friend Boris Yeltsin to head Russia's State Committee on Precious Metals and Gems, came up with a scheme to circumvent Russia's arrangement with the DeBeers diamond cartel. His idea was to set up a diamond-selling operation in the United States.

Soon, not only were diamonds being shipped to Golden ADA in San Francisco, but other gems, rare coins, gold by the ton, antique tableware, and Fabergé-type eggs and jewelry. The source of much of this was “The Closet,” a location said to be deep in the Urals, where the Soviet Union and later the Russian Federation stored its gold, diamonds, emeralds, rare coins, and other valuables.

Bychkov, who has been described as Kozlenok's mentor, obtained approval from Finance Minister Fyodorov and other top officials. Kozlenok says that the plan was also approved by then-Prime Minister Gaidar.

Inevitably, the Golden ADA shipments came to the attention of U.S. Customs authorities, and in late 1993, the FBI received an informant tip about a group of Russian immigrants who were spending lavishly in the Bay Area. Kozlenok and his two Armenian partners, Ashot and David Shagirian, had paid \$10.6 million for a building in San Francisco for which the owner was asking \$6 million. They built a state-of-the-art diamond-cutting facility; they bought luxury yachts, million-dollar homes, 18 pieces of property in all, and a \$20 million Gulfstream jet.

By late 1994, formal investigations were under way in both the United States and Russia. Russian authorities were provided with information from U.S. law enforcement agencies. In the Bay Area, the FBI opened a case, with the investigation centered in the local Organized Crime Strike Force office. But also, the DeBeers “lobby,” as it is sometimes called, was pressuring Russian officials to investigate and shut down the Golden ADA operation; one source says there are reports that DeBeers put out a million dollars in bribe money to help this along.

In late 1994, a mysterious figure named Andrei Chernukhin was put on the board of Golden ADA. According to *Obshchaya Gazeta*, Chernukhin was known as a “cleaner”—someone sent in by shadowy figures to pressure a client who is getting out of control. Chernukhin came to the United States, carrying documents identifying him as officially authorized by the Russian government. He eventually replaced the company’s entire leadership—although there is great dispute about how this was done. First, according to the Shagirian brothers, Kozlenok had bought them out, giving them a choice of \$5 million or “a bullet to the head.” Kozlenok himself claims that he was kidnapped in August 1995 by Chernukhin and others, taken to Mexico, and forced to sign over control to an Indian businessman named Rajiv Gossein. Others believe that Kozlenok was simply paid off and sent on his way; he went to Belgium in September 1995.

Around the same time, according to a story on Golden ADA in *U.S. News & World Report* published last August, an investigator in the Russian Internal Affairs Ministry, Maj. Viktor Zhiron, arrived in San Francisco to work with the FBI. Zhiron had already accumulated enough evidence—despite obstruction by Finance Minister Fyodorov and others—to order a raid on Golden ADA’s Moscow office.

Shortly before he came to the United States, a thug had pulled a knife on him in the Moscow subway, warning him, “Stay away from Golden ADA.” When he returned from San Francisco and ordered an intensification of the Golden ADA investigation, he was brutally beaten by two men on the street and told, “Stop the Golden ADA investigation, or next time we’ll kill you!”

FBI wiretaps on Golden ADA’s office in San Francisco had picked up calls from the “cleaner,” Chernukhin, to Bychkov, in which they discussed getting help from Chubais, Moscow Mayor Yuri Luzhkov, Alexander Korshakov (the head of Yeltsin’s Presidential security service), and Deputy Prime Minister Oleg Soskovets.

On the U.S. side, there were also concerns about high-level interference. A U.S. gemstone trade publication reports: “The FBI feared political interference because the staff of Vice-President Gore had been briefed on the situation.” This would have to mean Gore’s national security adviser Leon Fuerth—his point-man on Russia.

U.S. News & World Report’s account gives slightly more detail. “In Washington, Justice Department officials briefed the staffs of the National Security Council and Vice President Gore, who was then deeply involved in U.S.-Russian relations. Davidson [the FBI agent running the case in San Francisco] remembers feeling uneasy. ‘We were worried about political interference,’ he says.” One of Joe Davidson’s concerns was that he was preparing new wiretaps.

But then, the Internal Revenue Service had obtained permission to carry out a raid on Golden ADA’s offices, which Davidson and others believed would prematurely shut down their investigation, and would render their wiretaps useless.

The raid was carried out on Nov. 8, 1995. Sources familiar with the Golden ADA investigation cite the IRS’s eagerness to make the largest asset seizure ever (about \$40 million), irrespective of the consequences for the ongoing criminal investigation.

It is highly significant that the CIA report on Chernomyrdin’s personal corruption was sent to Gore in 1995—at the peak of the Golden ADA investigation.

The raids effectively closed down the Golden ADA in the United States, and the company went into bankruptcy. Russian authorities and the IRS fought over the spoils, with Bychkov’s State Committee on Precious Metals and Gems filing suit in Federal court in San Francisco to block an auction of Golden ADA assets, claiming that Golden ADA had stolen \$400 million in diamonds, gold, cash, etc. Eventually a settlement was reached between the IRS and the Russian government, with Golden ADA agreeing to pay Moscow back about \$170 million. Meanwhile, in early 1996, Yeltsin fired Bychkov, who was then arrested.

Kozlenok went from Belgium to Athens, where he was picked up in January 1998. He pled with Greek authorities not to extradite him, fearing that he would suffer the same fate as one of his partners, Sergei Dovbysh, who was found “suicided” in a Moscow court building a few days after Kozlenok’s arrest. Accounts vary of how Dovbysh died—that he hanged himself with his sweater, choked himself, or suffocated himself by pulling the sweater over his head!

Kozlenok was extradited to Moscow in June 1998. According to a Russian TV report at the time, Kozlenok said he would remain silent—not wishing to end up like Dovbysh—and would not mention names of “high influentials” involved in the scheme. Russia news media accounts had mentioned both Boris Fyodorov and Chernomyrdin in this regard.

Ashot Shagirian was arrested at London’s Heathrow Airport on April 2, 1997, on his way to the Caribbean, and extradited to the U.S. on charges of tax fraud. He pled guilty in January 1998 to tax evasion. David Shagirian and Chernukhin are both fugitives, hiding in Europe.

The deputy head of the Russian Internal Affairs Ministry’s economic crime department, who supervised the Golden ADA investigation, also died mysteriously, according to *Obshchaya Gazeta*’s Feb. 25 article. The Russian paper also stated that there were unconfirmed reports that Kozlenok’s replacement at Golden ADA, Rajiv Gossein, had been murdered in Indonesia. According to sources in California, Gossein is still very much alive, but there is speculation that the rumors of his death were meant as a threat to him.

In San Francisco, litigation is still apparently continuing around the bankruptcy of Golden ADA, but under somewhat strange circumstances; as one attorney put it: “Everybody that ever was involved in this whole thing is dead, fled, or has taken the Fifth.” However, on the Washington and Moscow sides of the story, especially as pertains to Gore and his crony Chernomyrdin, there still may be more to come.