

CHAPTER 6

'BULL****': GORE AND OTHER ADMINISTRATION POLICY MAKERS SYSTEMATICALLY IGNORE EVIDENCE OF CORRUPTION OF THEIR 'PARTNERS'



THE OLD GUARD: Left to right, former Russian Prime Minister Viktor Chernomyrdin, a Communist-trained technocrat and Soviet industrial manager; a portrait of Soviet dictator Josef Stalin; and Vice President Al Gore, who supported Chernomyrdin's requests for subsidies to the Russian central government. Gore ignored evidence of Chernomyrdin's corruption. He and Chernomyrdin met in Stalin's country house in a Moscow forest on July 14, 1996.



The truth about corruption is difficult to hear and difficult to speak. But once the truth is spoken and heard and known, the truth itself acquires a power that can transform nations and our world.

Vice President Al Gore, February 26, 1999

There have been a lot of charges and innuendo [about Viktor Chernomyrdin] ... but there has been no proof, no smoking gun, and certainly no indictment in a Russian court.

Leon Fuerth (Al Gore's National Security Adviser), as quoted in the *Washington Post*, July 27, 2000

Facts are stubborn things.

President Ronald Reagan, August 15, 1988

The 1995 CIA Report

In 1995, CIA officials dispatched to the White House a secret report based upon the agency's large dossier documenting the corrupt practices of then-Russian Prime Minister Viktor Stepanovich Chernomyrdin, who with Vice President Gore co-chaired the Gore-Chernomyrdin Commission. The private assets that Chernomyrdin had accumulated in his official position, according to Russian security sources, ran into the billions of dollars.¹ When the confidential classified report on Chernomyrdin reached Vice President Gore, however, he refused to accept it. Instead, he sent it back to the CIA with the word "BULL****" scrawled across it.²

When the *New York Times* first reported these grotesque facts, White House and CIA officials denied that the report existed. *The National Journal*, however, reported approximately six months later that it had independently confirmed the *Times* account.³ A few months later still, the *Washington Post* wrote that CIA sources, "had it that the report came back with 'bull—!' scrawled in the vice president's handwriting."⁴

It is difficult to imagine a more dangerously intemperate reaction by the vice president to official

corruption in Russia. Yet this was hardly an isolated incident. The administration had ignored repeated earlier warnings of corruption by Chernomyrdin and other senior Russian officials. Several senior Clinton administration officials have confirmed that they had received a number of reports from the CIA alleging corruption by Chernomyrdin, and that the CIA had submitted many other reports alleging corruption among other senior Russian leaders, including Anatoly B. Chubais.⁵ "My review of CIA's published material persuades me that it has reported to its readership persuasively and in depth that crime and corruption are pervasive problems in Russia," said a CIA ombudsman tasked with investigating the CIA's work after the first *New York Times* article about the vice president's "barnyard epithet" appeared.⁶

It is therefore clear that the vice president rejected not an initial report unsupported by other evidence, but rather a detailed report built on extensive earlier work by the CIA of which Gore must have been aware. Moreover, the allegations against Chernomyrdin were made in the context of numerous charges against other senior Russian leaders—suggesting widespread corruption at the top levels of the Russian government.

Gore's close personal relationship to Viktor Cherno-



myrdin—and not any superior intelligence that he possessed as Vice President—was therefore obviously decisive in his emotional dismissal of the CIA intelligence report of Chernomyrdin’s corruption. At the same time that he was receiving reports of Chernomyrdin’s corruption and the growing anger of the Russian people over the power of the oligarchs, the vice president was effusive in his public comments about Chernomyrdin. In June 1995, as they stood together in Moscow, he displayed his lack of objectivity. “Friends have a right to be proud of friends,” Gore proclaimed. He added: “The longer one works with [Chernomyrdin], the deeper one’s respect grows for his ability to get things done.”⁷

Chernomyrdin Allegations —No Secret

The Clinton-Gore administration’s knee-jerk dismissal of top-secret corruption allegations against Viktor Chernomyrdin was all the more remarkable taking into account the extensive information available in open sources, including the Russian and U.S. media.

For example, in the summer of 1995 a respected U.S. analyst of Russian affairs wrote a comprehensive article in the *Washington Post* detailing wide-ranging charges against the Russian prime minister.⁸ Peter Reddaway, a political science professor at George Washington University and former director of the Kennan Institute for Advanced Russian Studies, cited accusations by Boris Fyodorov, who had served as Russia’s Deputy Prime Minister for Finance, that Chernomyrdin illicitly obtained significant holdings of stock in Gazprom, Russia’s gas monopoly, during the firm’s privatization—a privatization that Fyodorov characterized as “the biggest robbery of the century, perhaps of human history.”⁹ Chernomyrdin was thus made one of the ten richest men in Russia (Gazprom was worth up to \$700 billion). Reddaway also noted similar charges by Vladimir Polevanov, also a former Deputy Prime Minister, in a nationally televised interview in Russia. The *New York Times* reported in July 1995 that Chernomyrdin’s son was building “an enormous country home” in a Gazprom compound, and that he was also thought to be “one of the company’s largest shareholders.”¹⁰

Chernomyrdin’s continuing links to Gazprom after his entry into government were also widely

reported. In fact, a March 1995, cable from the U.S. Embassy in Moscow signed by then-Ambassador Thomas Pickering directly alluded to Chernomyrdin’s continuing involvement with Gazprom after he entered government, and with Gazprom’s extraordinary influence over the government:

A former ‘Gazprom’ director—Viktor Chernomyrdin, who Embassy sources report spends a significant amount of his time on ‘Gazprom’ business—is prime minister. An aide to current ‘Gazprom’ director Rem Vyakhirev said recently that, when there are problems in his sector, ‘they (the federal government) do not tell us what to do, we tell them what needs to be done.’¹¹

Numerous public sources noted Chernomyrdin’s specific role in ensuring that the gas monopoly paid minimal taxes. One expert estimated that Gazprom’s tax breaks cost the Russian budget up to \$30 billion¹²—an immense sum relative to total Russian revenues and expenditures (for example, Russia received less than \$15 billion from international financial institutions in the four-year period from 1992 to 1995). This lost revenue had a grave effect on the government’s ability to cope with the struggling Russian economy. In this sense, the Clinton administration’s uncritical support for Chernomyrdin directly undermined the U.S. policy of encouraging Russia to increase tax collections.

Gazprom in return had provided funds for Chernomyrdin’s parliamentary campaign in December 1995.¹³

In 1998, a book by Russian security officer Valery Streletsky added further public evidence that Chernomyrdin tolerated massive corruption within his government. The author, who headed a unit tasked with investigating government corruption, states that Chernomyrdin’s long-time chief of staff, Gennady Petelin, amassed tens of millions of dollars in foreign bank accounts.¹⁴ The author further reported that Chernomyrdin’s own chief of security personally told him:

Viktor Stepanovich [Chernomyrdin] relates seriously to cadres. This practice has been worked out over years. He thinks: let a good person steal 10% but do what is necessary with the other 90%.¹⁵





Newsmakers/Mark Wilson

MORE “BULL ***”?:** Vice President Al Gore on *Meet the Press*, July 16, 2000, where he denied scrawling “Bull*****” across a CIA report of Chernomyrdin’s corruption in 1995, but inadvertently acknowledged both the existence of the specific report and his categorical dismissal of it.

Chernomyrdin was recently brought into court to testify about his role in the illegal export of \$180 million worth of diamonds and gold during his administration.¹⁶ As this report was being prepared, Russian press accounts quoted Swiss police sources as stating that tens of millions of dollars had been transferred into Swiss bank accounts controlled by Chernomyrdin during his tenure as prime minister.¹⁷ The transfers were made by Mercata Trading, a firm linked to Mabetex, which is at the center of a major kickback scandal involving \$300 million in Russian government contracts, including the scandal-ridden renovation of the Kremlin itself.

Given that Chernomyrdin served as prime minister for five and a half years, his embrace of corruption fundamentally compromised Russia’s efforts at economic reform. In this way, the Clinton administration—and Gore personally—contributed not only to Russia’s fail-

ure to overcome corruption, but to the spread of corruption throughout the Russian political system.

Gore’s failure to heed U.S. intelligence by showing discretion about Chernomyrdin and other corrupt officials in his public diplomacy—his willful blindness, and that of other senior administration officials to the overwhelming public and classified evidence of official Russian corruption—sent precisely the wrong signal to U.S. intelligence analysts, who had proven their regional expertise by accurately predicting the collapse of the Soviet Empire.¹⁸

The *New York Times* reported the effect of the vice president’s disdain for politically inconvenient intelligence:

The incident has fostered a perception in the agency’s ranks that the Administration is dismissive of “inconvenient” intelligence about



corruption among the Russian leaders with whom White House and State Department officials have developed close personal relationships.¹⁹

One intelligence official has stated publicly: “They never want to hear this stuff.” Another commented: “They don’t ignore it. But they don’t want to have to act on it.” Current and former U.S. intelligence officials expressed similar views:

““It [Chernomyrdin’s corruption] was all laid out for Gore [in 1995] ... and he didn’t want to hear it. Our government knew damn well what was happening.””²⁰

Senior administration officials including Gore “definitely didn’t want to know about corruption around Yeltsin. That was politically uncomfortable.”²¹

The former Chairman of the National Intelligence Council, Fritz Ermarth, who retired from the CIA in 1998, wrote of senior Clinton administration officials that they had a “disdain for analysis about corruption of Russian politics and their Russian partners ...”²² Ermarth notes that this disdain was particularly strong during the critical 1993-96 period.

They Know That We Know

Russian assessments of what the U.S. knew about Russian corruption also undermine the Clinton administration’s claims of ignorance. For example, a report by a think tank associated with the Russian military, the Russian Institute of Defense Studies, states specifically:

Special services of Western countries have full access today to all documentation of joint ventures and other partners of Russian exporters, they have the originals of financial documents, they are knowledgeable regarding the movement of commodity resources and financial flows, they have information on bank account numbers of the ‘new Russians,’ and they know about their real estate and securities transactions abroad.

The report, issued contemporaneously with the Gore “bull****” incident, further stated:

And it should be understood that ... the outflow of resources and capital from Russia abroad in the form in which it is being accomplished today is criminalized to the highest degree and represents not only a violation of domestic laws but also the grossest violation of laws of the western countries themselves.²³

Yet even as publicly available Russian sources concluded that information about the full extent of Russian official corruption was known to Western intelligence services, the top Clinton administration policy makers chose to ignore it.

A System for Rejecting All ‘Inconvenient’ Intelligence

Vice President Gore has hedged his denial of the “bull****” incident, saying, “I don’t think” that “[I] ever wrote a message of that kind.” At the same time, however, he and other senior Clinton-Gore officials have publicly dismissed the CIA reports. Indeed, when asked whether “bull****” had ever been scrawled across a CIA report, Gore plainly referred to a *specific* CIA report, saying, “whoever sent *that* over there [could not have] expected the White House to be impressed with *it* ... *it* was a very sloppy piece of work.”²⁴ Other administration officials dismissed the CIA reports as “rumor,” and denied that the CIA had provided “conclusive proof.”²⁵

But agency reporting is necessarily based on intelligence sources, often covert. By conveniently demanding a “smoking gun” whenever they sought to suppress uncomfortable facts, Gore and other top Clinton administration officials established standards of proof that were impossible to meet. The result was a rigged system for rejecting all “inconvenient” intelligence whenever it suited the preferences of the White House.

Such misuse of intelligence data deepened the mistrust between the White House and the Intelligence Community. CIA officials have described the resultant “frequent tensions between the agency and policy makers over reporting.”²⁶ According to one CIA official:

These people [the Clinton-Gore administration] have expected something no one in the intelligence community could provide—judicial burden of proof. ... Did we have an





authenticated videotape of the person actually receiving a bribe? No. But reporting from established, reliable sources was written off as 'vague and unsubstantiated.'²⁷

CIA officials have described the intelligence information concerning Chernomyrdin that was provided to Gore as "more detailed and conclusive than allegations of bribery and insider dealing that have been made in the Russian media and elsewhere."²⁸ Yet when asked—as recently as July 2000—whether Chernomyrdin is corrupt, Gore replied: "I have no idea."²⁹

False Choices

Recently, Leon Fuerth, the vice president's national security adviser, has tried to play down the widespread intelligence community condemnation of Gore's disdain for official reporting by arguing that the problem of corruption "was on the [Gore-Chernomyrdin] Commission agenda."³⁰ But it is difficult to see how a Gore-Chernomyrdin Commission could meaningfully attack the problem of Chernomyrdin's own corruption, or that of his associates. Indeed, addressing corruption in partnership with Chernomyrdin, whom another former Russian official called "the chief mafioso of the country,"³¹ was tantamount to endorsing Russia's corrupt status quo.

Gore's lavish praise for Chernomyrdin, and his intentional personalization of their relationship make it equally impossible to accept Fuerth's claim that Gore had no alternative but to deal with the prime minister. (The Clinton administration, Fuerth stated, had either to "boycott the government of Russia" or "deal with [Chernomyrdin]"³²—an obviously false choice.) Gore's embrace of Chernomyrdin and the ever-larger role assigned to the Gore-Chernomyrdin Commission went far beyond what was justified by what the U.S. government knew of him, and by the Commission's meager results.³³

The pro-forma inclusion of official corruption "on the agenda" of the Gore-Chernomyrdin Commission, along with scores of other topics large and small, is quite different from making its eradication a priority. The content of the Clinton administration's policy on Russian corruption has amounted to general disinterest. It has offered lip service³⁴ while failing to act on specific problems such as money-laundering until forced by events.

The very serious allegations made against the Russian Prime Minister and Vice President Gore's partner in the Gore-Chernomyrdin Commission, amply set forth in official U.S. intelligence reports, were simply rejected by the Clinton administration as the scope of the issues assigned to the Gore-Chernomyrdin Commission was steadily increased. Indeed, to the extent that President Clinton seemed willing to give an ever-increasing role in the U.S.-Russian relationship to the Gore-Chernomyrdin Commission, Gore stood to benefit from maintaining his continued close personal relationship with Chernomyrdin.

In light of Chernomyrdin's notorious corruption, the expansion of the Gore-Chernomyrdin Commission's role and the decision to make it the fulcrum of U.S. policy were a serious error that abetted the growth of official corruption and crime in Russia, to the detriment of the Russian people and the longer-term U.S.-Russian relationship.³⁵ Broader, less centralized cooperation with the Russian government and a less fulsome embrace of Chernomyrdin could have averted these problems, and kept the United States on the side of reform.

The Larger Pattern

Vice President Gore's approach to evidence of Chernomyrdin's corruption is a microcosm of the approach he and the Clinton administration took towards the problem of corruption, which extended far beyond Viktor Chernomyrdin.

As Wayne Merry, a senior official at the Moscow Embassy during the first part of the Clinton administration, testified in September 1999:

It is now asked, "What did our policy makers know about corruption in Russia and when did they know it?" I can only say that anyone involved with Russia—in government or on the street—knew about it all along. There was no secret. Even if the Embassy and the CIA had not written a word, the Western press covered the story fairly well, while the Russian media reported on corruption constantly Anyone who wanted to know, knew. The real questions are, "Did our policy makers care, and what did they do about it?"³⁶



The answer to these questions is clear, not only in the case of Chernomyrdin but in many other cases as well. The Clinton administration repeatedly ignored evidence and sought to politicize the analytical process, routinely dismissing or stifling reporting that did not support their policies or fit their political requirements.

Donald Jensen served as a second secretary in the U.S. embassy in Moscow from 1993-1995 and returned to Moscow in 1996. During his 1996 work at the embassy, Jensen wrote a 10-page cable identifying Russian oligarchs who were using their government connections to win control of prized enterprises. According to Jensen, his cable was killed by a Clinton administration Treasury official who worked in the Moscow embassy.

The administration official, Jensen stated, justified suppressing factual reporting about Russian official corruption by arguing that “if the memo were sent to Washington, it could be leaked to the press, and that would undermine U.S. policy.”³⁷

Jensen told “Frontline” that the cable was never sent because “it was bad news, and we [the Clinton administration] were intent on making our policies work.”³⁸ Moreover, he added:

if corruption was shown to exist in any significant degree ... that was criticism of the [Clinton] policy because we had argued for a number of years that these things—these policies—were for the good of Russia, and that if you now say that the government’s completely corrupt, that it’s linked directly or indirectly with organized crime, you’re essentially saying the policy the U.S. government has followed over the past few years was wrong.³⁹

Thomas Graham, the head of the U.S. Embassy’s political section in Moscow from 1994-1997, confirmed Jensen’s account in an interview in the *Washington Post*.⁴⁰

In the same article, Graham’s predecessor in Moscow, Wayne Merry, said the embassy, “was under constant pressure to find evidence that American policy was producing tangible successes, especially after the creation of the ‘Gore-Chernomyrdin’ working group.” Merry also said that the Clinton administra-

tion’s desire to make the Gore-Chernomyrdin commission a success prevented reporting “about the realities of crime and corruption ... failures in the privatization and general bad news.”

Graham argues compellingly that the dismissal of such reporting by senior Clinton administration officials was a direct consequence of their personal relationships with a handful of Russian officials.⁴¹ Because senior Clinton administration officials became so close with their counterparts in the Russian government, he suggests, over time they came to trust their Russian interlocutors more than reports from within their own government. Thus, senior Clinton administration officials came to rely upon their Russian partners not only for information, but for analysis and policy recommendations as well; as a result, the CIA, the embassy staff, and other independent sources of information were marginalized.

At times the Clinton administration has positively hindered the uncovering of official corruption: the Swiss government has recently complained of U.S. refusal to cooperate with its criminal investigations into official Russian corruption. Laurent Kasper-Ansermet, a Swiss investigative magistrate, formally requested assistance from the U.S. government in his investigation into the Bank of New York case in September 1999 and began a series of detailed requests for information and assistance in January 2000, but to date has received little cooperation.⁴²

Groupthink

An article in the *National Journal* suggests that the Clinton administration’s policy toward Russia may be a classic case of “groupthink,” a psychological process in which “wishful thinking, shaky premises, and a tendency to deny facts at odds with the cognitive underpinnings of a course of action to which a group is committed” can lead to flawed decision-making and policy failures.⁴³ Moreover, because the decision-makers involved in “groupthink” are unable to admit their own errors, they become trapped in a “tangled muddle of self-justification, denial, and distortion.” The *National Journal* analysis attributes much of the problem in Russia policy to Deputy Secretary of State Strobe Talbott and Treasury Secretary Lawrence Summers. They, like Vice President Gore, were unwilling, and





eventually unable, to distinguish the imagined world of their own policies from the real world of an increasingly desperate Russia. As a result, the Clinton administration continued, and even intensified, activities that were plainly destructive.

