

The countries importing oil and petroleum products included Ukraine, Kyrgyzstan, Germany, the Baltic countries, and Turkey.

Moreover, fully exploiting the atmosphere of official connivance, the Chechen side actively utilized the following schemes for the illegal export of oil:

1. Re-export of oil to third countries from CIS [Community of Independent States] republics and the Baltic.

2. Export of oil as raw material to be returned after processing, which is convenient in that it is not subject to taxation at customs. But after refining, the petroleum did not return to Russia, but was sold to third countries for payment made to Chechnya.

3. Straight contraband, thanks to the "imperfection" of agency rules, as well as the very convenient transparency of

borders inside the Soviet Union.

For domestic consumption, there was widespread theft of oil and petroleum products by illegal cutting into pipelines.

How was the final stage, the receipt of funds, effected? According to testimony by officials, for the "convenience" of the recipient (Chechnya), the Central Bank of the Russian Federation as of June 1992 ceased settling accounts through the Chechen National Bank, leaving the flow of financial resources into Chechnya absolutely unsupervised. Various commercial structures got into this business, eagerly playing the middleman between the shipper (Chechnya) and the recipients of petroleum. Minister of the Chechen Republic Z. Durdliyev testified that the money from these deals was concentrated in the Chechen National Bank.

Thus the movement of funds from the sale of oil and

LaRouche: Russia is heading for an explosion

The following is an excerpt from an "EIR Talks" radio interview with Lyndon LaRouche on Sept. 13:

EIR: There have been remarks in Russia that NATO is carrying out genocide against the Bosnian Serb civilian population. Can you give us your thoughts about this?

LaRouche: You have to go back to the time of the Halifax Conference of the Group of Seven earlier this year, at which the United States government, for various reasons, not all entirely to the President's or his administration's discredit, failed to deal with the crucial strategic situation confronting him at that moment: that is, the Russian situation.

Yeltsin is enlisting, by demagogic methods, many of his opposition to support him on this attack on the United States as such, as well as NATO, and Halifax. The United States government failed to realize that the IMF [International Monetary Fund] system and the IMF conditionalities, and the attempt of the Clinton administration to establish a policy of cooperation between western Europe, Russia, and so forth — these two policies were at opposite poles, and one or the other would have to give. . . .

The problem here is that many in the United States government are soft on free trade or, some, soft-headed — not quite as bad as most Republicans on the other side of the fence, but soft nonetheless. And they failed to realize that the key to U.S. Russia policy, and also to China policy, as well as to Middle East policy, as well as to

Europe policy, hangs on financial and economic questions. That in Russia there is a disaster, an explosion about to break out. The present situation will not continue. There is a point of decision that has been reached; there is going to be a violent, in some sense, upheaval in Russia in the very immediate weeks ahead.

And the reason it will tend to occur in the way it is now tending to occur, is that the U.S. government did not bite the bullet on the financial and economic questions at Halifax. It's not too late for that to be understood, but if somebody uses the period of the election campaign to avoid that issue, then the Clinton administration would be in trouble, as well as the United States government, because failures will always be thrown at the guy on watch, that is, the current President. . . .

Now the second error that the government is making, is for the same reason that the action on the Bosnia question was delayed so long. Remember, Clinton wanted to do something about the Balkans situation in his campaign, and he made efforts during 1993, and especially in 1994 to get this under way. The reason it didn't happen then, is because of our ever-beloved allies, especially Britain, and at that time Britain's stooge, France's President Mitterrand and people like that. So we didn't act. Now, again, the same question comes up. The U.S. policy toward Europe and Russia is moderated by the implicit veto-authority of our so-called ever-loving allies! As a result of this stupid policy, we have done a stupid thing. We have pushed for the eastward extension of NATO, which is a catastrophic mistake, under the present conditions. There's *no need* for an eastward extension of NATO, if we have the right policy on economics and other Russia policies generally. There is no need for a collision with Moscow on the question of justice in the Balkans, if we didn't have a stupid economic policy, still, by default; and if we didn't have this eastward-pushing NATO policy. . . .

petroleum products, was not monitored by the government of Russia and, consequently, was not subject to taxation. Substantial funds in rubles and hard currency went to build up the Dudayev regime.

Comparison of the total volume of oil extracted in Russia (over 600 million tons) with the oil produced in Chechnya (1.5 million tons in 1994) convincingly shows, however, that the loss of this source of oil for Russia, was not the reason for the military operation in Chechnya.

Another major source of funding were the numerous financial operations linked with false avisos and counterfeiting of Russian currency.

Ministry of Internal Affairs data show that by the beginning of 1995, over 500 Chechen-ethnic individuals had been indicted in the false *aviso* affair, while 250 more are under

investigation. The false *aviso* operations earned over 4 trillion rubles.

Chechen organized criminal groups have conducted counterfeiting and dissemination of counterfeit currency in Russia, Ukraine, and Belarus.

Favorable conditions, namely the lack of any monitoring by the federal authorities, facilitated the emergence of a criminal free economic zone in Chechnya. Its main components were: tax-free import and export of goods; illegal trade in petroleum products; illegal arms trade; narcotics contraband; extortion of Chechen businessmen in Russia and abroad; financial speculation on the Russian markets.

Established bus and plane routes to countries of the Middle East, West and East Europe (up to 150 flights per month) made it possible to import a huge quantity of products

From "EIR Talks," interview, Sept. 20:

EIR: Prime Minister Chernomyrdin presided over the Second Congress of the "Russia Is Our Home" party, which issued a report that characterized the raw materials industry as "feeding the Fatherland," and contrasted it to the defense industry, "a parasite gobbling up the State budget." Does this differentiation between the raw materials industry and the defense industry indicate any kind of factional situation in Russia?

LaRouche: This is the gut of it. The policy of Thatcher, and supported by Bush, from the end of 1989 through the end of Bush's term, and continuing as a policy of some elements in the United States today, is to ensure that Russia never rises again, by turning Russia into a raw-materials-exporting, deindustrialized country, dependent for its food supplies largely upon high-priced, western food imports.

As a result of that, you have a faction in Russia, which Chernomyrdin is presently identified with, which is the top faction, in a sense. Yeltsin is in the middle of this. . . . The British today would say, and do say, that they control Chernomyrdin. I qualify that, that they may not control Chernomyrdin personally, who, I think if he thought he were going to lose, would jump to the other side. But they do control the Chernomyrdin policy, the "raw materials only" policy.

The issue in Russia is between Russian patriots, and they come in all stripes, including old communists and everything else, who are concerned that Russia is being destroyed, as it is, by this policy. They view Chernomyrdin's policy as that of a *comprador*, as that of a foreign agent, the kind of guy who's likely to get his neck chopped off, if they come to power. And most Russians on the high level agree with that hatred of what Chernomyrdin's policy represents.

But the Russian people have been divorced from politics, because of the events of October 1993 — real politics in Russia, involving the people ended with the shooting of the Parliament. That was the end of democracy in Russia, or any attempt at it. So now, the people are sitting on the sidelines, suffering, trying to survive. The industries are crumbling, the food supplies are short, everything is becoming terrible. But what is coming, is not a revolt from below. It's not a mass-based party revolt. It's a revolt from *inside the government*. . . .

The United States is pushing NATO eastward, which is a stupid mistake at this time. The United States is also continuing to support the IMF conditionalities on Russia, which is the pivotal issue.

So, while the Clinton administration is trying to deal with Russia in a constructive manner, as an administration, at the same time, because of deals it has, it is supporting the same policies — the eastward extension of NATO and the IMF continuation — which are the very things which put the United States into an adversary position with respect to those who are likely to come to power, in the power struggle. This is the source of the conflict between the United States and Moscow over Iran.

So there's a lot of idiocy on the U. S. side, in failing to realize that we must stop talking about democracy in Russia. *We killed democracy in Russia*, when we insisted upon IMF conditionalities, and encouraged the Russian government to shoot down its own Parliament in the bloody cannonfire across the Moscow River [in October 1993]. *There has been no democracy in Russia since then, and we, the United States and the Brits, did it, by insisting upon the IMF policy, on supporting the so-called "reform."* . . .

Yes, there is a conflict. This can come to bullets. This can happen within weeks or months at most; that's the situation. It's serious.