

Letter of October 1999. SCANDAL WITH MIG-21 SALE TO NORTH KOREA MAY AFFECT KAZAKHSTANI ARMS MARKET

PIR ARMS CONTROL LETTERS
LETTER OF OCTOBER 1999
©PIR Center. OCTOBER 8, 1999

On September 13, 1999, Kazakhstan officially admitted the fact of illegal MiG-21 sale to North Korea. Deputy Prime Minister and Minister of Foreign Affairs K. Tokayev stated that a group of sellers supplied the aircraft in circumvention of the Kazakhstani export control system. According to Tokayev, they got "*a large amount of cash in US dollars*". At present, a joint US-Kazakhstani investigation is under way.

The first mentioning of DPRK intentions to purchase 133 MiG-21 aircraft from the Kazakhstani Air Force dates back to early 1996. *Kazvoyentekhimpex* (a company under the auspices of Kazakhstani MOD) drafted a contract amounting to \$28 million. However, in August 1996, the US State Department showed displeasure with the Kazakhstan attempts to sell to North Korea the MiG-21 spare parts, and the deal failed.

Undeterred, the DPRK continued its attempts to acquire 133 MiG-21 from Kazakhstan. In early 1997, Kazakhstani Defense Minister M. Altynbayev delivered to the MFA a letter from the Sierra Leone ambassador to Moscow, informing that the aircraft were destined for that African state. The MFA officials doubted the document's authenticity. They noticed that the former Sierra Leone ambassador to Moscow signed the letter, and the seal was a little bit larger than the original seal of the embassy. The MFA rejected the document. Later, the same story happened with an analogous letter from Peru.

The deal was organized by Oleg Senkin, a former GRU (Main Intelligence Directorate of the Russian General Staff) officer. To be demobilized from the Armed Forces, Oleg Senkin faked insanity, jumped from a balcony, underwent medical treatment and was transferred to the reserves. He has since become an active arms trader, acting as a representative of the Czech company *Agroplast*. This firm is known for purchasing arms in Kyrgyzstan, Uzbekistan, and Kazakhstan. In Kazakhstan, Senkin used his former army ties and obtained the support of former Military Intelligence Chief Z. Ryspayev and former Defense Minister Altynbayev.

In 1995, Oleg Senkin found himself for the first time in the center of an arms scandal in Kazakhstan (the scandal didn't leak out in the press). He convinced the MOD to sell at a low price two new MiG-29 aircraft. The contract also included many outdated MiG-21; that's why Kazakhstan agreed to sell two

new MiG-29 at a low price, taking into account the general amount of the deal. The parties agreed to ship new aircraft first. Upon receiving the aircraft, the buyer disappeared and didn't even pay the remaining \$2 million.

In 1997, Senkin was mentioned in a *Washington Times* article. The newspaper referred to a top-secret CIA report, arguing that Kazakhstan, Ukraine, China, Russia, and Iran were in the list of leading arms suppliers to terrorist states. A "Kazakhstani Colonel Oleg Sinkin" was called the major missile supplier. The article maintained that Colonel Sinkin had tried to purchase SS-21 Scarab short-range missiles in Russia to export them to a third country, most likely, to Iran. The newspaper mentioned a 1997 US embassy note to Kazakhstani Government that denounced the selling of more than two dozens of SS-21 missiles and six mobile launchers, designated for Iran.

Although Senkin was blamed for arms supplies to many conflict zones, including Yugoslavia and, according to some sources, even Chechnya, he had a large office in Moscow and maintained contacts with many Russian government officials, responsible for the sensitive area of military-technical cooperation.

All his attempts to sell old MiG aircraft to North Korea failed until he met Alexander Petrenko in Almaty. Petrenko introduced himself as a close aid of the Kazakhstani shadow ruler, National Security Committee Chief Nurtai Abykayev. Petrenko was not a civil servant, and his job was to carry out personal delicate orders by Abykayev. For instance, he bought real estate in Florida for Abykayev and former Prime Minister A. Kazhegeldin. Petrenko didn't understand the US legislation, failed to pay on time and the whole project failed with substantial financial losses.

Making use of the Abykayev name, Alexander Petrenko wormed himself into the confidence of Oleg Orlov, a well-known Russian arms dealer, and headed the Kazakhstani branch of the Orlov company *Omarus*. Petrenko got the seal and blank forms with Orlov's signature and registered the Almaty branch, office, three houses, and other real estate belonging to Orlov, under his own name. At the same time, Abykayev made it impossible for Orlov to stay in Kazakhstan. As one of Orlov's assets, Petrenko acquired the promissory notes of the *Metallist* plant manufacturing small arms and became director of the *Metallist* representative office in Almaty. According to Kazakhstani legislation, the defense industry enterprises enjoy the right of unlimited arms export. Thus, Petrenko became the active arms dealer enjoying the support of the most influential person in Kazakhstan, Abykayev, who in his turn, got control of a *pocket* company, which, besides, helped him to collect confidential and compromising information about top-ranking officials and foreign guests.

Oleg Senkin and Alexander Petrenko, who had experience in dealing arms to North Korea, decided to circumvent the US State Department

recommendation, which urged the Kazakhstani MFA to refrain from any arms deals with DPRK as a country supporting international terrorism. In this connection, the parties prepared a fake contract with the Czech *Agroplast*, which allegedly agreed to transport old scrap metal for melting. MiGs were to be loaded in *Ruslan* aircraft and were to leave Kazakhstan for North Korea. "*Nurtai and money decide everything in Kazakhstan*," - said Petrenko, and he was not far from the truth. The partners paid for the accommodation and all other costs for the representatives of North Korean foreign trade firm, who were interested in old aircraft and new defense technologies. Abykayev patronage helped them to open the doors of any enterprise.

However, they had to come to an agreement with the military. First, the military had to ship not scrap metal but battle fighters. Second, the aircraft were to be examined by North Korean and not Czech citizens. That's why the partners had to confide in Defense Minister Alтынbayev, Deputy Commander-in-Chief of the Kazakhstani Air Force S. Nurgazhin, and some other military officials. The senior officials knew that the contract was under the control of *omnipotent* Abykayev, who was allegedly acting in conformity with the informal decision of President Nursultan Nazarbayev.

At first, everything was all right: the *Ruslan* aircraft freighted in Russia, arrived in Kazakhstan and took dismantled MiGs for transportation - six MiGs and spare parts per flight. The Russian pilots were not curious and got used to such flights. The Kazakhstani MOD expected to earn \$8 million and it is still unclear how much Abykayev and his team got from this deal.

However, the sixth flight was fatal for the deal, due to the vigilance of Azerbaijani customs authorities, who were warned by US authorities about suspicious cargo. When *Ruslan* landed in Baku for refueling, it was detained and examined. The customs authorities were suspicious of the documentation, for there were two sets of documents for the same cargo: the Czech Republic (whose Government immediately denied the deal) and Slovakia were mentioned as points of destination. At the same time, the pilots maintained that the plane was going to North Korea.

All further developments were described in detail in the Kazakhstani and Russian press. South Korean intelligence found 30 new MiGs in DPRK. Kazakhstan found itself under severe international diplomatic pressure; Kazakhstani ambassadors to the USA, South Korea, and Japan were asked to explain. The USA threatened to suspend the annual financial assistance to Kazakhstan, which amounted to \$70 million. The Kazakhstani authorities had to start a criminal investigation and arrested Alexander Petrenko. Oleg Senkin disappeared from Kazakhstan. Besides Petrenko, 12 people were arrested, including the Abykayev employees. Abykayev, Defense Minister Alтынbayev, Major-General Nurgazhin, Major-General Bozhko, Colonel Subbotin, and Director of the *Metallist* plant Askar Gabdulin were dismissed.

It is still not clear, why the aircraft destined for North Korea, landed for refueling in Baku, thereby flying in the opposite direction. The version with the railway aircraft transportation is dubious. In this case, the aircraft should have transited Russia or China. And, besides, Kazakhstan doesn't have railcars for aircraft shipment.

According to some information, Kazakhstan hasn't received the money for the sold aircraft. The payment for the aircraft was most likely to arrive on the MOD account from the letter of credit. In this case, Kazakhstan may lose all money, for there are no experienced specialists in the MOD, who are familiar with this form of payment.

After Abykayev resigned, the arms trade went under the control of Kazakhstani Prime Minister Nurlan Balgimbayev (it was he, who earlier signed the decision on exporting MiG-21). Balgimbayev issued a vague Government Resolution "*On Selling and Disposal of Arms and Military Equipment*" and charged with this mission the head of his office. Moreover, Balgimbayev tried to withdraw the arms export licenses of all companies, except the *Karu-Zharak* state company. Meanwhile, he fired the company leadership and appointed his protege this post. However, the rumors predict that the PM will soon resign and, hence, the principal arms dealers are waiting for *their happy hour*; the partition of the arms market has only started.

There are several candidates for supervising the arms export. However, some of them may find this area too risky because in recent years, Kazakhstan has found itself in the center of arms scandals four times (some of the participants to these scandals are still in jail). Besides Balgimbayev, the most influential contender for controlling the military-technical cooperation is so-called *Aliyev group*, which comprises the president's daughter Dariga Nazarbayeva, his son-in-law Rakhat Aliyev (newly appointed Deputy Chief of the National Security Committee), and Alnur Musayev (Chief of the National Security Committee after Abykayev resignation). This group has close ties with the Kazakhstani secret services and will inevitably come to a decision to control the arms business.

However, these moves of the Kazakhstani politicians may be spoiled by the US State Department. According to various estimates, the average annual arms export from Kazakhstan amounts to \$15 million. The US aid exceeds this amount several times, and besides, Kazakhstan regards the USA as a guarantor of the state independence from Russian influence. President Nazarbayev will have to recover in US opinion, and as a result, he may reorganize the system of military-technical cooperation in compliance with US recommendations. In this case, Kazakhstan will lose half of its potential markets, and the arms business won't be attractive for Kazakhstani oligarchs, who gain stable profits from raw material export.

Kazakhstan lacks a coherent approach towards arms export. The export system, if any, was formed spontaneously, and the arms trade licenses were given under pressure from political groups and influential politicians.

Abykayev lost his post but preserved the image of *backstage conductor* of the Kazakhstani political scene. He is familiar with presidential disgrace. Last time he was *sent in exile* to London as Kazakhstani ambassador to Great Britain. After a short period of disgrace, he returned to Almaty as First Presidential Aid and, then, National Security Committee Chief. Nowadays, he is most likely to be appointed Kazakhstani ambassador to Vienna. Some experts doubt this scenario, for Abykayev managed to spoil diplomatic relations with all key partners of Kazakhstan and put into humiliating position not only the MFA, but President Nazarbayev himself. Anyway, he is unlikely to be a subject of criminal investigation, for even overthrown Abykayev arouses fear in his political rivals.