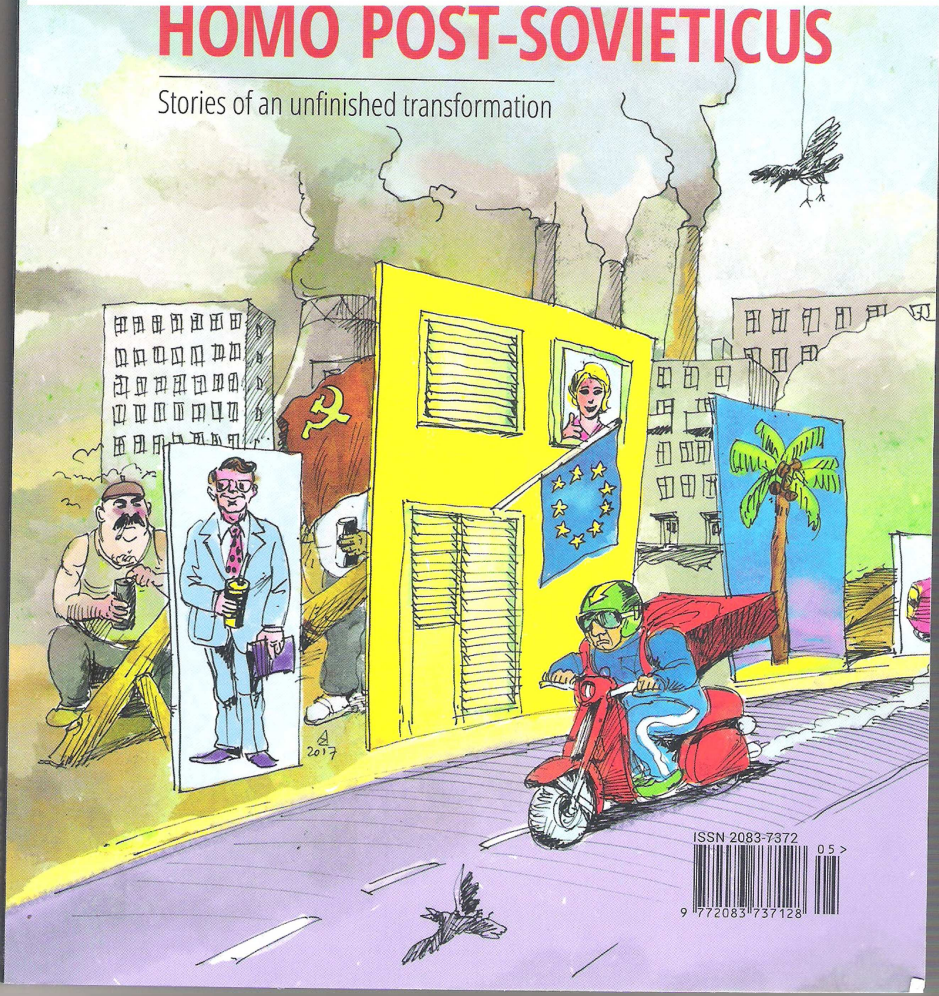
HOMO POST-SOVIETICUS

Stories of an unfinished transformation



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A thief's fear of punishment is incompatible with democracy

An interview with Anastasia Kirilenko, an investigative reporter based in Moscow. Interviewer: Maciej Zaniewicz

MACIEJ ZANIEWICZ: After watching your film, *Who is Mr. Putin?*, one gets the sense that the whole Russian political system today grew out of the criminal world of the 1990s, which was created by Vladimir Putin himself.

ANASTASIA KIRILENKO: When Putin was a presidential candidate in 2000, journalists rushed to explain who he was. I remember very well the headlines: he is a man who came out of nowhere. In fact, in St Petersburg everyone knew very well who he was. There were enough criminal scandals connected to Putin. In 2000 many journalists were confused. Reporters from the *Moscow Times* went to St Petersburg and found people who had worked with Putin, but they could not recall any details about what it was like to work with him.

What exactly was Putin known for in St Petersburg?

The biggest scandal with which everything began was the "Oil in exchange for food" programme. Like in many other Russian cities, there were food shortages in St Petersburg in 1991. People came up with an idea to sell oil, timber and metals and buy food with the proceeds.

Was Putin involved in this business?

Everything was agreed on during the last days of 1991 and licenses were granted for the export of oil – it was Putin who was taking care of the deals.

At that time he worked at the international relations department in the St Petersburg city administration…

Yes. As part of the operation, raw materials were sent out with two ships, but the food never arrived. Even Putin acknowledges that fact. For many years he would say: "What do you want from me? Some crooks tricked me into the deal

and then disappeared." Yet, according to what I managed to learn, some of the money from the transaction was transferred to an Austrian bank. With this money, With these funds Putin bought, for example, his villa in France.

During his time at the St Petersburg city administration Putin was responsible for granting licences for the sale of raw materials abroad to various companies. At the same time, these were not the most well-known and responsible companies. What they all had in common was that they belonged to Putin associates.

One of the companies was run by an international criminal named Grigoriy Miroshnik. Others belonged to unknown individuals. I saw the documents signed by Putin when he worked at city hall. Many signatures were forged. It turned out that some of the companies were connected to people like the businessman Vladimir Smirnov.

After watching your film, one has the impression that in the 1990s Putin began to build the future elite of the state. After all, the people with whom he collaborated at that time are now some of the highest officials. Was Putin such a brilliant strategist from the start, or just a typical Russian gangster from the 1990s who wanted to make money?

Most of the people with whom Putin co-operated in the 1990s are now serious businessmen. Igor Sechin, for example, was Putin's secretary in St Petersburg. He is a specialist in Portuguese by profession, and then all of a sudden he became a specialist in oil and subsequently an oil tycoon. In fact, at that time Putin had already come to the conclusion that corruption creates a strong bond between people. According to some evidence, Sechin and Aleksey Miller used to be his cash collectors – collecting bribes for him. The point was not only to get rich but also to have compromising material (*kompromat*) on everyone.

For sure, Putin was not the only man with high ambitions. There was a time when Boris Yeltsin considered Sergei Stepashin as his successor. But they all had one thing in common: they originated from the intelligence services. Therefore, there is one more factor which should be taken into account here. After the Soviet Union collapsed, former KGB agents did not want to lose access to resources. In 1990, for example, Putin gave Bank Rossiya its current premises – there is an order signed by him – and the money from the Communist Party of the Soviet Union was invested in that bank, although it was meant to be a private institution.

How are we to make sense of this process? The KGB had created a system and Putin was simply its project, or was the system created by Putin himself and at some point it turned out that he has so many links to the criminal world and compromising materials that he basically became the "Godfather" of Russia?

Many people argue that he made himself the Godfather. For example,

there has been a recent scandal related to the construction of a road leading through the Khimki forest. A percentage of the road's worth – which is around 300 million euros – was paid as a bribe to Arkady Rotenberg and Alexander Plekhov (whose name appeared in the Panama Papers). Currently, a preliminary investigation into the matter is being conducted in Paris. It may seem that Putin has nothing to do with this, but in fact he receives a cut from every deal. Putin also has his shares in former state companies, which are now registered offshore and their owners remain unknown. Putin is a sort of Don Corleone. According to some versions, he was invented by Sergei Ivanov – his commanding officer from the KGB days, who has already been removed from Putin's inner circle. Most likely, he was promoted by someone and then broke off the agreement to take over the lead.

You say that Putin takes a cut from ever deal. I understand why he needed it in the 1990s, but why would he need it now, when he cannot enjoy his properties but also has to hide the fact that he is one of the richest men in the world? Is it simply a habit or perhaps there is a purpose to this strategy?

Putin built a replication of the Winter Palace close to Gelendzhik in the style of an Italian palazzo, but we know that he cannot visit it. It is unclear how he enjoys his wealth. He has a collection of watches, of airplanes... It is possible that when his presidency comes to an end, he will have the chance to take advantage of his assets, but it seems to me that he takes a share from every kickback in order to maintain control. The Hungarian writer Bálint Magyar, the author of *Twenty-five Sides of a Post-Communist Mafia State*, calls it a "white racketeering".

Has it become part of the system that no one dares to question why this is happening? In other words, the tsar has to receive his tribute?

No, the point is to maintain control through distributing state funds. Everyone understands who the boss is. Otherwise they would steal everything. And thus, for example, 18 per cent goes to Rotenberg and, let's say, four per cent of this sum goes to Putin. It is clear that it is Putin who controls it all, and in case something goes wrong he will hold people accountable. Such a situation happened at the beginning of the 2000s when Alexey Kudrin, Anatoly Chubais and Vladislav Moskalev (who currently lives in Canada) tried to elicit some money stolen from the budget without sharing it with Putin. They were seriously scolded.

Putin is not the only one who steals in Russia. One example is money allocated for the Bolshoi Theatre – from the quality of the restoration it is clear that a substantial part of it was taken and the evidence leads straight to the prime minister, Dmitry Medvedev, and his partners. It is possible that Putin's control is needed so that his subordinates do not steal everything.

Thus, you argue that the system works in a way that there are public contracts which are the main sources of bribes. Then one of the oligarchs wins a bid and can steal some of the money, as long as he shares a little with Putin, who controls everything.

Yes. This is how it works and, as you have noted, he does not need such wealth, especially that it is unlikely that he will ever have the time to enjoy it. However, I do not think that he had foreseen such a scenario. In St Petersburg in the 1990s he saw himself as a liberal, like Anatoly Sobchak who used to be his supervisor. They thought that if they siphon some money to their pocket it would not harm democracy. I heard Sobchak's wife, Lyudmila Narusova, commenting on the oil-for-food scandal mentioned above. She once said: "Do you want to speak about democracy or calculate money in somebody's pockets?" She was completely serious, she did not know that it goes together.

There is one more important aspect to note here. During communism, there were no entrepreneurs and the KGB wanted to control everything. After the collapse of the Soviet Union, the KGB decided to give away all the wealth and property they had access to so that they could continue to control everything – a real democracy, after all, is anarchy! It was a sort of controlled theft. Yegor Gaidar (prime minister of Russia from June 15th to December 14th 1992 – editor's note) was saying at the time that "democracy cannot be soft in a country with 11 time zones".

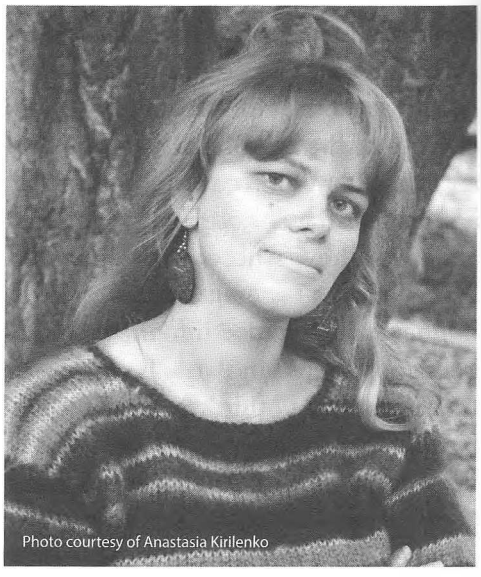

Photo courtesy of Anastasia Kirilenko

When did it become clear that it is impossible to be a liberal and a thief at the same time, and that such a democracy will not work?

Already in 2000, Marina Salye (a reformist politician from St Petersburg and Putin critic – editor's note) had said that Putin would not resign from power himself. Behind every offence, there is a fear of punishment. Putin knew from the beginning that he had to hold onto power. That is why he began with a takeover of the media. Now, most media organisations in Russia are managed by the national media group company which, in turn, belongs to the Rossiya Bank – Putin's associates – and is controlled by the Kremlin. Eventually, it turned out that a thief's fear of punishment is incompatible with democracy.

Why was it Putin who became president? Was the criminal system already so consol-

idated that it was natural that only Putin could become president? Or did he gather so much *kompromaty* against high officials that people were simply afraid of him?

In order to understand the situation, one has to return to the barter case of 1992. The investigation into the matter did not finish in St Petersburg. Documents were shown to Yeltsin and forwarded to the monitoring directorate – a police unit investigating offences committed by officials. There were already documents implicating Putin and *kompromat* against him, which was likely seen as an advantage.

They were able to control him?

Yes, but at the same time, there was *kompromat* against Yeltsin and so they made a deal. Sergey Stepashin, Russia's former prime minister, supposedly promised Yeltsin protection from prosecution, but Putin – the next candidate for Yeltsin's succession – was more persuasive.

That is how a criminal system of state management was born in Russia, with Putin as its Godfather. Who could succeed him?

In the 1990s, it was possible that Russia would disintegrate. Now, Putin is using this argument in his propaganda narrative – if not me, then who? The Godfather – there is a positive element to this role – controls everything, although imperfectly. I think that this is why European leaders still talk to him. At the same time, Alexander Lebed died in a mysterious air crash, Boris Nemtsov was killed...

Are you suggesting that the killings were ordered by someone else and that Putin did not control it?

No, I am suggesting that all democrats who could lead Russia die for some reason. Some are afraid and live abroad – like Garry Kasparov, who does not visit Russia these days, as far as I am aware. The longer the system lasts, the more difficult it becomes to change those in power. After the collapse of the Soviet Union, democratic reforms were indeed introduced, but they were soon crushed with the strengthening of the power vertical and then everything exploded.

You mean Putin...

...forever (laughs). Putin, of course, will die sooner or later, but he may designate his successor beforehand. Medvedev will not leave politics as long as Putin is alive, as he is also bound by *kompromat*. This is despite the fact that he is highly unpopular. I think that the successor will be someone else and once we find out, the propaganda machine will begin to work anew claiming we need to protect Russia from the United States, etc. Many Russians do not have a political culture, they do not even believe that the authorities should change in order not to become too self-indulgent.

Europe wanted to show it cares about the political situation in Russia and it introduced sanctions against Putin's inner circle. Do you think they have been effective?

In my opinion, they do not work. Initially, introducing sanctions was not

a bad step, but currently they rather reflect the West's concern about Russian politics. At the beginning some real steps were made, such as when the authorities in Italy confiscated Rotenberg's property.

This is because Rotenberg is Putin's bribe collector.

In fact, there were suggestions that it was actually Putin's property. What else happened? Gennady Timchenko, a leading Russian businessman, received a signal that sanctions could be introduced against him as well, and he sold his company a day before the sanctions came into force. At first, sanctions were introduced against Putin's assets in order to put pressure on him and then the same property changes hands from Rotenberg to his son, who is no longer subject to sanctions. Or from Timchenko to his partner...

So, in order for the sanctions to be effective, should we monitor the assets of those against whom they were introduced and expand the list of people already affected by the sanctions?

Yes. For example, some of Timchenko's assets were transferred to Iskander Makhmudov, who has also begun to receive public contracts and it is clear that he is an important figure. Yet he is not subject to sanctions. Moreover, there are rumours that some European partners have continued co-operation with Russia, bypassing the sanctions altogether.

When it comes to European partners, in one of your articles you wrote about the Association Dialogue Franco-Russe, which organised a meeting between Sergey Naryshkin and French deputies in Paris already after the sanctions were introduced. In your film you expose the story of how the Prince of Monaco accepted a bribe from Russia. To what extent do Putin's criminal connections work abroad and how does Russia influence the choices of Western Europe?

The Association Dialogue Franco-Russe is co-financed by Iskander Makhmudov. There was an investigation against him related to money laundering in Spain. That is, the people with connections to the criminal world and close to Putin who are responsible for influencing politics in Europe currently sponsor meetings between Russian and French politicians. Of course, the Kremlin has tried to influence the results of the French elections. They backed Marine Le Pen whom they also granted a loan through a bank belonging to Timchenko. Russian TV claimed that she was the most popular candidate and she declared her recognition of the annexation of Crimea.

The second candidate, François Fillon, received a bottle of wine from Putin in person, but it turned out that he set up fictitious posts for his wife and children in the National Assembly and, regardless of his efforts to defend himself, his ratings fell. Then Emmanuel Macron became the main opponent of Marine Le Pen, although until that moment he had little chance of winning. Russian propaganda

did not pay attention to him earlier. And then, all of a sudden, the Russian media, including French-language ones, began to suggest he was gay.

Such an argument would not work in France.

There were serious interventions against same sex marriages in France. In addition, hackers launched a DDOS attack on Macron's website and tried to break into his email account. That is, Russia did not hide its intentions to influence the French elections. When it comes to Monaco, Robert Eringer, who used to be the head of the Monaco intelligence department, claims that Putin could have sexual *kompromat* against the Prince of Monaco and simply blackmail him.

This means that the criminal system from which the Russian political state has developed uses the Kremlin for the purposes of external politics as well.

Indeed. Even when it comes to world leaders, like Viktor Orbán in Hungary. There is a high chance that Putin has video *kompromat* against Orbán.

What kind of *kompromat*?

In the 1990s a Soviet gangster named Semen Mogilevich lived in Budapest. According to some accounts, already back then he had good relations with Putin. Mogilevich moved to Moscow where he remained untouched for a long time. Yet in 2008 he was suddenly arrested and released after a year and a half. Strangely enough, soon after, Orbán who until then was anti-Putin and had not once met the Russian president, went to St Petersburg and completely changed his policies towards Russia. He also endorsed Russia's investment in the construction of the Paks Nuclear Power Plant in Hungary.

How are these events connected?

The former partner of Mogilevich, Dietmar Klodo, claims that in 1996 Orbán accepted a suitcase full of dirty money from Mogilevich. This suitcase was handed over by Klodo and the whole scene was recorded on a small video camera located nearby. Mogilevich could have given this video to Putin in return for freedom. That is, even in his foreign policy, Putin does not fail to use the dirtiest of methods and compromising materials.

Translated by Agnieszka Pikulicka-Wilczewska

Anastasia Kirilenko is an investigative reporter based in Moscow. Her most recent film *Who is Mr. Putin?* looks into the illicit activities of Vladimir Putin during his time in the St Petersburg City Hall in the early 1990s.

Maciej Zaniewicz is the editor in chief of Eastbook.eu.