



Episode 3 – Sistema

Producer:

Previously on The Asset.

Luke Harding:

I think that Vladimir Putin will know the answer to this: When did the KGB first open its Donald Trump file? These KGB guys were not crystal-ball gazers. They didn't know that Trump was going to actually go all the way to the White House thirty years later.

Max Bergmann:

By the mid-1990s, Trump was in a catastrophic financial position. In 1995, one of his biggest companies held an initial public offering, an IPO. Trump predicted this would raise \$4 billion.

[Donald Trump:](#)

This is such a big day for us. It's The New York Stock Exchange. It's going public and we're really very happy about it.

Max Bergmann:

The IPO raised just \$140 million, or about 1/30 of what he predicted. This was the booming 1990s, and Trump was running a multimillion-dollar real-estate empire into the ground through sheer mismanagement. And after so many bankruptcies and failed deals, most banks refuse to lend to him. Some people in Wall Street actually coined a term, “the Donald Risk.” But somehow Trump just kept building and building. So, Trump turns his sights to cultivating the oligarch money pouring out of Vladimir Putin's Russia and the former Soviet Union. The question will soon become: Who is cultivating whom?

-BREAK-

Max Bergmann:

Episode Three: Sistema. On December 5, 1989, a little more than a month after the Berlin Wall fell, a crowd of protesters in the East German city of Dresden took to the streets. They amassed outside the building housing the KGB. Inside, a young KGB Lieutenant Colonel called for help. He phoned the local Red Army Tank Commander, asking them to come. The answer on the other end was, “Nyet.” They couldn't move without Moscow's approval, and Moscow was silent. The cavalry was not coming. The KGB station was frantically trying to burn all its files. Documents filled with descriptions of undercover agents, of informants, of sensitive reporting.



They were trying to burn so much that the furnace apparently exploded. This was a critical moment. If the protesters broke through the gates and stormed the compound, it would be an intelligence disaster for the Soviet Union. Who the KGB had recruited and how the KGB operated would spill out into the open. And so, this young Lieutenant Colonel, a man named Vladimir Putin, did something brave. He went outside, and he faced the crowd, and he bluffed. He told the crowd there would be violence if they tried to break through. And it worked. The crowd melted away and by the next day, the KGB had put all the remaining files it couldn't burn on Red Army trucks and drove them back to the Soviet Union. Soon, this young officer would follow those files back home to a country on the brink of collapse.

I'm Max Bergmann, Director of the Moscow Project, and this is The Asset.

Max Bergmann:

To understand what happened in 2016, it is essential to understand Vladimir Putin. And to begin to understand Putin, you need to understand his KGB past. It is key to who he is.

[John McCain:](#)

I looked into Putin's eyes, I saw three letters: a K, a G, and a B.

Audio drop: clips describing Putin:

I've worked with Mr. Putin, as Madeline has. He's tough, he's KGB and he'll remain KGB.

[Mitch McConnell:](#)

Look, Putin's a former KGB agent, he's a thug,

[Hillary Clinton:](#)

Putin wants to bring us down and he is an old KGB agent.

[Marco Rubio:](#)

I've never met Vladimir Putin, but I know enough about him to know he's a gangster. He's basically an organized-crime figure that runs a country, controls a \$2 trillion economy, and is using it to build up his military.

Audio drop: clips describing Putin:

And ultimately, I think as a deal, to deal with Putin, you need to deal from strength. He's a bully.

Audio drop: clips describing Putin:



...create questions about the legitimacy of these Western elections than I think, I mean, this is very KGB.

Max Bergmann:

Vladimir Putin was born in postwar Leningrad, today Saint Petersburg, shortly after World War II. The city had been subject to a brutal siege by the Nazis. The city nearly starved to death and was still recovering when Putin was born. He had a rough-and-tumble childhood. Here's Angela Stent, a professor at Georgetown University and author of a new book, *Putin's World: Russia Against the West and with the Rest*, talking about Putin's early days.

Angela Stent:

He grew up poor in postwar Leningrad. He was an indifferent student and what had gotten him out of a bad situation was learning judo. And so, by age 24, he was the judo champion in Leningrad. I have a picture in my book of the local evening newspapers saying, "This is a man you're going to hear more of." And so I think where it's important, and he himself has written something about this, but you know, in judo, even if you're physically weaker than your opponent, if you understand their weaknesses and you can take advantage of their own distraction, you can in fact prevail over them.

Max Bergmann:

Putin also grew up wanting to be in the KGB as a child. In 1968, when Putin was a teenager, the Soviet film *The Shield and The Sword* is released. The movie lionizes Soviet intelligence and Putin is captivated. I talked with Calder Walton. He's a professor at the Harvard Kennedy School of Government where he helps run the Applied History Project. He is also the general editor of a forthcoming multivolume project, *The Cambridge History of Espionage and Intelligence*, and he is the author of *Empire of Secrets: British Intelligence, the Cold War and the Twilight of Empire*.

Calder Walton:

So Putin himself was in the KGB in the 1980s. He, as I understand it, was so eager to join the KGB that he tried to sign up before he was, I think when he was 16 years old and was told to go away and come back when he was the right age of 18. So, this is someone who saw his future career in the secret world of the KGB.

Max Bergmann:

He soon joins the KGB and begins to work his way up, but he is not a particularly fast riser. Here's John Sipher, former Deputy Bureau Chief for the CIA in Moscow.



John Sipher:

When he joined the KGB, he, you know, tells about it, and even his book as you know, that was always his goal. He watched the movies as a kid. He grew up in sort of postwar Leningrad when things were really terrible. He had family members die in the war. But when he joined the KGB he worked in this sort of domestic side of things. So, in their hierarchy it was important work for the KGB, but it wasn't the sort of more elite overseas work that many of the KGB officers wanted to engage in, learning languages and going overseas. So he worked for a good ten years or more doing this domestic work before he got his first opportunity to go overseas. He went to East Germany. He went to communist-controlled East Germany, which still, you know, he probably like any other KGB officer at that time would have wanted to go to the West to work against the enemy. And yes, he was involved in counterintelligence operations. He spent his time, you know, working against the West.

Max Bergmann:

What Putin did in the KGB in East Germany is still a bit of a mystery. There are some indications that he may have been involved in running illegal agents, Soviet spies working in the West without diplomatic protection. One former East German intelligence officer who knew Putin during this time claimed he had been involved in efforts to recruit Western businessmen, and that Putin traveled regularly undercover to West Germany. It also appears that while in East Germany, Putin was focused on trying to steal Western technology to aid Soviet military efforts. Putin has said this himself, saying he sought to gain information on NATO, or as he described it, the main opponent. Here's Calder Walton:

Calder Walton:

We know he was posted to East Germany, to Dresden. We can assume, fairly safely, that he went through the KGB tradecraft school where he would've learned, among other things, about so-called active measures. So, he would have been trained in that.

Max Bergmann:

But then it all collapsed. Here again is Angela Stent:

Angela Stent:

The collapse of the Soviet Union was for him also a personal tragedy. If we go back to East Germany in 1989 when the wall came down, the people in Dresden, where he was stationed, they stormed, or tried to storm, the building in which the KGB and the East German secret police were co-located, demanding the files. And so, we know from Putin's own account that they



stayed up all night burning files. And then after that it was very humiliating for him. The Soviet Union was collapsing. He had to leave East Germany when Germany was unified. He came back to the very late Soviet Union without a job, essentially. So, that's a personal tragedy for him. He was still quite a young man, and then he views the 1990s as a time of chaos, of humiliation, even though he was the Deputy Mayor in Saint Petersburg for the beginning of that period and he was doing quite well. But he was determined when he came back to power to overcome what he saw as the humiliation of the 1990s and restore Russia to its rightful role.

Max Bergmann:

Here again is Calder Walton:

Calder Walton:

Crucially, he was in the KGB station in Dresden at the end of the Cold War, and he saw the Soviet Union collapse around him. And this, he has the, he described that he phoned back to Moscow to ask for backup as the crowds were swarming around his station, KGB station, in Dresden. And in his own words, "Moscow was silent." There was no reply. This collapse of the Soviet system, and the KGB in particular, really left a lasting impression on Putin. He has called the collapse of the Soviet Union the greatest geopolitical strategic disaster in the 20th century.

Max Bergmann:

The Moscow Project is an initiative of the Center for American Progress Action Fund dedicated to analyzing the facts behind Trump's connections with Russia. Our work at The Moscow Project is made possible through the generous support of people like you. If you would like to support our work and this podcast, please go to www.themoscowproject.org and click on the donate tab. That's themoscowproject.org. Thank you.

-BREAK-

Max Bergmann:

The Soviet Union collapsed in a hurry. By the late 1980s, the ideological appeal of communism had dwindled. It had been clear for decades that the system just didn't work well. Reform and change were needed and that's what the new young Soviet premier Mikhail Gorbachev tried to do. But what few saw coming is that, in trying to reform the communist system, Gorbachev would instead bring about its sudden demise. The KGB read the writing on the wall and tried to stop it. The KGB wasn't just some government agency. They were the protectors of the Soviet state, the shield and the sword. They knew things, all the things, about everybody and everything, and they weren't just going to let their way of life go quietly into the night, and they



fought back. In August 1991, the KGB and a small clique of Soviet hardliners made their move. They initiated a coup. They effectively imprisoned Gorbachev at his dacha, his summer home, and declared a state of emergency back in Moscow. The coup plotters emptied a prison and ordered thousands of handcuffs as they prepared for mass arrests. They directed Soviet forces to move against the Russian parliament building. But crowds rallied to protest. Boris Yeltsin, a new, young reformist leader stood on a tank and the plotters ultimately lost their nerve.

Audio drop: Russian dialogue

Max Bergmann:

The coup backfired. In fact, it accelerated the Soviet Union's collapse. And in December 1991...

Audio drop: Newscast:

This is an NBC News special report...

Max Bergmann:

A new and potentially democratic Russia was born.

Audio drop: Newscast:

Crisis in Moscow. Now, here is Bryant Gumbel.

Bryant Gumbel: Good afternoon. This has been an extraordinary day in the Soviet Union where Mikhail Gorbachev has been ousted from power in what appears to have been a bloodless coup, hardliners have seized power and declared a state of emergency.

Audio drop: Newscast: Mikhail Gorbachev is again president of the Soviet Union. The men who tried to bring him down are either under arrest or being hunted. We're not absolutely sure.

Audio drop: Newscast: Boris Yeltsin, the Russian president once dismissed as a loose cannon on the Soviet political scene has stared the canons down and emerged as the man who's kept the Soviet Union from being...

Audio drop: Newscast: Mikhail Gorbachev's dreams of holding the Soviet Union together may have received a deathblow today. The union's three Slavic republics announced that they are forming a separate Commonwealth of Independent States.

Max Bergmann:

But what happens when a state collapses, when the state is all that there is? You get Russia in



the 1990s. The collapse of communism created a massive power vacuum. The Soviet state, which was all-encompassing, suddenly wasn't. A free-for-all ensued. Factory managers, workers, politicians, local officials, police officers, and the KGB were all looking out for themselves. There were no rules, and anything was possible. Economically, Russia was also attempting to transform a communist, state-run economy into a free-market capitalist system. To do so, Russia instituted what was called “shock therapy.” It abruptly privatized the Soviet Union's vast holdings of state-owned factories. But who could possibly buy these factories when no one was supposedly richer than anyone else? The answer was the armed, the well-connected, and the savvy. Princeton historian Stephen Kotkin, in his book *Armageddon Averted*, described the economic situation this way: “There was no plan. There was, however, a ten-time-zone Russian rust belt, whose combination of economic deadweight and scavenging opportunities defined the decade of the 1990s.” A scramble ensued to take over control of these enormous industrial sectors, and organized crime saw an opening. I talked with Jonathan Winer, who was Deputy Assistant Secretary of State for International Law Enforcement during the Clinton administration.

Jonathan Winer:

You have a merger between criminal groups, business groups, and governmental groups, and you have to think about it as merged and, well, constantly interacting with one another. So that's what I saw. A lot of organized crime in Russia. And it was very brutal. I saw people getting killed as part of business takeovers. And it was very lawless, and it was remarkably comprehensive. And it was penetrating places like London, and places like New York, not just places like Kiev and Vilnius and Riga. We saw a lot of bankers getting killed. We saw some industrialists getting killed.

Max Bergmann:

Nowhere was this more apparent than the bloody fight for control over Russia's sprawling aluminum industry. This led to what became known as the Aluminum Wars. About a hundred people were killed, and the winners of this war, who had partnered with some of Russia's most fearsome mobsters, emerged to become some of Russia's richest men. One, Roman Abramovich, bought the Chelsea soccer team in the English Premier League. Another, Oleg Deripaska, has since come under US sanctions and is a notable figure in the investigation into Russian election interference in 2016. Here again is Jonathan Winer:

Jonathan Winer:

We certainly paid attention to the aluminum wars where people were getting killed, right and left. And that was a phenomenon that we paid attention to. Back then, I knew someone who



actually created a list, and we called it the “dead list.” And the dead list, which you would add to every day or two, was who's been murdered in Russia lately from the government to the business class. And there were hundreds of names on the dead list, and all of these people had died of poisoning, of car crashes, of being shot, sometimes with machine guns. It was bad.

Max Bergmann:

The rise of organized crime wasn't just a problem for Russia. It was also becoming a global problem, one that concerned US national security.

Jonathan Winer:

When I was Deputy Assistant Secretary of State for International Law Enforcement, that's what I saw. Louis Freeh was Director of the FBI at the time, saw it as well and he said, “These groups are moving out of Russia into the rest of the world, including the United States at a speed I've never seen before.” And we saw it as a really significant threat and at the center of the threat was financial crime. Money laundering, if you will, in which legitimate funds, illegitimate funds, funds people weren't paying taxes on, funds relating to business transactions from legitimate-business types, funds relating to illegitimate business transactions by legitimate types, funds representing illegitimate transactions from illegitimate types, were all commingled. Everybody was changing the names on everything to hide their money, because if somebody could see your money, they could grab it, whether they were in government or organized crime.

Max Bergmann:

By the late 1990s, Russia was a mess. It had a weak government, a drunk president—Yeltsin often couldn't take afternoon meetings because of all the vodka he'd consumed—a collapsing economy, thriving organized-crime syndicates, and a small band of Russian businessmen capturing all the wealth. These businessmen became known as the oligarchs. Here's John Sipher:

John Sipher:

It was an interesting time. In the '90s, one of the ways that Western economists had told them how to move the economy into sort of a capitalist system was to provide people shares in these state-run companies. And it was, it was quite a brutal time, so some of the most powerful and brutal people were able to then collect up those shares from normal people and develop them into means of gaining power over some of these industries, and that's sort of why the oligarch system grew up. So, some of these people who are the most wealthy and around the Kremlin are people that sort of grew up in a wild-west system where the way you got ahead was killing your rivals or getting involved in pretty dangerous and shady activity. So, now they may be living



on the Riviera and have yachts and all these types of thing, but these people are not some of the billionaires that we know that grew up through our system.

Max Bergmann:

In 1998, Russia defaulted, and the value of the ruble plummeted. And suddenly, Russia's nouveau riche are seeing their wealth collapse. The lesson: Don't hold your money in Russia. Russia's new oligarch class looks to park their wealth abroad, but how? How do you move money abroad? Here's Jonathan Winer to break down how they did it:

Jonathan Winer:

There was a dark side to globalization and to the internationalization of banking and that was that electronic transfers could be made instantaneously from any country to another country. Now there are certain jurisdictions, often microstates with limited alternative sources of revenue, that would systematically allow for the creation of off-the-shelf shell companies, often limited-liability companies, or LLCs, with fancy names like "American Import Export" or "National Export Import" or some nice, English-sounding name like "Abbot" or "Costello" or some other trading company. Could be "Abbott and Costello Trading," but usually much less memorable—Eastbrook, Westbrook, Northbrook, Southbrook. And you could buy those names and have nominees included sometimes second sons from British baronets, old families of people who didn't get the title and didn't have any money, who would act as the nominees for hundreds, literally hundreds, sometimes thousands, of companies. And these companies that could be bought and sold by anybody. And what people out of Russia, and some of the other former Soviet Union countries, did in particular is they would buy up these things wholesale and use them retail to undertake transactions with themselves. So you would take \$1 million or \$10 million out of Russia that had been generated by the purchase of 1,000 automobiles when you're only delivering 100 automobiles and you take that money and have the profits go to "Southbrook Trading Company of British Virgin Islands," or Belize or Panama or Cyprus, and that would then in turn enter into a contract for the purchase of electronic equipment for "Northbridge Import Export," which is owned by the same guy. So now "Northbridge Import Export" would have all that money and that will then go to "Eastward Trading Incorporated" for some other purchase, say for computer equipment now. The last one was electronic, now we'll call it computer equipment or we could call it veterinary equipment or healthcare equipment, wouldn't matter. There's no real deal. The money's just moving down the line to other companies controlled by nominees. They're just moving the money from one shell company to another, each of which has nominees. Ultimately a company which you can't identify who the actual owner is, with a bank account in some other jurisdiction, typically Latvia, Estonia, Lithuania, sometimes Cyprus or Switzerland, sometimes ultimately in New York or London,



would have a lot of money in the name of this company that nobody knew who actually owned. And then they could do what they wanted. And that was the system that was in place and it represented billions upon billions upon billions of dollars worth of money laundering. That was the system.

Max Bergmann:

One perfect place for money launderers to park their money was real estate. The Russian elite buy up real estate in London, they buy villas in Spain, in Italy, and they buy property in the US, in particular with an eye for New York and Miami. And you know who also happens to be in real estate? You can see where this is going, but we're going to get there next week, in Episode Four.

Max Bergmann:

Protect the Investigation is a nonpartisan initiative to educate the American people about the importance of the special counsel investigation and its findings. You too can join Protect the Investigation in demanding that the Justice Department release the full report of Special Counsel Robert Mueller's investigation. Go to www.protecttheinvestigation.org to sign up now.

Max Bergmann:

But as the oligarchs were living large in the 1990s, the KGB was also plotting a comeback. Yeltsin had tried to weaken the KGB after the Soviet Union fell, but an agency like that doesn't just evaporate. The Russian intelligence apparatus remained extremely powerful, and with Russia in chaos, there was little to check its power. The late political scientist Karen Dawisha wrote in her acclaimed 2014 book *Putin's Kleptocracy* that under the Soviet Union, the KGB was one of the few Soviet agencies that functioned abroad, operating banks and controlling Soviet assets. Dawisha explained that when the Soviet Union was on the verge of collapse, the KGB drained the coffers of the Russian state. Here's Karen Dawisha at the Hudson Institute in 2014:

[Karen Dawisha:](#)

KGB senior people got permission from the Communist Party to start moving money out of the country into what had been, what were, longstanding KGB bank accounts abroad. And they moved virtually all of the money.

Max Bergmann:

So the KGB is not just entering the '90s knowing all the things. It also has a lot of the Soviet Union's money. And although Yeltsin worked to break up the powerful KGB, the Russian security services were formidable and were looking to get back on top. Toward the end of the



decade, the Yeltsin administration was floundering, and it was nearing its end. There was jockeying for power to be Yeltsin's successor and in steps—Vladimir Putin? Putin's rise was so fast no one took it seriously. Upon returning home from Dresden, he began working for the mayor of St. Petersburg and supposedly left the KGB, and in 1996, he relocated to Moscow to become Deputy Chief of Presidential Property Management. Then in 1998, despite his relatively low rank, Putin was named the head of the FSB, one of the successors to the KGB. And a short time later, in August 1999, Putin was named as Prime Minister. All of a sudden, he was being talked about as Yeltsin's successor, but who is this guy? In one poll, only 2% of Russians knew who Putin was. Russian-American writer Masha Gessen described Putin in her book as “the man without a face.” No one knew who he was, so no one took him that seriously. And then tragedy struck. In September 1999, a month after Putin became Prime Minister, Russia was hit by a wave of apartment bombings, allegedly the handiwork of Chechen terrorists. Apartments were being blown up in the middle of the night with everyone asleep. Hundreds were killed. Panic set in around Moscow, and Putin seized the moment. In one of his first television appearances, Putin said, “We will hunt them down. Wherever we find them, we will destroy them.”

Audio drop: Translator speaking over Putin:

“If we catch them in the toilets, we’ll waste them right there.”

Max Bergmann:

This was chest-thumping rhetoric that Americans would soon experience after 9/11, and Putin played the part of national security leader perfectly. But there were a lot of oddities about those bombings. No Chechen terrorists ever claimed responsibility, which was weird, because terrorists tend to want to claim credit. That’s sort of the point. And then, in one case, a bomb was prevented from going off. On September 22, 1999, a bus driver was coming home and spotted two men and a woman placing big sacks in the cellar of a 14-story apartment building. They then hurriedly drove away. The man called the police, and when they arrived, they could see it was a bomb. The building was frantically evacuated. People stood outside in the cold the entire night. The bomb squad disabled the weapon. It was set to go off at 5:30 AM, just like the other attacks. The bomb could have obliterated the building and killed everyone in their sleep. Russia's interior minister came out and praised the public for preventing another attack. But then, just a half hour later, the head of the FSB, Putin’s handpicked successor and an ally, said that was wrong. There was no bomb. This had been FSB training exercise to test public readiness. But all-night training exercises where the public is forced to stand out in the cold aren't really a thing. Not only that, but the local FSB headquarters wasn't informed of the supposed training exercise, nor, apparently, were the 1,200 policemen who had been mobilized



to track down the suspects. The apartment bombings also stopped after this incident. Masha Gessen explained in her book that early talk of the FSB being involved in the bombings seem fantastical, but she explained that, “in just six months, the limits of the possible had shifted in my mind. I could now believe the FSB had most likely been behind the deadly bombings that shook Russia and helped make Putin its leader.” While this sounds totally nuts, Russia never had anything like the Mueller investigation or a 9/11 commission to get to the bottom of what happened with the Russian apartment bombings, and questions have been raised by academics, by the US Congress, by journalists and shows like PBS *Frontline*. The Senate Foreign Relations Committee, in a report released in January 2018, highlighted the bombings, suggesting Putin could have been involved in the attacks. Here's the late political scientist Karen Dawisha speaking at the Woodrow Wilson Center in 2014:

[Karen Dawisha:](#)

In my opinion, the explanation for why Putin's ratings went up from 2% to over 70% was because he became the war president. I also believe that the evidence suggests strongly that the Ryazan bombs that were planted, which led to FSB employees being arrested, it was an FSB operation and was planned when Putin was head of the FSB. It's a very serious charge to make, because it means that this is a massive false-flag operation organized by a group close to Yeltsin to bring someone to power that downed by bombing three apartment buildings in Moscow. That's just a horrendous thing. While the residents were sleeping. This is no way to win an election.

Max Bergmann:

Whoever was behind these atrocious attacks, what's clear is that they caused Putin's popularity to soar. On New Year's Eve, 1999, hours before the end of the century, Yeltsin shocked the country and resigned. Vladimir Putin, the new President of Russia, addressed the nation at midnight at the dawn of a new millennium.

Newscast:

Let's first go to Moscow, where ABC's Morton Dean is standing just outside Red Square. Mort? Morton Dean: President Boris Yeltsin announced his resignation today and the Prime Minister, Putin, took over and he is acting President and Prime Minister as we speak. And he's talking to the nation right now, expressing his hope and expectation that Moscow will continue on the road to democracy. Fireworks everywhere tonight.

Audio drop: Putin speaking in Russian



Max Bergmann:

And as president, Putin immediately sought to establish control. And to do so, he cracked down on Russia's free and open media. Many Russian journalists critical of Putin started suspiciously dying. Putin's Russia also turns its back on democracy and competitive elections. Here's Angela Stent:

Angela Stent:

I would go back actually to 1996. So, he was the Deputy Mayor, working for the mayor of St. Petersburg, Anatoly Sobchak, and there was an election campaign, and it was a dirty election campaign. Mayor Sobchak was defeated, and then of course Putin was out of a job again, because he was the deputy mayor. He obviously did better afterwards. So, I think one thought that must've been with him is, you know, elections really aren't very good if you can't predict who's going to win. So I think, you know, given his background, again the KGB, the Soviet times, sort of, you wouldn't expect someone like that to be very enamored of free, competitive elections.

Max Bergmann:

He also threatened and cajoled opposition politicians. But one of his most difficult tasks was bringing the rich and powerful oligarchs to heel. The oligarch class was insanely rich, operated with impunity, and weren't beholden to the state, and that was all about to change. Putin needed to make an example of someone, and he chose the richest oligarch, who also happened to be an outspoken critic of the Kremlin and a reformer, Mikhail Khodorkovsky. In 2003, Putin convened a meeting of Russia's richest oligarchs to the Kremlin. The meeting was televised, and in a dramatic moment, Khodorkovsky had the temerity to challenge Putin and call out the Kremlin for its corruption. Putin was pissed. And a few months later Khodorkovsky was arrested, and he was arrested on charges that any other oligarch could also have been arrested for. It sent shockwaves in Russia and around the world. If oligarchs tried to challenge Putin, they would be crushed.

Newscast:

Mikhail Khodorkovsky was arrested in October 2003 for tax evasion. Then aged 40, he sat on one of Russia's biggest fortunes. He had acquired it through the privatization of massive companies in the 1990s, which included the oil group Yukos, and handled vast resources of state money. Putin had vowed to cut the oligarchs down to size. Khodorkovsky the industrialist was bad enough, but when he encroached further into politics, he crossed the red line.

Max Bergmann:



Here again is Angela Stent:

Angela Stent:

When Putin came and he summoned these oligarchs and he said, "If you stay out of politics, you can keep your money. I'm not going to question how you got it." Well, we know that one of them, Mikhail Khodorkovsky, who in fact tried to challenge Putin politically, he ended up 10 years in jail. And then several of the other ones who'd owned these major media conglomerates were all exiled. So, right from the beginning, Putin wanted to take over and make sure that the main major television stations were controlled by people who are more loyal to him. Today, all of the main electronic media are controlled by the state or the television is. There's one independent television station, but you can only see that online, TV Rain. There's one independent radio station, the Echo of Moscow, which still goes on, but everything, all the other media means are control by the state.

Max Bergmann:

Here's John Sipher talking about how Putin seized control:

John Sipher:

He's spent his time, you know, working against the West, and he lived in post-Soviet Russia, engaged with foreign business, and there was sort of a hope in the early years when he took over for Yeltsin that he might be, sort of, a more modernizing figure. But very quickly, his resentments and his instincts to, sort of, control and take power like the KGB did, it's the sword and shield, took over and very quickly after taking power he gained control of the media, took away the federal system, made it a much more centralized system and the courts and everything, to what we have today, where the Kremlin really is in control of almost everything in Russia.

Max Bergmann:

The message was received by the oligarchs. In another famous incident, Putin showed up at an aluminum factory owned by that oligarch Oleg Deripaska. Workers were protesting layoffs and delayed paychecks, and with a full gaggle of press in the back of the room, Putin sat at the head of a U-shaped table. He was looking casual, wearing a light gray jacket like he was a man of the people, but he was acting as if he was chairman of the board surrounded by men in suits, and Putin admonished the suits. "You have taken these people hostage with your ambition, incompetence, and pure greed." "It's absolutely unacceptable." Putin beckoned Deripaska to get up and come over and sign a document resuming factory operations. Deripaska, a man who had come out on top of the savage aluminum wars, nervously obliged. He hurriedly got up,



went to the head of the table over to Putin, and accepted Putin's pen, signed the document, and turned to walk away. But he was still holding Putin's pen.

[Video:](#)

[Russian dialogue]

Max Bergmann:

"Give me back my pen," Putin demanded. Deripaska, heart in mouth, returned the pen and slunk back to his chair. The press went wild. This was a stage-managed photo-op, and it revealed a lot. It showed who was top dog. Even a notorious oligarch melted in Putin's presence. The oligarchs got the message, and they got in line. When Putin or the Kremlin called and they said "Jump," the oligarchs asked, "How high?" But, by getting in line, the oligarchs also got something in return. They and their wealth were protected. Despite the man-of-the-people public image Putin cultivated, he didn't crush the oligarch class. He didn't force them to bring back their money parked abroad. Instead he used them. He cultivated them. He rewarded those that played ball and destroyed those that didn't. Deripaska, a Kremlin loyalist, may have been humiliated, but he is also consistently thrived under Vladimir Putin, and he's not alone. The oligarch class has continued to flourish. Putin simply co-opted them. They have become extensions of the Kremlin and they act like it. Here's Karen Dawisha:

Karen Dawisha:

And the Putin system, I write in the book, operates by nationalizing the risk and privatizing the reward. If you are part of the inner group, you will be rewarded by not being arrested. You will be rewarded by not having your funds taken. You might have to pay some of those riches to others in the group, but it is a pattern, a tribute system, that is quite significant.

Max Bergmann:

Putin's Russia is what happens when an autocrat, an oligarchy of uber-wealthy businessmen, and an almighty intelligence service join forces. As Putin's powers consolidated over the past two decades, an informal system, or "sistema," takes root. A key feature of Putin's sistema is ambiguity. The rules are unspoken and no one except for Putin really knows where they stand in the hierarchy, so everyone seeks to curry favor and improve their position. But because everyone is also corrupt, because to operate in the system you have to be corrupt, it means that anyone and everyone is also compromised. At any moment, Putin could snap his fingers and powerful oligarchs could be arrested for tax evasion or bribery or a host of other crimes. The oligarchs are powerful, but they're also vulnerable. Here again is John Sipher:



John Sipher:

What they call the sistema, so, there's sort of this unspoken set of rules among the oligarchs and people around the Kremlin that they're all complicit in some ways because the laws are so flexible there and everybody is sort of making money and everybody's doing these handshake things, everybody knows that they're vulnerable.

Max Bergmann:

This system, or sistema, was vividly on display in the Mueller report. The report notes that Russian oligarch Petr Aven, who is the head of Alfa Bank, the same Russian bank whose server was mysteriously communicating with a Trump Organization server during the 2016 election, was in fact interviewed by Mueller's team. Aven tells Mueller about a meeting Putin convened with all of the top oligarchs in December 2016, during the transition and right after the election. Mueller says in the report, "According to Aven, although Putin did not expressly direct him to reach out to the Trump Transition Team, Aven understood that Putin expected him to try to respond to the concerns he had raised." This is basically the sistema in action. This sistema is also staggeringly corrupt. It is, as Karen Dawisha describes it, a kleptocracy, sucking resources from the state for private gain. The biggest beneficiary of this system is Vladimir Putin. He becomes unbelievably wealthy. Some say he becomes the richest man in the world.

Audio drop: Newscast Interview:

Interviewer: You really think Putin is the richest man in the world.

Interviewee: I really think that, and I'm not just saying that crazily.

Interviewer: Estimate his net worth.

Interviewee: 200 billion.

Interviewer: Really?

Interviewee: I believe that it's 200 billion.

Max Bergmann:

Putin's wealth has come straight from the wallets of the Russian people. They are the ones paying for this corruption, this sistema. One hundred Russian billionaires now control at least one third of the wealth in Russia. So, in this system oligarchs compete with each other to improve their position by being as useful as possible to Putin and the Kremlin. This system is not only made Putin shockingly wealthy, he's also gained a new tool of state power: Russia's businessmen. So, as Russian oligarchs went out into the world and spread their money around, bought property, made investments, built connections, and developed relationships, they were also developing relationships and connections that can be seized and cultivated by Putin's Kremlin. As Russian money poured into London, villas in Italy, beachfront property in Spain, it



was also pouring into a large building on fifth avenue between 56th and 57th street: the headquarters of the Trump Organization.

-BREAK-

Max Bergmann:

Next week on The Asset,

[Newscast:](#)

Interviewer: So, to be clear, Mr. Trump has no financial relationships with any Russian oligarchs?

Paul Manafort: That's what he said. That's what I said. That's obviously what our position is.

Max Bergmann:

We follow the Russian money pouring into the Trump Organization, highlighting the shady cast of characters that surround Donald Trump and his business.

[Sergei Millian:](#)

Trump has done significant business with Russians and the level of business amounts to hundreds of millions of dollars that he received as a result of interaction with Russian businessmen.

Max Bergmann:

The suspicious deals in the former Soviet Union, to little Moscow that sprouted from Trump properties in Florida, to the story behind Trump's favorite bank, one notorious for Russian money laundering. Trump may not have a lot of money in Russia, but Russia sure has a lot of money in Donald Trump.

Producer:

The Asset is a production of the Center for American Progress Action Fund, Protect the Investigation, and District Productive, Paul "Woody" Woodhull, Max Bergmann, and Andrea Purse, Executive Producers, and Peter Ogburn, Senior Producer. The Asset is written by Max Bergmann and the good people at The Moscow Project, Jeremy Venook, Talia Dessel, and Siena Cicarelli, and the team at Protect the Investigation and Paul "Woody" Woodhull and his cohort at District Productive. To learn more about Russian interference in the 2016 presidential election, go to themoscowproject.org and protecttheinvestigation.org. Please subscribe to the podcast on Apple Podcasts or your favorite podcast app and please leave a rating and a review.



Thank you.

[Newscast:](#)

James Clapper: What a great case officer Vladimir Putin is. He knows how to handle an asset and that's what he's doing with the president.

Jim Sciutto: You're saying that Russia is handling President Trump as an asset?

James Clapper: That's the appearance to me.