



RUSSIA & THE WEST

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The Curious World of Donald Trump's Private Russian Connections

[James S. Henry](#)

Did the American people really know they were putting such a “well-connected” guy in the White House?

Throughout Donald Trump's presidential campaign he expressed glowing admiration for Russian leader Vladimir Putin. Many of Trump's adoring comments were utterly gratuitous. After his Electoral College victory, Trump continued praising the former head of the KGB while dismissing the findings of all 17 American national security agencies that Putin directed Russian government interference to help Trump in the 2016 American presidential election.

As veteran investigative economist and journalist Jim Henry shows below, a robust public record helps explain the fealty of Trump and his family to this murderous autocrat and the network of Russian oligarchs. Putin and his billionaire friends have plundered the wealth of their own people. They have also run numerous schemes to defraud governments and investors in the United States and Europe. From public records, using his renowned analytical skills, Henry shows what the mainstream news media in the United States have failed to report in any meaningful way: For three decades Donald Trump has profited from his connections to the Russian oligarchs, whose own fortunes depend on their continued fealty to Putin. We don't know the full relationship between Donald Trump, the Trump family and their enterprises with the network of world-class criminals known as the Russian oligarchs. Henry acknowledges that his article poses more questions than answers, establishes more connections than full explanations. But what Henry does show should prompt every American to rise up in defense of their country to demand a thorough, out-in-the-open congressional investigation with no holds barred. The national security of the United States of America and of peace around the world, especially in Europe, may well depend on how thoroughly we understand the rich network of relationships between the 45th President and the Russian oligarchy. When Donald Trump chooses to exercise, or not exercise, his power to restrain Putin's drive to invade independent countries and seize their wealth, as well as loot countries beyond his control, Americans need to know in whose interest the President is acting or looking the other way.

—David Cay Johnston,

Pulitzer Prize-winning author of *The Making of Donald Trump*

“Tell me who you walk with and I’ll tell you who you are.”

—Cervantes

“I’ve always been blessed with a kind of intuition about people that allows me to sense who the sleazy guys are, and I stay far away.”

—Donald Trump, *Surviving at the Top*

Even before the November 8 election, many leading Democrats were vociferously demanding that the FBI disclose the fruits of its investigations into Putin-backed Russian hackers. Instead FBI Director Comey decided to temporarily revive his zombie-like investigation of Hillary’s emails. That decision may well have had an important impact on the election, but it did nothing to resolve the allegations about Putin. Even now, after the CIA has disclosed an abstract of its own still-secret investigation, it is fair to say that we still lack the cyberspace equivalent of a smoking gun. Fortunately, however, for those of us who are curious about Trump’s Russian connections, there is another readily accessible body of material that has so far received surprisingly little attention. This suggests that whatever the nature of President-elect Donald Trump’s relationship with President Putin, he has certainly managed to accumulate direct and indirect connections with a far-flung *private* Russian/FSU network of outright mobsters, oligarchs, fraudsters, and kleptocrats. Any one of these connections might have occurred at random. But the overall pattern is a veritable Star Wars bar scene of unsavory characters, with Donald Trump seated right in the middle. The analytical challenge is to map this network—a task that most journalists and law enforcement agencies, focused on individual cases, have failed to do. Of course, to label this network “private” may be a stretch, given that in Putin’s Russia, even the toughest mobsters learn the hard way to maintain a respectful relationship with the “New Tsar.” But here the central question pertains to *our* new Tsar. Did the American people really know they were putting such a “well-connected” guy in the White House? The Big Picture: Kleptocracy and Capital Flight A few of Donald Trump’s connections to oligarchs and assorted thugs have already received sporadic press attention—for example, former Trump campaign manager Paul Manafort’s reported relationship with exiled Ukrainian oligarch Dmytro Firtash. But no one has pulled the connections together, used them to identify still more relationships, and developed an image of the overall patterns. Nor has anyone related these cases to one of the most central facts about modern Russia: its emergence since the 1990s as a world-class kleptocracy, second only to China as a source of illicit capital and criminal loot, with more than \$1.3 trillion of net offshore “flight wealth” as of 2016.¹ This tidal wave of illicit capital is hardly just Putin’s doing. It is in fact a symptom of one of the most *epic failures* in modern political economy—one for which the West bears a great deal of responsibility. This is the failure, in the wake of the Soviet Union’s collapse in the late 1980s, to ensure that Russia acquires the kind of strong, middle-class-centric economic and political base that is required for democratic capitalism, the rule of law, and stable, peaceful relationships with its neighbors. Instead, from 1992 to the Russian debt crisis of August 1998, the West in general—and the U.S. Treasury, USAID, the State Department, the IMF/World Bank, the EBRD, and many leading economists in particular—actively promoted and, indeed, helped to finance one of the most massive transfers of public wealth into private hands that the world has ever seen. For example, Russia’s 1992 “voucher privatization” program permitted a tiny elite of former state-owned company managers and party *apparatchiks* to acquire control over a vast number of public enterprises, often with the help of outright mobsters. A majority of Gazprom, the state energy company that controlled a third of the world’s gas reserves, was sold for \$230 million; Russia’s entire national electric grid was privatized for \$630 million; ZIL, Russia’s largest auto company, went for about \$4 million; ports, ships, oil, iron and steel, aluminum, much of the high-tech arms and airlines industries, the world’s largest diamond mines, and most of Russia’s banking system also went for a song. In 1994–96, under the infamous “loans-for-shares” program, Russia privatized 150 state-owned companies for just \$12 billion, most of which was loaned to a handful of well-connected buyers by the state—and indirectly by the World Bank and the IMF. The [principal beneficiaries of this “privatization”](#)—actually, cartelization—were initially just 25 or so budding oligarchs with the insider connections to buy these properties and the muscle to hold them.² The happy few who made personal fortunes from this feeding frenzy—in a sense, the very first of the new kleptocrats—not only included numerous Russian officials, but also leading gringo investors/advisers, Harvard professors, USAID advisers, and bankers at Credit Suisse First Boston and other Wall Street investment banks. As the renowned development economist Alex Gerschenkron, an authority on Russian development, once said, “If we were in Vienna, we would have said, ‘We wish we could play it on the piano!’” For the vast majority of ordinary Russian citizens, this extreme re-concentration of wealth coincided with nothing less than a full-scale 1930s-type depression, a “shock therapy”-induced rise in domestic price levels that wiped out the private savings of millions, rampant lawlessness, a public health crisis, and a sharp decline in life expectancy and birth rates. Sadly, this neoliberal “market reform” policy package that was introduced at a Stalin-like pace from 1992 to late 1998 was not only condoned but partly designed and financed by senior Clinton Administration officials, neoliberal economists, and innumerable USAID, World Bank, and IMF officials. The few dissenting voices included some

of the West's best economic brains—Nobel laureates like James Tobin, Kenneth Arrow, Lawrence Klein, and Joseph Stiglitz. They also included Moscow University's Sergei Glaziev, who now serves as President Putin's chief economic advisor.³ Unfortunately, they were no match for the folks with the cash. There was also an important intervention in Russian politics. In January 1996 a secret team of professional U.S. political consultants arrived in Moscow to discover that, as CNN put it back then, "The only thing voters like less than Boris Yeltsin is the prospect of upheaval." The experts' solution was one of earliest "Our brand is crisis" campaign strategies, in which Yeltsin was "spun" as the only alternative to "chaos." To support him, in March 1996 the IMF also pitched in with \$10.1 billion of new loans, on top of \$17.3 billion of IMF/World Bank loans that had already been made. With all this outside help, plus ample contributions from Russia's new elite, Yeltsin went from just 8 percent approval in the January 1996 polls to a 54-41 percent victory over the Communist Party candidate, Gennady Zyuganov, in the second round of the July 1996 election. At the time, mainstream media like [Time](#) and the [New York Times](#) were delighted. Very few outside Russia questioned the wisdom of this blatant intervention in post-Soviet Russia's first democratic election, or the West's right to do it in order to protect itself. By the late 1990s the *actual chaos* that resulted from Yeltsin's warped policies had laid the foundations for a strong counterrevolution, including the rise of ex-KGB officer Putin and a massive outpouring of oligarchic flight capital that has continued virtually up to the present. For ordinary Russians, as noted, this was disastrous. But for many banks, private bankers, hedge funds, law firms, and accounting firms, for leading oil companies like ExxonMobil and BP, as well as for needy borrowers like the Trump Organization, the opportunity to feed on post-Soviet spoils was a godsend. This was vulture capitalism at its worst. The nine-lived Trump, in particular, had just suffered a string of *six* successive bankruptcies. So the massive illicit outflows from Russia and oil-rich FSU members like Kazakhstan and Azerbaijan from the mid-1990s provided precisely the kind of indiscriminating investors that he needed. These outflows arrived at just the right time to fund several of Trump's post-2000 high-risk real estate and casino ventures—most of which failed. As Donald Trump, Jr., executive vice president of development and acquisitions for the Trump Organization, [told the "Bridging U.S. and Emerging Markets Real Estate" conference](#) in Manhattan in September 2008 (on the basis, he said, of his own "half dozen trips to Russia in 18 months"):

[I]n terms of high-end product influx into the United States, Russians make up a pretty disproportionate cross-section of a lot of our assets; say in Dubai, and certainly with our project in SoHo and anywhere in New York. We see a lot of money pouring in from Russia.

All this helps to explain one of the most intriguing puzzles about Donald Trump's long, turbulent business career: how he managed to keep financing it, despite a dismal track record of failed projects.⁴

According to the "official story," this was simply due to a combination of brilliant deal-making, Trump's gold-plated brand, and raw animal spirits—with [\\$916 million of creative tax dodging](#) as a kicker. But this official story is hokum. The truth is that, since the late 1990s, Trump was also greatly assisted by these abundant new sources of global finance, especially from "submerging markets" like Russia. This suggests that neither Trump nor Putin is an "uncaused cause." They are not evil twins, exactly, but they are both byproducts of the same neoliberal policy scams that were peddled to Russia's struggling new democracy. [A Guided Tour of Trump's Russian/FSU Connections](#) The following roundup of Trump's Russo-Soviet business connections is based on published sources, interviews with former law enforcement staff and other experts in the United States, the United Kingdom, and Iceland, searches of online corporate registries,⁵ and a detailed analysis of offshore company data from the Panama Papers.⁶ Given the sheer scope of Trump's activities, there are undoubtedly other worthy cases, but our interest is in overall patterns. Note that none of the activities and business connections related here necessarily involved criminal conduct. While several key players do have criminal records, few of their prolific business dealings have been thoroughly investigated, and of course they all deserve the presumption of innocence. Furthermore, several of these players reside in countries where activities like bribery, tax dodging, and other financial chicanery are either not illegal or are rarely prosecuted. As former British Chancellor of the Exchequer Denis Healey once said, the difference between "legal" and "illegal" is often just "the width of a prison wall." So why spend time collecting and reviewing material that either doesn't point to anything illegal or in some cases may even be impossible to verify? Because, we submit, the mere fact that such assertions are widely made is of legitimate public interest in its own right. In other words, when it comes to evaluating the probity of senior public officials, the public has the right to know about any material allegations—true, false, or, most commonly, unprovable—about their business partners and associates, so long as this information is clearly labeled as unverified. Furthermore, the individual case-based approach to investigations employed by most investigative journalists and law enforcement often misses the big picture: the global networks of influence and finance, licit and illicit, that exist among business people, investors, kleptocrats, organized criminals, and politicians, as well as the "enablers"—banks, accounting firms, law firms, and havens. Any particular component of these networks might easily disappear without making any difference. But the networks live on. It is these *shadowy transnational networks* that really deserve scrutiny. Bayrock Group

LLC—Kazakhstan and Tefvik Arif We'll begin our tour of Trump's Russian/FSU connections with several business relationships that evolved out of the curious case of Bayrock Group LLC, a spectacularly unsuccessful New York real estate development company that surfaced in the early 2000s and, by 2014, had all but disappeared except for a few lawsuits. As of 2007, Bayrock and its partners reportedly had more than \$2 billion of Trump-branded deals in the works. But most of these either never materialized or were miserable failures, for reasons that will soon become obvious. Bayrock's "white elephants" included the 46-story Trump SoHo condo-hotel on Spring Street in New York City, for which the principle developer was a partnership formed by Bayrock and FL Group, an Icelandic investment company. Completed in 2010, the SoHo soon became the subject of prolonged civil litigation by disgruntled condo buyers. The building was foreclosed by creditors and resold in 2014 after [more than \\$3 million of customer down payments had to be refunded](#). Similarly, Bayrock's Trump International Hotel & Tower in Fort Lauderdale was foreclosed and resold in 2012, while at least three other Trump-branded properties in the United States, plus many other "project concepts" that Bayrock had contemplated, from Istanbul and Kiev to Moscow and Warsaw, [also never happened](#). Carelessness about due diligence with respect to potential partners and associates is one of Donald Trump's [more predictable qualities](#). Acting on the seat of the pants, he had hooked up with Bayrock rather quickly in 2005, becoming an 18 percent minority equity partner in the Trump SoHo, and agreeing to license his brand and manage the building.⁷ Exhibit A in the panoply of former Trump business partners is Bayrock's former Chairman, Tefvik Arif (aka Arifov), an émigré from Kazakhstan who reportedly took up residence in Brooklyn in the 1990s. Trump also had extensive contacts with another key Bayrock Russian-American from Brooklyn, Felix Sater (aka Satter), discussed below.⁸ Trump has lately had some difficulty recalling very much about either Arif or Sater. But this is hardly surprising, given [what we now know](#) about them. [Trump described his introduction to Bayrock](#) in a 2013 deposition for a lawsuit that was brought by investors in the Fort Lauderdale project, one of Trump's first with Bayrock: "Well, we had a tenant in ... Trump Tower called Bayrock, and Bayrock was interested in getting us into deals."⁹ According to several reports, Tefvik Arif was originally from Kazakhstan, a Soviet republic until 1992. Born in 1950, Arif worked for 17 years in the Soviet Ministry of Commerce and Trade, serving as Deputy Director of Hotel Management by the time of the Soviet Union's collapse.¹⁰ In the early 1990s he relocated to Turkey, where he reportedly [helped to develop properties for the Rixos Hotel chain](#). Not long thereafter he relocated to Brooklyn, founded Bayrock, opened an office in the Trump Tower, and started to pursue projects with Trump and other investors.¹¹ Tefvik Arif was not Bayrock's only connection to Kazakhstan. A [2007 Bayrock investor presentation](#) refers to Alexander Mashevich's "Eurasia Group" as a strategic partner for Bayrock's equity finance. Together with two other prominent Kazakh billionaires, Patokh Chodiev (aka "Shodiyeu") and Alijan Ibragimov, Mashkevich reportedly [ran the "Eurasian Natural Resources Cooperation."](#) In Kazakhstan these three are sometimes referred to as "[the Trio](#)."¹² The Trio has apparently worked together ever since Gorbachev's late 1980s *perestroika* in metals and other natural resources. It was during this period that they first acquired a significant degree of control over [Kazakhstan's vast mineral and gas reserves](#). Naturally they found it useful to become friends with Nursultan Nazarbayev, Kazakhstan's long-time ruler. Indeed, [State Department cables leaked by Wikileaks](#) in November 2010 describe a [close relationship](#) between "the Trio" and the [seemingly-perpetual Nazarbayev kleptocracy](#). In any case, the Trio has recently attracted the attention of many other investigators and news outlets, including the [September 11 Commission Report](#), the [Guardian](#), [Forbes](#), and the [Wall Street Journal](#). In addition to resource grabbing, the litany of the Trio's alleged activities include [money laundering](#), [bribery](#), and [racketeering](#).¹³ In 2005, according to U.S. State Department cables released by Wikileaks, Chodiev (referred to in a State Department cable as "Fatokh Shodiyeu") was [recorded on video](#) attending the birthday of reputed Uzbek mob boss Salim Abduvaliyeva and presenting him with a \$10,000 "gift" or "tribute." According to the Belgian newspaper *Le Soir*, Chodiev and Mashkevich also became close associates of a curious Russian-Canadian businessman, [Boris J. Birshtein](#), who happens to have been the father-in-law of another key Russian-Canadian business associate of Donald Trump in Toronto. We will return to Birshtein below. The Trio also turn up in the April 2016 Panama Papers database as the apparent beneficial owners of a Cook Islands company, "[International Financial Limited](#)."¹⁴ The Belgian newspapers [Het Laatste Nieuws](#), *Le Soir*, and [La Libre Belgique](#) have reported that Chodiev paid €23 million to obtain a "Class B" banking license for this same company, permitting it to make international currency trades. In the words of a leading [Belgian financial regulator](#), that would "make all money laundering undetectable." The Panama Papers also indicate that some of Arif's connections at the Rixos Hotel Group may have ties to Kazakhstan. For example, [one offshore company listed in the Panama Papers database](#), "Group Rixos Hotel," reportedly acts as an intermediary for four BVI offshore companies.¹⁵ Rixos Hotel's CEO, Fettah Tamince, is listed as having been a shareholder for two of these companies, while a shareholder in another—"Hazara Asset Management"—had the same name as the son of a recent Kazakhstan Minister for Sports and Tourism. As of 2012, this Kazakh official was described as the third-most influential deputy in the country's Mazhilis (the lower house of Parliament), in a [Forbes-Kazakhstan article](#). According to a 2015 lawsuit against Bayrock by Jody Kriss, one of its former employees, Bayrock started to receive millions of dollars in equity contributions in 2004, supposedly by way of Arif's brother in Russia, who allegedly ["had access to cash accounts at a chromium refinery in Kazakhstan."](#) This as-yet unproven allegation might well just be an attempt by the plaintiff to extract a more

attractive settlement from Bayrock and its original principals. But it is also consistent with fact that chromium is indeed one of the Kazakh natural resources [that is reportedly controlled by the Trio](#). As for Arif, his most recent visible brush with the law came in 2010, when he and other members of Bayrock's Eurasian Trio were arrested together in Turkey during a police raid on a suspected prostitution ring, according to the Israeli daily [Yediot Ahronot](#). At the time, Turkish investigators reportedly asserted that Arif might be the head of a criminal organization that was [trafficking in Russian and Ukrainian escorts](#), allegedly including some as young as 13.¹⁶ According to these assertions, big-ticket clients were making their selections by way of a modeling agency website, with Arif allegedly handling the logistics. Especially galling to Turkish authorities, the [preferred venue was reportedly a yacht](#) that had once belonged to the widely-revered Turkish leader Atatürk. [It was also alleged that](#) Arif may have also provided lodging for young women at Rixos Group hotels.¹⁷ According to Russian media, two senior Kazakh officials were also arrested during this incident, although the Turkish Foreign Ministry quickly dismissed this allegation as ["groundless."](#) In the end, all the charges against Arif resulting from this incident were dismissed in 2012 by Turkish courts, and his spokespeople have subsequently denied all involvement. Finally, despite Bayrock's demise and these other legal entanglements, Arif has apparently remained active. For example, Bloomberg reports that, as of 2013, he, his son, and Rixos Hotels' CEO Fethah Tamince had partnered to pursue the rather controversial business of advancing funds to cash-strapped high-profile soccer players in exchange for a share of their future marketing revenues and team transfer fees. In the case of Arif and his partners, this new-wave form of indentured servitude was [reportedly implemented](#) by way of a UK- and Malta-based hedge fund, Doyen Capital LLP. Because [this practice](#) is subject to innumerable potential abuses, including the possibility of subjecting athletes or clubs to undue pressure to sign over valuable rights and fees, UEFA, Europe's governing soccer body, wants to ban it. But FIFA, the notorious global football regulator, has been customarily slow to act. To date, Doyen Capital LLP has reportedly taken financial gambles on several well-known players, including the Brazilian star [Neymar](#). The Case of Bayrock LLC—Felix Sater Our second exhibit is Felix Sater, the senior Bayrock executive introduced earlier. This is the fellow who worked at Bayrock from 2002 to 2008 and negotiated several important deals with the Trump Organization and other investors. When Trump was asked who at Bayrock had brought him the Fort Lauderdale project in the 2013 deposition cited above, he [replied](#): "It could have been Felix Sater, it could have been—I really don't know who it might have been, but somebody from Bayrock."¹⁸ Although Sater left Bayrock in 2008, by 2010 he was reportedly back in Trump Tower as a "senior advisor" to the Trump Organization—at least on his business card—with his [own office in the building](#). Sater has also testified under oath that he had escorted Donald Trump, Jr. and Ivanka Trump around Moscow in 2006, had met frequently with Donald over several years, and had once flown with him to Colorado. And although this might easily have been staged, he is also [reported](#) to have visited Trump Tower in July 2016 and made a personal \$5,400 contribution to Trump's campaign. Whatever Felix Sater has been up to recently, the key point is that by 2002, at the latest,¹⁹ Tevfik Arif decided to hire him as Bayrock's COO and managing director. This was despite the fact that by then Felix had already compiled an [astounding track record](#) as a professional criminal, with multiple felony pleas and convictions, extensive connections to organized crime, and—the ultimate prize—a virtual "get out of jail free card," based on an informant relationship with the FBI and the CIA that is vaguely reminiscent of Whitey Bulger.²⁰ Sater, a Brooklyn resident like Arif, was born in Russia in 1966. He [reportedly](#) emigrated with his family to the United States in the mid-1970s and settled in "Little Odessa." It seems that his father, Mikhael Sheferovsky (aka Michael Sater), may have been engaged in Russian mob activity before he arrived in the United States. According to a certified U.S. Supreme Court petition, Felix Sater's FBI handler stated that he "was well familiar with the crimes of Sater and his (Sater's) father, a (Semion) Mogilevich crime syndicate boss."²¹ A [1998 FBI report](#) reportedly said Mogilevich's organization had "approximately 250 members," and was involved in trafficking nuclear materials, weapons, and more, as well as money laundering. (See below.) But Michael Sater may have been less ambitious than his son. His only [reported U.S. criminal conviction](#) came in 2000, when he pled guilty to two felony counts for extorting Brooklyn restaurants, grocery stores, and clinics. He was released with three years' probation. Interestingly, the U.S. Attorney for the Eastern District of New York who handled that case [at the time](#) was [Loretta Lynch](#), who succeeded Eric Holder as U.S. Attorney General in 2014. Back in 2000, she was also overseeing a budding informant relationship and a plea bargain with Michael's son Felix, which may help to explain the father's sentence. By then young Felix Sater was already well on his way to a career as a prototypical Russian-American mobster. In 1991 he [stabbed a commodity trader in the face](#) with a margarita glass stem in a Manhattan bar, [severing a nerve](#). He was convicted of a felony and [sent to prison](#). As [Trump tells it](#), Sater simply "got into a barroom fight, which a lot of people do." The sentence for this felony conviction could not have been very long, because, by 1993, 27-year-old Felix was already a trader in a brand new Brooklyn-based commodity firm called "White Rock Partners," an innovative joint venture among four New York crime families and the Russian mob aimed at bringing state-of-the-art financial fraud to Wall Street. Five years later, [in 1998](#), Felix Sater pled guilty to stock racketeering, as one of 19 U.S.-and Russian mob-connected traders who participated in a [\\$40 million "pump and dump" securities fraud scheme](#). Facing twenty years in Federal prison, Sater and Gennady Klotsman, a fellow Russian-American who'd been with him on the night of the Manhattan bar fight, turned "snitch" and helped the Department of Justice prosecute their co-conspirators.²² Reportedly, [so did Salvatore](#)

[Lauria](#), another “trader” involved in the scheme. According to the Jody Kriss lawsuit, Lauria later joined Bayrock as an off-the-books paid “consultant.” Initially their cooperation, which lasted from 1998 until at least late 2001, was kept secret, until it was inadvertently revealed in a March 2000 press release by U.S. Attorney Lynch. Unfortunately for Sater, about the same time the NYPD also reportedly discovered that he had been running a money-laundering scheme and illicit gun sales out of a Manhattan storage locker. He and Klotsman [fled to Russia](#). However, according to the *New York Times*, which cited Klotsman and Lauria, soon after the events of September 11, 2001, the ever-creative Sater succeeded in brokering information about the black market for [Stinger anti-aircraft missiles](#) to the CIA and the FBI. According to Klotsman, this strategy “bought Felix his freedom,” allowing him to return to Brooklyn. It is still not clear precisely what information Sater actually provided, but in 2015 U.S. Attorney General Loretta Lynch publicly commended him for sharing information that she described as “[crucial to national security](#).” Meanwhile, Sater’s sentence for his financial crimes continued to be deferred even after his official cooperation in that case ceased in late 2001. His files remained sealed, and he managed to avoid any sentencing for those crimes at all until October 23, 2009. When he finally appeared before the Eastern District’s Judge I. Leo Glasser, Felix received a \$25,000 fine, no jail time, and no probation in a quiet proceeding that attracted no press attention. Some compared this sentence to Judge Glasser’s earlier sentence of Mafia hit man “Sammy the Bull” Gravano to 4.5 years for 19 murders, in exchange for “[cooperating against John Gotti](#).” In any case, between 2002 and 2008, when Felix Sater finally left Bayrock LLC, and well beyond, his ability to avoid jail and conceal his criminal roots enabled him to enjoy a lucrative new career as Bayrock’s chief operating officer. In that position, he was in charge of negotiating aggressive property deals all over the planet, even while—according to lawsuits by former Bayrock investors—engaging in still more financial fraud. The only apparent difference was that he changed his name from “Sater” to “Satter.”²³ In the 2013 deposition cited earlier, Trump went on to say “I don’t see Felix as being a member of the Mafia.” Asked if he had any evidence for this claim, [Trump conceded](#) “I have none.”²⁴ As for Sater’s pal Klotsman, the past few years have not been kind. As of December 2016 he is in a Russian penal colony, working off a ten-year sentence for a failed \$2.8 million Moscow diamond heist in August 2010. In 2016 Klotsman was reportedly placed on a “top-ten list” of Americans that the Russians were willing to exchange for high-value Russian prisoners in U.S. custody, like the [infamous arms dealer Viktor Bout](#). So far there have been no takers. But with Donald Trump as President, who knows? The Case of Iceland’s FL Group One of the most serious frauds alleged in the recent Bayrock lawsuit involves FL Group, an Icelandic private investment fund that is really a saga all its own. Iceland is not usually thought of as a major offshore financial center. It is a small snowy island in the North Atlantic, closer to Greenland than to the UK or Europe, with only 330,000 citizens and a total GDP of just \$17 billion. Twenty years ago, its main exports were cod and aluminum—with the imported bauxite smelted there to take advantage of the island’s low electricity costs. But in the 1990s Iceland’s tiny neoliberal political elite had what they all told themselves was a brilliant idea: “Let’s privatize our state-owned banks, deregulate capital markets, and turn them loose on the world!” By the time all three of the resulting privatized banks, as well as FL Group, failed in 2008, the combined bank loan portfolio amounted to more than 12.5 times Iceland’s GDP—the highest country debt ratio in the entire world. For purposes of our story, the most interesting thing about Iceland is that, long before this crisis hit and utterly bankrupted FL Group, our two key Russian/FSU/Brooklyn mobster-mavens, Arif and Sater, had somehow stumbled on this obscure Iceland fund. Indeed, in early 2007 they persuaded FL Group to invest \$50 million in a project to build the Trump SoHo in mid-town Manhattan. According to the [Kriss lawsuit](#), at the same time, FL Group and Bayrock’s Felix Sater also agreed in principle to pursue up to an additional \$2 billion in other Trump-related deals. The Kriss lawsuit further alleges that FL Group (FLG) also agreed to work with Bayrock to facilitate outright tax fraud on more than \$250 million of potential earnings. In particular, it alleges that FLG agreed to provide the \$50 million in exchange for a 62 percent stake in the four Bayrock Trump projects, but Bayrock would structure the contract as a “loan.” This meant that Bayrock would not have to pay taxes on the initial proceeds, while FLG’s anticipated \$250 million of dividends would be channeled through a Delaware company and characterized as “interest payments,” allowing Bayrock to avoid up to \$100 million in taxes. For tax purposes, Bayrock would pretend that their actual partner was a Delaware partnership that it had formed with FLG, “FLG Property I LLC,” rather than FLG itself. The Trump Organization has denied any involvement with FLG. However, as an equity partner in the Trump SoHo, with a significant 18 percent equity stake in this one deal alone, Donald Trump himself had to [sign off on the Bayrock-FLG deal](#). This raises many questions. Most of these will have to await the outcome of the Kriss litigation, which might well take years, especially now that Trump is President. But several of these questions just leap off the page. First, how much did President-elect Trump know about the partners and the inner workings of this deal? After all, he had a significant equity stake in it, unlike many of his “brand-name only” deals, and it was also supposed to finance several of his most important East Coast properties. Second, how did the FL Group and Bayrock come together to do this dodgy deal in the first place? One former FL Group manager alleges that the deal arrived by accident, a “relatively small deal” was nothing special on either side.²⁵ The Kriss lawsuit, on the other hand, alleges that FLG was a well-known source of easy money from dodgy sources like Kazakhstan and Russia, and that other Bayrock players with criminal histories—like Salvatore Lauria, for example—were involved in making the introductions. At this stage the evidence with respect to this second

question is incomplete. But there are already some interesting indications that FL Group's willingness to generously finance Bayrock's peculiar Russian/FSU/Brooklyn team, its rather poorly-conceived Trump projects, and its purported tax dodging were not simply due to Icelandic backwardness. There is much more for us to know about Iceland's "special" relationship with Russian finance. In this regard, there are several puzzles to be resolved. First, it turns out that FL Group, Iceland's largest private investment fund until it crashed in 2008, had several owners/investors with deep Russian business connections, including several key investors in all three top Iceland banks. Second, it turns out that FL Group had constructed an incredible maze of cross-shareholding, lending, and cross-derivatives relationships with all these major banks, as illustrated by the following snapshot of cross-shareholding among Iceland's financial institutions and companies as of 2008.²⁶

Cross-shareholding Relationships, FLG and Other Leading Icelandic Financial Institutions, 2008

This thicket of cross-dealing made it almost *impossible* to regulate "control fraud," where insiders at leading financial institutions went on a self-serving binge, borrowing and lending to finance risky investments of all kinds. It became difficult to determine which institutions were net borrowers or investors, as the concentration of ownership and self-dealing in the financial system just soared.

Third, FL Group made a variety of peculiar loans to Russian-connected oligarchs as well as to Bayrock. For example, as discussed below, Alex Shnaider, the Russian-Canadian billionaire who later became Donald Trump's Toronto business partner, secured a €45.8 million loan to buy a yacht from Kaupthing Bank during the same period, while a company belonging to another Russian billionaire who reportedly owns an important vodka franchise got an even larger loan.²⁷ Fourth, Iceland's largest banks also made a series of extraordinary loans to Russian interests during the run-up to the 2008 crisis. For example, one of Russia's wealthiest oligarchs, a close friend of President Putin, nearly managed to secure at least €400 million (or, some say, up to four times that much) from Kaupthing, Iceland's largest bank, in late September 2008, just as the financial crisis was breaking wide open. This bank also had important direct and indirect investments in FL Group. Indeed, until December 2006, it is reported to have employed the FL Group private equity manager who allegedly negotiated Felix Sater's \$50 million deal in early 2007.²⁸ Fifth, there are unconfirmed accounts of a secret U.S. Federal Reserve report that unnamed Iceland banks were being used for Russian money laundering.²⁹ Furthermore, Kaupthing Bank's repeated requests to open a New York branch in 2007-08 were rejected by the Fed. Similar unconfirmed rumors repeatedly appeared in Danish and German publications, as did allegations about the supposed Kazakh origins of FLG's cash to be "laundered" in the Kriss lawsuit. Sixth, there is the peculiar fact that, when Iceland's banks went belly-up in October 2008, their private banking subsidiaries in Luxembourg, which were managing at least €8 billion of private assets, were suddenly seized by Luxembourg banking authorities and transferred to a new bank, Banque Havilland. This happened so fast that Iceland's Central Bank was prevented from learning anything about the identities or portfolio sizes of the Iceland banks' private offshore clients. But again, there were rumors of some important Russian names. Finally, there is the rather odd phone call that Russia's Ambassador to Iceland made to Iceland's Prime Minister at 6:45 a.m. on October 7, 2008, the day after the financial crisis hit Iceland. According to the PM's own account, the Russian Ambassador informed him that then-Prime Minister Putin was willing to consider offering Iceland a [€4 billion Russian bailout](#). Of course this alleged Putin offer was modified not long thereafter into a willingness to entertain an Icelandic negotiating team in Moscow. By the time the Iceland team got to Moscow later that year, Russia's desire to lend had cooled, and Iceland ended up accepting a \$2.1 billion IMF ["stabilization package" instead](#). But according to a member of the negotiating team, the reasons for the reversal are still a mystery. Perhaps Putin had reconsidered because he simply decided that Russia had to worry about its own considerable financial problems. Or perhaps he had discovered that Iceland's banks had indeed been very generous to Russian interests on the lending side, while—given Luxembourg's actions—any Russian private wealth invested in Icelandic banks was already safe. On the other hand, there may be a simpler explanation for Iceland's peculiar generosity to sketchy partners like Bayrock. After all, right up to the last minute before the October 2008 meltdown, the whole world had awarded Iceland AAA ratings: Depositors queued up in London to open high-yield Iceland bank accounts, its bank stocks were booming, and the compensation paid to its financiers was off the charts. So why would anyone worry about making a few more dubious deals? Overall, therefore, with respect to these odd "Russia-Iceland" connections, the proverbial jury is still out. But all these Icelandic puzzles are intriguing and bear further investigation. The Case of the Trump Toronto Tower and Hotel—Alex Shnaider Our fourth case study of Trump's business associates concerns the 48-year-old Russian-Canadian billionaire [Alex Shnaider, who co-financed the seventy-story Trump Tower and Hotel](#), Canada's tallest building. It opened in Toronto in 2012. Unfortunately, like so many of Trump's other Russia/FSU-financed projects, this [massive Toronto condo-hotel project went belly-up this November](#) and has now entered foreclosure. According to an [online profile of Shnaider by a Ukrainian news agency](#), Alex Shnaider was born in Leningrad in 1968, the son of "Евсей Шнайдер," or "Evsei Shnaider" in Russian.³⁰ A [recent Forbes article](#) says that he and his family emigrated to Israel from Russia when he was four and then relocated to Toronto when he was 13-14. The Ukrainian news agency says that Alex's family soon

established “one of the most successful stories in Toronto’s Russian quarter, “ and that young Alex, with “an entrepreneurial streak,” “[helped his father Evsei Shnaider in](#) the business, placing goods on the shelves and wiping floors.” Eventually that proved to be a great decision—Shnaider prospered in the New World. Much of this was no doubt due to raw talent. But it also appears that for a time he got significant helping hand from his [\(now reportedly ex-\) father-in-law, another colorful Russian-Canadian, Boris J. Birshtein](#). Originally from Lithuania, Birshtein, now about 69, has been a Canadian citizen since at least 1982.³¹ He resided in Zurich for a time in the early 1990s, but then returned to Toronto and New York.³² One of his key companies was called Seabeco SA, a “trading” company that was registered in Zurich in December 1982.³³ By the early 1990s Birshtein and his partners had started many other Seabeco-related companies in a wide variety of locations, including Antwerp,³⁴ Toronto,³⁵ Winnipeg,³⁶ Moscow, Delaware,³⁷ Panama,³⁸ and Zurich.³⁹ Several of these are still active.⁴⁰ He often staffed them with directors and officers from a far-flung network of Russians, emissaries from other FSU countries like Kyrgyzstan and Moldova, and recent Russia/FSU emigres to Canada.⁴¹ According to the *Financial Times* and the FBI, in addition to running Seabeco, Birshtein was a close business associate of [Sergei Mikhaylov](#), the reputed head of [Solntsevskaya Bratva](#), the Russian mob’s largest branch, and the world’s highest-grossing organized crime group as of 2014, according to *Fortune*.⁴² A 1996 FBI intelligence report cited by the *FT* claims that Birshtein hosted a meeting in his Tel Aviv office for Mikhaylov, the Ukrainian-born Semion Mogilevich, and several other leaders of the Russo/FSU mafia, in order to discuss “sharing interests in Ukraine.”⁴³ A subsequent 1998 FBI Intelligence report on the “Semion Mogilevich Organization” repeated the same charge,⁴⁴ and described Mogilevich’s successful attempts at gaining control over Ukraine privatization assets. The *FT* article also described how Birshtein and his associates had acquired extraordinary influence with key Ukraine officials, including President Leonid Kuchma, with the help of up to \$5 million of payoffs.⁴⁵ Citing Swiss and Belgian investigators, the *FT* also claimed that Birshtein and Mikhaylov jointly controlled a Belgian company called MAB International in the early 1990s.⁴⁶ During that period, those same [investigators reportedly observed transfers](#) worth millions of dollars between accounts held by Mikhaylov, Birshtein, and Alexander Volkov, Seabeco’s representative in Ukraine. In 1993, the Yeltsin government reportedly accused Birshtein of [illegally exporting seven million tons of Russian oil](#) and laundering the proceeds.⁴⁷ Dmytro Iakoubovski, a former associate of Birshtein’s who had also moved to Toronto, was said to be cooperating with the Russian investigation. One night a gunman fired three shots into Iakoubovski’s home, leaving a note warning him to cease his cooperation, according to a [New York Times article](#) published that year. As noted above, according to the Belgian newspaper *Le Soir*, [two members of Bayrock’s Eurasian Trio](#) were also involved in Seabeco during this period as well—Patokh Chodiev and Alexander Mashkevich. Chodiev reportedly first met Birshtein through the Soviet Foreign Ministry, and then went on to run Seabeco’s Moscow office before joining its Belgium office in 1991. *Le Soir* further claims that Mashkevich worked for Seabeco too, and that this was actually how he and Chodiev had first met. All this is fascinating, but what about the connections between Birshtein and Trump’s Toronto business associate, Alex Shnaider? Again, the leads we have are tantalizing. The [Toronto Globe and Mail reported](#) that in 1991, while enrolled in law school, young Alex Shnaider started working for Birshtein at Seabeco’s Zurich headquarters, where he was reportedly introduced to steel trading. Evidently this was much more than just a job; the Zurich company registry lists “Alex Shnaider” as a director of “Seabeco Metals AG” from March 1993 to January 1994.⁴⁸ In 1994, [according to this account](#), he reportedly left Seabeco in January 1994 to start his own trading company in Antwerp, in partnership with a Belgian trader-partner. Curiously, [Le Soir also says](#) that Mikhaylov and Birshtein co-founded MAB International in Antwerp in January 1994. Is it far-fetched to suspect that Alex Shnaider and mob boss Mikhaylov might have crossed paths, since they were both in the same city and they were both close to Shnaider’s father-in-law? According to *Forbes*, soon after Shnaider moved to Antwerp, he started [visiting the factories of his steel trading partners](#) in Ukraine.⁴⁹ His favorite client was the [Zaporizhstal steel mill](#), Ukraine’s fourth largest. At the Zaporizhstal mill he reportedly met Eduard Shifrin (aka Shyfrin), a metals trader with a doctorate in metallurgical engineering. Together they founded Midland Resource Holdings Ltd. in 1994.⁵⁰ As the *Forbes* piece argues, with privatization sweeping Eastern Europe, private investors were jockeying to buy up the government’s shares in Zaporizhstal. But most traders lacked the financial backing and political connections to accumulate large risky positions. Shnaider and Shifrin, in contrast, started buying up shares without limit, as if their pockets and connections were very deep. By 2001 they had purchased 93 percent of the plant for about \$70 million, a stake that would be worth much more just five years later, when Shnaider reportedly turned down a \$1.2 billion offer. Today, Midland Resources Holdings Ltd. reportedly generates more than \$4 billion a year of revenue and has numerous subsidiaries all across Eastern Europe.⁵¹ Shnaider also [reportedly](#) owns Talon International Development, the firm that oversaw construction of the Trump hotel-tower in Toronto. All this wealth apparently helped Iceland’s FL Group decide that it could afford to extend a €45.8 million loan to Alex Shnaider in 2008 to buy a yacht.⁵² As of December 2016, a search of the Panama Papers database found no fewer than 28 offshore companies that have been associated with “Midland Resources Holding Limited.”⁵³ According to the database, “Midland Resources Holding Limited” was a shareholder in at least two of these companies, alongside an individual named “Oleg Sheykhametov.”⁵⁴ The two companies, [Olave Equities Limited](#) and [Colley International Marketing SA](#), were both registered and active in the British Virgin Islands from 2007–10.⁵⁵ A Russian restaurateur by that same name [reportedly runs a](#)

[business owned by two other alleged Solntsevskaya mob associates](#), Lev Kvetnoy and Andrei Skoch, both of whom appear with Sergei Mikhaylov. Of course mere inclusion in such a group photo is not evidence of wrongdoing. (See [the photo here](#).) According to *Forbes*, [Kvetnoy is the 55th richest person in Russia](#) and [Skoch, now a deputy in the Russian Duma, is the 18th](#).⁵⁶ Finally, it is also intriguing to note that Boris Birshtein is also listed as the President of “ME Moldova Enterprises AG,” a Zurich-based company” that was founded in November 1992, transferred to the canton of Schwyz in September 1994, and liquidated and cancelled in January 1999.⁵⁷ Birshtein was a member of the company’s board of directors from November 1992 to January 1994, when he became its President. At that point he was succeeded as President in June 1994 by one “Evsei Schnaider, Canadian citizen, resident in Zurich,” who was also listed as director of the company in September 1994.⁵⁸ “Evsei Schnaider” is also listed in the Panama registry as a Treasurer and Director of “The Seabeco Group Inc.,” formed on December 6, 1991,⁵⁹ and as treasurer and director of Seabeco Security International Inc.,” formed on December 10, 1991. As of December 2016, both companies are still in existence.⁶⁰ Boris Birshtein is listed as president and director of both companies.⁶¹ The Case of Paul Manafort’s Ukrainian Oligarchs Our fifth Trump associate profile concerns the Russo/Ukrainian connections of [Paul Manafort](#), the former Washington lobbyist who served as Donald [Trump’s national campaign director](#) from April 2016 to August 2016. Manafort’s partner, Rick Davis, also served as [national campaign manager for Senator John McCain](#) in 2008, so this may not just be a Trump association. One of Manafort’s biggest clients was the dubious pro-Russian Ukrainian billionaire Dmytro Firtash. By his own admission, Firtash maintains strong ties with a recurrent figure on this scene, [the reputed Ukrainian/Russian mob boss Semion Mogilevich](#). His most important other links are almost certainly to Putin. Otherwise it is difficult to explain how this [former used-car salesman](#) could gain a lock on trading goods for gas in Turkmenistan and also become a lynchpin investor in the Swiss company RosUrEnerg, which controls Gazprom’s gas sales to Europe.⁶² In 2008, Manafort teamed up with a former manager of the Trump Organization to purchase the Drake Hotel in New York for up to \$850 million, with Firtash agreeing to invest \$112 million. According to a [lawsuit brought against Manafort and Firtash](#), the key point of the deal was not to make a carefully-planned investment in real estate, but to simply launder part of the huge profits that Firtash had skimmed while brokering dodgy natural gas deals between Russia and Ukraine, with Mogilevich acting as a “[silent partner](#).” Ultimately Firtash pulled out of this Drake Hotel deal. The reasons are unclear—it has been suggested that he needed to focus on the 2015 collapse and nationalization of his Group DF’s Bank Nadra back home in Ukraine.⁶³ But it certainly doesn’t appear to have changed his behavior. Since 2014 there has been a spate of other Firtash-related prosecutions, with the United States trying to extradite from Austria in order to stand trial on allegations that his vast spiderweb “Group DF” had bribed Indian officials to secure mining licenses. The Austrian court has required him to put up a record-busting €125 million bail while he awaits a decision.⁶⁴ And just last month, Spain has also tried to extradite Firtash on a separate money laundering case, involving [the laundering of €10 million](#) through Spanish property investments. After Firtash pulled out of the deal, Manafort reportedly turned to Trump, but he [declined to engage](#). Manafort stepped down as Trump’s campaign manager in August of 2016 in response to press investigations into his ties not only to Firtash, but to Ukraine’s previous pro-Russian Yanukovich government, which had been deposed by a uprising in 2014. [However, following the November 8 election, Manafort reportedly returned](#) to advise Trump on staffing his new administration. He got an assist from Putin—on November 30 a spokeswoman for the Russian Foreign Ministry [accused Ukraine of leaking stories about Manafort in an effort to hurt Trump](#). The Case of “Well-Connected” Russia/FSU Mobsters Finally, several other interesting Russian/FSU connections have a more residential flavor, but they are a source of very important leads about the Trump network. Indeed, partly because it has no prying co-op board, Trump Tower in New York has [received press attention](#) for including among its many honest residents tax-dodgers, bribers, arms dealers, convicted cocaine traffickers, and corrupt former FIFA officials.⁶⁵ One typical example involves the alleged Russian mobster Anatoly Golubchik, who went to prison in 2014 for running an [illegal gambling ring](#) out of Trump Tower—not only the headquarters of the Trump Organization but also the former headquarters of Bayrock Group LLC. This operation reportedly took up the [entire 51st floor](#). Also reportedly involved in it was the alleged mobster [Alimzhan Tokhtakhounov](#),⁶⁶ who has the distinction of making the *Forbes* 2008 list of the [World’s Ten Most Wanted Criminals](#), and whose organization the FBI believes to be [tied to Mogilevich’s](#). Even as this gambling ring was still operating in Trump Tower, Tokhtakhounov [reportedly travelled to Moscow](#) to attend Donald Trump’s 2013 Miss Universe contest as a special VIP. In the Panama Papers database we do find the name “[Anatoly Golubchik](#).” Interestingly, his particular offshore company, “Lytton Ventures Inc.,”⁶⁷ shares a corporate director, Stanley Williams, with a company that may well be connected to our old friend Semion Mogilevich, the Russian mafia’s alleged “Boss of Bosses” who appeared so frequently in the story above. Thus Lytton Ventures Inc. shares this particular director with another company that is held under the name of “Galina Telesh.”⁶⁸ According to the [Organized Crime and Corruption Reporting Project](#), multiple offshore companies belonging to Semion Mogilevich have been registered under this same name—which just happens to be that of Mogilevich’s first wife. A 2003 indictment of Mogilevich also mentions two offshore companies that he is said to have owned, with names that include the terms “Arbat” and “Arigon.” The same corporate director shared by Golubchik and Telesh also happens to be a director of a company called Westix Ltd.,⁶⁹ which shares its Moscow address with “Arigon Overseas” and

“Arbat Capital.”⁷⁰ And another company with that same director appears to belong to Dariga Nazarbayeva, the eldest daughter of Nursultan Nazarbayev, the long-lived President of Kazakhstan. Dariga is [expected to take his place](#) if he ever decides to leave office or proves to be mortal. Lastly, Dmytro Firtash—the Mogilevich pal and Manafort client that we met earlier—also turns up in the Panama Papers database as part of Galina Telesh’s network neighborhood. A director of Telesh’s “Barlow Investing,” Vasliki Andreou, was also a nominee director of a Cyprus company called “[Toromont Ltd.](#),” while another Toromont Ltd. nominee director, [Annex Holdings Ltd.](#), a St. Kitts company, is also listed as a shareholder in Firtash’s Group DF Ltd., along with Firtash himself.⁷¹ And [Group DF’s CEO](#), who allegedly worked with Manafort to channel Firtash’s funding into the Drake Hotel venture, is also listed in the Panama Papers database as a Group DF shareholder. Moreover, a [2006 Financial Times investigation](#) identified three other offshore companies that are linked to both Firtash and Telesh.⁷²

Anatoly Golubchik’s Panama Papers Network Neighborhood

Of course, all of these curious relationships may just be meaningless coincidences. After all, the director shared by Telesh and Golubchik is also listed in the same role for more than 200 other companies, and more than a thousand companies besides Arbat Capital and Arigon Overseas share Westix’s corporate address. In the burgeoning land of offshore havens and shell-game corporate citizenship, there is no such thing as overcrowding. The appropriate way to view all this evidence is to regard it as “Socratic:” raising important unanswered questions, not providing definite answers.

In any case, returning to Trump’s relationships through Trump Tower, another odd one involves the 1990s-vintage fraudulent company [YBM Magnex International](#). YBM, ostensibly a world-class manufacturer of industrial magnets, was founded indirectly in Newtown, Bucks County, Pennsylvania in 1995 by the “boss of bosses,” Semion Mogilevich, Moscow’s “brainy Don.” This is a fellow with an incredible history, even if only half of what has been written about him is true.⁷³ Unfortunately, we have to focus here only on the bits that are most relevant. Born in Kiev, and now a citizen of Israel as well as Ukraine and Russia, Semion, now seventy, is a lifelong criminal. But he boasts an undergraduate economics degree from Lviv University, and is reported to take special pride in designing sophisticated, virtually undetectable financial frauds that take years to put in place. To pull them off, he often relies on the human frailties of top bankers, stock brokers, accountants, business magnates, and key politicians.⁷⁴ In YBM’s case, for a mere \$2.4 million in bribes, Semion and his henchmen spent years in the 1990s launching a product-free, fictitious company on the still-badly under-regulated Toronto Stock Exchange. Along the way they succeeded in securing the support of several leading Toronto business people and a former Ontario Province Premier to win a seat on YBM’s board. They also paid the “Big Four” accounting firm Deloitte Touche very handsomely in exchange for glowing audits. By mid-1998, YBM’s stock price had gone from less than \$0.10 to \$20, and Semion cashed out at least \$18 million—a relatively big fraud for its day—before the FBI raid its YBM’s corporate headquarters. When it did so, it found piles of bogus invoices for magnets, but no magnets.⁷⁵ In 2003, Mogilevich was indicted in Philadelphia on 45 felony counts for this \$150 million stock fraud. But there is no extradition treaty between the United States and Russia, and [no chance](#) that Russia will ever extradite Semion voluntarily; he is arguably a national treasure, especially now. Acknowledging these realities, or perhaps for other reasons, the [FBI quietly removed Mogilevich from its Top Ten Most Wanted list in 2015](#), where he had resided for the previous six years.⁷⁶ For our purposes, one of the most interesting things to note about this YBM Magnex case is that its CEO was a Russian-American named Jacob Bogatin, who was also indicted in the Philadelphia case. His brother David had [served in the Soviet Army](#) in a North Vietnamese anti-aircraft unit, helping to shoot down American pilots like Senator John McCain. Since the early 1990s, David Bogatin was considered by the FBI to be one of the key members of Semion Mogilevich’s Russian organized crime family in the United States, with a long string of convictions for big-ticket Mogilevich-type offenses like [financial fraud and tax dodging](#). At one point, David Bogatin owned five separate condos in Trump Tower that Donald Trump had reportedly sold to him *personally*.⁷⁷ And Vyacheslav Ivankov, another key Mogilevich lieutenant in the United States during the 1990s, also resided for a time at Trump Tower, and reportedly had in his personal phone book the private telephone and fax numbers for the Trump Organization’s office in that building.⁷⁸ So what have we learned from this deep dive into the network of Donald Trump’s Russian/FSU connections? First, the President-elect really is very “well-connected,” with an extensive network of unsavory global underground connections that may well be unprecedented in White House history. In choosing his associates, evidently Donald Trump only pays cursory attention to questions of background, character, and integrity. Second, Donald Trump has also literally spent decades cultivating senior relationships of all kinds with Russia and the FSU. And public and private senior Russian figures of all kinds have likewise spent decades cultivating him, not only as a business partner, but as a “useful idiot.” After all, on *September 1, 1987 (!)*, Trump was already willing to spend a \$94,801 on full-page ads in the *Boston Globe*, the *Washington Post*, and the *New York Times* calling for the United States to stop spending money to defend Japan, Europe, and the Persian Gulf, “an area of only marginal significance to the U.S. for its oil supplies, but one upon which Japan and others are almost totally dependent.”⁷⁹ This is one key reason why just this week, Robert

Gates—a registered Republican who served as Secretary of Defense under Presidents Bush and Obama, as well as former Director and Deputy Director of the CIA—criticized the response of Congress and the White House to the alleged Putin-backed hacking as far too “laid back.”⁸⁰ Third, even beyond questions of illegality, the public clearly has a right to know much more than it already does about the nature of such global connections. As the opening quote from Cervantes suggests, these relationships are probably a pretty good leading indicator of how Presidents will behave once in office. Unfortunately, for many reasons, this year American voters never really got the chance to decide whether such low connections and entanglements belong at the world’s high peak of official power. In the waning days of the Obama Administration, with the Electoral College about to ratify Trump’s election and Congress in recess, it is too late to establish the kind of bipartisan, 9/11-type commission that would be needed to explore these connections in detail. Finally, the long-run consequence of careless interventions in other countries is that they often come back to haunt us. In Russia’s case, it just has.

¹Author’s estimates; see globalhavenindustry.com for more details.

²For an overview and critical discussion, see [here](#).³See Lawrence Klein and Marshall Pomer, *Russia’s Economic Transition Gone Awry* (Stanford University Press, 2002); see also James S. Henry and Marshall Pomer, “A Pile of Ruble,” *New Republic*, September 7, 1998.⁴See this [Washington Post report](#), which counts just six bankruptcies to the Trump Organization’s credit, but excludes failed projects like the Trump SoHo, the Toronto condo-hotel, the Fort Lauderdale condo-hotel, and many others Trump was a minority investor or had simply licensed his brand.⁵For example, the Swiss federal and cantonal corporate registries, available [here](#).⁶For ICIJ’s April 2016 “Panama Papers” database of offshore companies, see [here](#).⁷Trump’s minority equity deal with Bayrock was unlike many others, where he simply licensed his name. See this [March 2008 New York Magazine piece](#).⁸“I dealt mostly with Tefvik,” [he said in 2007](#).⁹[Case 1:09-cv-21406-KMW Document 408-1](#). Entered on FLSD Docket 11/26/2013. p. 15.¹⁰[Source](#).¹¹Bayrock reported its co-ownership of six Rixos hotels in a [2007 press release](#).¹²See also Salihovic, Elnur, *Major Players in the Muslim Business World*, p.107, and [this Telegraph piece](#).¹³See also [Zambia, Mining, and Neo-Liberalism](#); *Brussels Times*; and *Le Soir*.¹⁴According to the Panama Papers database, “International Financial Limited” was registered on April 3, 1998, but is no longer active today, although no precise deregistration date is available. [Source](#).¹⁵According to the Panama Papers, “Group Rixos Hotel” is still active company, while three of the four companies it serves were struck off in 2007 and the fourth, Hazara Asset Management, in 2013.¹⁶[Source](#).¹⁷See also [TurizmGüncel.com](#) and *Le Grand Soir*.¹⁸[Case 1:09-cv-21406-KMW Document 408-1](#). Entered on FLSD Docket 11/26/2013. p. 16.¹⁹The exact date that Sater joined Bayrock is unclear. A *New York Times* article says 2003, but this appears to be too late. Sater says 1999, but this is much too early. A certified petition filed with the U.S. Supreme Court places the time around 2002, which is more consistent with Sater’s other activities during this period, including his cooperation with the Department of Justice on the Coppa case in 1998–2001, and his foreign travel.²⁰See *Financial Times*, *New York Times*, and *Washington Post*. Note that previous accounts of Sater’s activities have overlooked the role that this very permissive relationship with federal law enforcement, especially the FBI, may have played in encouraging Sater’s subsequent risk-taking and financial crimes. See [here](#).²¹See [here, p. 13](#).²²Sater’s 1998 case, never formally sealed, was *U.S. v. Sater*, 98-CR-1101 (E.D.N.Y.) The case in which Sater secretly informed was *U.S. v. Coppa*, 00-CR-196 (E.D.N.Y.). See also [this piece in the Daily Beast](#).²³[Source](#). Sater also may have taken other steps to conceal his criminal past. According to the 2015 lawsuit filed by x Bayrocker Jody Kriss, Arif agreed to pay Sater his \$1 million salary under the table, allowing Sater to pretend that he lacked resources to compensate any victims of his prior financial frauds. See *Kriss v. Bayrock*, pp. 2, 18. The lawsuit also alleges that Sater may have held a majority of Bayrock’s ownership, but that Arif, Sater and other Bayrock officers may have conspired to hide this by listing Arif as the sole owner on offering documents.²⁴See [here](#), p. 155.²⁵“Former FL Group manager,” interview with London, August 2016. Sigrun Davidsdottir, Iceland journalist.²⁶See “[Report of the Special Investigation Commission on the 2008 Financial Crisis](#)” (April 12, 2010).²⁷These loans are disclosed in the Kaupthing Bank’s “Corporate Credit – Disclosure of Large Exposures > €40 mm.” loan book, September 15, 2008. This document was disclosed by Wikileaks in 2009. See [this Telegraph piece](#). <http://file.wikileaks.info/leak/kaupthing-bank-before-crash-2008.pdf>, p.145 (€79.5mm construction yacht loan to Russian vodka magnate Yuri Shefler’s Serena Equity Ltd.); p. 208 (€45.8 mm yacht construction loan to Canadian-Russian billionaire Alex Shnaider’s Filbert Pacific Ltd.).²⁸Kriss lawsuit, op. cit.; author’s analysis of Kaupthing/ FL G employees published career histories.²⁹Author’s interview, “Iceland Economist,” Reykjavik, July 2016.³⁰[Source](#). The passage in Russian, with the father’s name underlined, is as follows: “Родители Алекса Шнайдера владели одним из первых успешных русских магазинов в русском квартале Торонто. Алекс помогал в бизнесе отцу — Евсею Шнайдеру, расставляя на полках товар и протирая полы. С юных лет в Алексее зрела предпринимательская жилка. Живя с родителями, он стал занимать деньги у их друзей и торговать тканями и электроникой с разваливающимися в конце 80-х годов советскими предприятиями.” “Евсею Шнайдеру” is the dative case of “Евсей Шнайдер,” or “Evsei Shnaider,” the father’s name in Russian.³¹The [Zurich company registry](#) reports that “Seabeco SA” (CHE-104.863.207) was initially registered on December 16, 1982, with “Boris Joseph Birshtein, Canadian citizen, resident in Toronto” as its President. It

entered liquidation on May 5, 1999, in Arth, handled by the Swiss trustee Paul Barth. The Zurich company registry listed “Boris Joseph Birshtein, Canadian citizen, resident in Toronto,” as the President of Seabeco Kirgizstan AG in 1992, while “Boris Joseph Birshtein, Canadian citizen, resident in Zurich,” was listed as the company’s President in 1993. “Boris Birshtein” is also listed as the President and director of a 1991 Panama company, The Seabeco Group, Inc. as of December 6 1991. See below.³²[Source](#).³³The Zurich company registry reports that “Seabeco SA” (CHE-104.863.207) was initially registered on December 16, 1982, with “Boris Joseph Birshtein, Canadian citizen, resident in Toronto” as its President. According to the registry, it entered liquidation on May 5, 1999. See also [this](#). The liquidation was handled by the Swiss trustee Paul Barth, in Arth.³⁴For Seabeco’s Antwerp subsidiary, see [here](#).³⁵“Royal HTM Group, Inc.” of Toronto, (Canadian Federal Corporation # 624476-9), owned 50-50 by Birshtein and his nephew. [Source](#).³⁶Birshtein was a director of [Seabeco Capital Inc.](#) (Canadian Federal Incorporatio # 248194-4,) a Winnipeg company created June 2, 1989, and dissolved December 22, 1992.³⁷Since 1998, Boris Birshtein (Toronto) has also served as Chairman, CEO, and a principle shareholder of “Trimol Group Inc.,” a publicly-traded Delaware company that trades over the counter. (Symbol: TMOL). Its product line is supposedly “computerized photo identification and database management system utilized in the production of variety of secure essential government identification documents.” See [Bloomberg](#). However, according to [Trimol’s July 2015 10-K](#), the company has only had one customer, the former FSU member Moldova, with which Trimol’s wholly owned subsidiary Intercomsoft concluded a contract in 1996 for the production of a National Passport and Population Registration system. That contract was not renewed in 2006, and the subsidiary and Trimol have had no revenues since then. Accordingly, as of 2016 Trimol has only two part time employees, its two principal shareholders, Birshtein and his nephew, who, directly and indirectly account for 79 percent of Trimol’s shares outstanding. According to the July 2015 10-K, Birshtein, in particular, owned 54 percent of TMOL’s outstanding 78.3 million shares, including 3.9 million by way of “Magnum Associates, Inc.,” which the 10-K says only has Birshtein as a shareholder, and 34.7 million by way of yet another Canadian company, “Royal HTM Group, Inc.” of Ontario (Canadian Federal Corporation # 624476-9), which is owned 50-50 by Birshtein and a nephew. It is interesting to note according to the Panama Papers database, a Panama company called “Magnum Associates Inc. was incorporated on December 10, 1987, and struck off on March 10, 1989. [Source](#). As of December 2016, TMOL’s stock price was zero.³⁸See the case of Trimol Group Inc above. The Seabeco Group, Inc., a Panama company that was formed in December 1991, apparently still exists. Boris J. Birshtein is listed as this company’s Director and President. See “The Seabeco Group Inc.” registered in Panama by Morgan Y Morgan, 1991-12.06, with “Numero de Ficha” 254192; source [here](#) and [here](#).³⁹As of December 2016, the [Zurich company registry](#) listed a Zurich company called “Conim Investment AG” (CH-020.3.002.334-7) was originally formed in May 1992, and in January 1995 was transferred to Arth, in the Canton of Schwyz, where it is still in existence. (CHE-102.029.498). This is confirmed by the [Schwyz Canton registry](#). According to these registries, Conim Investment AG is the successor company to two other Zurich companies, “Seabeco Kirgizstan AG,” formed in 1992, and “KD Kirgizstan Development AG,” its direct successor. [Source](#). The Swiss federal company registry also reports the following Swiss companies in which Boris J.Birshtein has been an officer and or director, all of which are now in liquidation: (1) Seabeco Trade and Finance AG (CH-020.3.002.179-4, 4/3/92-11/30/98), ; (2) Seabeco SA (CHE-104.863.207,12/16/82-5/9/99) ; (3) Seabeco Metals AG (4/3/92-6/11/96); (4) BNB Trading AG (CH-020.3.002.181-9, 1/10/92-11/19/98) ; and (5) ME Moldova Enterprises AG (CH-020.3.003.104-1, 11/10/92-9/16/94). All of these liquidations were handled by the same trustee, Paul Barth in Arth.⁴⁰As of December 2016, active Birshtein companies include “Conim Investment AG” (CH-020.3.002.334-7) in the Swiss Canton of Schwyz and he Seabeco Group, Inc. in Panama.⁴¹For example, the Zurich and Schwyz company registries indicates that the following have been board members of Birshtein companies: (1) [Seabeco Trade and Finance AG](#): Iouri Orlov (citizen of Russia, resident of Moscow), Alexander Griaznov (citizen of Russia, resident of Basserdorf Switzerland), and Igor Filippov (citizen of Russia, resident of Basel). (2) [ME Moldova Enterprises](#): Andrei Keptein (citizen of FSU/ Moldova; Evsei Shnaider (Russian émigré to Canada); (3) [Seabeco Kirigizstan/ Conim Investment AG](#): Sanjarbek Almatov (citizen of Bishkek, FSU/ Kirgizstan), Toursounbek Tchynguychev (citizen of Bishkek, FSU/Kirgizstan), Evsei Shnaider (Russian émigré to Canada); (4) [BNB Trading AG](#): Yuri Spivak (Russian émigré to Canada); (5) [Seabeco Metals AG](#): Alex Shnaider (Russian émigré to Canada).⁴²Charles Clover, “Ukraine: Questions over Kuchma’s adviser cast shadows,” *Financial Times*, October 30, 1999, available [here](#). See also Misha Glenn, 2009. *McMafia: A Journey Through the Global Criminal Underworld* (Vintage Books), pp. 63–5.⁴³Clover, “Ukraine: Questions over Kuchma’s adviser cast shadows.”⁴⁴See FBI, Organizational Intelligence Unit (August 1998), “Semion Mogilevich Organization: Eurasian Organized Crime,” available [here](#).⁴⁵Clover, “Ukraine: Questions over Kuchma’s adviser cast shadows.”⁴⁶Clover, “Ukraine: Questions over Kuchma’s adviser cast shadows.”⁴⁷“[Boris knows everyone](#),” *Toronto Star*, August 28, 1993.⁴⁸See Zurich corporate registry for “Seabeco Metals AG” (CH-020.3.002.181-9), formed 4/3/92 and liquidated 6/11/96.⁴⁹[Source](#).⁵⁰[Source](#).⁵¹[Source](#).⁵²See Kaupthing Bank, “Loan Book, September 2008,” [Wikileaks](#).⁵³The [Panama Papers database](#) provides an address for “Midland Resources Holding Limited” that exactly matches the company’s [corporate address in Guernsey](#), as noted by Bloomberg’s corporate data base. Here are the 28 companies that are associated with Midland in database: [Aligory Business Ltd.](#); [Anglesey](#)

[Business Ltd.](#); [Blue Industrial Skies Inc.](#); [CI 850 Aviation Holdings Ltd.](#); [CI 850 Aircraft Investments Ltd.](#); [Caray Business Inc.](#); [Challenger Aircraft Company Limited](#); [Colley International Marketing S.A.](#); [East International Realty Ltd.](#); [Filbert Pacific Limited](#); [Gorlane Business Inc.](#); [Jabar Incorporated](#); [Jervois Holdings Inc.](#); [Kerryhill Investments Corp.](#); [Leaterby International Investments Corp.](#); [Maddocks Equities Ltd.](#); [Maverfin Holding Inc.](#); [Midland Maritime Holding Ltd.](#); [Midland River-Sea Holding Ltd.](#); [Midland Drybulk Holding Ltd.](#); [Midland Fundco Ltd.](#); [Norson Investments Corp.](#); [Olave Equities Limited](#); [Orlion Business Incorporated](#); [Perseus Global Inc.](#); [Sellana Investments Global Corp.](#); [Stogan Assets Incorporated](#); [Toomish Asset Ltd.](#)⁵⁴With the address “11 First Tverskaya-Yamskaya Street; apt. 42; Moscow; Russia.”: [here](#), [here](#), and [here](#).⁵⁵As for the Midland-related offshore vehicles still listed as active, one shareholder in two of them—Stogan Assets Incorporated and Blue Sky Industries Inc.—happens to have the same name as Russia’s Deputy Culture Minister Gregory Pirumov, [reportedly arrested in March 2016](#) on embezzlement charges. The “Gregory Pirumov” in the [Panama Papers](#) has a registered address in Moscow (4 Beregovskaya Quay; 121059), as do the reported agents of these two companies: “Global Secretary Services Ltd. Mal. Tolmachevskiy pereulok 10 Office No.3 Moscow, Russia 119017 Attention: Katya Skupova.” See [here](#). A “Georgy Pirumov” is also [listed separately](#) in the Panama Papers as having been a shareholder in the same two companies. For what it is worth, in September 2016, one “Georgy Pirumov” was convicted in Moscow of “illegally taking over a building in Gogolevsky Boulevard,” and sentenced to 20 months in a minimum-security correctional facility. See [The Investigative Committee of the Russian Federation](#), Sept 15, 2016. At this point, however, we need to emphasize that there is still plenty that needs to be investigated—we cannot yet confirm whether “Georgy” and “Gregory” are the same person, whether they are related, how they might be related to Shneider’s Mineral Resources, or whether they are the same people named in the articles just noted above about criminal prosecutions.⁵⁶[Source](#).⁵⁷See [Schwyz canton corporate registry](#), “ME Moldova Enterprises AG,” CH-130.0.007.159-5.⁵⁸See [Zurich corporate registry](#), “ME Moldova Enterprises AG,” CH-020.3.003.104-1 (11/10/92-9/16/94).⁵⁹See “Seabeco Group Inc.,” [Panama Corporate Registry # 254192](#), formed 12-6-1991.⁶⁰See “Seabeco Security Intl Inc.” [Panama Corporate Registry #254206](#), formed 12-10-1991.⁶¹See footnotes 58 and 59.⁶²[Source](#).⁶³See [Unian Information Agency](#).⁶⁴[Source](#).⁶⁵See [Transparency International Russia](#).⁶⁶A.K.A. “Tochtachunov.” See FBI, Organizational Intelligence Unit (August 1998), “[Semion Mogilevich Organization: Eurasian Organized Crime](#).”⁶⁷According to the [Panama Papers](#), as of December 2016, Lytton Ventures Inc., incorporated in 2006, was still an active company but its registration jurisdiction was listed as “unknown.”⁶⁸For Telesh’s company the director’s name is given as “Stanley Williams,” as compared with “Stanley Edward Williams” in Golubchik’s, but they have the same address. See [here](#). Telesh’s company, Barlow Investing, was incorporated in 2004. In the PP database, as of December 2016 its status was “Transferred Out,” although its de-registration date and registration jurisdiction are unknown.⁶⁹Westix Ltd., registered in 2005, is still active, according to the [Panama Papers](#).⁷⁰In the Panama Papers, Telesh’s company and Golubchik’s reportedly have the same director, one Stanley Williams. Williams is also reportedly a director of Westix, which shares its address with two other offshore companies that use corporate names that Mogilevich has reportedly used at least [twice each](#) in the past. Arbat Capital, registered in 2003, was still active as of December 2016, as was Arigon Overseas, registered in 2007.⁷¹See the diagram below.⁷²These three offshore companies are not in the Panama Papers database. Firtash acknowledged these connections to Telesh but still [told FT reporters](#) that he didn’t know her. The three companies identified in the report are (1) Highrock Holdings, which Firtash and Telesh each reportedly owned 1/3rd of, and where Firtash served as director beginning in 2001; (2) Agatheas Holdings, where Firtash apparently replaced Telesh as director in 2003; and (3) Elmstad Trading, a Cyprus company owned by Firtash which in 2002 transferred the shares of a Russian company named Rinvey to Telesh and two other people: one of them Firtash’s lawyer and the other the wife of a reputed Mogilevich business partner. See also [here](#).⁷³On Mogilevich, see, for example, [this](#).⁷⁴See also FBI, Organizational Intelligence Unit (August 1998), “[Semion Mogilevich Organization; Eurasian Organized Crime](#),” available [here](#).⁷⁵[Source](#).⁷⁶See [FBI archives](#) and [Slate](#).⁷⁷David Cay Johnston, interview with the author, November 2016. Wayne Barrett, *Trump: The Greatest Show on Earth: The Deals, the Downfall, the Reinvention* (Regan Arts, 2016).⁷⁸Johnston, interview; see also [here](#). In another interesting coincidence, the President of YBM Magnex was also reportedly a financial director of Highrock in the late 1990s, before Manafort-client Dmytro Firtash joined the company as a director in 2001. See note 151. [Source](#).⁷⁹[Source](#).⁸⁰[Source](#).

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