

## Russia's Alfa Group

### Overview

**Alfa Group** is a \$20-billion Russian conglomerate involved in banking and energy that maintains extremely close ties to the Kremlin, and President **Vladimir Putin**. Alfa operates in the US with more success and sophistication than any other Russian business group. The Alfa Group shareholders also control an international energy and telecommunications empire through Luxembourg-registered **LetterOne Holdings**.

**Mikhail Fridman**, a Ukrainian by birth, founded the group as a commodities trader in 1989. He soon recruited former government minister **Pyotr Aven** to develop Alfa Bank. With Russian partners, Alfa Group established control over Siberian oil company TNK, which they merged with BP's Russian assets. Alfa's shareholders gained more than US\$9 billion when the company was sold at the top of the market in 2013. Much of these funds were re-invested internationally through LetterOne.

Fridman and Aven are legendary for their aggressive tactics, which include espionage and harassment of adversaries. Alfa Group is perhaps most notorious for an alleged campaign of intimidation, harassment and espionage against BP in an effort to pressure the British oil giant to sell its Russian oil interests. The "orchestrated campaign of harassment," which allegedly included Alfa-instigated police raids and spying, famously resulted in the 2008 departure of **BP executive Robert Dudley**, an American citizen, from Moscow.<sup>1</sup> Dudley is today BP's CEO.

According to a US court ruling in 2005, the two men "have been dogged by allegations of corruption and illegal conduct. Russian newspapers have published repeated claims that Aven and Fridman have rigged the auction of state assets through government connections, threatened the lives of government officials, ordered the assassination of a mobster, and engaged in narcotics trafficking and money laundering."<sup>2</sup> Despite the allegations, the men have avoided visa bans and other sanctions imposed on oligarchs with similarly colorful pasts, such as **Oleg Deripaska**.

As Minister of Foreign Economic Relations, Aven worked with Russian President Vladimir Putin in the government of St. Petersburg in the early 1990s and is credibly accused of involvement in some of Putin's earliest corruption schemes. Not least, Aven ignored corruption accusations leveled against Putin for false registration of licenses in his role as the head of the city's Committee for Foreign Economic Liaison<sup>3</sup>. Critics allege this is suggestive of collusion between Aven and Putin, and point to Alfa's subsequent charmed fortunes in Moscow -- including successful campaigns against two of Putin's closest Kremlin allies with no retaliation whatsoever.

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<sup>1</sup> <https://www.theguardian.com/business/2008/jul/25/bp.oil>

<sup>2</sup> [https://www.gpo.gov/fdsys/pkg/USCOURTS-dcd-1\\_00-cv-02208/pdf/USCOURTS-dcd-1\\_00-cv-02208-0.pdf](https://www.gpo.gov/fdsys/pkg/USCOURTS-dcd-1_00-cv-02208/pdf/USCOURTS-dcd-1_00-cv-02208-0.pdf)

<sup>3</sup> "Putin's Kleptocracy: Who Owns Russia," Karen Dawisha, accessed electronically.

Alfa enjoys high-level contacts in Washington, keeps influential figures on retainer, funds American political campaigns through its US network, and has sponsored numerous individuals who now serve in government and the media. Alfa is a particularly skilled practitioner of deep lobbying through numerous influential US think tanks and several “fellowship” programs that build loyalty among policymakers.

Aven sits on the board of directors of **Moscow’s New Economic School**, Russia’s only privately-funded university, which Alfa funds generously. **Carter Page**, a foreign policy adviser to Republican presidential nominee **Donald Trump**, addressed the school’s graduating ceremony on July 8, 2016 – a trip criticized by Senate minority leader Harry Reid, among others. His speech was supportive of Putin and harshly critical of the U.S. and President Barack Obama. Obama addressed the school’s graduating class in 2009.

### *US Influence*

Alfa’s leading American political adviser is former diplomat **Richard Burt**, who has confirmed that he contributed material to an April 27 foreign-policy speech by Donald Trump but denies acting as a Trump campaign advisor.<sup>4</sup> Burt, a former U.S. ambassador to Germany, works for **McLarty Associates**.

Alfa’s other major advisor in Washington for many years was the Republican lobbyist **Ed Rogers** of BGR. Lobbying records show that Alfa quietly terminated BGR in the spring of 2015 as Trump was launching his presidential campaign. Rogers is a frequent critic of Trump.

White House records show that Fridman and Aven made multiple visits to the White House complex in 2009-2012, meeting privately with top US national security and foreign policy officials. The meetings, which were arranged by Rogers and Burt, ended as relations between the Obama administration and the Putin regime soured. Sources have indicated that Fridman and Aven were tasked by the Kremlin with negotiating Russia’s accession to the WTO with the White House – a strong indication of Putin’s trust in the executives as government proxies.

In an effort to avoid economic sanctions and a poor domestic investment climate, Fridman and Aven in 2014-15 moved tens of billions of dollars of capital to Europe into a fund called **LetterOne Holdings SA**, based in Luxembourg. The fund nonetheless became entangled in controversy in 2015 over its acquisition of oil blocks in the North Sea -- which the UK threatened to force the group to divest. It is believed among Russia watchers that Fridman and Aven are almost as eager as the Kremlin to get US and EU sanctions on Russia lifted.

Alfa has long sought to buy more major assets in the US, and is believed to have made a sustained but ultimately unsuccessful attempt to buy a US financial institution during the early years of the Obama administration. It is likely the bid was blocked by US regulatory

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<sup>4</sup> <http://www.reuters.com/article/us-usa-election-trump-adviser-idUSKCN0YU2I9>

concerns. In June of 2016, LetterOne announced it would invest \$2-3 billion in the US health care industry.<sup>5</sup>

### *Alfa Group Background*

Fridman founded commodity trader Alfa Eko – the core of the future Alfa Group – in 1989 with two university friends, **German Khan** and **Alexey Kuzmichev**. In 1991, they launched Alfa Capital and Alfa Bank. Former government minister Peter Aven joined the group in 1993. The identity of the group’s beneficial shareholders in the early years remains a mystery.<sup>6</sup>

Aven brought crucial and lasting government ties to the group, as did the recruitment of **Leonid Vid**, the former head of Gosplan, the Soviet planning agency, and he helmed Alfa Bank during its critical early years of growth. Another key hire was **Vladislav Surkov**, a former military intelligence officer who later served President Putin as his chief spin-doctor in a series of senior positions (today he is an advisor)<sup>7</sup>. Fridman himself became a key political figure during the 1996 re-election campaign of President **Boris Yeltsin**, when he was one of architects of the media blitz that helped defeat the surging communists.

In the late 1990s, Alfa Group recruited a number of Western-trained executives, many with Russian backgrounds. These included such figures as bankers **Alex Knaster** and **Mikhail Alexandrov**, the latter a former Credit Suisse banker who had advised the Russian government on privatization. Alfa Bank in particular became known for hiring top Western talent. These moves were spun as signs of an overall ‘Western’ approach to business.

At the same time, Alfa Group employed a range of tactics that earned it a reputation as one of Russia’s most successful ‘raiders’. In a common tactic, Alfa would acquire a minority shareholding in companies it knew or suspected to be acquisition targets by foreign or domestic groups, and carried out more or less classic greenmail.

It also made frequent use of Russia’s flawed bankruptcy laws, acquiring debt in an enterprise or one of its subsidiaries then using local courts to obtain default and bankruptcy judgments. Most famously, these tactics were used at oil-production subsidiary **Chernogorneft** to gain a blocking stake in oil company **Sidanco** in the late 1990s<sup>8</sup>.

Alfa Group also faced much graver allegations regarding its conduct in this era. **The Center for Public Integrity (CPI)** published an article in 2000 repeating claims made in 1999 in Russian newspapers, as well as allegations made by a senior Russian parliamentarian, and backed by additional sources. The CPI article claimed Fridman and Aven were involved in drug trafficking, money laundering and association with organized crime. Fridman and Aven filed a defamation suit in 2005, which nearly bankrupted the group but was eventually tossed

<sup>5</sup> <http://www.letterone.com/our-businesses/11-health>

<sup>6</sup> <http://www.ft.com/cms/s/0/b47de3d4-c325-11e4-ac3d-00144feab7de.html#axzz4IwVVcBT6>

<sup>7</sup> <https://lenta.ru/lib/14159273/full.htm>

<sup>8</sup> <http://www.nytimes.com/1999/08/13/business/russia-with-bankruptcy-high-cost-for-bp-amoco-s-investment-oil-concern.html?pagewanted=all>

out on the grounds they were public figures<sup>9</sup>. Separately, Alfa was also condemned by the United Nations for violating sanctions in the Iraq oil-for-food program<sup>10</sup>.

Entering the Putin era, Alfa Group was firmly established as one of the country's most powerful business groups and would only grow more powerful under the new president. Spin-doctor Surkov became the president's new deputy chief of staff, launching the regime's youth group and other ideological projects<sup>11</sup>. And Aven, who has had a relationship with Putin going back to at least 1992, solidified his position as one of his closest advisors. In addition, Fridman became a member of the Public Chamber, a high profile if cosmetic project close to the president's heart.

During the 2000s, Alfa Group would demonstrate the strength of its political ties by taking on close associates of Vladimir Putin and consistently winning. The first example was the defeat of long-time Putin associate and then telecommunications minister, **Leonid Reiman**, in a fight for control over Megafon, one of Russia's top cellular carriers<sup>12</sup>. Notably, Alfa launched this fight and prevailed in the aftermath of the collapse of Yukos and exiling of its shareholders.

Alfa Group achieved its greatest success in a battle with **Igor Sechin**, the head of state oil giant Rosneft and a member of Putin's circle. This fight emerged from Alfa's war with joint venture partner BP, first in 2008 and later in 2011, for strategic control over their TNK-BP joint venture. Alfa's strong arm tactics, including the bugging of the office of Robert Dudley, then head of the Russian venture and now BP CEO, did not bring any recriminations from the Kremlin<sup>13</sup>.

In 2011, Alfa initiated fresh hostilities to force BP to meet its demands and push Rosneft to buy it out on the most favorable terms possible. The group had installed US-trained oil executive **Stan Polovets** as the head of the Alfa-BP joint venture and he led a brutal PR campaign against BP<sup>14</sup>. Simultaneously, Alfa sponsored third party lawsuits in obscure Siberian courts seeking billions of dollars in damages to tie up BP and Rosneft for months to improve their negotiating position<sup>15</sup>.

Alfa Group used these trademark tactics in a series of other conflicts with foreign business partners, including Norway's Telenor and Turkey's Cukurova. They also took on powerful Russian business figures, including billionaire oligarch **Alisher Usmanov** over Megafon and billionaire oligarch **Yevgeny Yevtushenkov's** MTS over a Kyrgyz operator, Bitel. These

<sup>9</sup> [https://www.gpo.gov/fdsys/pkg/USCOURTS-dcd-1\\_00-cv-02208/pdf/USCOURTS-dcd-1\\_00-cv-02208-0.pdf](https://www.gpo.gov/fdsys/pkg/USCOURTS-dcd-1_00-cv-02208/pdf/USCOURTS-dcd-1_00-cv-02208-0.pdf)

<sup>10</sup> [http://www.foxnews.com/projects/pdf/final\\_off\\_report.pdf](http://www.foxnews.com/projects/pdf/final_off_report.pdf)

<sup>11</sup> <http://www.theatlantic.com/international/archive/2014/11/hidden-author-putinism-russia-vladislav-surkov/382489/>

<sup>12</sup> <http://www.wsj.com/articles/SB112856247619561303>

<sup>13</sup> <http://www.telegraph.co.uk/finance/newsbysector/energy/8286767/TNK-BP-Bob-Dudley-and-the-billionaire-Russian-partners.html>

<sup>14</sup> <http://www.reuters.com/article/bp-rosneft-aar-idUSLDE70R0WT20110128>

<sup>15</sup> <http://www.nytimes.com/2011/11/12/business/global/bp-wins-legal-victory-for-its-russian-joint-venture.html? r=0>

moves indicate Alfa has serious clout: Both Usmanov and Yevtushenkov are classified as suspected organized crime figures by Western law enforcement agencies.

In almost every dispute, the Alfa group has prevailed and the Russian authorities have remained silent. The recruitment of prominent Western figures, such as Vodafone founder **Sir Julian Horn-Smith** and former UK foreign secretary **Lord Douglas Hurd** for Dutch telecommunications holding Altimo in 2006, have provided the crucial appearance of respectability for Western audiences and regulators<sup>16</sup>.

The well-timed sale of TNK-BP to Rosneft in 2013 netted Alfa Group more than US\$9 billion. It appears the shareholders invested much of these funds into LetterOne, reportedly owned by Fridman and Khan<sup>17</sup>, where former **BP boss Lord Browne** was made executive chairman of energy projects<sup>18</sup>. Even ahead of sanctions in 2014, the group put out a clear message that it was focusing on investments abroad<sup>19</sup>.

In fact, the group was acting in line with a new policy of the Putin regime to encourage Kremlin-friendly Russian conglomerates invest abroad in a variety of sectors, including energy and telecommunications. This strengthens Russia's ability to exert soft power influence in Europe and the Middle East, the two key regions to date for Alfa Group internationally. Fridman claims to spend most of his time abroad, but this claim may be more to ease concerns of European regulators (such as the UK's effort to force Fridman to sell North Sea oil fields in 2015)<sup>20</sup>.

Today, Alfa Group and LetterOne appear to have deliberately distanced themselves from each other in terms of branding and promotion, despite their underlying common shareholding structures.

As the face of Alfa Bank, Peter Aven remains the group's key interface with the Kremlin. It appears his importance has only grown. Alfa Group, and specifically Alfa Bank, have a long-standing presence in the US and the UK. Aven has the ability to be a back channel to government actors as he and Fridman were representing the Kremlin in WTO accession negotiations in 2010-2012. And Alfa has long invested in lobbying in the US, an investment that is paying dividends during the current US elections.

Alfa Group continues to consist of several shareholders, but Fridman and Aven are the key players in both business and political terms. They are among the richest men in Russia. Fridman was ranked the second richest man in Russia in 2016, with a fortune of US\$13.3

<sup>16</sup> <http://www.ft.com/cms/s/0/512fda9c-46b2-11db-ac52-0000779e2340.html#axzz4IwVVcBT6>

<sup>17</sup> <http://www.bloomberg.com/news/articles/2015-10-14/eon-to-sell-norwegian-oil-and-gas-assets-to-dea-for-1-6-billion>

<sup>18</sup> <http://www.institutionalinvestor.com/article/3450336/banking-and-capital-markets-emerging-markets/alfas-mikhail-fridman-skirts-russian-sanctions-to-invest-abroad.html#.V8c5WmVlt3I>

<sup>19</sup> <http://www.institutionalinvestor.com/article/3450336/banking-and-capital-markets-emerging-markets/alfas-mikhail-fridman-skirts-russian-sanctions-to-invest-abroad.html#.V8c5WmVlt3I>

<sup>20</sup> <http://www.ft.com/cms/s/0/e258a2b0-e76c-11e4-a01c-00144feab7de.html#axzz4IwVVcBT6>

billion, narrowly behind gas tycoon **Leonid Mikhelson**<sup>21</sup>. Aven is ranked 19<sup>th</sup> in Russia with a fortune of US\$5.1 billion<sup>22</sup>.

Fridman and Aven are among the last surviving oligarchs who emerged in the 1990s, alongside such Kremlin allies as Oleg Deripaska, Vladimir Potanin and Mikhail Prokhorov. While the latter three oligarch have at times in recent years been forced by the Kremlin to publicly play the role of vassal, the Alfa tycoons are far more powerful, and are among the rare businessmen who do not require an intermediary to deal with President Putin.

Having exited the Russian oil sector, they also do not have any common interests or conflicts with the so-called Petersburg clan around the president, consisting of such KGB-linked figures as the **Kovalchuk brothers and Gennady Timchenko**. Similarly, they do not have dealings with rougher types such as **Suleiman Kerimov or Ziviyadun Magomedov**, who have prospered from links to the prime minister and members of his cabinet. This lack of domestic conflicts, enormous financial resources and powerful Kremlin support put them in a unique position.

### *Mikhail Fridman Background*

Mikhail Fridman was born on April 21, 1964 in Lviv, Ukraine. He attended the Moscow Institute of Steel and Alloys, where he met two of his future business partners, Gref and Kuzmichev. In the late 1980s, according to various accounts, Fridman launched cooperative businesses to deliver packages and wash windows<sup>23</sup>. In later interviews, Fridman would emphasize that he was an outsider in Moscow, in particular because he was Jewish<sup>24</sup>.

The rapid growth of Alfa Group in the early 1990s was made possible by Fridman's ability to recruit politically connected figures, such as Aven, and later recruit Western-trained managers. By the mid-1990s, however, Fridman was not in a position to compete with many of the leading oligarchs of the time, who parlayed political connections and capital to engineer the infamous 'loans for shares' deals that essentially privatized giant industrial and natural resources assets for a few pennies on the dollar.

The fact that Fridman missed this opportunity meant Alfa would have to fight incumbent owners, such as Vladimir Potanin, for energy and natural resource assets. It appears this strategy, born of necessity, would become Fridman's trademark in all of his dealings.

Fridman emerged politically in 1995, when he joined other major oligarchs in a project to ensure the re-election of President Boris Yeltsin. The president was in ill health and losing badly in polls to a resurgent Communist Party. His role in this successful effort also earned him a seat on the board of Russia's largest television network, ORT (now called Channel

<sup>21</sup> <http://www.forbes.com/profile/mikhail-fridman/>

<sup>22</sup> <http://www.forbes.com/profile/pyotr-aven/>

<sup>23</sup> <http://www.ft.com/cms/s/0/b47de3d4-c325-11e4-ac3d-00144feab7de.html#axzz4IwVVcBT6>

<sup>24</sup> See 'Sale of the Century' (2000) by former Financial Times Moscow Correspondent Chrystia Freeland

One), alongside Vladislav Surkov. Notably, the state-owned station was under the *de facto* control of tycoon Boris Berezovsky at the time.

After Putin came to power, Fridman was positioned in the Russian media as a liberal figure. It is claimed that Fridman's picture was even carried by anti-regime protestors in 2007, underlining his ambiguous public position. Yet it was precisely at this time that Fridman was spearheading some of Alfa Group's harshest shareholder disputes and taking advantage of political cover from the Kremlin.

In terms of outright criminality, as outlined above, the Center for Public Integrity article accused Fridman of participating in crimes ranging from trafficking in narcotics to association with organized crime. Russian investigative journalist Oleg Lurie had also published these claims, although he was forced to retract them.

Civil Liberties Fund, a group linked to Berezovsky, accused Fridman of masterminding the brutal murder of Ukrainian journalist Grigory Gongadze<sup>25</sup>. A Moscow newspaper was successfully sued for libel in 2004, when it linked Fridman to the murder of Paul Klebnikov, a US citizen writing for the Russian edition of Forbes<sup>26</sup>. Both crimes remain unsolved.

It is likely impossible to ever uncover the truth regarding the early activities of Fridman and Alfa Eko and most observers credit him with appearing to have relatively clean hands in terms of physical violence. However, it is clear that Fridman has been the mastermind of Alfa Group's combative style of doing business. He has also been willing to pay top dollar to recruit respected businesspeople and politicians to the boards of his companies to buy respectability and leverage Western institutions for his own ends.

It has been important for Alfa Group for Fridman to appear to be the one in charge and mastermind of its projects. However, most political observers view Aven as the one with the critical political relationship with President Putin going back to the early 1990s. As Aven leads Alfa Bank, the "clean" asset in the group, he has not been publicly involved in Alfa's contentious deals. In this view, it is important Fridman appear to be the colorful figure and dealmaker.

#### *Peter Aven Background*

Peter (Pyotr) Aven was born on March 16, 1955 in Moscow to a relatively prominent family. His father, Oleg Aven, was a leading Russian mathematician who died in 1992. His father was a department head at the Institute of Problems of Management of the Academy of Sciences of the USSR. His paternal grandfather, Ivan Aven, served in the famous Latvian Rifle Division, which played a crucial role in the 1917 revolution.

Aven completed his studies at the Moscow School of Physics and Mathematics 2, one of the most prestigious schools in the USSR. He trained as an academic Economist and gained a

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<sup>25</sup> <http://www.rferl.org/content/article/1070338.html>

<sup>26</sup> <http://spitfirelist.com/news/alfa-bank-wins-libel-case-over-klebnikov-murder-claims/>

PhD in Econometrics from Moscow State University. His faculty adviser was Stanislav Shatalin, who later became an economic advisor to Soviet leader Mikhail Gorbachev and Russian President, Boris Yeltsin.

As a young economist in this era, Aven quickly developed ties with emerging reform figures. He was reportedly close to Yegor Gaidar, a former university classmate and Russia's first post-Soviet prime minister. In turn, Gaidar introduced Aven to Anatoly Chubais, the head of an informal 'club' of economists based in Leningrad in 1985 that included such figures as Alfred Kokh (future head of the State Property Committee) and Alexei Kudrin (finance minister and presidential advisor)

In 1989, Aven was appointed Economic advisor in the Ministry of Foreign Affairs of the USSR. From 1991 to 1992, he was the Minister for Foreign Economic Liaison of the last Soviet and Russian government. In this role, he appointed Vladimir Putin, at that time head of the Committee of Foreign Economic Relations of St Petersburg, the ministry's "representative in St Petersburg". This allowed Putin the autonomy to register independently new joint ventures to conduct foreign trade – in essence delegating the ministry's functions to Putin on an exceptional basis. As Karen Dawisha has chronicled, Aven intervened more than once to support Putin when he came into conflict with other government bodies<sup>27</sup>.

During his short tenure in government, Aven's deputy was Mikhail Fradkov. In 2004, Fradkov replaced Mikhail Kasyanov as Russian prime minister, a position he held until September 2007. Fradkov is currently head of the powerful Foreign Intelligence Service (SVR) and is today believed to be a key Alfa Group ally in senior Russian government circles.

After leaving government in 1992, Aven briefly went to work for early post-Soviet oligarch Boris Berezovsky, who was his former university supervisor and later became president of the automobile dealership network LogoVAZ. LogoVAZ was the main dealer for AvtoVAZ, the Tolyatti-based producer of Lada automobiles and the country's largest automobile manufacturer. Berezovsky later went into exile in Britain and his actions at LogoVAZ were central to Russia's extradition request to the UK in 2003<sup>28</sup>.

Aven joined Alfa Group in 1993 and became president of Alfa Bank in 1994. He brought no capital, but had powerful political connections and working knowledge of how financial markets functioned. Notably, with the help of his political contacts, Alfa Eko became a major exporter of oil and Petroleum products by 1993 and made use of sophisticated transfer pricing arrangements.

Since the beginning of his tenure, Aven's role as president of Alfa Bank has always been strategic, and he has delegated day-to-day operations to a series of CEOs. He also brought in Andrei Gafin, an old friend with no banking experience, to do PR for the bank. Notably, Aven was given credit for seeing Alfa Bank through the financial crisis, having anticipated the currency crash if not the sovereign default.

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<sup>27</sup> "Putin's Kleptocracy: Who Owns Russia," Karen Dawisha, accessed electronically

<sup>28</sup> <http://www.nytimes.com/2003/03/26/world/britain-arrests-russian-expatriate-billionaire-and-a-colleague.html>

In the 2000s, Aven has positioned himself as the president of Alfa Bank and the chairman of various, uncontroversial media and retail ventures. He has sought to play down his close relationship with the Kremlin. He received an award in 2015 for “Services to the Fatherland” along with four other business figures<sup>29</sup>.

Notably, Financial Times journalist Andrew Jack noted in his book Inside Putin’s Russia that during an interview in which Aven was downplaying any government connections, Aven received a call about a senior resignation in the government that was not made public until three days later.

It is clear that Aven remains the key political figure in Alfa Group, with multiple current links to the government and security services, as outlined above. He has also driven the development of international links through the expansion of Alfa Bank in the US and Europe. The bank has carried out careful outreach, running an international Alfa Fellows program and maintaining a high profile. Although not itself a target, the bank has suffered from sanctions however, and has a particular interest in lifting sanctions<sup>30</sup>.

Aven has spent years cultivating relationships in Washington, both as an envoy of Vladimir Putin on trade matters and a representative of the interests of Alfa Group. He is well prepared to support and promote a political agenda in the US if it suits Russia and Alfa.

### **Richard Burt**

Burt plays a big role in Alfa’s “deep lobbying” program of spreading donations to influential groups in the US. A former top BGR executive, he is now a managing director of McLarty Associates and a member of Alfa’s International Advisory Council. He is also the owner of a small consultancy, **IEP Advisors**, with historical links to Alfa. Burt, a former US Ambassador to Germany, also works with **Deutsche Bank**, the only major bank still willing to lend substantial sums to the Trump Organization despite Trump’s multiple bankruptcies.

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<sup>29</sup> [http://www.gazeta.ru/business/news/2015/05/29/n\\_7241257.shtml](http://www.gazeta.ru/business/news/2015/05/29/n_7241257.shtml)

<sup>30</sup> <http://www.bloomberg.com/news/articles/2014-08-22/sanctions-free-no-shield-for-alfa-in-wary-market-russia-credit>

## RICHARD BURT



### AT A GLANCE

- Managing Director, Europe & Eurasia Practice
- Former US Ambassador to Germany
- Former Assistant Secretary of State for European and Canadian Affairs
- Chief Negotiator in the Strategic Arms Reduction Talks with the Soviet Union
- Former partner with McKinsey & Company

Richard Burt, Managing Director, has led the firm's work in Europe and Eurasia since 2007.

From 1992 to 1995, Ambassador Burt was a partner with McKinsey & Company, the global management consulting firm. Ambassador Burt came to McKinsey after successfully concluding a nuclear arms treaty as the US Chief Negotiator in the Strategic Arms Reduction Talks with the former Soviet Union.

Prior to this, Ambassador Burt was US Ambassador to the Federal Republic of Germany from 1985 to 1989. Before Ambassador Burt served in Germany, he worked at the State Department as Assistant Secretary of State for European and Canadian affairs from 1983 to 1985. From 1981 to 1983, Ambassador Burt was the Director of Politico-military Affairs in the Department of State.

From 1977 to 1980, Ambassador Burt worked in Washington as the National Security Correspondent for . From 1973 to 1977, he worked for the International Institute for Strategic Studies (IISS) in London, first as a Research Associate and then as Assistant Director.

Ambassador Burt serves on the board of Deutsche Bank's closed-end fund group and is also a trustee of the UBS family of mutual funds (New York board). In addition, he is an Advisor to EADS North America's board and a member of the Alfa Bank's Senior Advisory Board in Moscow.

Ambassador Burt also serves as a Senior Advisor to the Center for Strategic and International Studies and is a member of the Council on Foreign Relations. He is a board member of the Center for the National Interest and a member of the executive board of the Atlantic Council. Ambassador Burt serves as Chairman of Global Zero USA, an organization focused on developing a viable plan for eliminating nuclear weapons worldwide.

Ambassador Burt earned his bachelor's degree in government from Cornell University and his master's degree in international relations from the Fletcher School of Law and Diplomacy at Tufts University. Upon receiving his MA,

Burt has acknowledged that he played a significant role in writing Trump's first major foreign policy speech. "I was asked to provide a draft for that speech. And parts of that - of my draft -- survived into the final," he told NPR.<sup>31</sup>

In the April 27 "America First" speech, Trump laid out an isolationist foreign policy. He criticized NATO and promised he would pursue better relations with Russia-- skipping over its invasions of its neighbors and human rights abuses.<sup>32</sup>

Burt has extensive ties to both Alfa and the Kremlin-backed aluminum oligarch Oleg Deripaska. Like Paul Manafort and Carter Page, Burt was a foreign policy advisor to Sen. John McCain for his 2008 presidential campaign. As has been widely reported, Manafort has had extensive business dealings with Deripaska and stands accused of absconding with at least \$19 million of Deripaska's money. The true amount is believed to be much higher.

Burt's ties to Alfa stretch back to the early years of the George W. Bush presidency when he was working for Barbour Griffith & Rogers. BGR first landed Alfa as a client in December of 2002 for "monitoring economic development and policy issues." In its lobbying reports for 2011, BGR reported receiving \$570,000 in fees from Alfa. While that is a generous sum,

<sup>31</sup> <http://www.npr.org/2016/05/14/478040422/trump-s-america-first-foreign-policy-as-a-strategy-to-pursue-national-interests->

<sup>32</sup> <http://www.nytimes.com/2016/04/28/us/politics/transcript-trump-foreign-policy.html>

it likely understates by a large margin the fees BGR took in. BGR claimed in its filings that it lobbied for Alfa regarding “US-Russian and WTO negotiations,” an elastic term.

When the lobbying firm BGR decided to form a private intelligence consultancy in 2003 called **Diligence LLC**, it installed Burt as the president. One of the firm’s first assignments was working for Alfa, which at the time was pursuing a libel suit against an NGO called the **Center for Public Integrity**.

A former journalist working for CPI, **Knut Royce**, published an article linking Alfa to criminal activity. The article and subsequent court case involved a KGB report on Alfa provided to CPI by Rick Palmer, a former CIA official, alleging narcotics trafficking and other criminal activity.

Diligence also investigated a reporter from *The Wall Street Journal* who had contacted the CPI regarding the Alfa libel case. Private investigators for Diligence conducted a trash-stealing operation against the personal residence of the journalist. The operation was eventually exposed by an insider at Diligence. The affair caused high-level consternation in Washington due to a bizarre snafu: Unknown to the Diligence investigators, the reporter had vacated his home and rented it to a top White House official. That led to a confidential national security investigation of possible espionage by Alfa.

The lawsuit was dismissed, no charges were brought, and the controversy eventually blew over. In 2007, Burt sold his personal stake in Diligence and left BGR for McLarty Associates.

Burt continued to cultivate influence in Washington for Alfa, working closely with the **Wilson Center**, which bestowed awards on Fridman and Aven and feted them at annual dinners. Burt also helped run the Alfa Fellowship Program, which sponsored internships in US agencies including the State Department.<sup>33</sup>

Aven and Fridman in May 2008 also obtained a private meeting with US Treasury Sec. Henry Paulson at the Treasury headquarters building next to the White House. After Obama took office, a series of additional meetings took place. The meetings were arranged by Alfa’s two top lobbyists, former diplomat Richard Burt and former White House official Ed Rogers. While they now run separate firms, Burt and Rogers have long collaborated closely to advance Alfa’s interests in Washington, including aggressive intelligence gathering operations against journalists and others who threaten Alfa’s interests.

The first meeting took place on May 13, 2010. Fridman and Aven visited a top White House official named David Lipton. They were accompanied by a former diplomat named Stephen Rademaker, now a lobbyist working for Ed Rogers. On May 12, 2011, Fridman, Aven, and Richard Burt were admitted to the Old Executive Office Building a second time. They were signed in by a White House special assistant named Groslyn Foster Burton. But it is likely they visited a more senior official whose name was kept off the records, probably David

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<sup>33</sup> <http://www.culturalvistas.org/alfa-fellowship/russia-alfa-fellowship-program-celebrates-10th-anniversary>

Lipton again, given that Ms. Burton is his assistant. Lipton is a longtime associate of Leonard Blavatnik (See below). He recently took a new position at the International Monetary Fund.

### The 2011 Meeting Record

NAMEFIRST	NAMELAST	TOA	TOD	visitee1	visitee2
Richard	Burt	5/12/2011 15:44	5/12/2011 16:55	Groslyn	Burton
Mikhail	Fridman	5/12/2011 15:45	5/12/2011 16:55	Groslyn	Burton
Peter	Olegovich	5/12/2011 15:47	5/12/2011 16:55	Groslyn	Burton

It is notable that the three high-level visits all occurred in May, suggesting the possibility that Fridman and Aven visit Washington annually in May for a charitable event. One charitable event held annually in May is the annual fundraising dinner for the Kennan Institute at the Woodrow Wilson International Center for Scholars. Access Industries and Alfa lawyers Akin Gump are both supporters of the Wilson Center, while Blavatnik is vice chairman of the Kennan Institute.

The final Fridman visit to the White House took place around the same time in 2012 (May 8), suggesting it was also in conjunction with the Wilson Center annual event. Attendees were Mikhail Fridman, Petr Aven, Richard Burt, and John W. Roberts. They met with **Alice Wells**, Special Assistant to the President for Russia and Central Asia and former executive assistant to Sec. of State Hillary Clinton.

NAMELAST	NAMEFIRST	NAMEMID	UIN	APPT_START_DATE	APPT_END_DATE
Aven	Petr	O	U05460	5/17/12 15:00	5/17/12 23:59
Burt	Richard	R	U05460	5/17/12 15:00	5/17/12 23:59
Fridman	Mikhail	M	U05460	5/17/12 15:00	5/17/12 23:59
Roberts	John	W	U05460	5/17/12 15:00	5/17/12 23:59

The White House-Treasury meetings in 2008 are somewhat remarkable: US agencies possess substantial information alleging criminal activity by Aven and Fridman, including organized crime and narcotics trafficking. Alfa was also the subject of a lengthy money-laundering and stock manipulation investigation by the Manhattan District Attorney that was ultimately shelved. While the allegations against Alfa and its founders are considered to be unsubstantiated, the mere existence of such derogatory allegations – some of which have even been aired publicly – is often enough to preclude entry into the executive complex.

But unlike many of their Russian peers, Aven and Fridman are not officially listed in US law enforcement files as organized crime figures. This has given them largely unfettered access to the United States, and they make frequent visits to Washington to appear at policy forums and other events. It is believed that these trips sometimes include small dinners with top Washington officials or other similar types of “off the record” encounters.

Akin Gump

The Alfa libel case against CPI nearly bankrupted the CPI. Ultimately, it was dismissed by a federal judge in 2005. The law firm for Alfa in the libel case was Akin Gump, where top lawyers **James Langdon** and **Mark MacDougall** represent the group. Langdon is an influential Republican with intelligence connections while MacDougall is a Democrat with Justice Department connections and a fierce litigation style.

Akin Gump lobbied for Alfa/Vimpelcom/Altimo during its lengthy battle with Telenor, and also advised Altimo on various legal matters.

Akin Gump handed Alfa its biggest political victory in Washington in connection with Tyumen Oil loan guarantees from the Export-Import Bank. BP Amoco mounted a sustained campaign to delay or block those loan guarantees, but TNK prevailed thanks to deft lobbying by Langdon, a former Navy intelligence officer and member of President George W. Bush's Foreign Intelligence Advisory Board, a high-level external advisory group to the White House. During the controversy, information was provided to US officials alleging illegal oil dealings between Alfa and Saddam Hussein. The information was later substantiated by the United Nations. Blavatnik played a major role in this battle, which was chronicled in an unusually detailed Washington Post article.<sup>34</sup>

### **Blavatnik's Ties to Democrats**

While Rogers is a well-known Republican, the group has very powerful Democratic ties through Blavatnik, who is particularly close to Secretary of State Hillary Clinton through extensive donations to her campaigns and causes. The Blavatnik family have also contributed heavily to the campaigns of Vice President Joe Biden.

Records show the Blavatnik family have given more than \$300,000 in contributions since 1996. Employees of Renova and Access have given another \$700,000. Emily Blatanik gave \$35,800 to the Obama campaign in August of 2011.

Blavatnik also enjoys influence through is longstanding ties to a group of Harvard economists including former Treasury Sec. Larry Summers (who chaired the Obama White House economic council until 2010), Jeffrey Sachs, David Lipton, and Andrei Shleifer. Sachs, Shleifer, Lipton and Sachs were the subject of a criminal fraud investigation involving Harvard's dealings in Russia during the privatization era. This matter was detailed in a major 2006 investigative report in a business magazine.<sup>35</sup>

Access is represented in Washington by the lobbying firm Brownstein Hyatt, which reported receiving \$330,000 to lobby on tax issues and various other matters. Brownstein Hyatt is a top Democratic lobbying firm.

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<sup>34</sup> <http://www.washingtonpost.com/wp-srv/WPcap/1999-10/27/085r-102799-idx.html>

<sup>35</sup> [http://janinewedel.info/harvardinvestigative\\_InstInvestorMag.pdf](http://janinewedel.info/harvardinvestigative_InstInvestorMag.pdf)

### Alfa's Soft Lobbying

Donations by Alfa/Access to influential US think tanks include large sums to the Rand Institute, which is affiliated with the Pentagon, the Center for Strategic & International Studies, the Wilson Center, the Council on Foreign Relations, and the Atlantic Council.

Alfa also maintains a well-funded fellowship program whose recipients often land important jobs in the US. Alumni include:

- Marcy Fowler, now at the IAEA.
- James Lindley, US Dept. of Commerce
- Rachel Mikeska, Department of State (currently in Kuwait).
- Francoise Schorosch, Council of the Americas
- Scott Schrum, National Nuclear Security Administration
- Nadezhda Mouzykina, National Democratic Institute
- Raisa Sheynberg, Treasury Department
- Ilona Tservil, Justice Department
- David Wright, Treasury Department
- Michael Kreidler, State Department

Alfa also maintains the Altimo Foundation, which maintains primarily a UK focus but employs the influential US lobbying firm APCO.

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