



# Cracking the Shell

Trump and the Corrupting Potential of Furtive Russian Money

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Diana Pilipenko     February 2018

Center for American Progress



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# Introduction and summary

*“What lingers for Trump may be what deals—on what terms—he did after the financial crisis of 2008 to borrow Russian money when others in the west apparently would not lend to him.”*

—Sir Richard Dearlove, former head of Britain’s MI6<sup>1</sup>

*“To keep kompromat on enemies is a pleasure. To keep kompromat on friends is a must.”*

—Yulia Latynina, Russian writer and journalist<sup>2</sup>

A foreign power can exploit systemic vulnerabilities—such as gaps in money laundering regulations, lack of corporate transparency, and insufficient anti-corruption controls—to undermine democratic institutions and influence elections anywhere around the world, including in the United States. Corroding a system from within through corruption and financial leverage has been a central part of the Kremlin playbook in Europe and in post-Soviet states. The 2016 U.S. presidential election is a useful lens through which to analyze how such methods could be deployed in the United States. Given the Kremlin’s preference for then-candidate Donald Trump, as determined in the Director of National Intelligence (DNI) assessment, it is imperative to consider how Trump’s longstanding business ties with a bevy of figures from Russia and the former-Soviet Union could have been exploited in the context of the campaign.

Since his rise to power nearly two decades ago, President Vladimir Putin has made a concerted effort to exercise control over Russia’s oligarchs, using their wealth and strategic enterprises to advance Russia’s national interests abroad. Over a similar period, Trump and the Trump Organization have become heavily intertwined with some of the same government-linked Russian business elites. There is evidence of vast amounts of Russian money tied up in Trump’s assets, money that has proven vital for Trump as he and his businesses have been shunned by conventional banks following multiple bankruptcies.<sup>3</sup>

Trump’s financial distress, coupled with his well-documented dubious approach to business partnerships, could have made him a compelling target for Russians seeking to influence the 2016 election. This report shows how otherwise prosaic business connections evolved during the presidential campaign and transition as figures representing

the Kremlin's interests sought to gauge the willingness of various Trump associates to work with them. Against the backdrop of Trump's decades-long pursuit of deals in Russia and the former Soviet states—some still tethered to the Kremlin—the notion of collusion with Russia, while at first blush improbable, suddenly becomes far more plausible. The ease with which deliberate contacts and coordination between Russia and Trump associates could have occurred is readily apparent.

While Special Counsel Robert Mueller investigates the extent of the interactions between the Trump campaign and Russia, there are steps policymakers can take now to address some of the vulnerabilities that have exposed U.S. elections to foreign meddling. First, the legislative and executive branches should crack down on the use of shell corporations as a means to launder money or conceal the provenance of funds flowing into campaigns. Congress and the executive branch should also curb money laundering through domestic real estate, which is currently pervasive due to virtually absent regulations in this sector. Lastly, legislators must continue to shine a light on corruption and conflicts of interest, which weaken democratic systems from within and make them susceptible to adversaries. By recognizing the central role that illicit and furtive money plays in the undermining of democratic institutions, U.S. officials should treat money laundering and bribery as the foreign policy threats that they are.

This report is organized into the following four chapters.

#### Coopted oligarchy as extension of the Kremlin, in Russia and abroad

President Vladimir Putin has consolidated power over Russian oligarchs and business elites, thus turning any discussion of Russian wealth and business interests overseas into one of the Kremlin's foreign policy. This section examines how Russia has leveraged economic and financial ties in its political influence campaigns in Europe, particularly the former Soviet bloc countries. Presented examples establish a framework through which to analyze influence campaigns in the United States, notably in the context of the 2016 presidential election and beyond.

#### Convergence of crises springs mutual benefits for Trump and Russia's moneyed elite

This section shifts focus to Donald Trump's historic business dealings and indebtedness to Russian business interests. It shows how a convergence of crises—for instance, Trump's bankruptcies in the 1990s coinciding with Russia's capital flight after the break-up of the Soviet Union—organically spurred mutually beneficial relationships and, over the course of many years, led to a deep interconnectedness. This section also assesses Trump's pivot to licensing deals in the mid-2000s, which made him more accessible to

cultivation by foreign actors. The licensing deals are also explored as a mode of reducing liability and skirting controversy, an evolved response to the increased scrutiny Trump's partners and projects have drawn.

#### Business patterns lay bare mechanisms for potential compromise

This section delves into patterns of Trump's opaque corporate operations, highlighting his seeming aversion to due diligence and an indifference to the sources of funds flowing into his projects. It also considers the possible implications of his disparagement of anti-bribery laws in the context of his deals in the corruption-prone former Soviet countries such as Azerbaijan, Georgia, and Kazakhstan. Notably, in recent years Russian security organs have relied on sophisticated means of leveraging compromising evidence of financial misdeeds—including allegations of money laundering and corruption—to achieve its aims.

#### Recommendations

The recommendations urge policymakers and law enforcement to address acute regulatory gaps by deterring abuse of shell companies for purposes of obscuring sources of funds flowing into U.S. elections or the laundering of ill-gotten gains. Furthermore, proper anti-money laundering due diligence and reporting mechanism should be used to close the loophole of all-cash anonymous purchases of real estate. And in interdicting possible vectors of foreign influence beyond elections, legislators also need to ensure that office holders properly divest from their businesses, thereby checking potential conflicts of interests.

# Coopted oligarchy as extension of the Kremlin, in Russia and abroad

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The collapsed boundary between the Russian state and private actors

When President Vladimir Putin consolidated power after the fall of the Soviet Union, he established a social contract of sorts, sanctioning the unbridled self-enrichment of Russia's new class of wealthy business tycoons—known as oligarchs—in return for their unwavering loyalty to his administration.<sup>4</sup> Among other things, this loyalty to Putin meant the oligarchs would not attempt to challenge him politically or otherwise act counter to the Kremlin's strategic interests. It also meant the oligarchy would act on behalf of the state, thus erasing the boundary between the two. Journalist Joshua Yaffa aptly summarized the “de-fanging” of the oligarchs in a recent *New Yorker* piece: “In the nineties, a coterie of business figures built corporate empires that had little loyalty to the state. Under Putin, they were co-opted, marginalized, or strong-armed into obedience.”<sup>5</sup>

Those oligarchs who chose to flout this grand bargain with Putin were toppled and turned into a spectacle.<sup>6</sup> Some, such as Vladimir Gusinsky and Boris Berezovsky, who dared to challenge Putin through their media empires, were forced into exile.<sup>7</sup> Others, most prominently Mikhail Khodorkovsky, the owner of Yukos Oil Company, were jailed on charges such as tax evasion. Observers have commented on the political underpinnings of these charges.<sup>8</sup> Arbitrary prosecution of financial crimes has become one of the state's favored tools of suppression.<sup>9</sup> In many instances, the state's absorption of the oligarchs' privately held assets followed imprisonment or exile. This was the case with Khodorkovsky's Yukos oil assets, which the state-run oil company Rosneft assumed after he was jailed.<sup>10</sup> More recently, Vladimir Yevtushenkov, another energy tycoon, lost his regional oil producer Bashneft to Rosneft under similar circumstances.<sup>11</sup>

Following the Yeltsin-era privatization, the renationalization of companies under Putin has been an important mode of consolidating state power over strategic assets such as oil and gas producers, as well as major manufacturers and banks. State corporate giants, often built up through a series of hostile takeovers,<sup>12</sup> naturally are more pliant to the Kremlin's will than private corporations. This designated breed of “national champions,” which Putin revived, are expected to not only make a profit, but also work for the good of the state.<sup>13</sup>

In September 2014, the Russian authorities accused Yevtushenkov of money laundering in connection with his 2009 purchase of Bashneft. After the charges were levied, Yevtushenkov was placed under house arrest and Bashneft was ultimately renationalized.<sup>14</sup> Analysts at the time noted echoes of the Yukos affair and compared Yevtushenkov to Khodorkovsky by way of their shared experience with the reach of the state.<sup>15</sup>

However, there was a key difference between the two cases, which made those inside the patrimonial system even more apprehensive. Unlike Khodorkovsky, Yevtushenkov was not an opposition figure. As the *Los Angeles Times* observed in September 2014, “Yevtushenkov adhered to the ground rules set for the oligarchy by Putin that they steer clear of politics. If the Kremlin will target a captain of industry as compliant as Yevtushenkov, the implication is that no one is safe.”<sup>16</sup> A decade after the Yukos affair, Yevtushenkov’s dismantling demonstrated that the Kremlin—which controls the Russian courts, law enforcement agencies, and state-owned giants such as Rosneft—can still bring down the most powerful of business tycoons overnight, even those toeing the party line.

At times, Putin’s assertion of power over Russia’s strategic business assets and the oligarchs who own them has veered toward utter theatrics. One of the most notable examples occurred in 2009, when, on national television, the Russian president cowed the aluminum magnate Oleg Deripaska. Deripaska, an otherwise fearsome oligarch, was submissive when Putin, cameras in tow, paid a visit to his factory and forced Deripaska to sign a document granting several concessions. In a made-for-television moment, Putin first provided Deripaska with a pen for signing, then snarled at him when, ostensibly overcome by anxiety, Deripaska forgot to return it. Trivial as this televised exchange may seem to an outside audience, it perfectly encapsulated the power dynamic between Putin and Russia’s oligarchs and symbolically reaffirmed their social contract. This episode became an anchor of Putin’s political brand and his legitimacy with the Russian people.<sup>17</sup>

During the era of Boris Yeltsin, Russia’s first president after the fall of the Soviet Union, and in the early days of Putin, Russian media operated in a freer environment. Since then media assets have been steadily consolidated in the hands loyal to the Putin regime. In 2001, Vladimir Gusinsky’s Media Most empire was taken over by Gazprom, while Gusinsky was forced into exile. The Kremlin also assumed control of Boris Berezovsky’s prominent television channel when it began criticizing Putin and those close to him. This was a dramatic turn of events for Berezovsky, who once “controlled swaths of the Russian economy” and

is widely believed to be responsible for Putin accession to the presidency.<sup>18</sup> In recent years, consolidation and suppression of media outlets has continued, as Masha Lipman described in *The New Yorker*.<sup>19</sup> Most recently, RBC, a major Russian media organization owned by billionaire Mikhail Prokhorov, sacked a number of its editors. While Prokhorov is not believed to be within Putin’s inner circle—in fact he ran against Putin during the 2012 presidential election—he has nonetheless appeared reluctant to challenge censorship.



In recent years, the Kremlin's loyalty test has shifted from the passive requirement that oligarchs stay out of politics to demanding a more active engagement in advancing of the Kremlin's interests at home and abroad. In November 2014, mere months after the first of the U.S. Treasury's Ukraine-related sanctions against Russia were unveiled, Putin signed the so-called de-offshorization law, which requires wealthy Russian elites to disclose their offshore holdings, even in financial secrecy havens such as Cyprus and the Cayman Islands.<sup>20</sup> The law aimed to increase tax revenues in anticipation of a sustained economic recession, which the sanctions only worsened.<sup>21</sup> It also meant to "force Russians to do their patriotic duty by investing in their homeland," as Reuters put it, countering the endemic capital flight.<sup>22</sup>

For some wealthy elites, the de-offshorization law became a motive to shed their Russian tax residency status, creating a population of semi-exiled oligarchs. For others, such as Roman Abramovich, the high-profile owner of the Chelsea Football Club professional soccer team, the law provided an opportunity to reaffirm their loyalty to the regime. Despite appearing to spend most of his time in London, Abramovich has retained his Russian residency status for tax purposes, a decision the Russian-language version of *Forbes*<sup>23</sup> cited in July 2016 as an example of his patriotism.<sup>24</sup>

Another underexplored consequence of the de-offshorization law is that it gives the Russian state greater insight into the previously hidden foreign business networks and assets of its business and political elites. The law may not have done away with the veil of shell companies that the wealthy use to hide their assets, but it made the veil more sheer. This transparency is critical, especially when considering how overseas commercial networks can be activated to facilitate foreign policy objectives.

Shell companies are legal entities that generally have no physical assets or operations and may be used solely to hold property rights or financial assets. They represent one mode by which corporations can be used to obscure ultimate beneficiaries, assets, and sources of funds. Another common method is the use of front companies, which may combine illicit proceeds of a crime with lawful proceeds from legitimate business operations, thereby masking the origins of the former. Nominee-held funnel accounts may be used to make structured deposits and corresponding withdrawals across multiple geographic jurisdictions.

Western sanctions and Russia's ongoing economic struggles<sup>25</sup> have tested the loyalty of the oligarchs to the Kremlin. Increasingly isolated from the global markets, tycoons such as the Rotenberg brothers and Gennady Timchenko<sup>26</sup> have had to turn their investments inward.<sup>27</sup> Moreover, some have taken on major endeavors for the good of the state, but at a loss to their pockets.<sup>28</sup> For example, Arkady Rotenberg, Putin's former judo partner, has been engaged in building a bridge that connects Russia with Crimea, the Ukrainian territory Russia annexed in 2014.<sup>29</sup> Putin reportedly considers the bridge Russia's most important undertaking since the construction of the Sochi 2014 Winter Olympics infrastructure.<sup>30</sup> However, the bridge is not expected to be profitable. After other contractors turned down the project, Rotenberg acquiesced.<sup>31</sup> In taking on the bridge project, Rotenberg—who, following Russia's invasion of Crimea, was sanctioned by the United States and the European Union—both demonstrated his loyalty to Putin and took a symbolic stand against the West.<sup>32</sup>

These examples illustrate how Putin has cultivated a patronage system with respect to the Russian oligarchy and business elites, relying on a combination of rewards and punishments. He has taken a similar approach with the “siloviki”—Russia's “strongmen” who lead the country's federal military and security apparatuses—winning their loyalty by selectively empowering his subordinates and parceling out economic privileges.<sup>33</sup> For those who stray from the prescribed course, there has been no shortage of punishments, which often take the form of selective enforcement of Russia's anti-bribery, anti-monopoly, tax, and criminal laws, and consequent asset stripping.

The same method of coopting has been applied to politicians in Russia, as the recent cases of the former Komi Republic Governor Vyacheslav Gaizer<sup>34</sup> and the former Minister of the Economy Aleksey Ulyukayev<sup>35</sup> illustrate. Both men were accused of corruption and other financial crimes. Ulyukayev was recently sentenced to prison; Gaizer's case is ongoing.<sup>36</sup> It is critical to view corruption as a binary that can both reward and punish. Corruption provides for illicit favors, which in turn engender debt and compromising evidence of having engaged in such an activity.

The established system of patrimonialism relies heavily on a sense of indebtedness as a means of subjugating the Russian business elites to the state's wishes. The remainder of this report will continue to build on that theme and show how Russia's oligarchy and corporate actors have been activated abroad as tools of Russian foreign policy.

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## Historical precedent and Russia’s recent ventures in Europe and its “near abroad”

The idea that the Kremlin would funnel money to, or otherwise support, a foreign influence campaign is by no means novel. As Marshall Goldman describes in his book, *The Piratization of Russia: Russian Reform Goes Awry*, the Kremlin has been pursuing this strategy since the days of the Soviet Union. Goldman writes:

*Beyond espionage and facilitating and financing foreign trade, the Soviet overseas network of businesses and banks had yet a third task. Soviet multinational banks and corporations were also charged with funding the national communist parties around the globe. This involved diverting funds from their ostensible purpose: in other words, money laundering.<sup>37</sup>*

Even when the Russian banking sector was in its infancy under communism, the relevant operatives knew how to obscure their money’s provenance through labyrinthine networks of offshore accounts. In the decades since, money launderers and financial obfuscators have honed their craft using anonymous shell companies, nominee accounts, offshore secrecy havens, and creative transaction structuring.<sup>38</sup> For example, where so-called mirror trades were once a preferred means of moving money out of Russia and into the global financial system, launderers now reportedly favor illicit reinsurance contracts and falsified court judgments.<sup>39</sup> They also exploit weak regulatory environments in the post-Soviet space—what Russia has termed the “near abroad”—particularly in the Baltics and Moldova, to covertly place and layer funds.<sup>40</sup>

Today, mirror trades are most closely associated with the \$10 billion Deutsche Bank scandal, following which the bank agreed to pay nearly \$630 million in fines to U.S. and U.K. authorities.<sup>41</sup> Between 2011 and 2015, Deutsche Bank affiliates in Moscow and London bought and sold identical quantities of the same blue-chip stock through the bank’s Moscow equities desk. According to Ed Caesar, who wrote extensively on the topic for *The New Yorker*, “By this alchemy, rubles in Russia were transformed into dollars in London. The process bypassed tax officials, currency regulators, and anti-money laundering controls.”<sup>42</sup> Central to the scheme were offshore shell companies, which have anonymized these transactions. Deutsche Bank representatives have reportedly commented that the ultimate purpose or destination of the mirror trades, which facilitated the funneling of billions of dollars out of Russia, was never uncovered.<sup>43</sup>

The financial element of the Kremlin's active measures continues to enable it to penetrate domestic European elections. It has clandestinely supported favored candidates through a fostered "opaque network of patronage across the region that it uses to influence and direct decision-making," according to "The Kremlin Playbook," a 2016 study by the Center for Strategic and International Studies (CSIS).<sup>44</sup> The study argues that the Kremlin has manipulated its deep economic and financial ties with its trade partners, particularly its neighbors in Central and Eastern Europe and the Caucasus,<sup>45</sup> to penetrate and corrupt local governments. "Corruption is the lubricant on which this system operates, concentrating on the exploitation of state resources to further Russia's networks of influence," the report posits.<sup>46</sup>

On a geopolitical scale, Russia has used state-owned conglomerates such as Gazprom and Rosneft as tools of foreign policy. For example, the country threatened to cut off Ukraine's gas supply amid conflict on multiple occasions.<sup>47</sup> In countries such as Bulgaria and Hungary, Russia has also used its multinationals to allocate choice contracts to individuals it could then manipulate in local politics. As David Szakonyi, a political scientist focusing on eastern Europe, describes in his paper on privatization and nationalization in post-Soviet regions, "often these 'national champions' are an important part of foreign and domestic policy through their ability to make large foreign investments, use contracts and prices to apply international pressure, and conduct trade with embargoed or sanctioned states."<sup>48</sup> Similarly, Russia's government-owned banking giants, such as Vnesheconombank (VEB) and Vneshtorgbank (VTB), have further incentivized local targets for influence through favorable loans.<sup>49</sup>

Financial incentives are especially effective in countries reeling economically. Regional instability caused by various factors—including residual effects of the break-up of the Soviet Union, the global financial crisis, and deficient rule of law—has contributed to the weakening of these countries' institutions and economic malaise. The CSIS study found that numerous local government officials associated with pro-Russian political parties, politicians, businessmen, and nongovernmental organizations have been involved in a series of bribery and public procurement scandals that have penetrated all levels of government. Simply put, financial distress undermines a system's defenses, making it easier for outside agents to infiltrate and corrupt. Today, it is critical to look for the relevant symptoms beyond Russia's neighbors in Europe.

# Convergence of crises springs mutual benefits for Trump and Russia's moneyed elite

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## Identifying a corruptible target in the United States

European and post-Soviet states case studies demonstrate that a vulnerable, corruptible agent can be a key element to Russia's influence campaigns. In the eyes of the Kremlin, Donald Trump would have represented a perfect target for corrupting, well before the 2016 presidential campaign.

Before he ran for president, Trump was a conspicuous business mogul, constantly flirting with bankruptcy and financial collapse.<sup>50</sup> Shunned by traditional Western lenders, he made frequent overtures to Russian money and accepted injections of cash from Kremlin-linked figures, such as Dmitry Rybolovlev.<sup>51</sup> He repeatedly disparaged anti-bribery laws and regulations,<sup>52</sup> eschewed transparency through use of shell companies and impervious corporate jurisdictions,<sup>53</sup> and embraced unsavory business partners.<sup>54</sup> With a pivot to international licensing deals in the mid-2000s, Trump grew increasingly accessible and more exposed to tampering and potential compromise.

Taken together, Trump's dubious business practices may have served as a signal flare to the Kremlin that Trump was a prime candidate for Russia to cultivate as part of its larger geopolitical strategy.<sup>55</sup> Any such cultivation would have matured when the conspicuous mogul became a contender for the presidency of the United States and proceeded to run his campaign in the same way he had run his opaque business empire: in a haphazard manner, with little vetting of those executing the work.

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## The myth of a successful businessman

Trump spent the 1990s and 2000s mired in bankruptcy,<sup>56</sup> litigation, and debt.<sup>57</sup> In several instances Trump's financial crises converged with those of Russia and its moneyed elite. These convergences resulted in mutually beneficial relationships, both circumstantial and deliberate, that Russia could exploit decades down the line. With the subjugation of the its oligarchy, the line between private and public wealth in Russia is often blurry. Thus, it is critical to evaluate Russian money in Trump's real estate in parallel to the Kremlin's strategy.

The times of financial distress and the resultant symbiosis, examined chronologically below, cover three main periods: Trump’s bankruptcies in the 1990s, which coincided with capital flight out of Russia following the collapse of the Soviet Union; the 2008 global financial crisis and Trump’s pivot to international licensing deals; and the stress of the Ukraine-related sanctions imposed on Russia in 2014, which have dramatically halted the flow of Russian money and lending relationships with major Russian banks.<sup>58</sup>

### Bankruptcies and the ‘Donald risk’

At the beginning of the 1990s, Trump’s corporate empire owed a combined \$4 billion to more than 70 banks. Of that debt, Trump personally guaranteed \$800 million through his assets, according to a lawyer who led negotiations to restructure Trump’s loans.<sup>59</sup> Abe Wallach, who served as the Trump Organization’s executive vice president for acquisition during that time, compared joining the company to “getting on the Titanic just before the women and children were moved to the lifeboats.”<sup>60</sup> In 1991, as several of Trump’s hotels and casinos reportedly accumulated millions in debt, the New Jersey Casino Control Commission concluded, “Mr. Trump cannot be considered financially stable.”<sup>61</sup> According to his 1995 tax returns, Trump declared nearly \$1 billion in losses that year.<sup>62</sup> Trump’s flagship ventures continued to struggle; his casinos posted \$66 million in losses by the end of 1996 and another \$42 million in 1997.<sup>63</sup> These catastrophic losses persisted into the following decade, with two additional bankruptcies in 2004 and 2009.<sup>64</sup> Perhaps as a mea culpa gesture, Trump resigned as chairman of Trump Entertainment Resorts that year.

Compounding Trump’s financial losses was the stigma his repeated business failures provoked on Wall Street. According to *The Guardian*, “Wall Street banks, which had previously extended him credit, turned off the tap” in the 1990s.<sup>65</sup> Bankers coined the phrase “Donald risk” to explain their aversion to doing business with him.<sup>66</sup> This stigma persisted and, as late as 2013, one banker told *The Atlantic*, “If a major institution in New York—whether it was a Chase or a Goldman or a law firm or something—wanted to have a building built ... I can give you almost 100 percent assurance that Donald would not be on the list.”<sup>67</sup>

### Rubles take flight and land in real estate

Fortunately for Trump, his crisis of capital coincided with capital flight out of Russia following the break-up of the Soviet Union. As the country transitioned, a handful of Russian financial buccaneers made vast fortunes virtually overnight, most notably through the loans-for-shares program and other means of buying up state assets, including gas and oil conglomerates, for a fraction of their value.<sup>68</sup> These businessmen had extensive links to then-president Boris Yeltsin and came to own half of the country’s wealth.<sup>69</sup> Thus emerged the oligarch class.<sup>70</sup> Despite this quasi-private wealth creation, Russia itself remained volatile, often teetering on the edge of bankruptcy and political calamity. It was also ravaged by organized crime.

The loans-for-shares program was the principal method by which many of the formerly state-owned corporations were privatized after the fall of Soviet Union. Russia's newly emergent businessmen established private banks, which then lent money to struggling state conglomerates under the condition that if they failed to pay back the loans, the banks would assume their shares.<sup>71</sup> In many cases, these state conglomerates inevitably defaulted on their loans and the private banks kept the shares and assumed ownership of the state's assets. These banks acquired the assets for "dirt-cheap prices," allowing few individuals to amass large amounts of wealth in a very short period of time, facilitating the rise of Russian oligarchs, including as Roman Abramovich, Vladimir Potanin, Boris Berezovsky, and Mikhail Khodorkovsky.<sup>72</sup>

To shield their fortunes, the Russian nouveau riche did all they could to send their money abroad, which, according to Marshal Goldman, the author of *The Privatization of Russia*, was a "natural reaction" to "runaway inflation, random and pervasive violence, and intrusive Mafia, government corruption, and uncertain political stability."<sup>73</sup> While there are no precise data on how much money was smuggled out of Russia during these years, it is generally accepted that at least \$1 billion a month was moved out of the country from 1991 to 2000.<sup>74</sup> Since 2005, Russia's capital flight has officially totaled \$335 billion, according to the Central Bank of Russia, reaching more than \$50 billion in the first quarter of 2014 alone.<sup>75</sup>

Given the broader discussion of Russian money abroad as it relates to the Kremlin's foreign strategy and tactical operations, it is important to highlight the evolution of capital flight out of Russia. Its origins rest not only with the political elites, but also the country's secret services. As Karen Dawisha explains in her book, *Putin's Kleptocracy: Who Owns Russia?*, "While capital flight quickly became a broader problem involving economic entrepreneurs and industrial enterprises, the problem began with the privileged access to Soviet state reserves by insider KGB and CPSU [Communist Party of the Soviet Union] elites."<sup>76</sup> The political elites had wanted to keep their money safe in case they were toppled at home—an imminent, acute concern given the political instability, particularly in the late 1980s—but the KGB had used the funneled money to fund campaigns and operations abroad.<sup>77</sup>

After the fall of the Soviet Union, it was vital to get the money out of Russia without a trace, stashing it away from the prying eyes of tax agencies or law enforcement. Clandestine transfer was particularly critical if that money represented proceeds of a crime. Foreign real estate soon emerged as a preferred safe harbor.<sup>78</sup> And because the Trump Organization reportedly had a reputation for not asking too many questions, Russian money flowed into Trump's properties.<sup>79</sup>

While many analysts have observed and examined the apparent magnetic appeal of Trump real estate to the Russian consumer,<sup>80</sup> it is important to dwell on a key theme that emerged from this period. The converging crises, namely Trump's financial struggles and Russia's troubled rise from the ashes of communism and the ensuing capital flight, laid the groundwork for a lasting, mutually beneficial relationship that only grew stronger with the 2008 global financial crisis and the consequent recession.

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## Global financial crisis and the pivot to foreign licensing deals

The global financial crisis, which began in earnest with Lehman Brothers' bankruptcy in September 2008, ironically helped Trump perpetuate the myth of the successful businessman. Despite the crash, he continued to break ground on multiple ambitious projects, both domestically and abroad, projecting to the world that he was resistant to the forces that brought down Wall Street titans.

In actuality, the domestic and international licensing deals Trump signed during the crisis reveal the depth of his financial troubles.<sup>81</sup> Despite the at-times deliberate conflation in its marketing materials,<sup>82</sup> the Trump Organization was no longer building, developing, or investing in property in Manhattan or elsewhere around the country. Instead, it was fully shifting to a new business model of licensing the Trump name to anyone with a big enough wallet and an affinity for Trump's rococo aesthetic. As *The New York Times* characterized it, in the mid-2000s, Trump "discovered that his name was especially attractive in developing countries where the rising rich aspired to the type of ritzy glamour he personified."<sup>83</sup>

In September 2008, Donald Trump Jr. famously boasted of the Russian money "pouring in" and then observed that, "Russians make up a pretty disproportionate cross-section of a lot of our assets."<sup>84</sup> The scenario Trump Jr. described was the result of two factors. First, the Trump Organization was continuing to see an influx of Russian money through commission earned on the sale of individual units in Trump-branded properties as well as direct purchases of Trump-owned real estate. Second, sustained interest from Russia and the former Soviet Union republics resulted in an explosion of foreign licensing deals.

"The best property buyers now are Russian"

A recent Reuters investigation found that the Russian elite invested nearly \$100 million in Trump buildings located in South Florida alone.<sup>85</sup> This figure encompasses merely the units for which it was possible to determine the ultimate beneficial owners. Because many of the units in "Little Moscow," as the region came to be known, were purchased through anonymous shell corporations, that figure may be much higher.



Additionally, in 2008, Russian billionaire Dmitry Rybolovlev, a fertilizer magnate, bought Trump's Palm Beach property for \$95 million—more than twice what Trump had paid only four years prior.<sup>86</sup> This property was purchased through an anonymous shell corporation, initially concealing the ultimate owner, but it was later reported and confirmed that the Russian oligarch was indeed the buyer.

The same trend of Russian money flowing into Trump-branded real estate continued elsewhere around the country, particularly in New York, where Trump licensed his name to a tower in SoHo.<sup>87</sup> Trump SoHo was reportedly financed and developed by the Bayrock Group (hereafter Bayrock), a company with shareholders and executives from the former Soviet Union, including Tefvik Arif and Felix Sater.<sup>88</sup>

Though a degree of mutual affinity between Trump and Russian buyers already existed by the time Trump SoHo broke ground, there were nonetheless active marketing campaigns aimed at maintaining that connection. Sergei Millian, a figure who has come up multiple times in the context of the Russia meddling probes, told ABC News he personally marketed Trump's properties in Russia: "The level of business amounts to hundreds of millions of dollars—what [Trump] received as a result of interaction with Russian businessmen."<sup>89</sup> According to Millian, the Russians "were happy to invest with him, and they were happy to work with Donald Trump."<sup>90</sup>

Condo-hotel developments, such as Trump SoHo, have certain characteristics that make them intrinsically more appealing and accessible to a foreign consumer with an abundance of cash on hand. One important characteristic is that the units' "non-residential" designation means prospective owners cannot qualify for traditional mortgages to help finance the purchase; this results in many all-cash transactions. As one broker who had marketed and sold the Trump SoHo condos to Russian buyers explained to NPR, "You could only do cash deals. ... So unless the guy had a million and a half in cash to purchase the property, he couldn't buy it because no bank would give you a loan."<sup>91</sup>

"All-cash" transactions are typically not truly "cash" in the sense of physical bank notes being handed over. A bank-to-bank transfer is normally involved, which would bring the transaction at least partially within the scope of the Bank Secrecy Act. However, if the originating bank is located abroad, the potential for abuse is higher. "All-cash," then, typically refers to full-price payment for properties without a mortgage or a loan.

Acknowledging this inherent consumer bias, Eric Trump praised Russian buyers during Trump SoHo's marketing campaign, telling reporters, "As the experience of the past few years shows, the best property buyers now are Russian."<sup>92</sup> He went on, "They're different in that they can go around without a mortgage loan from American banks that require income checks, and they can buy apartments with cash."<sup>93</sup> This statement doesn't just reinforce the prominence of Russian money in Trump's assets; it also points to a proclivity for doing business in a way that circumvents traditional financial institutions. In addition to doing income checks, banks serve as a critical line of defense against money laundering. In contrast to the real estate industry, banks and other lending institutions must abide by strict regulations and anti-money laundering (AML) reporting requirements, aimed at spotting and halting financial crimes.<sup>94</sup> Cutting lenders out of transactions and encouraging cash deals in an already opaque, minimally regulated industry could be construed as "willful blindness,"<sup>95</sup> a legal concept explored later in this report.

Eric Trump reportedly made another notable statement alluding to the Trump businesses' avoidance of traditional banks. In 2014, when asked who funded Trump's golf courses during the recession, he told the sports writer James Dodson, "Well, we don't rely on American banks. We have all the funding we need out of Russia. ... We've got some guys that really, really love golf, and they're really invested in our programs. We just go there all the time."<sup>96</sup> While Eric Trump has denied making this statement, any such bluster would have been deceptive as most Western banks stopped lending Trump money years ago, necessitating the turn to alternative means of financing new projects.<sup>97</sup> In another instance of convergence, it is worth noting that golf—virtually nonexistent in Russia 20 years ago—recently has become a favorite pastime of some oligarchs, including Aras and Emin Agalarov, Oleg Deripaska, and Roman Abramovich, all of whom have built luxurious courses in Russia.<sup>98</sup>

Before considering the second way Russian money was "pouring" into the Trump developments, to borrow Donald Trump Jr.'s turn of phrase, and helping to sustain the Trump Organization during the financial crisis, it should be noted that the Trump name has also attracted Russian real estate buyers outside of the United States and the former Soviet Union. In fact, in observing that "Russians make up a pretty disproportionate cross section" of their assets, Donald Trump, Jr. was referring to the developments in Dubai as well as in New York.<sup>99</sup> Moreover, Global Witness, a nonprofit organization that aims to expose corruption, recently investigated large-scale money laundering allegedly conducted through the Trump Ocean Club in Panama and found that Russian-speaking real estate brokers worked for the property developers and specifically targeted Eastern Europeans, both in Panama and abroad, as potential buyers. According to the terms of the Panama development, Trump stood to gain more than \$75 million, a combination of licensing fees and percentage of each unit sold, by 2010.<sup>100</sup>

## A new business model

Trump's appetite for risk increased as he decisively pivoted to international licensing deals during the global financial crisis and the subsequent recession. To fully appreciate the stark shift, recall that, prior to the Great Recession, Trump built his business empire domestically and rarely ventured abroad. Though he had pursued deals in other countries, particularly in Russia, since the late 1980s, few, if any, materialized, in part because of the additional risks of international developments. During a real estate conference in September 2008, Donald Trump, Jr., who had taken half a dozen trips to Russia in the preceding 18 months, remarked:

*It is definitely not an issue of being able to find a deal—but an issue of ‘Will I ever see my money back out of that deal or can I actually trust the person I am doing the deal with?’. As much as we want to take our business there, Russia is just a different world. Though the legal structure is in place for what we have today, and even 99 percent is covered, that 1 percent not covered could be 100 percent over there because it is a question of who knows who, whose brother is paying off who, etc. ... It really is a scary place.<sup>101</sup>*

And yet, in the months and years following this statement, the Trump Organization leapt into deals in countries such as Azerbaijan, Georgia, and Kazakhstan, which international transparency organizations consider just as corrupt as Russia.<sup>102</sup> What changed?

The shift to a more risk-prone portfolio—and here risk is not merely financial, but also reputational—can be partially attributed to the urgency brought on by maturing debts owed to Deutsche Bank, Trump's largest lender and the only major bank to stand by him despite his bankruptcies. In November 2008, Trump struggled to make payments on a \$640 million Deutsche Bank loan, of which he personally guaranteed \$40 million.<sup>103</sup> Moreover, the shift was conveniently helped along by intermediaries, such as Felix Sater and Trump's other Soviet-born business partners. These facilitators functioned as his bridge to this “different world,” brokering introductions and promoting licensing deals as a way to partake in the riches of the emerging markets while avoiding the risk of direct investment and the burden of legal liability.

Many of the licensing projects mentioned in this report—including those in New York;<sup>104</sup> Fort Lauderdale, Florida;<sup>105</sup> Phoenix;<sup>106</sup> Toronto;<sup>107</sup> and Panama City<sup>108</sup>—ultimately ended up in receiverships or subjects of investor lawsuits. The limited liability intrinsic to a licensing arrangement has arguably allowed Trump to absolve himself and the Trump Organization of responsibility and challenge in court. Licensing arrangements have proven a reliable vehicle to profit handsomely,

even off of projects in which other partners lost money.<sup>109</sup> These arrangements have also proven reliable when distancing the Trump Organization and its owner from controversy. The disclaimer that “this was a licensing deal” has become something of a mantra for the Trump Organization—be it in response to a confrontation about the criminal record of a business partner;<sup>110</sup> a partner’s deal with Vnesheconombank that helped bankroll the struggling Toronto project;<sup>111</sup> alleged money laundering through the Panama property;<sup>112</sup> or tertiary business links to Iran’s Islamic Revolutionary Guard Corps.<sup>113</sup> In effect, the licensing arrangement became a license to look the other way.

### Trump’s pursuit of the post-Soviet dream

Trump SoHo, in which Trump received a small equity interest as part of the licensing deal, was the last major development to bear his name in the United States. This led “branding experts to speculate that [Trump’s brand] no longer [held] the same weight it once did” domestically, according to the real estate news site The Real Deal.<sup>114</sup> Conveniently, Trump’s associates in the Trump SoHo development, and others, have signed on to scout deals in Eastern Europe and Central Asia, where the Trump brand has maintained its aura.

There was a flurry of activity on all post-Soviet fronts, which the truncated timeline below illustrates.

- **2007:** Trump filed for trademarks in Kazakhstan for hotels and real estate.<sup>115</sup>
- **2008:** Trump tried to launch a reality show in St. Petersburg starring a Russian mixed martial arts fighter, Fedor Emelianenko.<sup>116</sup>
- **2009:** Trump’s ex-wife Ivana and his personal lawyer Michael Cohen made separate trips to Georgia, reportedly planting the seeds of the Trump Tower in Batumi.<sup>117</sup>
- **2011:** Silk Road Group executive Giorgi Rtskhiladze and Cohen began promoting the idea of a Trump Tower in Kazakhstan, visiting Astana to meet with the Kazakh prime minister.<sup>118</sup>
- **2011:** Trump Tower Batumi in Georgia was announced, with Trump paying a personal visit to Georgia’s President Mikheil Saakashvili in 2012.<sup>119</sup>
- **2012:** Trump sought to trademark his brand for use in hotels and real estate in Armenia, Belarus, Iran, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.<sup>120</sup> The Trump Organization signed multiple contracts with the Azerbaijani developers behind the Trump International Hotel and Tower Baku.<sup>121</sup>

- **2013:** In June, Trump met Aras Agalarov, a Russian oligarch of Azeri origin, in Las Vegas. In November, Agalarov brought Miss Universe to Moscow, paying Trump a reported \$20 million. During Trump's trip to Russia on the occasion of the pageant, he discussed a joint real estate project with the Agalarovs in Moscow. On the same trip, Trump reportedly met with Alex Sapir and Rotem Rosen, his partners in Trump SoHo, to discuss other opportunities in Moscow.<sup>122</sup>
- **2014:** The Trump Organization announced that it was helping turn the Baku tower into a hotel, at a time when the construction boom in the city had ended and luxury hotels stayed vacant.<sup>123</sup>
- **2015 and 2016:** Felix Sater and Cohen worked on a stalled tower deal in Moscow, with Trump already on the campaign trail.<sup>124</sup>

Needless to say, most of the above pursuits were licensing deals, meaning Trump did not have to come up with financing to launch them. The Wall Street banks who have shunned Trump in Manhattan could hardly be expected to follow him to Baku. Given the regional economic volatility as well as corruption concerns, underwriting loans for such projects would have been too much of a risk. As one financier, who had reportedly turned down a loan request from Trump's business partners in Toronto, explained, "If a loan goes into default, we have to go after the debtors. When they're foreign, we can't get their assets."<sup>125</sup> This was a valid concern, given how many of Trump-branded projects have failed or became enmeshed in legal troubles.<sup>126</sup>

### Sanctions on Russia may have hurt Trump

According to an ABC News report looking at real estate brokers catering to the wealthy Russian consumer, purchases of Trump-branded property from "Russian buyers in New York and Miami began to drop precipitously in 2014, when the U.S. imposed economic sanctions on Russia in response to the Russian military incursion into Crimea."<sup>127</sup> Would Trump's business interests linked to Russian money be even more extensive today had it not been for the sanctions?

The sanctions, rolled out by the Obama administration in several tranches, are far-reaching and have had a chilling effect on the Russian economy. Moreover, because the Office of Foreign Assets Control (OFAC) sanctioned major Russian banks like Sberbank, Gazprombank, Vnesheconombank (VEB), and Vneshtorgbank (VTB), movement of money has generally been adversely impacted.<sup>128</sup> The "blacklisting"<sup>129</sup> of these Russian banks technically does not prevent them from issuing loans to U.S. persons, but any such transaction would no doubt entail much unwanted scrutiny. As an example, consider the meeting Jared Kushner had with the head of VEB, Sergey Gorkov. The meeting drew attention not just because it occurred during the presidential transition period, but also because Gorkov said the meeting was about Kushner's business.<sup>130</sup>

Recently, private banks in Russia have found themselves targets of a concerted government restructuring effort, with the aim of nationalizing the Russian financial sector. Six of the top 10 largest Russian banks are state-controlled,<sup>131</sup> three others are currently being considered by the state authorities for “rehabilitation.”<sup>132</sup> The only private bank on the top 10 list that has not been targeted by authorities is Mikhail Fridman’s Alfa Bank, which has moved many of its operations outside of Russia. This rehabilitation process has resulted in private banks’ owners losing

their assets to the Central Bank of Russia.<sup>133</sup> The push reportedly stems from the downturn in the Russian economy, caused by U.S. sanctions among other policies and geopolitical factors. Banks have become increasingly concerned about these sanctions, as evidenced by state-owned Sberbank of Russia’s reported efforts to lobby the U.S. State Department to avoid sanctions, and the Kremlin’s efforts to create a new bank with the purpose of circumventing U.S. sanctions in order to fund the Russian defense industry.<sup>134</sup>

Banks aside, the sanctions have targeted many of Russia’s choicest oligarchs, just as Trump began shifting his brand East. If sanctions have indirectly hurt Trump’s businesses, it would perhaps help explain the Trump administration’s recent decision not to implement additional sanctions designed to further undercut the influence of the Kremlin and its captured oligarchs. Despite multiple warnings from cabinet-level officials that Russia would continue its attempts to interfere in other countries’ democratic elections,<sup>135</sup> including in the United States,<sup>136</sup> the State Department announced it would not be enforcing the new sanctions Congress passed last year with overwhelming majorities.<sup>137</sup> Meanwhile, the U.S. Treasury Department made a nominal effort to comply with the new law by releasing a “name-and-shame”<sup>138</sup> list of senior Russian officials and oligarchs,<sup>139</sup> which was later revealed to have been copied from the Kremlin’s own website and *Forbes*’s list of Russia’s richest businessmen.<sup>140</sup> The resulting list is so broad as to be almost useless in actually punishing the Kremlin for its attempts to undermine democracy around the world, but may signal a willingness to re-open the Trump Organization’s doors to investments from oligarchs whom sanctions might otherwise discourage.

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## Points of contact, or cocktails with apparatchiks

### Miss Universe pageant: Anatomy of an activated network

The emphasis on the origin of money throughout this report is two-fold: It establishes Trump’s indebtedness to Russia and also highlights his points of contact with Kremlin-linked individuals since the 1980s. Indeed, these interactions have increased since Trump’s pivot to licensing deals, which have taken him on a tour of capitals in Russia, Kazakhstan, Georgia, and Azerbaijan, where he had contact with a bevy of politically connected elites.

Given the trove of information to come from it, much has been made of Trump’s visit to Moscow in November 2013 for the Miss Universe pageant. Aras and Emin Agalarov, an ascendant oligarchic family, hosted the event. Among other things, the Agalarovs’ Crocus Group has received a number of lucrative Russian state contracts to build World Cup stadiums and facilities in preparation for the 2018 tournament to be held in Russia.<sup>141</sup> The Miss Universe trip has become significant to the collusion probes both because of the allegations made in the Steele dossier<sup>142</sup> and the subsequent reemergence of the Agalarovs as the reported conduits for conveying damaging information on Hillary Clinton from the Russian government to the Trump campaign.<sup>143</sup> As reported in *The New York Times*, Rob Goldstone, a publicist working with Emin Agalarov, wrote the following to Donald Trump, Jr. on June 3, 2016:

*Emin just called and asked me to contact you with something very interesting. The Crown prosecutor of Russia met with his father Aras this morning and in their meeting offered to provide the Trump campaign with some official documents and information that would incriminate Hillary and her dealings with Russia would be very useful to your father. This is obviously very high level and sensitive information but is part of Russia and its government’s support for Mr. Trump—helped along by Aras and Emin. ... I can also send this info to your father via Rhona, but it is ultra sensitive so wanted to send to you first.*<sup>144</sup>

The anatomy of this brief exchange—with Donald Trump, Jr. replying “I love it”—is insightful.<sup>145</sup> Several nodes of varying hierarchy were activated to convey this “ultra sensitive” information from the Russian government to candidate Trump himself. The content of the mentioned high-level meeting between Aras Agalarov and the “Crown prosecutor of Russia”—presumed to be Yury Chaika<sup>146</sup>—was distilled and communicated by a minor but convenient intermediary figure who was casually acquainted with Donald Trump Jr. Although this communication channel seemed haphazard, it was successful and resulted in an in-person meeting that drew senior figures from Trump’s campaign—including Paul Manafort, Trump’s then campaign manager, and Jared Kushner.<sup>147</sup>

Even though the June 9 meeting was delicate in nature and intended to convey “high level and sensitive information” from the Russian government, its messengers could be described as rank-and-file figures, including the “Russian government attorney,” who some commentators have dismissed as a provincial player with tenuous links to the Kremlin at best.<sup>148</sup> However, one can hardly expect a Putin deputy to show up at such a meeting, or to attempt to set one up. Maintaining plausible deniability requires layers of opportune, often low-profile, middlemen, activated to complete discrete tasks.

Even the Agalarovs, albeit more prominent, can be considered convenient intermediaries. However casual, the nexus was already there. Several months of planning the Miss Universe pageant, followed by a few days of close interactions in Moscow, including discussions of building a tower together, were sufficient to cement a relationship. This relationship was later activated with the stated intent to influence the 2016 presidential campaign.<sup>149</sup>

“Kompromat” is routine

The November 2013 Miss Universe Moscow trip’s fallout included allegations of compromising encounters, meetings with individuals deemed close to the Kremlin, as well as the June 9 Trump Tower meeting.<sup>150</sup> In dissecting this trip and its implications, it is important to understand that the same scenario could have played out on numerous other occasions. Even if Trump’s defense of limited involvement in the development of troubling foreign projects stands, he has still afforded plenty of access to himself and his retinue to those licensing his name. Intimate festivities and relationship building accompanied each deal signing, ground breaking, or ribbon cutting ceremony. These events could have easily provided apertures for exchanges of favors and “kompromat”—compromising material to be used as leverage.

In her book, *How Russia Really Works*, Alena Ledeneva provides a typology of “kompromat”—a honed political weapon in the Kremlin’s arsenal—breaking it out into four categories, namely political, economic, criminal, and private.<sup>151</sup> Notably, the economic category contained the most examples, including the following: shady bank deals; offshore activity and capital flight; holding of foreign bank accounts; involvement in illegal financial schemes; inappropriate or illegal election campaign financing; preferential treatment in business deals and contracts; giving or accepting of bribes; or illegitimate income or fees received.

Even as late as 2011 and 2012, when Trump was busy chasing deals in the former Soviet states, the private sector in these regions was underdeveloped and inextricably linked to the government. It was thus not surprising to see ministers, government officials, and heads of state such as the former President of Georgia Mikheil Saakashvili attend events with Trump. In contrast, one could hardly imagine Angela Merkel gleefully heaping shovels of dirt alongside Trump, had someone in Germany decided to build a Trump tower.

A number of these interactions, both ceremonial and operational, occurred through preexisting state-cum-private channels, with the same individuals emerging as brokers across projects and countries. These business events then proved a natural setting in which to schmooze with, and possibly be compromised by, bureaucrats and repre-



sentatives of government structures or state-owned corporations—apparatchiks—of various sorts. The old guard from the former Soviet republics, many of whom remain in power today, were trained in the tactics of the KGB and it would be naïve to think they would not be deployed beyond Russia’s borders today.

Many of the elements and themes considered thus far converge in the figure of Felix Sater. Like the Agalarovs, Sater illustrates how relationships originally forged through business were repurposed in the context of the campaign and, in Sater’s case, the presidential transition.

#### Felix Sater: A study in fluid shifts between business and politics

Felix Sater is perhaps the best embodiment of the blurred line between the realms of business and politics in the Trump orbit. A longtime business associate of Donald Trump, Sater has emerged multiple times in the context of the Russia probes, most recently in December 2017, when it was reported that the House Intelligence Committee sought to interview him as part of its investigation.<sup>152</sup> Arguably the most shocking revelations involving Sater came in the form of the emails he sent to Michael Cohen, his high school friend<sup>153</sup> and Trump’s personal attorney, detailing their efforts to help build a Trump Tower in Moscow in 2015, when the presidential campaign was already underway. The emails, published by *The New York Times*, very clearly conflate Trump’s presidential bid and the ambitious real estate deal, suggesting those involved viewed one as facilitating the other.<sup>154</sup> On November 3, 2015, Sater wrote:

*Michael I arranged for Ivanka to sit in Putins private chair at his desk and office in the Kremlin. I will get Putin on this program and we will get Donald elected. ... I know how to play it and we will get this done. Buddy our boy can become President of the USA and we can engineer it. I will get all of Putins team to buy in on this.*<sup>155</sup> (sic)

Some observers—puzzled as to why the Trump Organization would pursue a deal in Russia while Trump was on the campaign trail—have suggested that Trump and those around him did not anticipate winning the presidency but were merely using the presidential bid as a marketing ploy for the brand.<sup>156</sup> Sater’s emails, however, suggest quite the opposite. According to his discussions with Cohen, the tower in Moscow was meant to help Trump win. Negotiating a lucrative deal, according to Sater, would showcase Trump’s diplomacy skills, bringing the two nations together through economic ties. This endeavor, in a time of chilled relations brought on by Russian aggression in eastern Ukraine and subsequent sanctions, was no small feat.<sup>157</sup> “Putin only wants to deal with a pragmatic leader,” Sater added in his email.<sup>158</sup>

In his efforts to secure the deal, Sater was eager to show his Russian contacts clips of Trump praising Russia.<sup>159</sup> There was no shortage of these. During the marketing of Trump SoHo, which Sater's Bayrock Group had financed and developed, Trump complimented Putin before a group of Russian journalists: "I really like Vladimir Putin. I respect him. He does his work well. Much better than our Bush."<sup>160</sup> The same fawning behavior was on display following Trump's visit to Moscow for the Miss Universe pageant.<sup>161</sup> Both instances, far removed from the 2016 presidential campaign, illustrate that in Trump's view, politics and business were often one and the same.

Sater boasted to Cohen that he would arrange for Putin to reciprocate Trump's positive sentiments, praising Trump's business savvy: "If he says it, we own this election."<sup>162</sup> As Trump's primary campaign gained steam in 2016, the pivotal tower project never got off the ground, due to a lack of permits and financing. Notably, VTB, the bank that Sater had supposedly lined up to provide the latter, has been subject to U.S. Treasury's sanctions since 2014<sup>163</sup> and denies that it was ever in discussion to finance the project.<sup>164</sup>

Despite what Sater's flurry of emails may suggest, the Trump Tower in Moscow was not a unilateral effort. In January 2016, Cohen wrote directly to Dmitry Peskov, Putin's spokesperson and close associate, entreating him to help restart the project. (Peskov has confirmed he received the email but says he did not respond.)<sup>165</sup> Cohen has also confirmed that he had discussed this deal with Trump three times.<sup>166</sup>

Though the above pursuit ultimately did not materialize, Sater, who first began working with Trump in 1999,<sup>167</sup> remained relentless. Sater's "boy" won the election, but more work remained to be done. In February 2017, Sater once again teamed up with Cohen,<sup>168</sup> this time in an attempt to establish a backchannel discussion between then-National Security Adviser Michael Flynn and Andrii Artemenko, a pro-Kremlin Ukrainian politician.<sup>169</sup> Through Cohen and Sater, Artemenko wanted to convey a plan for easing the conflict with Russia in eastern Ukraine. His plan hinged on the United States lifting the sanctions it had imposed on Russia in 2014. According to *The New York Times*, Artemenko, who opposes the current President of Ukraine Petro Poroshenko, "said he received encouragement for his plans from top aides to Mr. Putin," in essence making him an agent of the Kremlin.<sup>170</sup> A week after Cohen hand-delivered the sanctions-related proposal to Flynn, the latter resigned from office.<sup>171</sup> Flynn's resignation centered on his efforts to conceal discussions of Russian sanctions, in this instance with Russia's former Ambassador Sergey Kislyak.

It is worth unpacking how Sater came within reach of the campaign and the transition team. Trump has tried to publicly distance himself from Sater since 2007, when *The New York Times* first reported on Sater's criminal background and felony convictions. But Sater clearly remained close to Trump's inner circle, as he worked with Trump's personal attorney on sensitive matters as recently as 2017.<sup>172</sup>

In a sworn testimony in 2013, Trump claimed that he barely knew Sater: "If he were sitting in the room right now, I really wouldn't know what he looked like."<sup>173</sup> Sater, however, described frequent interactions with Trump for more than a decade during an interview with *Snob*, a Russian magazine.<sup>174</sup> When asked whether he maintained constant contact with Trump since they began working together in 1999, Sater responded, "Yes, he likes everything to be right. I reported to him on everything. Sometimes twice a day, sometimes twice a week, sometimes twice a month. And so on for ten years."<sup>175</sup> The business relationship between Trump and Sater deepened when they teamed up on the Trump SoHo tower, as well as several other projects that Bayrock helped develop in Phoenix and Fort Lauderdale, Florida.

In 2005, Trump signed a one-year deal with Bayrock to find a suitable location in Moscow for a Trump-branded tower.<sup>176</sup> That Sater would pursue a second development in Moscow on Trump's behalf nearly 10 years after his first attempt suggests the tower near the Kremlin has been a proverbial white whale for both. Beyond Russia, Sater and Tefvik Arif scouted deals for Trump in Ukraine, Poland, and Turkey, according to Russian media.<sup>177</sup>

None of the deals abroad were realized, prompting some journalists to question whether Sater exaggerated his connections in Russia and elsewhere.<sup>178</sup> To be sure, Sater's standing in Russia was not as he had presented it, particularly following the arrest of his business partner, the Russian real estate mogul Sergei Polonsky.<sup>179</sup> Though many of his deals have been unsuccessful, this does not take away from his role as a middleman and conduit between Trump and Russia. Sater has shifted fluidly from real estate to the geopolitical realm, which supports the established argument that business deals are central to the ongoing Russian meddling investigations. As Sater's activities make clear, business relationships can be repurposed as pathways and vectors of foreign influence.

Sater symbolizes not only a link to Russia, demonstrating the interconnectedness established well before the presidential campaign, but also a mode of doing business. To note a few parallels, both Trump and Sater have been accused of misrepresentation in the course of sales to potential investors;<sup>180</sup> both have cultivated partnerships with questionable business associates;<sup>181</sup> and both were named as parties to

Racketeer Influenced and Corrupt Organizations Act (RICO) lawsuits.<sup>182</sup> Trump ultimately settled the lawsuits brought in relation to the sale of Trump SoHo units as well as the Trump University, admitting no wrongdoing in either case.<sup>183</sup> Sater, sued by a former business partner who claimed that Bayrock had committed fraud by concealing his criminal background, has also denied any wrongdoing. In December 2016, a judge in the case ruled that the case could proceed as a racketeering matter, according to the order.<sup>184</sup> This lawsuit is currently ongoing.

Certain patterns of Trump's business conduct, as well as his public statements in this realm, must be evaluated on two levels: first, as signals conveyed to an outside audience, including a foreign power bent on undermining a system from within; and second, as insight into how that undermining might be achieved. Given the Kremlin's use of corruption as the "lubricant" for networks of patronage in other countries,<sup>185</sup> Trump's views on anti-corruption laws and regulations, as well as transparency and due diligence, are a natural place to start.

# Business patterns lay bare mechanisms for potential compromise

A deeper look at Trump’s business record reveals a possible mechanism for punishment alongside the opportunity for reward. The coincidence of Trump’s business struggles and Russia’s capital flight—as well as Trump’s penchant for foreign licensing deals after the mid-2000s—helped create pathways that could have facilitated a degree of coordination between the Trump campaign and Russia. It is possible that these factors could have also created a positive incentive for Trump’s collaboration with or appeasement of Putin. But, as described in the first chapter of this report, the Kremlin’s form of weaponized corruption involves the potential for both reward and punishment.

Trump has an established history of public fulmination about anti-corruption laws, specifically as they regard overseas business. He has also payed multiple fines for violating anti-money laundering laws, and operates his business through a dense network of shell companies that is at least superficially similar to those used by known financial criminals to hide their fortunes.<sup>186</sup> Although no smoking gun has yet emerged, criminally implicating Trump in committing or abetting financial crimes, these patterns suggest that Trump’s business dealings and practices could have provided the Kremlin with “kompromat” that it could use to punish Trump if he angers Putin, just as it did with Russian oligarchs like Khodorkovsky and Yevtushenkov.

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## Trump’s crusade against anti-bribery laws

Donald Trump has long disparaged U.S. laws aimed at curbing corruption around the globe. In May 2012, he railed against the Foreign Corrupt Practices Act (FCPA) when asked to comment on the unfolding Walmart Mexico graft scandal.<sup>187</sup> Trump lamented the prosecution of American corporations caught bribing foreign officials to facilitate business dealings in emerging markets and described the anti-bribery law as “horrible.”<sup>188</sup> He did acknowledge corruption as a major issue in Mexico, describing the country as a “mess” and “absolutely crazy” from that standpoint.<sup>189</sup>

No doubt Trump personally felt constrained by the law when pursuing deals in countries such as Kazakhstan and Azerbaijan,<sup>190</sup> both assigned virtually the same ranking on Transparency International's Corruption Perception Index as Mexico.<sup>191</sup> In fact, Kazakhstan, where Trump planned to build a tower in 2012, was perceived to be more corrupt than Mexico, according to the index.

As president, Trump has continued his crusade against the FCPA.<sup>192</sup> According to *The New Yorker*, on one occasion during Secretary of State Rex Tillerson's visit to the Oval Office in February 2017, Trump "began fulminating about federal laws that prohibit American businesses from bribing officials overseas."<sup>193</sup> Emerging markets, particularly in Eastern Europe, have been exceedingly appealing to Trump, but the FCPA may have curtailed and deterred his reach. Already in debt, Trump could hardly embrace the risk of millions in fines assessed by the Securities and Exchange Commission (SEC) and the Department of Justice (DOJ), who have, since the mid-2000s, become more aggressive in implementing the law.<sup>194</sup>

To date no FCPA violation charges have been brought against the Trump Organization and related entities. However, there have arguably been enough red flags to warrant serious scrutiny on the part of the regulators. Adam Davidson of *The New Yorker* has written effectively on this topic, studying several suspicious foreign deals. Chief among these deals was the Trump Organization's project in Baku, Azerbaijan, a veritable cocktail of risk factors, including a corruption-prone jurisdiction, government-linked finance, lack of transparency, and Trump's intrinsic aversion to due diligence.

Other analysts might argue that the dynamics present in Trump's foreign deals have not lent themselves easily to FCPA violations. The FCPA prosecutes bribery of foreign officials with the intent of securing or facilitating business; since Trump has merely licensed his name to local partners, one could argue that he has preemptively removed himself from any such scenario. While there is merit to this argument, it is nevertheless worth remembering the breadth of the FCPA's reach. In recent years enforcement actions have targeted many different types of players in the real estate sector, including property managers, a role the Trump Organization has often played in conjunction with licensing the Trump name to foreign buildings.<sup>195</sup> In the context of the FCPA, even if the Trump Organization had contracted a local third-party to help with inspections and licensing, and that third-party had committed bribery, a violation of the FCPA might have taken place. In fact, the DOJ's layered approach to liability has spawned a whole new branch of the already sprawling compliance industry in the United States, focused entirely on third-party due diligence.<sup>196</sup>

There are three key takeaways to consider here: the message that Trump's public disparagement of the U.S. anti-bribery laws has conveyed; how the FCPA may have curtailed Trump's ventures abroad; and how both could have been exploited by an outside power that saw a drop off in U.S. business and foreign direct investment because of these laws. The last one is particularly important to dwell on since corruption is one of Russia's principal tools by which to subvert politicians both domestically and abroad.

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## The ubiquitous issue of money laundering

Perhaps more so than with corruption, the real estate industry has long been associated with money laundering.<sup>197</sup> Trump's track record here merits scrutiny. Though neither Trump nor the Trump Organization have ever been sued or indicted on charges of money laundering through real estate, investigative journalists have documented many instances in which Trump-owned and branded properties have allegedly been used to launder money. For example, there is an ongoing investigation of Viktor Khrapunov,<sup>198</sup> a former high-ranking official from Kazakhstan, who stands accused of laundering more than \$3 million in stolen government funds by furtively purchasing three units in Trump SoHo in the names of his family members.<sup>199</sup> Khrapunov has reportedly worked on several deals with Felix Sater,<sup>200</sup> who, in January 2018, was subpoenaed for information as part of the ongoing money laundering lawsuit in the Southern District of New York. The plaintiffs in the lawsuit against Khrapunov are the Kazakh BTA Bank and the City of Almaty.<sup>201</sup> Sater is not party to the lawsuit and has denied any wrongdoing, as has Khrapunov.

More importantly, it has been alleged that Sater's company Bayrock, which financed and developed Trump SoHo, used this project to launder money. These allegations have been fleshed out in several U.S. federal lawsuits. Jody Kriss, a finance director at Bayrock, has brought against his former employers.<sup>202</sup> Fred Oberlander, the principal lawyer representing Kriss, asserted in an interview with Andrew Rice for *The New York Magazine* that "Donald Trump's projects with Bayrock were financed with the proceeds of transnational crime."<sup>203</sup> He emphasized that Trump was aware of this, but "he continued to take the money."<sup>204</sup> (In his article, Rice noted that the Trump Organization did not respond to a request for comment on this allegation.)

If true, that would have been illegal, as Michael Zeldin, a legal expert, explained:

*Under criminal money laundering statutes, it is a crime for any person to engage knowingly in a financial transaction with knowledge that the transaction involves the proceeds of criminal activity. The courts have interpreted knowledge to include actual knowledge and willful blindness—deliberately avoiding gaining knowledge when faced with a high likelihood of criminal activity, i.e. ignoring red flags of suspicious activity.<sup>205</sup>*

In other words, the task before the plaintiffs, investigators, and prosecutors has been two-fold: to prove that Bayrock had engaged in criminal activity and that Trump knew this and looked the other way. Both Bayrock and Trump have denied any wrongdoing or knowledge thereof.<sup>206</sup> The lawsuit Kriss filed against Bayrock, Sater, and others in May 2010 is currently ongoing in the U.S. District for the Southern District of New York. As noted above, in December 2016, a judge in the case ruled that the case could proceed as a racketeering (RICO) matter, according to the order.<sup>207</sup>

Money laundering is rarely prosecuted in isolation and is typically linked to an underlying crime, such as drug trafficking or illegal gambling. In one instance in April 2013, federal agents raided an apartment at Trump Tower in New York City as part of a larger round up of nearly 30 suspected members of two global gambling rings, allegedly run by Alimzhan Tokhtakhounov.<sup>208</sup> Among other crimes, the leaders of the organization were charged with laundering more than \$50 million in “sports gambling proceeds through shell companies in Cyprus and the United States of America.”<sup>209</sup> Neither the raid nor the related indictment<sup>210</sup> prevented Tokhtakhounov from attending Trump’s Miss Universe pageant in Moscow in November 2013, as a VIP guest no less. In April 2014, two U.S.-based leaders of the rounded up organization were sentenced for participating in the racketeering conspiracy.<sup>211</sup> Twenty-eight defendants in this case pled guilty and two entered into deferred prosecution agreements. In 2014, the FBI described Tokhtakhounov as a fugitive who was still being sought.

There have been other allegations of criminals using Trump properties to clean illicit money. In his piece for the *New Republic*, journalist Craig Unger counted “at least 13 people with known and alleged links to Russian mobsters or oligarchs [who] have owned, lived in, and even run criminal activities out of the Trump Tower and other Trump properties.”<sup>212</sup> This estimate—which perhaps unfairly collapses Russian mobsters and oligarchs into one category—still falls short of proving Trump’s direct knowledge of wrongdoing in any of these cases. It does, however, add to a pattern that is more difficult to dismiss on the basis of ignorance.



Although Trump has not faced criminal money laundering charges related to his real estate empire, his casino businesses have incurred multiple record fines. It is unsurprising that his casinos would face heavier scrutiny; unlike real estate, casinos fall within the highly regulated segment of financial institutions falling within the scope of the Treasury Department's Financial Crimes Enforcement Network (FinCEN). In 1998, the Treasury Department fined the Trump Organization \$477,000 after the Internal Revenue Service (IRS) determined that the Trump Taj Mahal casino in Atlantic City, New Jersey, had violated anti-money laundering rules more than 100 times in its first 1.5 years of operations by failing to report gamblers who cashed out more than \$10,000 in a single day.<sup>213</sup> At the time, the fine was the largest ever assessed for violating the Bank Secrecy Act; however, it pales when compared with the \$10 million the casino had to pay in 2015 when FinCEN again found the establishment had "willfully violated" anti-money laundering laws since 2003.<sup>214</sup> Trump's stake in Trump Entertainment Resorts, the company that operated the Trump Taj Mahal casino, was reduced to 10 percent by 2009, following multiple bankruptcies.

#### Money laundering as a sign of system vulnerabilities

A discussion of certain endemic vulnerabilities that allow for widespread money laundering in the United States is also one of the ways that a foreign actor can penetrate and undermine a local system from within, be it by abetting organized crime or, more subtly, by covertly funding political campaigns and grassroots movements. Some purists may argue that funding campaigns rarely falls within the definition of money laundering, as enforcement of the principal anti-money laundering laws in the United States, including the Bank Secrecy Act, is typically tethered to concrete crimes: One either launders money to clean the proceeds of a crime or to perpetrate a subsequent crime, as in terrorist financing. In this report, however, the discussion of money laundering also encompasses the process by which actors obfuscate the problematic provenance and ultimate destination of their funds. After all, in light of U.S. federal campaign finance laws, which forbid foreign governments and foreign nationals from making donations to domestic elections, this is not a major departure.

It is no surprise that money launderers have abused high-end real estate's anonymity and limited regulatory oversight for decades. Real estate transactions are often used in both layering and integration, the final phase of money laundering. A money launderer, for instance, may purchase a property using one anonymous shell corporation then sell it to other corporations he or she controls at successively higher prices, thereby creating a chain of sales of escalating value.<sup>215</sup> Additionally, many countries, including the United States, do not require extensive due diligence for purchases

made through brokers or allow for purchases without the buyer needing to be physically present in the country of the property.<sup>216</sup> Because of these oversights, and because commercial real estate provides both a store of value and appreciation, money launderers often invest in real estate to integrate money once it has been sufficiently layered.<sup>217</sup>

The three stages of money laundering are placement, layering, and integration.<sup>218</sup> Placement refers to the process by which the individual or organization introduces illicit money into the legitimate economy. According to the international watchdog organization the Financial Action Task Force (FATF), this first step often involves breaking up large amounts of illegally-obtained cash into smaller, less conspicuous amounts, which are then deposited directly into bank accounts or converted into monetary instruments such as checks or money orders.<sup>219</sup> Once the money has been deposited into the economy, an individual layers the money through repeated transactions, establishing a paper trail that creates the appearance that the money was obtained legitimately through investments in real estate, gambling, or payments for goods and services. One common method for doing so is by creating anonymous shell corporations, which allow people to do business without disclosing the identities of the ultimate beneficial owners.<sup>220</sup> The money launderer may pass the money through multiple bank accounts or shell corporations, thus further obfuscating its origins.<sup>221</sup> Real estate is often involved in both layering and the final phase of money laundering, integration. At this stage, the funds re-enter the legitimate economy through more transparent purchases of assets.

To see how real estate investments can be abused for purposes of money laundering, it is critical to deconstruct these transactions further and look at shell companies specifically. Here too it is evident how Trump's mode of business may have converged with that of a foreign actor, exploiting the system's already present vulnerabilities, including jurisdictions that are lax on disclosure requirements.

#### The ills of shell companies, or how to hide the money trail

Discussions of Russian money and Trump frequently run into a wall, namely, anonymous shell companies. Byzantine networks of offshore shell companies, nominee ownership, and foreign bank accounts coupled with creative transaction schemes would have made it both astonishingly simple for illicit or furtive money to flow into Trump's own network of companies and difficult to document and prove.

For the same reason, any assessments of Trump and potential issues of money laundering or corruption have typically been couched in mountains of legal disclaimers about the tenuousness of the connections drawn, nature of the relationships, knowledge of the activities, and so on. One argument that can be made unequivocally, however, is that Trump and financial miscreants share a strong affinity for shell companies. In fact, Trump's extensive reliance on shell companies—paired with his refusal to abide by transparency norms and release his tax returns—has made it so difficult to make concrete incriminating or exculpatory statements regarding his business conduct and otherwise.

In perpetuating the myth of Trump as a successful businessman during the campaign, his proponents have pointed to the fact that he owns more than 500 companies. In reality, the vast majority of these companies are shells, meaning they are not bona fide companies with operations and revenue but only exist on paper and serve the purpose of layering ownership of assets and entities.<sup>222</sup> A typical shell company may have a number of owners, partners or shareholders, depending upon whether it is organized as a corporation or a partnership. These owners, partners, or shareholders may be located in different U.S. states or in foreign countries. In addition, shell companies structured as partnerships and their close cousin, limited liability companies (LLCs), which are treated like partnerships in the U.S. tax system, can have multiple tiers of owners. That is, the partners in one LLC may consist of other individuals, partnerships, LLCs, or even C corporations.

These complex ownership structures—while in and of themselves not illegal—can be used to evade taxes<sup>223</sup> and facilitate financial crimes, including sanctions evasion, bribery, or, as the Panama Trump Ocean Club case study has illustrated, potential laundering of drug money.<sup>224</sup> Even though, prior to January 2017, Trump was based in New York, three-fourths of his companies are registered in Delaware,<sup>225</sup> a state with among the least stringent transparency requirements in the country, where many international criminals come to launder and hide their assets.<sup>226</sup> Again, shell companies are not illegal per se, but, when established in states or countries that do not require public disclosure or even in some cases confidential reporting of beneficial owners (as opposed to mere agents or nominees who represent the true owners), they afford complete anonymity and remain the favored means by which to “clean” ill-gotten gains, facilitate unlawful activity, or generally move and park money anonymously.

Especially when strewn across international offshore havens—such as Cyprus, the Cayman Islands, Belize, and Panama—shell companies subvert multijurisdictional investigations and make it virtually impossible to trace a person's assets and determine the full extent of their interests. This has allowed alleged kleptocrats such as former President of Ukraine Viktor Yanukovich to hide billions<sup>227</sup> of dollars obtained through bribery schemes and abuse of power.

Shell companies are a bane to public service in the United States, as the revelations of Secretary of Commerce Wilbur Ross' ostensible conflicts of interest recently demonstrated.<sup>228</sup> Several layers of shell companies allowed Ross to obscure the fact that he was financially benefiting from business with a company that is an appendage of the Russian government with significant exposure to U.S. sanctions. Had it not been for the leak of the so-called Paradise Papers, which exposed Ross' international holdings through shell companies, the public would have remained blind to this self-enriching relationship.<sup>229</sup>

As news of foreign intrusions in elections and referendums mounts and investigations unfold, it is critical to remember that shell companies also obfuscate the sources of funds, making it easy for outside state actors to make anonymous financial contributions to domestic campaigns. Campaign finance laws can be enforced only in so far as there is transparency. Shell companies do away with it.

To understand how billions of dollars can secretly snake into the U.S. banking system, one need not look further than Irakly Kaveladze, who came to national attention in the context of the Trump campaign's alleged collusion with the Russian government.<sup>230</sup> Well before he met Paul Manafort, Jared Kushner, and Donald Trump Jr. alongside Russian attorney Natalia Veselnitskaya, Kaveladze drew scrutiny from U.S. lawmakers for his potential role in facilitating Russian money laundering.<sup>231</sup> Kaveladze has denied any wrongdoing.

In October 2000, following a lengthy investigation commissioned by Sen. Carl Levin (D-MI), the General Accounting Office (GAO) released a report detailing how Kaveladze had worked as an intermediary to incorporate 2,000 shell companies in Delaware on behalf of anonymous Russian brokers.<sup>232</sup> He was then able to set up U.S. bank accounts for these anonymous shell companies, never disclosing the actual beneficiaries. According to the GAO's findings, between 1991 and 2000, more than \$1.4 billion in wire-transfer transactions were deposited into these accounts, only to be moved elsewhere soon after. The impermeable nature of shell companies is why, to this day, no one seems to know who was ultimately behind the corporations Kaveladze set up and with what intent they circulated \$1.4 billion in untraced funds through established U.S. banks such as Citibank.<sup>233</sup>

In recent years, the USA Patriot Act and other enactments have strengthened the anti-money laundering regime in the United States. Most relevant to the Kaveladze example is the new rule FinCEN issued in May 2016,<sup>234</sup> which requires covered financial institutions, including banks, to identify and verify their corporate clients' beneficial owners at the time a new account is opened. Presumably, had this rule

been in place when Kaveladze opened bank accounts using the Delaware entities he created, the banks would have had to confirm the ultimate beneficiaries behind each of these companies used to set up the accounts. Covered financial institutions are required to comply with this rule by May 2018. The efficacy of its implementation and enforcement remains to be seen.

The Kaveladze example also illustrates that evaluating intermediaries is important not only from the standpoint of the physical meetings they can broker, but also the transactions and financial pathways they can structure. While typically low-profile, intermediaries can also be prominent operators on the geopolitical stage, as Paul Manafort the former Trump campaign chairman demonstrates. Before his recent indictment,<sup>235</sup> Manafort made news with revelations of his business relationship with Oleg Deripaska, the very same oligarch who attempted to abscond with Putin's pen. Over the years, Manafort has served as an intermediary, facilitating Deripaska's investments through Cayman Islands shell companies as well as allegedly aiming to provide Deripaska with intimate insight into the U.S. presidential campaign in 2016.<sup>236</sup>

#### Fueled speculations and lingering questions

Trump's business practices, as outlined above, could have provided the Kremlin and those working on its behalf with both the leverage and the means necessary to penetrate his commercial empire and his 2016 presidential campaign. Trump's well documented financial struggles beginning in the 1990s made him a vulnerable target for foreign cultivation and influence. His public ridicule of anti-corruption norms and seeming indifference to the sources of money flowing into his properties could have emboldened meddling attempts. And although Trump stated, "I have nothing to do with Russia—no deals, no loans, no nothing,"<sup>237</sup> his reliance on shell corporations and secrecy havens such as Delaware—to say nothing of the impenetrable nature of his privately-held Trump Organization—would have made injection of foreign funds, licit or otherwise, without public notice very simple.

The intentional lack of transparency of the Trump Organization and its related entities has allowed for stunning elasticity in estimates of Trump's wealth before the election. Trump once boasted that his net worth was more than \$10 billion, whereas others have estimated it to be between \$3 billion and \$4 billion.<sup>238</sup> This is a dramatic range that points to a problem of opacity and lack of accountability. Similarly, Trump has estimated that his real estate licensing deals, intellectual property, brands, and branded developments are worth more than \$3.3 billion; however, financial analysts

have estimated the actual licensing revenue at a fraction of that figure.<sup>239</sup> While such ranges in estimates of net worth may be common with other wealthy individuals, none of them hold the highest office in the country. The president and other politicians who represent interests of the electorate, ought to be held to a higher standard of transparency to avoid conflicts of interest.

The perceived elasticity in Trump's net worth then begs the question of what money could be sloshing around in Trump's coffers that only he seems to be aware of. Many observers have attributed the range in Trump's net worth to his often unfounded boastfulness; but what if he is, in fact, that rich? What is the source of the unaccounted wealth? Speculation is all the public can do as long as Trump refuses to embrace a more transparent mode of operation and release his tax documents,<sup>240</sup> as other public servants have done. As things stand now, however, Trump's finances are almost hopelessly opaque, exacerbating concerns that the wealthiest president in American history—and the first in decades not to meaningfully divest from his business holdings<sup>241</sup>—may be even more financially compromised than is already thought, and in ways that may impact his decisions in office.<sup>242</sup>

Trump's purposeful opacity would constitute a threat to good governance even without Russia's interference in the 2016 election. But given the details that continue to emerge about the Trump campaign's interactions with Russia-linked entities and figures, his business dealings and the connections they create become an even more urgent concern. The Kremlin, after all, has a long track record of cultivating other countries' elites as assets to exploit, using business connections and corruption as "lubricant" to make foreign governments more pliable to Russia's interests. With so much of the Trump campaign's potential collusion with Russia hinging on the relationships Trump established as a businessman, the evidence increasingly points to exactly the kind of years-long influence campaign Russia has conducted elsewhere. This, in turn, reinforces the need to take proactive steps to better enhance financial crime, economic and trade sanctions, and anti-corruption efforts as a step toward preventing future incursions.

# Recommendations

Russia's interference in the 2016 election and its broader campaign to undermine governments throughout the West have prompted a much-needed reevaluation of the corrupting influence of secretive foreign money in democracies. Examining how Russia uses its oligarchs' wealth and power to pursue its foreign policy—and how Trump and his businesses' operating practices may have opened the door for the Kremlin's meddling in the United States—naturally leads to several policy proposals. The following recommendations urge policymakers and relevant law enforcement agencies to crack down on money laundering and corruption, thereby mitigating future attempts at interference in American democracy.

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## Curb abuse of shell companies by requiring greater transparency

Congress should pass legislation like the Corporate Transparency Act and the TITLE Act

On a federal level, Congress should take concrete steps to curb abuse of shell companies for illicit ends by setting a regulatory floor for minimum disclosure requirements. These should include accurate reporting with respect to beneficial owners of corporations, or other legal business entities such as limited liability companies that are registered across states, including in more secrecy-prone jurisdictions such as Delaware, Wyoming, and Nevada.<sup>243</sup> The aim of the proposed transparency policy is to make reliable and up-to-date beneficial ownership information available to regulatory, tax, and other law enforcement authorities, but not to create a public beneficial ownership registry as has been proposed in the European Union.

In June 2017, Sen. Sheldon Whitehouse (D-RI) introduced the TITLE Act, proposing greater transparency in how U.S. corporations and LLCs are formed to stop their misuse by “wrongdoers, and assist law enforcement in detecting, preventing, and punishing terrorism, money laundering, tax evasion, and other criminal and civil misconduct.”<sup>244</sup> In August 2017, Sens. Ron Wyden (D-OR) and Marco Rubio (R-FL) introduced bipartisan legislation, the Corporate Transparency Act of 2017,

also to prevent individuals from using anonymous shell corporations to facilitate illicit activities.<sup>245</sup> Reps. Carolyn Maloney (D-NY) and Peter King (R-NY) introduced a companion bill in the House of Representatives.<sup>246</sup> Passing these bills will significantly aid the fight against financial crimes.

The administration should push for transparency in beneficial ownership  
In October 2015, the Obama administration published, “The U.S. Action Plan to Implement the G-20 High Level Principles on Beneficial Ownership,” which provides a roadmap for critical policy steps, including assessment of civil and criminal penalties for knowingly providing false information regarding the beneficial ownership of legal entities.<sup>247</sup> It is important to report the actual individuals exerting control over legal entities, and not merely nominees standing in for anonymous owners and directors.

The U.S. government should encourage increased disclosure standards across international jurisdictions, stymieing transnational crimes abetted by money laundering. One way to do this is to encourage and fund the digitization of foreign corporate registries, at the very least making them accessible to law enforcement. At present, many country-specific registries are not accessible online and require physical retrieval of relevant records, a process logistics and bureaucratic customs often hinder.

States should improve Know Your Customer regulations

At the state level, registered agents and attorneys incorporating legal entities should be regulated, licensed, and mandated to conduct due diligence on their clients. These facilitators can play an important role in identifying anomalous activity and should be required to adhere to Know Your Customer (KYC) compliance standards similar to banks and financial institutions.

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Combat money laundering in real estate  
through legislative and executive actions

Congress and the Treasury Department should introduce policies aimed at curtailing systemic money laundering through anonymous purchases of domestic real estate

The Financial Crimes Enforcement Network of the Treasury Department has already taken steps in the right direction with the introduction of the geographic targeting orders (GTOs) that have temporarily required U.S. title insurance companies to identify the ultimate beneficiaries behind shell companies used to pay all-cash for high-end residential real estate in several risk-prone jurisdictions in the United States,



including New York and Florida.<sup>248</sup> Congress should increase FinCEN's budget so it can expand this program into other jurisdictions,<sup>249</sup> sufficiently analyze the gathered data, and develop new regulations and standards aimed at promoting greater transparency in the real estate industry.

FinCEN should require the real estate industry to do due diligence on prospective clients

FinCEN should expand its Customer Due Diligence (CDD)<sup>250</sup> rule to include real estate brokers, real estate investment funds, title insurance companies, and escrow agents among the institutions required to conduct rudimentary and enhanced due diligence on the ultimate beneficiaries of their corporate clients. The CDD was issued to amend the existing Bank Secrecy Act of 1970 regulations in order to strengthen customer vetting of financial institutions.<sup>251</sup>

Congress should reform the Bank Secrecy Act (BSA) to cover the real estate industry

In the longer term, Congress should amend the BSA and portions of the Money Laundering Control Act of 1986 to include real estate institutions and brokers among the designated financial institutions required to assist the government in detecting and preventing money laundering through instituted Anti-Money Laundering (AML) controls and reporting requirements. The importance of this was recognized with the introduction of Section 352 of the Patriot Act, which went into effect in April 2002 and required that "persons involved in real estate closings and settlements" institute anti-money laundering programs.<sup>252</sup> However, soon after the introduction of these provisions, the Treasury Department temporarily exempted real estate actors from the requirements. One proposed solution then is to repeal this exemption, which would promote greater transparency and bring the United States in line with the Financial Action Task Force (FATF) recommendations on real estate due diligence.

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Fight global corruption with strong enforcement and economic incentives

Congress should ensure strong enforcement of the Foreign Corrupt Practices Act (FCPA)

It remains unknown how rigorously the Department of Justice and the Securities and Exchange Commission will enforce the FCPA under the current administration. To preempt a reduction in investigation and enforcement, the relevant divisions of both agencies must be sufficiently staffed and funded. Furthermore, the investigative powers of both agencies must not be hindered. SEC Acting Chairman Michael Piwowar,

for example, has removed the ability of the agency's enforcement officials to launch financial crimes investigations and issue subpoenas, thereby limiting this decision power to the SEC's enforcement division director.<sup>253</sup>

Congress should provide the United States Agency for International Development (USAID) with more resources earmarked for fighting corruption. USAID should receive additional funding dedicated specifically to anti-corruption programs in vulnerable countries. Moreover, it should have sufficient internal controls and oversight to ensure the allocated funds are not misappropriated and are used for the intended purposes upon reaching the recipient countries. To this end, any foreign incorporated entity receiving funds to, for example, implement a program or advance a construction project, should be required to disclose its ultimate shareholders and executives. Such transparency requirements ought to be the norm to identify and prevent corruption, conflicts of interest, and abuse of power.

The United States should support other countries to enforce anti-bribery norms. The United States helped establish an international architecture to enforce anti-corruption norms across the globe; however, in practice, only a few countries, including the United Kingdom and Germany, have actively enforced these in recent years. To root out corruption, the United States must continue to work with other countries to ensure their internal enforcement mechanisms are consistently implemented. One incentive-based recommendation would be to include anti-corruption clauses in bilateral and multilateral trade agreements.<sup>254</sup>

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## Address gaps in campaign finance disclosure regulations

Congress should pass the DISCLOSE Act

The corrupting potential of lenient reporting laws surrounding anonymous shell companies is only exacerbated by the lax disclosure laws related to campaign finance. Passing the DISCLOSE Act of 2017 would enhance campaign finance transparency generally and expose and deter foreign influence in the U.S. elections specifically. Among other requirements, the act would expand the timeframe during which broadcast ads that reference a candidate must be reported to the Federal Election Commission (FEC)—currently limited to the 60 days prior to a general election or the 30 days prior to a primary election.<sup>255</sup> The DISCLOSE Act would expand that time period to cover the entire calendar year in which the election takes place, so that candidate-related broadcast ads could not be funded anonymously.

Other provisions of the DISCLOSE Act crack down on the use of LLCs and anonymous organizations that donors may use to obscure their identities and the provenance of funds. The DISCLOSE Act requires organizations that serve as conduits for large amounts of money to report information that can be used to help determine the original source of the funds. The DISCLOSE Act also carefully defines the circumstances under which U.S. subsidiaries of foreign corporations should be treated as foreign nationals prohibited from making contributions, replacing the lenient and vague guidance offered by the FEC.<sup>256</sup>

#### Congress should pass the Honest Ads Act

Historically, online advertisements and social media ads—recent targets of Russia’s influence campaigns in the United States—have not been subject to the same disclosure requirements as traditional media such as television and radio. The Honest Ads Act would close this serious gap, requiring those who purchase and publish online political advertisements to report those ads to the FEC and to include the same disclaimers that appear on other ads. Furthermore, the Honest Ads Act would require social media companies to maintain a public file of political advertisements and to exercise reasonable diligence in preventing foreign nationals from purchasing campaign ads through their platforms. This would undermine the ability of foreign governments to anonymously propagate online ads aimed at influencing U.S. elections.

#### The FEC should vigorously enforce the law

An equally important element of transparency in campaign finance is enforcement of laws and regulations. A former chairwoman of the FEC, Ann M. Ravel, has described the agency as “worse than dysfunctional” in this regard.<sup>257</sup> Congress should appoint new FEC commissioners who are willing to enforce the law and to take measures necessary to prevent foreign influence in our elections.

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#### Expose and resolve conflicts of interest and violations of the emoluments clauses

Congress should enforce a greater separation between Trump and his businesses. Two sections of the U.S. Constitution, commonly known as the emoluments clauses, bar the president from receiving financial benefits or other things of value from representatives of foreign governments without the consent of Congress or from individual states at all. Ethics experts, including the ethics advisers for the two previous presidents, have argued that many of the president’s ongoing business ventures violate these clauses.<sup>258</sup> Congress must take all necessary steps to prevent these abuses of power.

Congress should pass a law to require the president, vice president, and their families to either resolve their conflicts of interest by selling or otherwise divesting their assets or disclose them

Current regulations exempt the president and vice president from the disclosure and divestiture requirements to which other executive-branch employees are held. Congress should fix this oversight by passing a law requiring that the president, vice president, and their families resolve their conflicts of interest by selling or otherwise divesting their assets, or else clearly disclose any and all material conflicts. Beyond the aforementioned consideration of the emoluments clauses, the present national discussion offers an opportunity to reexamine the financial disclosure requirements for other federal officials and ensure they are sufficiently strict and effective in exposing any possible conflicts of interest inherent to foreign and domestic commercial ventures.

Relevant congressional committees should request and review Trump's tax records

Congressional committees have the power to request the president's tax records and should do so in order to assess them for evidence of potential conflicts of interest. This power, originally granted by a 1924 law, was previously used to look at President Richard Nixon's tax returns in 1974.<sup>259</sup> Democrats on the Ways and Means Committee have sought to have the committee request President Trump's tax returns from the Treasury Department, but most recently the request failed 23-15 on a party-line vote. Requesting the president's tax records would offer an opportunity to reestablish and potentially enshrine in law the norms of financial disclosure for presidents and presidential candidates.<sup>260</sup>

# Conclusion

While much of the attention afforded thus far to Russia's interference in the 2016 U.S. presidential election has focused on the interactions between the Trump campaign and the Kremlin, the ongoing Special Counsel investigation has also illuminated major systemic vulnerabilities in the global and domestic financial systems. These vulnerabilities, which include a lack of corporate transparency and sufficient anti-money laundering safeguards, abet the Kremlin's broad assault on Western democracies. What is more, the identified regulatory gaps can well be exploited by any foreign adversary to undermine future U.S. elections and national security.

In his letter of transmittal appended to the January 2018 Senate Committee on Foreign Relations report, titled "Putin's Asymmetric Assault on Democracy in Russia and Europe: Implications for U.S. National Security," Sen. Ben Cardin (D-MD) explained that, in an effort to undermine democracy and the rule of law in Europe and the United States, the Kremlin has employed an "asymmetric arsenal that includes military invasions, cyberattacks, disinformation, support for fringe political groups, and the weaponization of energy resources, organized crime, and corruption."<sup>261</sup> Each of the enumerated tactics can be devastating to democratic institutions and societies. Fortunately, by tackling illicit finance—which fuels and facilitates these operations—it is possible to stymie and counter any such aggression.

Confronting foreign aggression alone is not sufficient. It is also critical to recognize the threat conflicts of interest and corruption can pose to democratic institutions and practices in the United States. To this end, Congress must act to ensure that public officials disclose and divest any business interests that may undermine their decision-making in office. Doing so will, in part, require turning longstanding norms into law, such as by mandating that candidates for high public office release their tax returns and by amending current law to no longer exempt the president and vice president from divestiture requirements. Additionally, Congress must act on the responsibility delegated to it by the Constitution's foreign emoluments clause, which empowers Congress to provide or withhold consent for "any present, Emolument, Office, or

Title, of any kind whatever,” that a federal officeholder receives “from any King, Prince or foreign State.” Taking a more proactive approach to transparency enforcement will ensure that the American government responds to the American people rather than financial incentives from foreign governments or affiliated corporations.

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## About the author

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## Appendix: A select cast of characters

### Roman Abramovich

Roman Abramovich is a Russian billionaire and reportedly a close ally of President Vladimir Putin. He made his fortune in the Russian energy industry, eventually selling his stake in the oil firm Sibneft to Gazprom in 2005. He retains stakes in major Russian steel companies.<sup>262</sup> From 2000 to 2008, he served as the governor of the Russian region of Chukotka. Abramovich was one of several high-profile Russian billionaires to attend a 2014 fundraising dinner for Moscow’s Jewish Museum and Tolerance Center with Ivanka Trump and Jared Kushner after his wife, Dasha Zhukova, invited the couple to Moscow.<sup>263</sup>

### Aras Agalarov

Aras Agalarov is an Azeri Russian real estate mogul and an increasingly close Putin ally who is often referred to as the “Trump of Russia.”<sup>264</sup> In December 2017, Agalarov attended Putin’s annual meeting of oligarchs, likely signifying his ascension to a higher status within Putin’s circle.<sup>265</sup> Crocus International, part of Agalarov’s Crocus Group, is one of the main contractors retained by the Russian state to construct multiple structures, including two stadiums in Rostov-on-Don and Kaliningrad, for the 2018 FIFA World Cup.<sup>266</sup> In a 2015 interview with *Vedomosti*, Agalarov said that Crocus had not taken any bank loans to finance the construction project; everything until that point has been financed by the state.<sup>267</sup> During the same interview, Agalarov said that his companies had an outstanding debt to Sberbank in the amount of \$1 billion.

Agalarov’s discussion with Prosecutor General Yuri Chaika reportedly prompted the June 9 Trump Tower meeting between high-ranking individuals within the Trump campaign and Kremlin-linked individuals, including lawyer Natalia Veselnitskaya.<sup>268</sup> Agalarov also reportedly paid Trump between \$14 million and \$20 million to host the 2013 Miss Universe pageant in Moscow.<sup>269</sup>

### Emin Agalarov

Emin Agalarov, the son of Aras Agalarov, is a Russian pop star who reportedly helped arrange the June 9 meeting in Trump Tower between Natalia Veselnitskaya and



Donald Trump Jr., Paul Manafort, and Jared Kushner. Emin is the executive vice president of his father's real estate development company, Crocus Group. Until 2015, he was married to Leyla Aliyeva, the daughter of the former president of Azerbaijan, Ilham Aliyev.<sup>270</sup> Emin worked with his father to bring Trump's Miss Universe pageant to Moscow in November 2013.<sup>271</sup> He once stated that he considered Trump to be his friend and that they saw each other several times a year.<sup>272</sup> Emin has claimed that he and his father chose land and signed a letter of intent for Trump Tower Moscow but that this deal was "sidelined" after Trump launched his presidential campaign.<sup>273</sup>

#### Tevfik Arif

Tevfik Arif is a Kazakh-born real estate developer and founder of the Bayrock Group. He has extensive business ties to Russia and the former Soviet Union, where he worked for 17 years in the Ministry of Commerce and Trade.<sup>274</sup> Arif has repeatedly partnered with the Trump Organization, most notably alongside his business partner Felix Sater in the Trump SoHo development. The Bayrock Group and the Trump Organization also reportedly sought deals in Turkey, Poland, and Ukraine.<sup>275</sup> According to Malcolm Nance, the author of *The Plot to Hack America*, Arif helped connect Trump to Russian investors who, in turn, helped finance or purchased Trump Organization properties.<sup>276</sup> Although no public comment from Trump or Arif was found regarding those claims, in 2007, Trump testified under oath "that Bayrock brought Russian investors to his Trump Tower office to discuss deals in Moscow."<sup>277</sup>

#### Andrii Artemenko

Andrii Artemenko—sometimes transliterated as "Andrey" or "Andriy"—is a pro-Kremlin Ukrainian politician who worked with Felix Sater and Michael Cohen to advance a plan to restore relations between Russia and Ukraine through measures that included lifting sanctions imposed on Russia in the aftermath of the 2014 invasion of Crimea. According to *The New York Times*, Artemenko has said that he "received encouragement for his plans from top aides to Mr. Putin." Artemenko served two years in a Ukrainian jail following embezzlement charges. The charges against him were ultimately dropped; he has claimed they were politically motivated.<sup>278</sup> The leader of Artemenko's political party in Ukraine disavowed his peace plan and expelled him from the parliamentary faction. Prosecutors in Ukraine are investigating whether Artemenko's actions constitute treason.<sup>279</sup>

## Yuri Chaika

Yuri Chaika is Russia's prosecutor general. He is considered an intimate Putin ally who rose to power following the release of salacious "kompromat" on his predecessor, Yuri Skuratov.<sup>280</sup> Chaika is a vocal critic of the Magnitsky Act, a U.S. sanctions law passed in retaliation against Russia's alleged mistreatment of lawyer Sergei Magnitsky. Following his investigation into a scheme in which Russian government officials had allegedly embezzled \$230 million, Magnitsky was arrested—accused of the very tax evasion he was investigating—and eventually died in jail.<sup>281</sup> Bill Browder of Hermitage Capital, who alleged to have been victimized by the scheme, had hired Magnitsky as an auditor. Chaika has publicly lobbied against both the Magnitsky Act and Browder, who was reportedly instrumental in passing the bill and "was convicted in absentia in 2013 of tax evasion" in Russia.<sup>282</sup> Chaika is linked to Natalia Veselnitskaya, the Russian lawyer who attended the June 9 meeting in Trump Tower.<sup>283</sup> Veselnitskaya purportedly brought a memo to this meeting containing anti-Magnitsky Act talking points, which were strikingly similar to ones given by Chaika to U.S. Rep. Dana Rohrabacher (R-CA) during his April 2016 trip to Moscow.<sup>284</sup>

## Oleg Deripaska

Oleg Deripaska is a Russian billionaire aluminum magnate and Putin ally who reportedly had a long-running and contentious business relationship with Trump's former campaign chairman Paul Manafort.<sup>285</sup> In 2010, Manafort allegedly signed a \$10 million contract with Deripaska to lobby in the United States on the Kremlin's behalf. Over the years, the business between Deripaska and Manafort has reportedly amounted to approximately \$60 million.<sup>286</sup> Deripaska has sued Manafort in both the Cayman Islands and New York, claiming that Manafort owed him \$19 million as a result of a failed deal to buy Ukrainian telecommunications assets.<sup>287</sup> Manafort has disputed these claims, and the lawsuit in New York—the most recent of the two—appears to be ongoing. The status of the Cayman Islands lawsuit is unclear. Deripaska has not commented on the matter, while Manafort's spokesperson has denied the Manafort is in debt to Deripaska.<sup>288</sup>

During his time on Trump's campaign, Manafort allegedly offered to provide private briefings on the election to Deripaska's camp.<sup>289</sup> To date, there has been no evidence that Deripaska received or replied to this offer.

### Sergey Gorkov

Sergei Gorkov, also deemed close to the Kremlin, currently serves as the chairman of the U.S. Treasury-sanctioned Vnesheconombank (VEB), a state-controlled bank. In December 2016, Gorkov privately met with President Donald Trump's son-in-law and now senior adviser Jared Kushner; the meeting remained a secret until March 2017.<sup>290</sup> According to the White House, Kushner met with Gorkov in his official capacity as the Trump transition team's "official primary point of contact with foreign governments," although the White House denied subsequent reports that Kushner was seeking to establish a backchannel between Trump and Putin.<sup>291</sup> According to VEB, however, the meeting "was held as part of a new business strategy and was conducted with Kushner in his role as the head of his family's real-estate business."<sup>292</sup>

### Irakly "Ike" Kaveladze

Irakly "Ike" Kaveladze, a vice president at the Agalarov-owned Crocus Group, attended the June 9 meeting in Trump Tower, although he has since claimed that he was unaware of the meeting's purpose.<sup>293</sup> He also appeared in pictures with Trump—along with Emin and Aras Agalarov—during the planning of the 2013 Miss Universe pageant in Las Vegas.<sup>294</sup> According to a 2000 report by the Government Accountability Office, Kaveladze's corporate entities created more than 2,000 corporations in Delaware, which were used to anonymously move \$1.4 billion through American banks, including Citibank.<sup>295</sup> Former Sen. Carl Levin (D-MI), who requested the initial inquiry, referred to Kaveladze as a "poster child" for using shell companies to launder money; however, Kaveladze was not charged with any crimes as a result of the inquiry, which he described as a "witch hunt."<sup>296</sup>

### Viktor Khrapunov

Viktor Khrapunov is a wealthy Kazakh fugitive who previously served as the mayor of Almaty, Kazakhstan, and as the country's minister of emergency measures.<sup>297</sup> Khrapunov has done business with Felix Sater and the Bayrock Group. He and other members of his family are defendants in civil lawsuits, filed against them in New York and Los Angeles, which allege that Khrapunov used his position to sell state-owned real estate to companies linked to his own family and that he laundered the money through U.S. real estate, including three condos in Trump SoHo. Both lawsuits appear to be ongoing, with Khrapunov maintaining his innocence in the matter.<sup>298</sup>

## Sergei Kislyak

Sergey Kislyak served as Russia's ambassador to the United States from 2008 to 2017. As Russian ambassador, he personally met with Donald Trump and several Trump campaign officials, including former National Security Advisor Michael Flynn, former Trump campaign Foreign Policy Adviser Carter Page, Attorney General Jeff Sessions, former campaign Policy Adviser J.D. Gordon, and Trump's son-in-law and current Senior White House Advisor Jared Kushner.<sup>299</sup> In December 2016, Flynn and Kislyak spoke on the phone several times to discuss Putin's response to sanctions imposed by the Obama administration to punish Russia for its interference in the 2016 election. These phone conversations ultimately led Flynn to first resign and later plead guilty to lying to the FBI.<sup>300</sup> In May 2017, Trump reportedly revealed "highly classified information" to Kislyak in a White House meeting.<sup>301</sup>

## Sergei Millian

Sergei Millian is a Belarusian American businessman who, according to *The Washington Post*, may have been a source for the Steele Dossier, reportedly commenting on President Trump's longstanding relationship with Russian officials.<sup>302</sup> Millian has also been connected to George Papadopoulos—a former member of the Trump campaign's foreign policy advisory panel who pleaded guilty to making false statements to the FBI about his interaction with Russian contacts.<sup>303</sup> According to *The New York Times*, Millian had reportedly contacted Papadopoulos in the summer of 2016, suggesting that they form an energy-related business backed by Russian billionaires.<sup>304</sup>

## Dmitry Peskov

Dmitry Peskov has been a top aide to President Putin for nearly two decades and currently serves as Putin's spokesman. He has publicly denied the Kremlin's involvement in the U.S. election, claiming that such allegations are "fake."<sup>305</sup> Peskov has often praised President Trump and has even said his foreign policy approach is "phenomenally close" to Putin's.<sup>306</sup> In January 2016, Trump's lawyer, Michael Cohen, sent an email to Peskov requesting his assistance developing a Trump Tower in Moscow.<sup>307</sup> Peskov has confirmed that he received the email, but says he did not respond.<sup>308</sup>

## Sergei Polonsky

Sergei Polonsky is a Russian real estate mogul and the founder of Mirax Group, a conglomerate Felix Sater joined as an executive in 2008.<sup>309</sup> In 2012, Russia prosecutors accused Polonsky's Mirax of stealing more than 5.7 billion rubles of prepayments for apartments in an unfinished Moscow complex it was developing. In July 2017, Polonsky was convicted of fraud by a Moscow court. The presiding judge sentenced him to a five-year prison term, but "the property developer who symbolized the excess of the oil-fueled boom times walked away a free man" due to the expiration of the statute of limitations.<sup>310</sup>

## Rotem Rosen

Rotem Rosen is a real estate developer and the brother-in-law of Alex Sapir, head of the Sapir Organization. Rosen worked with Sapir in attempting to develop a Trump Tower in Moscow in 2013, and both men reportedly accompanied Trump to Russia in 2013 for the Miss Universe pageant. Rosen has been associated with Lev Leviev, an Uzbek billionaire, known as the “king of diamonds,” who has described himself as a “true friend” of Vladimir Putin.<sup>311</sup> Trump reportedly attended Rosen’s wedding, which was held at Mar-a-Lago; Ivanka Trump also reportedly attended the bris of Rosen’s son.<sup>312</sup>

## Giorgi Rtskhiladze

Giorgi Rtskhiladze is a Georgian businessman who was involved in the failed Trump Tower Batumi project in Georgia. He served as an executive of the Silk Road Group, which came under scrutiny after it obtained funding from a Kazakh bank “that was enmeshed in a giant money-laundering scandal.”<sup>313</sup> The Trump Tower Batumi project was canceled after the 2016 U.S. presidential election due to concerns over potential conflicts of interest.<sup>314</sup> Rtskhiladze reportedly facilitated a 2015 proposition for a Trump Moscow development from Russian billionaire Sergei Gordeev, which was turned down by Michael Cohen;<sup>315</sup> he also proposed developing a Trump Tower in Astana, Kazakhstan, although this deal never materialized.<sup>316</sup>

## Dmitry Rybolovlev

Dmitry Rybolovlev is a Russian billionaire currently worth an estimated \$7.4 billion, according to *Forbes*.<sup>317</sup> He is known for making high-profile real estate deals, including the \$95 million purchase of a home in Palm Beach, Florida, from Donald Trump in 2008. On February 9, 2018, Sen. Ron Wyden (D-OR), the ranking member on the Senate Finance Committee, requested that the Treasury Department turn over “the financial records of the sale” of Trump’s Florida mansion to Rybolovlev, stating that he believes the sale “warrants further scrutiny.”<sup>318</sup> Rybolovlev was previously the largest shareholder in the Bank of Cyprus, where U.S. Secretary of Commerce Wilbur Ross once served as vice chairman.<sup>319</sup> Rybolovlev’s stake in the bank was “mostly wiped out” during the 2013 banking crisis in Cyprus, and he ultimately lost \$600 million.<sup>320</sup>

## Mikheil Saakashvili

Mikheil Saakashvili is the former president of Georgia and the former governor of the Odessa region of Ukraine. He was a significant supporter of Trump’s efforts to develop a Trump Tower in Batumi, Georgia, which Saakashvili believed would help demonstrate Georgia’s openness to Western developers and financiers. Saakashvili met with Trump on multiple occasions and took Trump on a tour of Georgia in 2012.<sup>321</sup> He also claims that he attended Trump’s inauguration, appearing in an address to his party via Skype

with an image of the U.S. Capitol in the background.<sup>322</sup> After Saakashvili's second term as president ended in 2013, he was accused of abusing his power, misusing federal funds, and "orchestrating an attack on an opposition politician." Saakashvili was sentenced in absentia to three years in prison; he called the ruling "ridiculous."<sup>323</sup> He supported the 2014 Ukrainian revolution and was even given Ukrainian citizenship, which was later revoked when Saakashvili accused the Ukrainian government of corruption.<sup>324</sup>

### Alex Sapir

Alex Sapir—the son of Tamir Sapir—is a Georgian American real estate developer and the head of the Sapir Organization, a real estate company that partnered with the Trump Organization in the development of Trump SoHo and actively pursued a deal to develop a Trump Tower in Moscow in 2013. Sapir also accompanied Trump to Moscow for the 2013 Miss Universe pageant, during which Sapir and his business partner Rotem Rosen reportedly attempted to finalize plans to develop a Trump Tower in Moscow.<sup>325</sup>

### Tamir Sapir

Tamir Sapir, who passed away in August 2014, was a Georgian billionaire who co-founded the Sapir Organization—a real estate company that worked with the Trump Organization to build a Trump Tower in Moscow and develop Trump SoHo in Manhattan. Trump once called Sapir "a great friend" and even hosted the wedding between Sapir's daughter and Lev Leviev's "right-hand man" at Mar-a-Lago.<sup>326</sup>

### Felix Sater

Felix Sater is a Russian American real-estate developer and President Trump's former business partner; among other things, the two worked together on the Trump SoHo development in New York.<sup>327</sup> Sater reportedly served as an FBI informant after pleading guilty to being involved in a \$40 million stock fraud scheme orchestrated by the Russian mafia—the conviction has been sealed. Sater was involved in the failed 2015 attempt to build a Trump Tower in Moscow,<sup>328</sup> at one point emailing Trump's lawyer Michael Cohen that he could "get Putin on this program and we will get Donald elected," emphasizing, "our boy can become president of the USA and we can engineer it."<sup>329</sup> Sater and Cohen were also involved in a 2017 attempt to partner with Ukrainian politician Andrii Artemenko to deliver a plan for lifting sanctions against Russia to then-National Security Advisor Michael Flynn.<sup>330</sup> Sater has repeatedly declined to comment for articles related to allegations of his involvement in this matter.<sup>331</sup>

### Natalia Veselnitskaya

Natalia Veselnitskaya is a Russian attorney who, along with Irakly Kaveladze and Rinat Akhmetshin, attended the June 9 meeting in Trump Tower. She represented Cyprus-based Prevezon Holdings, a defendant in a civil asset forfeiture action filed by the U.S. attorney for the Southern District of New York against several apartments allegedly purchased with laundered money. The money was alleged to have come from the infamous \$230 million Russian fraud scheme—which Sergei Magnitsky had investigated—and laundered through “a Byzantine web of conduit accounts.”<sup>332</sup> In May 2017, the case was settled, with Prevezon Holdings agreeing to pay \$5.9 million to the U.S. Department of Justice to resolve claims but admitting no wrongdoing.<sup>333</sup>

### Viktor Yanukovich

Viktor Yanukovich is an ousted former Ukrainian president who employed Paul Manafort as a political adviser for almost a decade.<sup>334</sup> In 2014, he fled to Russia amid widespread protests over his administration’s corruption and ties to Putin. Yanukovich has been sanctioned by the U.S. and is currently under investigation in Ukraine on charges of corruption and treason.<sup>335</sup> In 2017, Manafort retroactively disclosed that his company received more than \$17 million from Yanukovich’s Party of Regions; Manafort allegedly received \$12.7 million in off-the-books, or “black ledger,” payments as well.<sup>336</sup>

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As progressives, we believe America should be a land of boundless opportunity, where people can climb the ladder of economic mobility. We believe we owe it to future generations to protect the planet and promote peace and shared global prosperity.

And we believe an effective government can earn the trust of the American people, champion the common good over narrow self-interest, and harness the strength of our diversity.

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We develop new policy ideas, challenge the media to cover the issues that truly matter, and shape the national debate. With policy teams in major issue areas, American Progress can think creatively at the cross-section of traditional boundaries to develop ideas for policymakers that lead to real change. By employing an extensive communications and outreach effort that we adapt to a rapidly changing media landscape, we move our ideas aggressively in the national policy debate.

