

Demetri Kofinas: What's up, everybody. Welcome to another episode of Hidden Forces with me, Demetri Kofinas. Today, I speak with Bill Browder. Bill is the founder and CEO of Hermitage Capital, the largest foreign investor in Russia until 2005, when he was deported from the country. The start of a long saga that [00:00:30] culminated in the murder of his lawyer, Sergei Magnitsky, after uncovering a \$230,000,000 fraud, committed by Russian Government Officials, using companies owned by Browder and his investors. Bill has since been leading a campaign to expose endemic corruption and human rights abuses in Putin's Russia. A subject he chronicles extensively in his 2015 bestselling book, Red Notice.

Today's discussion begins with the fall of the Berlin Wall [00:01:00] and the dissolution of the Soviet Union, the plundering of its industries and resources by the oligarchs and the consolidation of power in the hands of Vladimir Putin. How did the promises of reform and the opening of Soviet Russia, Perestroika and Glasnost by Mikhail Gorbachev in the 1980s lead so quickly to the traumatic redistribution of wealth into the hands of a tiny kleptocracy? What were the mechanisms who facilitated this plundering and what role have [00:01:30] ill-gotten gains played in the mechanics of post-Soviet Russia? How important is corruption to the functioning of the Russian state? And how would a curtailing of bribery, fraud and murder represent an existential threat to the current regime?

Finally, what does Bill's personal story, one that represents both the benefits of, and perils associated with proximity to power and influence in Putin's Russia, portend about the future of this powerful nation. [00:02:00] As always, you can join our email list by visiting the show's website at HiddenForces.io. If you listen to Hidden Forces on your iPhone or Android, make sure to subscribe. If you like the show, write us a review. And if you want a sneak-peak into how each episode is made, or for special storylines, told through pictures and questions, then like us on Facebook and follow us on Twitter and Instagram at @hiddenforcespod. Now, let's get right to this [00:02:30] week's conversation.

So, Bill Browder, welcome to Hidden Forces.

Bill Browder: Great to be here. Thank you.

Demetri Kofinas: I'm very excited to have you on the program. This is obviously a timely discussion, the topic of Russia, the Russian Government, the way it works, the economy, the United States, all this stuff. And, as I mentioned to you, a fan of our show, a listener, actually recommended your book to me. And he has lived for a very long time in Russia. And I read it, Red Notice, and it read like a thriller. I mean [00:03:00] it did read like a novel in some ways, but it's also a really deep book, in terms of the subjects that you cover. And we're gonna get into all those things, I've got that all sort of, laid out here. But, before we do, could you give a background, what your background is, for our audience?

Bill Browder: Yeah, sure. You can hear my American accent. I was born in Princeton, New Jersey, raised in Chicago, but I come from a very strange, American family, in that, my Grandfather, who was from Kansas, [00:03:30] was a Labor Union organizer in the 1920s. And he was so good at organizing the Union, that the Communists spotted him

from Russia and they said, "If you like Labor Unionism, you're gonna love Communism. Why don't you come and check it out?" And so, my Grandfather, in 1927, went to Moscow. He ended up finding a pretty, Russian girl, who became my Grandmother and my Father was born over there. And then they went back to America in 1932 and he became the leader of the Communist [00:04:00] Party of America and stayed in that position for 13 years.

So, I was born in 1964, I'm 53 years old. And when I was going through my teenage rebellion in the 1970s, I thought, "What's the best way to rebel from a family of Communists?" And, I came up with this great idea of putting on a suit and tie and becoming a capitalist. And so, that's what I did, I became a capitalist and went to Stanford Business School. I graduated Business School in 1989, which was the year the Berlin Wall came down. [00:04:30] And as I was trying to figure out what to do with my career, I had this epiphany, which was that, "If my Grandfather is the biggest Communist in America, and the Berlin Wall has just come down, then I'm going to try to become the biggest capitalist in Eastern Europe. And, that's what I set out to do and I eventually found my way to Russia, at the beginning of the Russian Privatization Program. I set up an investment fund, called the Hermitage Fund, to invest Western capital in these newly privatized companies.

Demetri Kofinas: Well, we're gonna get into that, [00:05:00] because I actually want to ask you, sorry to interrupt, I wanna start with Poland a bit, before we get there. But, before we do that, I also had a specific question for you. As I said, I really took the time to read your book. And one of the questions I have for you is, in looking at how your life unfolded, and we'll get into some of the choices you made along your path, particularly after 1996 and then again in 2005, I think those were important moments, how your childhood and your upbringing you may think, when reflecting on that, sort of [00:05:30] made you who you are and ended up influencing the choices you made at certain crucial moments, in your experience in Russia.

Bill Browder: Well, so to focus a little bit on my family and my childhood, I came from a family ... So my Grandfather, as I mentioned was this Communist and he had three sons, my Father and two of my Uncles. And all three of these sons of my Grandfather all, strangely, became mathematicians. My Father was a genius, child-prodigy. He [00:06:00] went to MIT at the age of 14, skipping High School. Graduated at the age of 17 and went to Princeton and had his PhD in mathematics by the time he was 21.

My Uncles ... He became head of the math department at the University of Chicago, my Uncle Bill became the Head of the math department at Princeton. My Uncle Andy became Head of the math department at Brown University. And so, it was pretty well expected that I would follow in the family [00:06:30] footsteps of Academia and my brother followed my Father's footsteps, he skipped High School as well, and at the age of 15, he enrolled in the University of Chicago and graduated Phi Beta Kappa in physics by the time he was 18. So, there I was, in this family of unbelievable achievers. In my immediate family, I wasn't really up to the task of skipping High School and going to Cal-Tech or MIT, I was just a regular kid. And so, it was kind of in an oppressive situation, because I couldn't do what [00:07:00] everyone else was doing and so I had to find my own way. And that's sort of where

business came in and it was also of course to poke them back a little bit, since I felt so bad about not being a genius, that I decided to become a business man.

Demetri Kofinas: You were going to compensate for your lack of intellectual achievements with making a lot of money. Which you did. So, that kind of brings us to where the story really begins to kick off. And for me, the one area I wanted to touch on before we get into Russia is Poland, because you had an early [00:07:30] experience in Eastern Europe, where you went to Poland. Can you talk a little bit about that experience and how that informed your later decision to go Eastward, further East, into Russia?

Bill Browder: So, the Poland thing started out ... It was my first job out of business school was a job in the Boston Consulting Group, which is a management consulting firm in London. I'd gone to London to BCG, because I was interested in Eastern Europe, I'd told them I was interested in Eastern Europe and they said, "Well, if we ever have anything in Eastern Europe, you'll be our guy". And so, I go to work at BCG and one day [00:08:00] the partner knocks on my door and says, "You're the guy who wanted Eastern Europe, right?" And I said, "Yeah," and he said, "Well, pack your bags, you're going off to Poland".

And so they sent me off to this little town called Sanok, which is located about six and a half hours from Warsaw on the Ukrainian/Slovakian border. And this town of Sanok had one company, which was a bus manufacturing company called "Autosan". And BCG had been hired by the World Bank, to advise the Polish [00:08:30] Government on what to do with this company. And the problem with the company was that they had lost all their customers. No one wanted to buy Polish buses anymore and so they had lost like 90% of their sales. And so, I was 25 years old, I didn't know anything about business, buses or anything and since the fees weren't very large, I was sent there by myself to try to turn round this failing bus company.

It was a very upsetting time to be there, because everyone in the whole town was depending on me to come up with some kind of radical solution that would fix their problems. But [00:09:00] there's only one solution that could fix a problem of a company that's had 90% of their sales evaporate, which is to get rid of 90% of their costs. And, it didn't feel very good to me to go into this town and make lists of people to be fired, but that's effectively what my job was. So, it was kind of demoralizing and one day, when I was walking around the factory, I had this guy who was with me, his name was Leshek, he was my permanent translator since I didn't speak Polish. And, I noticed under Leshek's arm, he [00:09:30] had a newspaper, and on the newspaper, on the front of the newspaper were all these seemingly financial figures.

And I said to Leshek, "Hey, Leshek, what's that you've got under your arm?" And he said, "Oh, these are the very first privatizations in Poland." And I said, "Oh, that's interesting, can you explain them to me?" And so, we sat down in the conference room, he laid out the newspapers on the table and I asked him, I started saying, "Well, what's this number?" He said, "Well, this is the number of shares outstanding," and I said, "What's this number?" And he said, "This is the share price they're selling the shares." [00:10:00] And it was \$80 million. And then, I went down to the next line and said, "What's this number?" And he said,

"That's net income." And I said, "What do you mean, net income, no." And he said, "That's net income." And that number was \$160 million. So, just to repeat the math for you, the company had a value of \$80 million and the last year's net income was \$160 million.

Demetri Kofinas: So, trading at half its income, its annual income.

Bill Browder: Yeah, so basically, the company, [00:10:30] all it had to do was stay in business for six months and you have effectively, on an economic basis, made your money back. And so, I'm sitting here looking at this thing and I thought, "Well, isn't this what I went to business school for, like this is it". And so, I said, "Well, how do we buy shares?" And he said ... He explained it all to me. So, I took my entire life savings, which at the time was \$2000 and I went down to the Post Office with Leshek and we converted the Dollars to Zloty, which is the currency there, and I subscribed to the very [00:11:00] first privatizations and I got shares. And, two things happened. One, I made my final recommendation to the bus company and to the World Bank and, thankfully, they ignored my recommendation and continued subsidizing the company, so nobody got fired. Which was a great relief to me, because I didn't want these people to be out of work. But, the best thing that happened, was, a year after I bought these first shares, they went up 10 times. And so, my \$2,000 turned into \$20,000.

Demetri Kofinas: [00:11:30] And you actually wrote in your book, you have this one quote that I pull out here. You wrote, "For those who don't know, the sensation of finding a 10 bagger, is the financial equivalent of smoking crack cocaine. Once you've done it, you want to repeat it over and over and over, as many times as you can".

Bill Browder: And boy is that true. I can tell you, it's just a glorious thing when you figure something out that no one else has, and you've been rewarded and you've got the money and you can see your success. And, it's not even about the money, I mean it [00:12:00] was more about just the validation of being right. And so, I knew then, after making this 10 bagger, that was what I wanted to do with my life. I wanted to go and find other situations like this in this frontier of Eastern Europe, where they were doing these privatizations. And I decided to become an investor and that's what I set out to do.

Demetri Kofinas: And you were 27 years old at the time? How old were you?

Bill Browder: I was 26 years old at the time.

Demetri Kofinas: Very young.

Bill Browder: I was very young. But, I should point out that it didn't [00:12:30] really matter how young I was, because nobody else in that part of the world had any more experience than me. It was all completely wide open, new frontier. It wasn't like there was a bunch of guys who'd been around for 25 years ahead of me, who were keeping the young guys out. I was just as experienced as anybody, in fact more because nobody else had done anything from the West.

Demetri Kofinas: Right, but here you were, four years out of college, at a time when the world was shifting, the Poles were shifting, in terms of power. The Cold War was over, abruptly, and there was [00:13:00] this whole reorganization of Eastern Europe and Russia. And that leads us down the path to Salomon Brothers and Bobby Ludwig and your initial investment in Russia. In the interest of time, I don't want to spend too much time going through every single detail because I do want to get to the most exciting part of this, which is your starting Hermitage Capital, which was your hedge fund, with Edmond Safra and other investors. But, you made an initial, as I understand another initial, your first investment in Russia with Salomon Brothers [00:13:30] under Bobby Ludwig for 25 million. That 25 million became, if I'm not mistaken 125 million. And then you had the opportunity or made the decision that you wanted to strike out on your own. And you went ahead and did that. Is that right?

Bill Browder: That's a perfect description of how it played out next, in the next chapter of my Eastern European adventure.

Demetri Kofinas: So, you describe very, sort of in great detail, what that process was like. It's not a huge part of the book, but I am interested in your experience of Edmond Safra, as someone personally. [00:14:00] I'm sure many in the audience have not played at that level. I think that's an interesting thing. Maybe you could just give us just a little bit about who Edmond was, how that process began and then how you got into Russia with the fund and how you began to invest?

Bill Browder: The most important part of this chapter is that, once I'd figured what was going on in Russia, I thought, "This is better than Poland." I made ten times my money in Poland and Russians were privatizing their stuff at a fraction of the Polish valuation. So, I [00:14:30] knew that there was huge, huge money to be made in the Russian privatizations and so, I set out to raise an investment fund to invest in Russia. And one of the people who I met was a man, his name was Edmond Safra. Edmond was the owner of a famous bank that doesn't exist anymore, it was called Republic National Bank of New York. Which sounds kind of bureaucratic and not commercial bank like but it was nothing like that at all. Edmond Safra, he was a Syrian Jew, who had lived all over the world, in [00:15:00] Brazil, in Italy and Switzerland and so on. And probably one of the best investors I have ever come across. This man had just a golden touch.

And I had an opportunity, through another person who was a client of Solomon Brothers, to meet Edmond Safra when I was setting out to raise my fund. And it was a very unusual situation. I was told to go down to the pier in front of the Carleton Hotel in Cannes, South of France. [00:15:30] That was the instruction I was given, so I go out there with my suit and I'm standing at the pier. And I'm supposed to be there at noon and this white speedboat comes up to the pier and picks me up. And then we go hurtling across the Mediterranean towards a little port called Ville Franche. We park the boat and a black Mercedes picks me up and takes me up to this house on the top of the hill. It was called La Leopolda, it was named after King Leopold of Belgium. And it's no exaggeration to say this [00:16:00] the most expensive house in the world.

And we come up to this house and there's all these ex-Mossad guys in black outfits patrolling the grounds and I go into there and walk into this house. It's got all this art and chandeliers and so on and I walk into this big room overlooking the Mediterranean. In walks this little man, Edmond Safra. There was nothing impressive about how he looked, but when we sat down and I explained to him what was going on [00:16:30] in Russia, he immediately saw the value. And, I should point out that this was at a time when nobody saw the value. He immediately saw the value, he saw that there was something amazing going on.

Demetri Kofinas: What allowed him to see the value, in your view? 'Cause this is also important, right? Because we're talking about investing, not simply in ... This is not a normal investment, this is an investment that's informed by geo-political dynamics and internal politics in Russia and all these different factors. And you have to go physically on the ground and investigate and identify, and in a world where you do so much from [00:17:00] computers today, this was very much the opposite. And I'm curious how he and you, well you understand, you were there, you had that experience in Poland, then again in Russia. But, a guy like Edmond ... How much was that your explaining to him the opportunity, like you did, for example, with Bobby at Solomon. And how much was that his just vast knowledge and connections as who he was, that allowed him to understand that opportunity, capitalize on it?

Bill Browder: Well, in a certain way, he was a very unsophisticated guy, you couldn't use financial jargon, or he wasn't interested [00:17:30] in computers and math. He was just interested in risk/reward and the way I explained it to him was very straightforward. And a normal person who's just looking clearly, without all the bells and whistles at risk/reward, would understand this very simply. Which was, that I explained to him at the time, the Russian stock market was trading at a 99.7% discount to the value of similar companies in the West.

Demetri Kofinas: Remarkable, absolutely remarkable.

Bill Browder: And the reason it was at such a discount, it was at such a discount because [00:18:00] there was a very real chance that a year afterwards, or two years afterwards, they would take it all away from you. And so, the way that I looked at it and the way that Edmond looked at it, was very simple. Which is, he said, "Okay, it's trading at a 99.7% discount. Let's just say that it goes to a 95% discount. At that point you've made 10, 15 times your money." And, okay, if it works out, how does it go from 99.7 to 95% [00:18:30] discount? Very simply, because they just don't take it away from you.

Demetri Kofinas: And the rest of the world figures out about it a little later, after you've already you've bought in and that's Sidanko's price pretty much. I mean, there are obviously other ones but if I'm not mistaken, Sidanko would fall in that category. Right?

Bill Browder: So, everything fell in that category, some more than others, Sidanko was definitely in that category. But just coming back to Edmond for one second, on the reward side, you can make 10 or 15 times your money, and on the risk side, they can take it

all away from [00:19:00] you, you could lose everything. And so, Edmond wasn't doing mathematical equations and all nonsense, he was just saying, "Okay, let's just look at the probabilities. So, let's just say there's a 50% probability that they don't take it away from you. And if that's the case then I make, let's say, 10 times my money." And he says, "Okay, and let's say there's a 50% chance that I lose everything, then it goes to zero".

Any rational investor would take some of their money and invest it in that risk/reward, because [00:19:30] that has a huge, high expected value. In other words, if you could do those types of trades that are unconnected to each other or uncorrelated, all over the world, you'd do that all day long. And Edmond saw that and most everybody else, they could see is that, there was some probability that you lose everything. And so nobody wanted to touch it, if there was some probability you could lose everything. And that was what 99% of the world's investors thought at the time. It was just that, "I don't wanna go anywhere near it, they could take it all away".

Demetri Kofinas: [00:20:00] I was just gonna say, and this is also for our audience, and we've talked about this. The challenge that investors have, and people have, thinking probabilistically, and thinking across the entire, all their asset allocations and investment decisions and I just wanted to throw that out there. I mean, that's exactly what you're talking about, but go ahead.

Bill Browder: And so, Edmond saw it, nobody else did and he became my first investor. He put up \$25 million in the Hermitage Fund and we were off to the races. And they [00:20:30] didn't take it away. And so in the first 18 months of our Fund's operations, the Fund went up 850%.

Demetri Kofinas: So, let's talk about this period, this is '96, right?

Bill Browder: So, we started the fund. Moved to Moscow, started the fund April 1996.

Demetri Kofinas: So, in our conversation the way I've structured it and the way I'm thinking about it, there are three parallel tracks and the third one we're gonna get to, which is the human tragedy and the human component to this story, on a very personal level for you and for some of the people around you. And that's going to tie [00:21:00] into politics here in the United States. But another one is this, are two parallel tracks, one of this exhilarating experience of having a chance to be a young man, a young person, in a changing landscape and having an opportunity to win and experience that thrill.

And then there's the other part of the unfolding tragedy within the Russian economy and within the Russian body politic, which was what the Russian people referred to as, dysphemistically as catastroika, which [00:21:30] was the process of the privatization through which the oligarchy rose in Russia. And, eventually led to the consolidation of power of Vladimir Putin, which is something I would love to get into with you. But perhaps you can walk us through how the privatization worked, for example, the use of vouchers and late the loans for shares, and how that process occurred and how you, essentially as a

foreign investor, were able to insert yourself in a process that itself was itself the Russian connected and wealthy and elite, [00:22:00] taking, basically, ownership of the Soviet public infrastructure for themselves.

Bill Browder: The Russian Government ... Boris Yeltsin, who was the President of Russia at that time, made a very strategic choice. He said, "In order to go from Communism to Capitalism, I need to create a country full of Capitalists. And, in order to do that, I need to transfer State property from the hands of the State, to the hands of individuals." And so they created this thing called the mass privatization [00:22:30] program and there was a number of different features of that. The one which I was most interested in, was something called the Voucher privatization program. And the Voucher Privatization Program was this program where they gave a physical voucher to every person over the age of 18, in Russia, and these vouchers were freely exchangeable, freely tradable. You could swap it for a bottle of vodka, you could burn it, you could give it, you could take it. And, as result these vouchers traded for about \$20 [00:23:00] each.

And so, if you do the math, there was 150 million people in the country, times \$20, gets you three billion dollars' worth of vouchers. And those three billion dollars' worth of vouchers were exchangeable for 30% of the share capital of all Russian companies. And what that meant was that the market value of the entire country Russia was \$10 billion. And, I should point out, that this is a country with 35% of the world's natural gas, 10% of the world's [00:23:30] oil, 10% of the world's steel, 10% of the world's aluminum. There's fertilizer, there's car companies, there's banks, there's everything. The entire value of the country, \$10 billion. You couldn't get a mid-size US oil company for that and there, you can get the whole Russian country.

Demetri Kofinas: Just to clarify that for myself and for the audience, the vouchers that were issued were cumulatively exchangeable for 30% of the shares in Russian companies, which represented [00:24:00] basically the economy in the context of what you're saying. And in informal markets they were trading at, as you write in the book, a seven Dollar bottle of vodka, or a few slabs of pork. It wasn't that the vouchers themselves had a price attached to them, it's that, simply, Russians were willing to sell them because they didn't know any better or because they were starving and it was in the midst of an economic crisis. Is that correct?

Bill Browder: Yeah, so basically, people all got given these shares for free and then they started to trade and so ... Some people held on to them, some people invested them, [00:24:30] other people didn't but as a result there was a sort of voucher exchange that started up and anyone could go there. And so it really was a level playing field. Nobody had any advantage over anybody else there, other than those people who figured it out had an advantage over the people who hadn't figured it out. But there was no scam going on.

So that took care of 30% of the share capital of Russian companies but the Russian Government came up with some other scams, which were basically scams to benefit the oligarchs. And the main scam was something called [00:25:00] the Loans for Shares program. And this was basically a situation where certain oligarchs were basically given

the opportunity to buy some of the biggest oil companies and metals companies in the world for nothing, through rigged auctions where they were the guaranteed, declared in advance, winners. And that's where the real sort of ugliness began because what that did, is it created a group of people, [00:25:30] known as the oligarchs, we all know who oligarchs are now, we didn't back then.

Demetri Kofinas: Well, who were they then, before they became the oligarchs. Were they just people that were connected to the bureaucracy, somehow?

Bill Browder: No, these were what I would call the sharpest elbowed guys in the room. These were people who were, basically, ready to do anything to get rich. And a lot of people in Russia didn't understand, these new markets, they didn't understand capitalism and so you had the most regular people, who were just going about their lives, not understanding what was going on, [00:26:00] but you had these few people, and there was 22 of them, who basically broke every rule and threatened every person and did everything they needed to do to end up in a situation where they ended up becoming the richest men in the world by doing this. And I say men, there was actually one woman, who was the wife of the Mayor of Moscow, but everybody else, they were all men and they all became rich beyond anything any of us could ever imagine. The amount of money they made was just extraordinary.

And, not only were they rich, they flaunted their wealth, [00:26:30] and so, if you went down to the South of France, you could see all these yachts sitting off the coast. And these were all these yachts owned by these Russian oligarchs, who had basically stolen the money from the Russian State.

Demetri Kofinas: It was a plundering and there was this centrifuge action, right? This network that was actually sucking the shares from the periphery. Basically, going to wherever shares existed, getting them at a price in a village, or whatever else, collecting them, [00:27:00] getting them into blocks, selling them at larger prices in to larger blocks etc., until they got in to Moscow, where they were in these exchanges. Maybe you can explain how that worked but, essentially where you and others would be able to bid on, or be able to use those vouchers to exchange them for shares in bids. How did that work exactly? I mean, that was the opportunity, right?

Bill Browder: So, let's say that somebody in a little village in Siberia got their voucher, like everybody else, and so what would happen was, some local character would say, "Hey, [00:27:30] I'll trade you a bottle of vodka for the voucher" and a lot of people said "Yeah, sure". So they'd maybe spend five or seven Dollars for the bottle of vodka, they'd trade it for the voucher and then they'd get, like, 10 vouchers in this little village. So, let's say they spend about seven bucks per voucher, and they put 70 bucks into the whole trade and they get 10 of these things. And then they take the 10 vouchers to the next town over, which is slightly bigger and they would sell those 10 vouchers to some guy in that town for \$10 per voucher.

[00:28:00] And then that guy would buy 10 from one guy and 10 from another and he'd put together, let's say 150 of these things, and then he would take his 150 vouchers and sell them for \$13 to another place that's 200 miles away, which was sort of a city. And then that guy would collect 150 from this guy and 150 from that guy and eventually he would put together a block of let's say 2,000 vouchers. And then he would travel all the way to Moscow and he would have paid, let's say \$13 for his vouchers and [00:28:30] then from there, the guy who would put together a big block in Moscow, he'd sell them to foreign investors and other people and whoever else had real money, for \$20 a voucher. And so, everybody would be making money along this chain but at \$20 a voucher, it still values the whole country at \$10 billion, which is nothing.

Demetri Kofinas: And, eventually those shares, those vouchers, found their way to Moscow, where they would be exchanged for shares in the actual companies.

Bill Browder: Right. So this was sort of a crazy thing. The way that they organized [00:29:00] what they called the Voucher Auctions for Shares, was every week or two, they would announce what shares were being put up for sale. They would say, "We're putting up a block of Lukoil, 6% of the shares of Lukoil for vouchers." And then the way that the voucher auction worked is that, anyone could show up and bid their vouchers and you had no idea what price per share of Lukoil you were paying. It all depended on how many people showed up with their vouchers. So if one person showed up with one voucher, [00:29:30] he'd get the entire block for one voucher.

Demetri Kofinas: Remarkable, remarkable.

Bill Browder: If a million people showed up and you only knew afterwards and so it was kind of insane to be doing it. Because whoever bids at an auction where you don't know the price? And what was even crazier about it is that nobody even knew who these companies were, because they were all a state secret in the previous moments. And so, as a result, you'd have companies that people knew about. Let's say that everyone knows they drive around in a car called a Lada, and so, the company that makes Lada is called AvtoVAZ. And [00:30:00] when the AvtoVAZ auction came up, everybody knew it and so bid lots of vouchers for this car company. But nobody was bidding on Lukoil, because no one knew what Lukoil was.

And so, you'd go to the voucher auction, you'd buy some vouchers, you'd go to the voucher auction and you'd submit it and because nobody knew what any of this stuff was, people weren't being all that competitive about it. And so, basically just going to the voucher auction and then submitting your vouchers, then you wait three weeks and get your shares, always it would trade up 500%, [00:30:30] the moment you got your shares and it was just, basically free money.

Demetri Kofinas: And, of course, there was an incentive to prohibit or to disincentivize people to attend the auctions that would be for the most lucrative companies, if you were an insider and knew which company was. So, the entire process was ripe for corruption and it was corrupted and that process was the process by which the

entire Russian economy and political system was reset, after the fall of the Berlin Wall. Is that a fair [00:31:00] thing to say?

Bill Browder: Some of them were highly corrupted, some of them were highly transparent, so to just give you an example, one of the biggest oil companies in Russia is an oil company called Surgutneftegas and is rumored to be owned by Putin right now. Surgutneftegas, when they had their voucher auction, in order to participate, you actually had to go into Siberia and go to the town of Surgut in Siberia. And so, what do they do? They close the airport the day before the auction so no planes can fly [00:31:30] in for anyone to submit their vouchers. In other places, they would put burning tires on the roads to stop people from coming in. And so there was a lot of that kind of silliness going on. I would say the voucher system was not particularly horrifyingly corrupt, the way the other ones were but there was --

Demetri Kofinas: -- Like the Loans for Shares, for example.

Bill Browder: Like the Loans for Shares for sure.

Demetri Kofinas: Could you explain that. The way I understand that is, essentially, the private sector, people within the private wealth in Russia that had been accumulated, was [00:32:00] able to lend money to the government, which was going broke basically, which we've covered in the collapse of long-term capital management, which was initiated by the 1998 default, hard default by Russia, by the Russian government. But they were essentially, if I'm not mistaken, lending money to the government, which was in return, giving them shares in these companies. Is that right?

Bill Browder: This was a total scam. The government was basically saying, "We don't have any money". Which was kind of absurd. I mean the government didn't have any money but it's not like these ... Actually, [00:32:30] let me take a step back. So, the oligarchs, who were the rich guys at the time, all owned banks. And so they all had banks, Vladimir Putin, for example, all these guys had banks. And so, with the banks, the way they went about their business is that they would get a banking license and then they would go to some Minister in the government, let's say the Minister of Defense, and say to the Minister, "Hey, if you put your money on deposit in my bank, for zero interest ..." And I should point out this is a time of high [00:33:00] inflation, so the inflation rate's 150% and the bond yields are 175%. So the banker's going to the Minister of Defense and say, "Put your \$500 million in my bank for no interest, and at the end of the year, I will put \$10 million in a Swiss Bank for you.

So, the Minister of Defense put 500 million in the oligarch's bank, the oligarch then goes out and buys government bonds with that 175% yield. And at the end of the year, he gets 175% return on the money, [00:33:30] he puts \$10 million in the Swiss bank and he's got all the money. The ministry of Defense has now gotten the value of their deposits has just dropped dramatically because of the inflation. And so, the Russian government didn't have money because they were putting all their money in the oligarch's banks. And then, to add insult to injury, then they said, "Well, we don't have any money and so we need to borrow money."

So, the money that the government put in the oligarchs' banks were then lent back to the government, under highly unusual terms, where [00:34:00] the government said, "And because we're such a risky borrower, we're gonna take the shares, 50% of the oil company such and such, and give it to you as collateral."

I realize this is a very complicated story, so the government doesn't have money because it's in the banks of the oligarchs, they need to borrow that money. They give the oligarchs collateral of these enormously valuable companies and then every single one of these loans then defaults.

Demetri Kofinas: Yeah, crazy.

Bill Browder: And so, these guys ended up [00:34:30] getting the most valuable companies in the world. I mean these were companies the size of Exxon, for like a hundred million bucks. And it wasn't even a hundred million bucks of their own money. It was a hundred million bucks of money that the government had deposited in their banks.

Demetri Kofinas: And it's fair to say that was planned, that was architected, that wasn't a coincidence.

Bill Browder: It was fully thought through, and it wasn't like there was a competition as to who could participate. They went around the room and divided it up between all the oligarchs and this oligarch got that one and another oligarch got this one and that was all how it played itself out.

Demetri Kofinas: So, this is how I see [00:35:00] it, having read your book and knowing a little bit about this on my own. There is this consolidation of money, initially, of ownership in the Russian economy that initially happens. You are, at the time, the biggest foreign investor in the country. There are not many investors, foreign investors, to speak of. Is that fair to say?

Bill Browder: Yes, so the value of my portfolio had risen to four and a half billion dollars by the time I was at my peak.

Demetri Kofinas: With how much initial capital?

Bill Browder: Well, it started out at 25 million, but [00:35:30] more money came in along the way. But at four and a half billion, if you had come in on day one, you would have made something like 35 times your money.

Demetri Kofinas: So, your portfolio was up and this was 1996 still, I mean it was still within --

Bill Browder: So we started in 1996, By the time I got to 2005, my portfolio had gone up to four and a half billion dollars. I mean, there was a lot of heartache along the way. Ups, downs, it went up 850%, down 90%, up 4,500% after that.

Demetri Kofinas: Well, what I was trying to extract from you there, [00:36:00] was that initial experience, where you had that initial success, right, the Fund had initial success. And it seemed to me, and this is where I need some clarification, it seemed to me that what was happening in the Russian economy was that this consolidation of money was happening, domestically among these new oligarchs. And then, whether it was just straight out greed, whether it was some cultural element that you touch on, in terms of the fact that you were a foreigner. But there was a desire to take even more.

And that's when your stake in Sidanko specifically, [00:36:30] was diluted from 2.4 to 0.9% in a really totally shady, below-board, dilution stock issuance, by the head of the company, the head of the controlling interests of that company. Could you walk us through how that happened, and then how you managed to reverse that? Because I think that's really interesting and relevant, the fact that you were able to appeal to outside investors because Russia was still not an isolated country. And then, with the default in 1998, [00:37:00] how that caused a turn inward for Russia, which brings us, I think, to this interesting period in the consolidation of power. To me, it seems, at least, in how we went from consolidating money, the oligarchs emerge, the wealthy, to the consolidation of power in order to bring order to the chaos of Russia. And out of that emerges Vladimir Putin in 2000. Could you walk us through that a little bit?

Bill Browder: Sure. So, Sidanko was a big oil company, I bought shares really very [00:37:30] cheaply. And 96% of the company was owned by a Russian oligarch. I was able to buy two and some odd percent in the illiquid, secondary market. And then, at some point, I think I paid \$11 million for 2.4% or something along those lines. And at some point, British Petroleum came in and bought 10% from this oligarch. And they paid something like 10 times the price that I had paid. And so my \$11 million portfolio was worth more than \$100 million.

[00:38:00] And, I was celebrating, popping the champagne thinking, "God, I am so good." And apparently, the oligarch was looking over at me and thinking to himself, "You shouldn't be getting any of that. That's not your money to get." And so, what he did was, the complicated share issue, in which he was sold shares at a hugely, hugely discounted price, to himself and his buddies, and he excluded me. And it was basically, an attempt [00:38:30] to steal \$75 million from me and my investors. And, I decided to challenge him, publicly. And I went through this very long, scary process of-

Demetri Kofinas: Very scary.

Bill Browder: ... first confronting him and that didn't work. And then taking it to the newspapers and that didn't work. And there were lots of nasty threats and people were all predicting my imminent demise. And I had a whole team of bodyguards [00:39:00] going around with me everywhere.

Demetri Kofinas: That was really scary, Bill. I don't mean to interrupt again, but that's really scary. What drove you to make that decision to sort of ... You could say it was almost

reckless. Someone could say that you put yourself at risk, tremendous risk, but you came out of that. What led you to make a decision to step on the gas at that moment?

Bill Browder: So I felt like if I allowed this guy to get away with it, if I allowed him to steal from me, then it would just be open season on everybody [00:39:30] stealing from me. And that would be the end of my business, the end of my career and the end of my clients' money. And I felt some deep sense of responsibility and a sense of righteous indignation that these people cannot be allowed to do this. It just seemed wrong and unfair. And so, I took the decision that I'm gonna fight these guys, I'm gonna go to war with them and I'm gonna fight them. And, nobody ever did that. Nobody fought with the oligarchs, these people were very dangerous individuals, and I went to war with the oligarchs. [00:40:00] Safra sent in a huge team of bodyguards to look after me. When I was driving around Moscow, we had lead cars and side cars and back cars. And they would come to my apartment and scope out the rooftops for snipers, look for bombs and escort me in. It was very scary.

Demetri Kofinas: I was sort of thinking about how to progress this conversation, but the realities in many ways ... I don't know what your security situation is now but certainly, [00:40:30] as the story progresses, and we can get to that point, you make it through this period and you managed to get your shares returned or not diluted. You basically regained control of your company and the assets that you had. But things in Russia change, with the, I think, the collapse in the economy, the default and the turn inward. These investors who were, the oligarchs were challenging you and the money in your Fund and looking to take it from you. [00:41:00] They, at that point, the leverage that foreign investors had over them went away, because Russia was basically isolated. It became a financial pariah.

And that seemed to create a much more lawless environment. That environment, of course, led to the ascendancy of Vladimir Putin. Maybe we can just kind of get into then what happened in 2005, rather than try to go through the entire history, just because I feel like just talking to you now, the significance of the choices that you've made [00:41:30] and where you are today. And I do want to get into Sergei Magnitsky, and your experience after 2005. Maybe you could just tell us what your experience has been since 2005, since you were detained and went back to London, basically lost Hermitage, or were not able to go back, had to liquidate your Fund. What happened there and what has the progression since been and what has your life been like?

Bill Browder: After Sidanko, after this fight with the oligarch, which I won, [00:42:00] I developed this fearlessness. I thought, "Wow, I beat an oligarch." I was able to get completely back whole and then I started taking on other oligarchs. And for a period of time, Vladimir Putin seemed to be on my side, because we were fighting with the same guys. He was fighting with the guys because they were stealing power from him and I was fighting with these guys because they were stealing money from me. And so, for about four years ... And I should point out that I never met the guy, never met Vladimir Putin, but for about four years, every time I would [00:42:30] go into a fight with an oligarch, he would quietly or sometimes very publicly, step in on my side with some decree or some action. And it just created this enormously positive situation for me and the value of my portfolio

went up dramatically. And that was all really great until one day, he decided to win his war with the oligarchs, by arresting the richest man in Russia, a man named Michael Khodorkovsky.

Demetri Kofinas: Just to clarify, you're implying that people assumed that you were working under the protection of Vladimir Putin.

Bill Browder: Nobody knew what the deal [00:43:00] was but they thought, in Russia, everything is a conspiracy, nothing is as it seems. And so they were saying, "There's no way that this guy from Chicago, South side of Chicago, is gonna be taking on the oligarchs on his own volition. That just is impossible, that couldn't happen, it just doesn't make sense." And then they're saying, "Well, who is he fronting for?" They would see that every time I would go after one of those guys, Putin would step in. And so they assumed that this must be a Putin project, that I was just some kind of clever Putin trick to go after the oligarchs. [00:43:30] And nobody wanted to mess with Putin, and so the unspoken assumption was that you didn't touch Bill Browder.

And I wasn't going to alert people to the fact that this was nonsense, because he was protecting me and so, for four years I let people make whatever assumptions they wanted to make. As I said, I never spoke to Putin, I had nothing to do with him but he was very much, "Your enemy's enemy is your friend". And so I was going after his enemies and he was knocking them over as I would go after them. And so that was really quite a successful time for me. [00:44:00] But he wasn't doing it because he's a good guy, he was doing it because he wanted to take away the power from the oligarchs because they were stealing that power from him. And, he went after the richest guy in Russia, at the end of 2003, a guy named Michael Khodorkovsky, the owner of an oil company called Yukos, worth \$15 billion.

They arrested him off his jet in Siberia, they put him on trial and they allowed the television cameras to come in to the court room and film the richest man in Russia sitting in [00:44:30] a cage. And that had a tremendous psychological effect on all the other rich guys. Imagine, you're sitting on your yacht, parked off the Hotel Du Coq in Antibes, France, and you see a guy far better, far richer, far more powerful than you, sitting in a cage. What's your natural reaction gonna be? You don't wanna sit in that cage and so, one by one by one, these guys went back to Putin and said, "Vladimir, what do we have to do so we don't sit in a cage?" And he said, "Real simple, 50%." [00:45:00] And I'm not talking about 50% for the Russian government, or 50% for the Presidential Administration of Russia. I'm talking about 50% for Vladimir Putin.

Demetri Kofinas: 50% of what? Of earnings?

Bill Browder: No, 50% of everything. Assets, earnings, cashflow, everything.

Demetri Kofinas: How do we know that number? I've heard you use that number before. Where does that number come from? Is that something that sort of is just spoken of in private circles in Russia?

Bill Browder: Yeah, everybody knew it, it was well-known. It was commonly known, because everyone had to do it. And it's been proven.

Demetri Kofinas: [00:45:30] And, of course, stay out of politics too, I assume. Don't challenge me in any election, I assume would also be part of that deal.

Bill Browder: Yeah, well, the main thing is he wanted the money, but he also didn't want anyone to unseat him because you get a lot more money in the future if you stay in power. And so, he didn't want anyone involved in politics, he wanted half their money, and they all just wanted to stay out of jail and stay alive. And so, he won his war with the oligarchs but when he became the richest man in Russia, all of my exposes of corruption against oligarchs, [00:46:00] was no longer against his enemies, it was going after his own, personal financial interests. And that's what led to my expulsion in 2005.

I was flying back to Russia, from a weekend trip in London, and I was in the VIP lounge at Sheremetyevo Two airport, which is their main international airport and I was waiting for my passport to be processed. And they didn't process my passport. Instead, four heavily-armed border guards burst into the lounge, grabbed me, frog-marched me down to the detention [00:46:30] center at the airport, arrested me, kept me there for 15 hours and then put me on a flight back to London. And, subsequently I got a letter from the Foreign Ministry of Russia, saying that I'd been expelled from Russia, because I was a threat to national security. And that's when I knew that my troubles were really starting.

Demetri Kofinas: Okay, so there were a lot of interesting sort of -- the processes through which you finally came to recognize that is an interesting part of the book, as well. You flesh that out. But in the interest of time, why don't we fast- [00:47:00] forward through to how you responded to that and how that eventually led ... What decisions you made in response, and what the consequences have been and where you are today, personally, as a result of this process.

Bill Browder: So, after I was expelled, I said to myself, "These guys don't tend to go after their enemies mildly, they tend to do so with extreme prejudice." And just being expelled seemed to me to be a pretty mild sanction. So, I looked around and said, "Where am I exposed?" And I was exposed by [00:47:30] having a big team of people in Moscow and I was exposed by having a lot of assets in Moscow. And so I instructed all of my people, and their families, to evacuate and come to London. Once they got to London, I instructed them to liquidate every holding that we had in Russia, as quickly and quietly as we could.

And, we got everybody out and we got our money out and I thought, "Wow. That was scary but we got everybody and everything [00:48:00] out, there's nothing much more they could do." Well, I couldn't have been more wrong. 18 months after I was expelled ... And I should point out that I did keep a small office in Moscow, in case the storm ever blew over. 18 months after I was expelled, 25 police officers raided my office in Moscow, 25 more officers raided the office of an American law firm that I used out there. And they were looking for the stamps, seals and certificates for our investment holding companies, through which we had invested all our money in Russia, not knowing that these companies were empty.

[00:48:30] And they found all the stuff at the law firm, they grabbed it, and then the next thing we know, the stamps, seals and certificates that were seized by the police, were then used to fraudulently re-register our empty investment holding companies, out of our name, into the name of a man who had been convicted of murder and let out of jail early by the police. And I was terrified, I thought, "Well, there's no economic issues here, our money is safe." But, I thought, "God, if the Police are working with murderers to [00:49:00] steal companies, what else could they be doing?" And I didn't want to find out.

So, I ended up going out and hiring the smartest lawyer I knew in Russia, a young man named Sergei Magnitsky, who was 35 years old at the time. He was one of these guys who could do 10 things in the time it took others to do one. And Sergei Magnitsky went out and investigated and he came back. And he said there were two parts to this scam. The first didn't work, the second did. He said, "The first part was to try to steal your money, but you had gotten your money out safely, so [00:49:30] that didn't work." However, the second part did and the second part was all about, after when I was liquidating all of my holdings in Russia, the previous year, we had a huge profit. We had a billion dollar profit on our holdings. And on that billion dollar profit, which was crystallized, we paid a \$230 million capital gains tax bill to the Russian government. And what Sergei had realized, what he had figured out, [00:50:00] was that the people who stole our companies, took those companies to the tax authorities the next year.

And they said to the tax authorities, "This \$230 million of taxes that were paid, were paid in error." And they put together a very complicated scheme to prove it, or to show it, a fraudulent scheme to show it. And they said, "Therefore, we want the \$230 million back." It was the largest tax refund request [00:50:30] in the history of Russia. They applied for it on 23rd December 2007, two days before Christmas. And it was approved, and paid out the next day, no questions asked.

Demetri Kofinas: So what they did was, they basically took your company, and turned them in to zombie defendants, these companies that you owned. Put them in court and proved, in this Kangaroo Court, that they owed back taxes in the sum of \$230 million to the state, which then they [00:51:00] were able to use as justification for getting tax refunds for their own ... I mean, not to the state, sorry. To some other companies, which they then used as a way to get a tax refund, these oligarchs, from the state for the amount equal to the fraudulent tax fraud charges that they had concocted by taking control of your companies?

Bill Browder: Well, it's actually simpler than that. Basically, we had a profit of a billion dollars in the previous year. They created fake court judgements of a billion dollars, [00:51:30] where they pled guilty to themselves of a billion dollars of fake liabilities, and then they showed up at the tax office with a billion dollars of fake costs, and they said, "Look, these companies declared a billion dollars of profits last year." And they showed up with these sort of Kangaroo Court decisions of a billion dollars of fake losses, and they said, "A billion minus a billion gets you to zero, therefore there was no profits last year, and the \$230 million of capital gains tax [00:52:00] were paid in error." And they wanted it back.

And I should just point out, if this is too complicated for everybody, that this was not my money that was being stolen. The \$230 million that was stolen was the Russian government's money. So you've got a bunch of corrupt Russian government officials stealing their own money. And so when we discovered this, when Sergei Magnitsky discovered this, we were sure this must be a rogue operation, because why would Putin allow his own officials to steal this money? And we [00:52:30] thought if we just put it out in the public, and the good guys would get the bad guys and that would be the end of the story.

And so that's what we did. We publicized it, we wrote criminal complaints everywhere. And then Sergei Magnitsky testified against some of these police officers who conducted the raid, at the Russian State Investigative Committee, their version of the FBI. And we sat back and waited for the good guys to get the bad guys. It turns out that in Putin's Russia, there are no good guys, just bad guys. And instead of arresting the people who stole the [00:53:00] money, about five weeks after Sergei testified, on the 24th of November, 2008, the same officers he testified against came to his home at eight in the morning, arrested him, put him in pre-trial detention, where he was then tortured to get him to withdraw his testimony. They put him in cells with 14 inmates and eight beds. They left the lights on 24 hours a day to impose sleep deprivation. They put him in cells with no heat, and no window panes in December in Moscow, [00:53:30] so he nearly froze to death. They put him in cells with no toilet, just a hole in the floor, where the sewage would bubble up. They'd move him from cell to cell to cell in the middle of the night.

And the purpose of all this was to get him to withdraw his testimony against the police officers. And they wanted to get him to sign a false confession, to say that he had stolen the \$230 million, and he did so on my instruction. And Sergei was a man of unbelievable principle. And [00:54:00] they completely misjudged him. They thought tax attorney, sitting in a fancy office, he'll buckle in the first moment of pressure. But for Sergei, the idea of perjuring himself and bearing false witness was far more painful than what they were subjecting him to. And he refused to perjure himself, he refused to sign their false confession. And the situation just kept on escalating and getting worse and worse and worse for Sergei.

And after about six months of this, his health started to fail. He started to get terrible pains in his stomach. [00:54:30] He lost 20 kilos, or 40 pounds, and he was diagnosed as having pancreatitis and gallstones and needing an operation. And a week before the operation was due, the same people came to him again, asking for the signature on the false confession. Again, he refused. And in retaliation, they abruptly moved him to a different prison, a maximum security prison called Butyrka, which is considered by those who know to be one of the worst prisons [00:55:00] in Russia. And most significantly for Sergei, is that at Butyrka, they had no medical facilities. And at Butyrka, his health completely broke down, he went in to constant agonizing, ear piercing pain. They refused him all medical attention. He and his lawyers wrote 20 different desperate requests to every different branch of the criminal justice system, begging for medical attention, and every different branch either ignored or in some cases denied in writing, his requests for medical attention.

[00:55:30] And it got so bad that on the night of November 16th, he went in to critical condition. On that night, the Butyrka authorities didn't want to have responsibility for him anymore, and so they put him in an ambulance and sent him across town to a different prison that had a medical wing. But instead of putting him in the emergency room, they put him in an isolation cell. They chained him to a bed and then eight riot guards came in to the cell with rubber batons and beat him to death.

Demetri Kofinas: Horrific. [00:56:00] Horrifying. It's a horrifying story.

Bill Browder: He was 37 years old. 37 years old. He had a wife and two children.

Demetri Kofinas: You write about and you speak about it rather eloquently as well. I've heard you talk about it before. It's hard not to listen to that story and, for whatever reason ... I mean, there are many tragedies in the world. Whether it's the way you tell it or the details of the story or some combination [00:56:30] therein, it resonates for me more than most stories of injustice. And so, in his memory, and in the pursuit of justice for him and for other people who were involved with you and your company, this eventually led you to Congress in the United States, and eventually to the passing of the Magnitsky Act. Which I do want to ask you about, because that's central to some of the political intrigue in the United States, with the current administration.

[00:57:00] Can you talk to us a little bit about what that Act is, and it was eventually passed, I believe in 2012 and signed in to law by President Obama. And the surprising level of significance it's actually had in sort of inciting the Putin government and being a real sore spot for them. Could you walk us through that?

Bill Browder: So the morning after Sergei was killed, I got the news at 7:45 a.m., and it was the most [00:57:30] horrifying, life destroying, painful, traumatic news I could have ever gotten. And I made a vow that morning, to his memory, to his family and to myself, that I was gonna go out and use every resource I had and all my energy, to go after the people who killed him, and make sure they faced justice. And I've put aside all of my business activities since then, and spent the last eight years on a mission, to make sure that Sergei Magnitsky gets justice. [00:58:00] And it became very clear, very quickly that the Putin administration, and Vladimir Putin personally, were not gonna allow that to happen.

He personally got involved in the exoneration of everybody involved, gave them state honors and promotions and all sorts of other things. And so I said to myself, "If we can't get justice inside of Russia, then we're gonna get justice outside of Russia." And then the question is, how do we do that? And I came up with this idea, which is the people who did this terrible crime, did it for money. [00:58:30] They did it for \$230 million. And they don't keep that money in Russia. They keep it in the West, they keep it in London and New York and Geneva. They send their girlfriends shopping trips to Milan. They send their kids to boarding school in England. They send their parents to the Cleveland Clinic.

And I said to myself, "This is something that we can do something about in the West." And so I went to two Senators, Senator Benjamin Cardin, a Democrat from Maryland, and

Senator [00:59:00] John McCain, the republican from Arizona. I told them the story, which I've just shared with you. And I said, "Can we ban their Visa's and freeze their assets?" And that was the genesis of something which became known as the Magnitsky Act. And it took a couple years of lobbying, and a lot of meetings, and a lot of stories, and a lot of maneuvering, but we eventually succeed and we got, in December 14th, 2012 President Obama signed the Magnitsky Act in to law, after passing almost [00:59:30] unanimously in the Senate and House.

And we found the Achilles Heel of the Putin regime. This is what they care about. They kill, they torture, they maim in Russia, for commercial purposes, and then they keep their money in the West. And I just created a new technology of consequences for these people, which had never existed before. And Putin went crazy. He banned the adoption of Russian orphans by American families as the first step. [01:00:00] He then put Sergei Magnitsky on trial, three years after he killed him, in the first ever trial against a dead man in the history of Russia, was the second step. And it became clear, he even public ally said that fighting the Magnitsky Act is the single most important foreign policy priority.

And the reason why is because Putin it turns out, we've learned recently, was one of the recipients of some of the \$230 million. He basically gets a cut of every scam. [01:00:30] And he believes that his money is at risk, and he's got a lot of money. I estimate that his net worth is \$200 billion, and he thinks that all that money, which is being held by oligarchs in the West, could eventually be frozen. That's why he cares about it so much. And so, as he saw the presidential election materializing a few years ago, he believed that he might be able to influence the repeal of the Magnitsky Act, [01:01:00] and he sent one of his emissaries, a lawyer, a woman lawyer named Natalia Veselnitskaya to Trump Tower, to meet Donald Trump Jr., Jared Kushner and Paul Manafort, with the specific request of repealing the Magnitsky Act.

And this meeting, which everyone knows about now, has become the center of the whole Russia Collusion scandal. And nobody knows exactly what happened in that meeting, and what was agreed or if anything was agreed [01:01:30] and this now makes up the center of the whole Mueller investigation. And remarkably, the story of ... The terrible, tragic story of what happened to Sergei Magnitsky has now entered and become a part of the whole American political scandal.

Demetri Kofinas: Do you believe, because one of the center pieces of this conversation, as least as it's played out in the media, is that Donald Trump is compromised. He's been compromised by FSB Intelligence, [01:02:00] by Putin, by the government in Russia. There's some specific suggestions about how he's been compromised, but putting that aside, do you believe he has been? That's he's been compromised essentially, and that that's part of what's going on here?

Bill Browder: I don't know. I have no idea. And fortunately, I don't have to know, because there's a person with resources, which are literally infinitely greater than mine, a man named Robert Mueller, who can wiretap, he can subpoena, [01:02:30] he can interview, he can interrogate and get evidence from everybody. And he's conducting an

investigation and when he's finished with that investigation, you'll know and I'll know and Donald Trump will know what the truth is. And I look forward to that, because we're in a terribly horrible world right now, where all confidence has basically disappeared, because we don't know whether there was or wasn't collusion, and if there was, it's horrific. And if there wasn't, it's equally [01:03:00] horrific, and we can't live in this world of uncertainty right now.

Demetri Kofinas: Well that brings us to the, before ... And thank you so much for the time you've lent us. You've been very gracious with it, and that brings us to something that I would like to ask you before we go, which is that whether or not there has been collusion, to what that collusion is and what the specifics are of this most recent election cycle, the larger issue of a deterioration in US/Russian relations and in the isolation [01:03:30] of Russia, and the turn inward that has occurred over the last two decades. For Russia, it's uniquely tragic, for Russian citizens it's uniquely tragic and unfortunate.

For the world, it's alarming and concerning, because we ended the 20th Century with high hopes, with Boris Yeltsin and Bill Clinton standing at the podium, smiling and laughing, and us seeing that and saying, "Okay, the future is the US and Russia holding hands [01:04:00] in to the sunlight, Casablanca." But in fact, what we have now is, what many call a new Cold War. And it certainly feels like that in many ways. It's not, it doesn't have the ideological aspects of the Cold War, but it's concerning, and it's concerning in light of the geo-political issues with North Korea. It's concerning given the current size of the Chinese economy and the Chinese government. And all the uncertainties [01:04:30] in this increasingly multipolar world.

What do you see as the future for US/Russian relations, and what could go right to sort of set things on a better path, in your view?

Bill Browder: Well, I think the future is very bleak. I think this is all driven ultimately by Putin's corruption. I think that he's stolen so much money, that he has no choice but to try and stay in power until he dies. And I think to stay in power, in a situation like this is extremely difficult, and to do so he needs [01:05:00] to do a lot of really terrible things in terms of domestic repression. And he needs to also do some terrible things in the West, in order to distract his population with wars, foreign wars in Ukraine and Syria and other places. And I don't see a scenario where it ends nicely.

Demetri Kofinas: So in your view, because he is so invested, his fate is so intertwined and invested in his ability to maintain power, that he's incentivized to continue to hold it at whatever cost, [01:05:30] and that ultimately doesn't congeal with the sort of desires and goals of the United States foreign policy apparatus and military and everything else, and that those two things are going to continue to collide.

Bill Browder: He needs to have foreign enemies, and he needs to be enemies of the United States, in order to distract people from hating him. They've got to hate the West, they have to hate America. He's got to stir that up.

Demetri Kofinas: Where are you today? How does this concern you personally, your safety and your friends and your family? I'm [01:06:00] sure that it's not ... This isn't without consequence.

Bill Browder: No, I'm considered to be Putin's number one enemy, because of these Magnitsky sanctions, and the fact that we've not only got them in American now. I've worked in other countries, we have Magnitsky sanctions in five countries. In Canada, the United Kingdom, Estonia, Lithuania. There's four more lined up. Latvia, Ukraine, South Africa and Gibraltar. I'm working on France, Sweden and Holland. They hate [01:06:30] my guts, and I've been threatened with death, with kidnapping. They've gone after me through Interpol. They've issued six different arrest warrants via Interpol. They've asked the British government on numerous occasions for my extradition. I live in London. They're after me. But my duty is to Sergei Magnitsky and justice. He was much braver than I could ever be, by challenging them, sitting in their custody. And I owe it to him and to his memory and to his family, that I don't stop [01:07:00] and I carry on until justice is done.

Demetri Kofinas: Well Mr. Browder, I thank you for your time and I wish you the best with your work in servicing Sergei's memory. It's no small task and you've certainly put yourself in a difficult situation and again, I do wish you the best and I hope you stay safe.

Bill Browder: Thank you so much.

Demetri Kofinas: Thank you.

And that was my episode with Bill [01:07:30] Browder. I want to thank Bill for being on my program. Today's episode was produced by me and edited by Stylianos Nicolaou. For more episodes, you can check out our website at HiddenForces.io. Join the conversation through Facebook, Twitter and Instagram @hiddenforcespod, or send me an email. Thanks for listening. We'll see you next week.