



Post-Soviet States: People, Power, and Assets
Oral History Archive

Interviewee: Robert E. Langer

Interviewer: Rebecca Adeline Johnston

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Abstract

Robert E. Langer is an American attorney and partner at Becker, Glynn, Muffly, Chassin & Hosinski, LLP. His legal career has included advising on venture capital investments, technology start-ups, and international education. A fluent Russian speaker, he has advised clients in the former Soviet Union and Russia since the late 1980s and was one of the first lawyers to work on projects under the auspices of the 1987 Soviet law on joint ventures. He holds a law degree from Tulane University and studied Soviet law in Moscow at the Institute of State and Law at the Academy of Sciences of the USSR. This interview details the full range of Mr. Langer's experience working in the Soviet Union and Russia, both on particular projects and more broadly on the rapidly-changing legal landscape faced by domestic and foreign lawyers alike from the late 1980s to the early 2000s.

This transcript is lightly edited for clarity. Unedited remarks are available in the embedded audio recording and can be located with the aid of timestamps bracketed in the transcript text. Interviewer questions and remarks are presented in bold.

Interview Transcript

Talk a little bit about how you first became involved in legal work in the business and financial world in the late Soviet Union.

I'll start out by telling you that when I graduated law school, I went to the Soviet Union in '85 and '86 as a *stazher* [trainee]—they call it sort of a graduate student—at the Institute of State and Law at the Academy of Sciences of the Russian Federation. I'm not going to tell you all about that, but my law firm held open my job for a year while I went to the Soviet Union. When I came back, after living in the Soviet Union for a year in '85 and '86, I came back to an America that really had no need for anybody who had my expertise. I spoke Russian fluently; I studied law and Soviet law. I studied with a man named Christopher Osakwe, who was the leading scholar of socialist law or Soviet law at the time. Terrific man.

But I came back to an America that—business with the Soviet Union was really some trade. Pepsi [PepsiCo, Inc.] was the largest trade. They took Stolichnaya at the border and gave Pepsi syrup. That was all part of the Olympics in 1980, if you remember, that we boycotted. But again, it doesn't matter. I came back—and this was '86 into '87—and really, my firm was basically saying, "You should be a regular lawyer in America." And that was just not what I wanted to be. And then on January 1, 1987, Mr. [Mikhail Sergeyevich] Gorbachev signed something called the decree on joint ventures. So January 1, 1987 in some ways was a watershed, because now all of a sudden what we call "Western" companies could come into the Soviet Union and enter into an agreement with Soviet partners, and set up something called a joint venture, *sovmestnoe predpriiatie*. And that was really cool.

Now, all of a sudden, as a lawyer sitting in New York who spoke Russian, whose firm was willing to tolerate them, if not outright support, we could start doing joint ventures. And there were a few lawyers at the time who were trying to get into that. I was one of them. I did my first joint venture in 1988, which I'm not going to go into the description of, but it involved raising genetically-better cattle outside Moscow at a place called Leninsky Luch, which was a *kolkhoz*, which is a collective farm. Which, again, go back into history, [collectivization] and Sovietization of farming was really a bad thing, but we'll skip over that whole history. But the bottom line was, their cows did not produce milk at the rate that American cows produced milk. My client had this idea to bring bovine embryos over to the Soviet Union, implant them in Soviet cows, and immediately you would get a better generation being born. I'm really going to skip over the details of that because I'm horrified that I ever had to learn about how you do that.

But that was the first joint venture I worked on, which was in 1988. And it did not go forward. We spent a lot of time negotiating it. But it taught two valuable lessons. One, people were interested in the Soviet Union. They were interested in working with their Soviet counterparts. But it also showed you—and again, this is not a statistical number, but something on the order of ninety percent of the deals you work on fail. And if you start out with failure, success is kind of cool. But if you always imagine that everything you're going to work on is going to be successful, the Soviet Union and Russia is the wrong place for you. And that is really the mantra. One of the things that my partner and I used to say to each other is in the Soviet Union, everybody has a treasure map. Just not all of them are real. And that was, again, sort of our mantra as we would go into these deals. And we would try to be explaining to the clients that you're facing a lot of [0:05:00] challenges to do business here.

Anyways, that was 1987. First joint venture was '88. The other thing that happened in 1988, I think if I'm getting my dates right, was they also adopted something called cooperatives. Individual Russians, or Soviets, could open up small shops, restaurants. The first cooperative restaurant in Moscow was something called *Kropotkinskaia tridsat' shest'*, which is just the address—Kropotkinskaya Street, number 36. A Georgian restaurant opened called *U Pirosmiani*, which is still there to this day. But these were really kind of cool, that you could go to a restaurant now [that] was not a Soviet restaurant, it wasn't a state restaurant. And again, it was a real watershed.

Now we're at '88, '89. And also, by the way, '88 was an important year, because it was the thousand-year anniversary of Christianization, or when Vladimir adopted Christianity.¹ I forgot

which it is, and other historians will remember. But anyways, it was a big year. I remember wanting to go over there in 1988, because 988 was when Vladimir took Christianity then for the state religion. Officially, Russia became a Christian nation. And I really wanted to be there for the thousand-year anniversary. But what was neat is I was able to convince my firm to pay for half the trip, on the theory that we're doing a joint venture, we should get over there and get more. And I got one of the partners involved in it. By 1989, we started to think about opening up an office in the Soviet Union in Moscow. We found an Australian partner and a Finnish partner, and by 1990 we signed a joint venture agreement to open up the first joint venture law office in the Soviet Union. It was called *Mezhdunarodnye advokaty, or International Lawyers*, International Advocates. It was a joint venture between my U.S. firm, an Austrian firm, a Finnish firm, and something called the *Soiuz advokatov SSSR*, the Union of Advocates of the USSR. We opened on August—I can't remember the date. Actually, we got registered in April, and I moved over there in August 1990. And I opened an office at something called the Hammer Center, or the International Trade Center.² And that is what took it off.

One of the things that I say is, I sound like I would have been perfect because I had studied Russian—it was 1990 then—I had already studied Russian for twelve years. I spoke Russian reasonably well, not as well as I ended up speaking it, but I was literally the only person in my firm who spoke Russian. So, they didn't select me scientifically as being the greatest lawyer to send to Russia. In August 1990, I moved over to the Soviet Union. I opened a law office. I had three Russian attorneys who worked with me out of two rooms. Very small office. And we essentially put out a shingle and started to figure out what work we could do. And joint ventures were really the big thing, because everybody wanted to get paid in foreign currency. That's why you did joint ventures.

One of the stories I always tell—and I think the statute of limitations is up—at that time it was very hard to get a telephone line. And I needed to set up a fax machine. I had to have communications. Internet wasn't quite out yet. I had to get a telex machine, which I had no idea what a telex machine was. But I had to get a telex machine so we could send telexes. And then I had to get a phone line. And the thing about the Soviet Union in those days was you had to have an international telephone line. There were domestic lines and international lines. I didn't know that at first, because I said, "Oh, yes, I've got a telephone line. No problem. I can put a fax machine on it." But the way they controlled international phone calls was only certain lines were hooked up to go internationally. So I learned that lesson. I knew it earlier, back when I lived there in '85, but I didn't realize what it meant. And I asked somebody if I could get an international line for the office, because I needed it for business. And they said, sure, but it'll cost five hundred dollars.

And that's clearly a bribe. And I was very concerned, as a U.S. lawyer, that the first thing I was going to do in the Soviet Union was to violate not only Soviet law, but the U.S. Foreign Corrupt Practices Act. And I actually, being the good lawyer that I was, called [0:10:00] my partners back in New York and I was informed that at least from the U.S. standpoint, there was an exception to the Foreign Corrupt Practices Act for so-called "facilitating payments." I would not be arrested when I came back to the United States for paying a bribe in the Soviet Union. And as you quickly learned in the Soviet Union, a five-hundred-dollar bribe doesn't even get anybody's

attention, so nobody was really concerned about me paying that bribe. But I did it. But, as I say, hopefully twenty-eight years later, the statute of limitations is up on that crime.

There also is a great old Soviet joke—if you don’t mind me telling a joke as part of this oral history—about the guy in the Soviet days who finally saves up enough money to buy a car. Ronald Reagan told this joke, I think. And he goes in finally, and he says, “Here’s my five thousand rubles,” whatever he was able to save up after ten years. And they say, “Great, the car will be ready a year from next Thursday.” And the guy says to the person, “Morning or afternoon?” He says, “Morning or afternoon? What difference does it make? The car is going to come on that day.” He says, “Well, because they’re coming to install the phone in the morning.” And nobody gets that joke today in terms of—

That’s a phenomenal joke.

It’s a phenomenal joke, there’s a lot of great jokes. Thank you. But going back to that day, in 1990 when I opened the office, the logistics of opening an office, as I said, you just wouldn’t think about that as an American moving over there. And you quickly learned what you’re going to have to put up with. We had a six-hundred-square foot, sixty-meter office for six or eight people, which, again, in Soviet days, was downright luxurious. In America, sixty meters or six hundred square feet is barely your reception area. But we took whatever we could get, and we went out there, and we pounded the pavement, and because we had Austrians and Finns and Americans and Soviets, we just tried to find as many clients who were going to do things. And one of the first projects we worked on, apart from that bovine embryo project, was—Heinz [H. J. Heinz Company] was going to do a joint venture. I worked with a company called Schindler [Group], which is the elevator company—probably not as much in America, but in Europe—to do a joint venture, and ASEA Brown Boveri [later—ABB], which makes these huge turbines and things. We ended up negotiating something like seven or eight joint ventures for ASEA Brown Boveri.

This is August 1990. We’re doing all of these joint ventures. It makes it sound like we were very busy. We were starving, mostly, but we were trying to get all these projects in. But August 1991 was only one year later and that’s what you have to see. August of 1990, I move over to open an office. August of 1991—and for people who weren’t there, may not remember, but that’s when Gorbachev went on holiday and was detained. You had something called the *GKChP*,³ and it was really the attempted coup. Assuming people know all this history, what it eventually led to was the fall of the Soviet Union in December of 1991.

But I do want to back up for one second, because I think there’s a much more important event in 1991 than what I just described. And that is that I got married on July 4, 1991. And the reason I go back to that is—I met my wife in 1990. By 1991, for whatever reason, she decided that she would marry me, which may have been a fateful choice. We’re still married twenty-seven years later. We got married in July of 1991, and the reason I say that is, we really didn’t have any great idea that the Soviet Union was going to break up six months later. Or within six months of that date, let’s put it that way. Maybe we were all just naive. We were all living there and nobody really had a good idea—nobody loved Gorbachev, nobody loved the Soviet government. Nobody wanted to go to war for the Soviet Union or anything like that. But there was not this—I think as

people look back on 1991 and they look back at Gorbachev stepping down in December of 1991, they look [0:15:00] back and they say, "This was all very obvious."

It wasn't obvious at all in early 1991. And certainly wasn't obvious in July of 1991 as I got married. Although, again, you could see that the one positive thing—and I'm not the biggest fan of Mr. Gorbachev. I think he did two things for which I'll always be thankful. One, he didn't go to war for Eastern Europe. He let that go. And I think that's absolutely tremendous that he avoided that war without sending troops in. And the second thing that he did, through what I was telling you about—the joint venture decree, the cooperative decree, and just in general telling people that they should, they can, think about how they can organize business on their own. Soviet Union was still going to control it. I thought maybe it was going to turn out a little bit more like China today, in the sense that—which isn't necessarily a good example—but where the state has firm control, but people are encouraged to do business. And that was really happening with these cooperative restaurants and all that.

Even when I got married, I had to rent limousines, and if you go back through the records, there was no Yellow Pages there to rent limousines. But I ended up renting six limousines from the Communist Party of the Soviet Union. They were ZiLs, which means *Zavod imeni Lenina* [sic—*Zavod imeni Likhacheva*], which is the same car as the Communist Party leaders used. And back in those days, if you wanted to see the cars going into the Kremlin, there was a gate there and it was the exact same cars. They weren't being used. I think I was probably at a little bit of a risk that day, if somebody needed the cars, I couldn't get them for my wedding. But I had a very good friend—who unfortunately died of cancer since then—who got the Communist Party, they leased us these limousines. We got married in the center of town on a street called Ulitsa Griboedova, and we were having our reception out of town off Rublevskoe shosse.

The only reason I say that is our limousines—which were official Communist Party limousines—were traveling out [from] Kutuzovskii [prospekt] to Rublevskoe shosse, and every place we passed, the *gaishniki* [traffic police], which are the little policemen, would stand and salute and wave us through, because they had no idea who was in the back drinking champagne going to their wedding. It was very fun, but again, it just demonstrated how much there was this pent-up demand. People innately understood that they were going to want to create their own businesses. The one part that Marxism got right is "from each according to his abilities." These people really had abilities to put business together.

The other example that I gave back at that time is the first McDonald's, which opened either late '89 or early '90. And that was a joint venture between McDonald's and the City of Moscow, by the way. It was actually McDonald's Canada and the City of Moscow. But the first McDonald's, which was also the largest McDonald's in the world at the time, had a line not just around the block, but around an entire park. And basically, if you got on at the end of that line, and waited on that line, it would probably take you about three hours to get to the front of the line. I don't know about you, I think McDonald's is wonderful; I grew up with it as a kid. I'm not waiting three hours for McDonald's. And it turns out, most Muscovites wouldn't wait three hours, either. What happened is a bunch of kids—let's call them high school-age kids—they would wait in line all day at various places in the line, and when you'd go to McDonald's, they would take your order, they would run it to the person who was closest to the front, they'd charge you—a ruble

was worth a lot more at the time, so let's say your order was five rubles, which would have been a lot of money then, but let's just say it was. You would pay them at least one ruble extra, maybe two rubles extra, and you'd get your food within ten minutes.

The reason I give that example is for the people who say that after seventy years of communism, they were not going to understand capitalism. I think they innately understood it. I don't want to get into the whole Adam Smith debate about capitalism and communism, but I can tell you that they got it. And they've been doing stuff that was sort of capitalistic forever. These folks, they needed capital in terms of money. They needed access sometimes to technology. The bovine embryo thing—they didn't have good embryos there. But other technology—Schindler, the elevators, ABB with their things. Later on, I was representing Nestlé [S.A.]. Mars [Inc.] came [0:20:00] in, although [Russians] prefer their own chocolate.

But there were a lot of ideas that they needed to work together with, and capitalism was just going to be natural for them. And to be fair to Mr. Gorbachev, he did allow that beginning of the stirrings of that. He didn't survive that—by the end of 1991, basically all of the republics saw how weak he was, and essentially declared their independence, which I thought was always interesting. The Soviet Union fell apart and by December twenty-something, 1991, Mr. Gorbachev stepped down. And I'm just going to say, because it's a round date, January 1, 1992, the Russian Federation and Ukraine and Kazakhstan and all, Belarus, they all became independent. Condensing the history of that year into just that just does not do it service. We were all preparing for the Soviet Union lasting forever and figuring out how the laws were going to develop. And yet it all fell apart as of January 1, 1992.

The one other thing I just wanted to mention—and there will be other people, I hope you get this from their oral histories—one of the things that came out in 1991 was something called the "500 Days" plan. And the reason I mention that is, it comes back again later on because that was—what was his name, I can't remember, the economist—I don't think [Anatoly Borisovich] Chubais was involved in that one. It was the other guy.⁴ But that was where they had a five-hundred-day plan to privatize state assets. And I studied that document in detail, because this was Mr. Gorbachev saying—again, not a fan of Mr. Gorbachev as a leader—but he did say we're going to start down a path to create private businesses, and privatizing all of the state assets of the Soviet Union was part of that. Now, the problem was he wanted to try and control it. And he really couldn't. You can't let the stone start rolling down the hill. It really overtook him. But that was a very interesting plan. And one of the things that we spent so much time trying to debate was, how do you privatize something where the state controls absolutely everything? I'll talk about it a little bit later when we actually get into privatization as it actually took place. But it was just absolutely fascinating.

By the way, much more important than anything else that happened is, almost at the same time Gorbachev stepped down, almost to the day, my daughter was born. And the reason I say that as well, which is really neat, is that whenever I talk to people about Russia today—and even though I use the date January 1, 1992, it really is December 1991—I try and describe, especially when I was doing this ten years ago or fifteen years ago, how young Russia is. I was trying to compare it to my daughter, who was a teenager then, obviously who's now an adult.

But still, just the perspective of, it's not that old. And everything that they went through from August 1991 to today, which is essentially twenty-seven years, is not that long of a period for them to have tried to get everything right. I don't want to talk about current politics, but the speed with which they went from the tentative approach to some private business through joint ventures, cooperatives, the privatization, and then the whole thing just fell apart, and then starting from January 1, 1992, to now be a whole new country, whole new government, whole new set of laws, which will end up happening.

And one of the projects I was working on, and it's kind of cute, that was spanning this, there was a bank called the European Bank for Reconstruction and Development, or EBRD, and I was working on what was going [0:25:00] to be their first unsecured loan to a company in the Soviet Union, to a joint venture. And it was only a five-million-dollar loan, but it was a big deal. Remember, I said that they need financing. EBRD said, "Sure, we'll come in, we'll help finance this." And this was going to be their first nonrecourse loan. It was going to be secured by the assets of the Russian joint venture. But it wasn't going to have a guarantee from the Western parent, or the Western participant. We were negotiating that in 1991.

Remember, we really didn't realize all this was going to happen. We sign up. EBRD agrees to give the money to the joint venture in 1991. The whole thing is falling apart now. In January 1992, and my client comes back to EBRD—I was representing the joint venture—and says, "We still want to go forward. Would you be willing to still lend us the five million dollars? We still have our joint venture here. And we still need the money. It's still a good plan. It's just, the Soviet Union is falling apart, but really our business is in the Russian Federation." They said, "Sure, we'd be happy to lend you the money." As they say in Russian, *odno no*, just one thing. "We need, as we did before, we need a legal opinion that the borrower"—the joint venture—"has the right to sign the documents and be legally obligated to repay the loan," which seems in my mind to be an eminently reasonable request.

I said to them, and my firm backed me up on this, that we would be willing to give them a legal opinion that a joint venture organized in the Soviet Union—now that the Soviet Union has fallen apart and Russia has announced that all Soviet laws will be enforced in the Russian Federation until the Russian Federation adopts something that changes that—we were willing to say that yes, the joint venture is a legal entity, has the rights and powers to sign, and the document would be legally valid and binding. And by the way, this took a while. This wasn't January anymore. We're now well into June, six months later. Maybe even August, September. I don't remember the exact dates. But the attorney for the EBRD said, "We don't necessarily disagree, but we won't give the legal opinion for the EBRD. We understand that you will, but we think the joint venture has to reregister under Russian law, which is going to take us now another six months to do." And we were arguing, "No, Russia says we've got to do business. Even though we're in a transition period, we have to do business." And they were adamant about it.

I got my Russian lawyer involved, because remember, we were going to sign a legal opinion and we don't do that lightly. This wasn't a flippant thing where we just—and I remember my Russian lawyer talking to their Russian lawyer, and he said to her—and I thought it was great, his name was Misha Rosenberg [phonetic], who unfortunately is dead, but just a terrific lawyer—he was very polite and he said to her, "We think that the legal entity still validly exists

and we all should be able to give a legal opinion.” She said, “I disagree.” He said, “Let me ask you one question.” She said, “Okay.” He said, “What passport do you hold?” And she said, “Well, my passport is from the SSSR, the USSR.” And he said to her, “Does that mean you no longer legally exist?” She said, “Of course not.” He said, “It’s exactly the same thing.”

And I thought it was a compelling argument. But she wouldn’t agree. And we ended up having to wait another six months to get the Russians to reregister the company now as a Russian legal entity. Everybody issued their legal opinions, and that was the EBRD’s first nonrecourse loan. It would have been in the Soviet Union; it now was the first one in Russia. It doesn’t matter, but it was a very interesting—because to be fair to this woman who was a lawyer on the other side, she wasn’t being difficult. Nobody knew. It was all new laws. The country that she had grown up in, went to school in, had just disappeared, and [0:30:00] I understand.

But the reason I tell the story is it was our role as lawyers to try and help navigate that, because business couldn’t stop. Business had to keep going. There were a lot of entities that were registered as joint ventures. People came to work the next day; they were getting paid.

Businesses were going to expand. It was our job to try and navigate that developing legal system. Now, to Russia’s credit, they did also move very quickly to adopt some rules on legal entities that we could use so that people could get more comfortable. But really, every day you came in, a new law came out. And if you’re a lawyer, it’s either the most exciting time or the most frustrating time. I chose to see it as the most exciting time, because where else do you get to be there from the beginning as laws are developed? And one of the great things being a young lawyer, a relatively young lawyer, is back in America, everybody else—you talk about a contract or a law and they say, “I’ve been doing this for twenty-five years.” At least in Russia, nobody could be saying that. Nobody had been doing it longer than me. It was really a very exciting time to be doing that.

One of the clients I was working with at the time that spanned this era was Citibank. And Citibank wanted to open up an office in Russia. At the time we did something called representative offices, or *predstaviteľstva*. But what was interesting about it is, Citibank was always saying that they wanted to reopen in Russia, because they had a bank there before the revolution. They felt like they took this seventy-year hiatus. They weren’t asking for their assets back or anything like that. It wasn’t anything like that, but it was always, whenever we were talking to them for Citibank, we were reopening Citibank. I forgot when we opened the representative office.

But what was more important is what we did with Citibank—again this is the new Russian Federation—is we wanted to open a bank. And there was a new law on banking which allowed foreign banks to open branches in Russia and get a license to do banking activities. And that was one of the things that we did. What was neat about it is we would go to the Central Bank [of the Russian Federation]—I mean, it was almost as if we had a meeting the next morning to talk about what we needed to do to get a license and the night before they were writing the regulations as to what you need to do to get a license to open a bank. It wasn’t quite that, but it was almost that.

And Citibank was the first foreign bank to get a license to open in Russia. The Central Bank couldn't have been nicer about working with us. They were very bureaucratic. Anybody who's spent any time in the Soviet Union and in Russia knows that bureaucracy is the thing that they do best. It was incredibly bureaucratic, but everything that they wanted us to do, we did. And as long as you had patience—sometimes infinite patience—to work with them for six months or a year, you could get to the solution. And they did that.

One of the funny stories about Citibank is that—we got one of the first general licenses. A just general license just means that we're allowed to do all banking activities. And a few months after we got our general license, Mr. [Boris Nikolayevich] Yeltsin signed a decree that said that foreign banks could only do work with legal entities. They can't do [work] with the general public. But, one of the principles of Russian law is you cannot pass a law that has retroactive effect. So the Central Bank was telling us that Mr. Yeltsin just wrote a decree, so your general license is read as a general license with a little bit of an asterisk that says, "But you can only do work with Russian legal entities; you can't do business with Russian individuals." Every time I had a meeting with the Central Bank about Citibank, [0:35:00] we would always remind them that our license came before that decree, and we have the right to work with Russian individuals, and that they can't prevent us from doing it.

And they, of course, took the other view. But every letter we would write to them would note that we're allowed to do it. The funny part about it, of course, is that at the time, we did not have the software to open accounts for more than a thousand people, which was legal entities. And that's where the money was. There was no way Citibank was going to open an account for an individual. I think we opened just for one individual or two individuals, just to show them that we could do it. But they really weren't going to do it. But the legal principle was interesting. That was kind of fun in those days as we were just creating—I don't want to say creating law together, because that sounds a little bit—there was law, there was a lot of law, but it was relatively new. As I said, I found that just absolutely fascinating as a lawyer to be working on.

One of the things that I did with Citibank was I wrote their first loan agreement in Russia. And normally, what we would do—lawyers are great, we never reinvent the wheel. If I have to write a document, I just want to liberally borrow from a model that exists. But Russia didn't have any loan agreements under the new law. We couldn't just adopt the loan agreement that we used in America. And you all have probably seen these loan agreements, because those have all been shaped and tweaked for so many things that go on in America for the banking environment in this country. But we had to write one and it was really kind of fun. You would put one together and general counsel's office at Citibank here in New York—I was in Moscow—would review it and they would ask some questions, "Why are we doing it this way?" We would explain it to them and we had to get an exception. We had to get approvals for everything.

And one of the ones that was interesting—this is still somewhat true today, I think, but certainly very true at the time—was we wrote in the loan agreement that, obviously, if the borrower doesn't repay, we can sue them. Very fair. And where did you sue in those days? And the place that everybody put in their contracts was something called the Court of Arbitration of the *Torgovoi palatoi*, the Chamber of Commerce in Moscow. And that was not something that Citibank—Citibank never arbitrates. Think about it, if I lend you money and you don't repay me,

I just want to go to court and get the court to say, “Yes, pay him.” I don’t want to go to arbitration. There’s no reason to go to arbitration. And there was also something called the Courts of Arbitrage, and that’s really, if it was between two legal entities, that’s where everybody went, or to this arbitration court at the Chamber of Commerce.

And it took months to talk to somebody, because they had a hard and fast rule that we never arbitrate loan agreements because we’re never wrong. We either lent you the money or we didn’t. You either owe us the money or you don’t. And all we have to prove is that, yes, we lent you the money and you never repaid it. And that should be a very simple court case. We don’t want to go to arbitration for that. But again, it was a very give-and-take time, because it was a new country. New laws, new business, and all credit to Citibank to work with that. And they did accept it, they did approve the exception. And we did that loan agreement. I doubt it still survives to this day. But it worked for many, many years. Those are some of the things that were going on at that time.

Did you end up ever seeing what arbitration ended up looking like for a loan agreement in Russian court?

That’s a great question. [0:40:00] My first lawyers were all advocates. What an advocate means—I don’t want to get into a lot of definitional terms—but that’s a lawyer in Russia who can go to court. So we did more arbitrations than most firms. Because most firms had people called *iiuristy*, which just meant you graduated from the *iiuridicheskii fakul’tet* at MGU [Moscow State University], or MGIMO [Moscow State Institute of International Relations], or something like that. But our guys could actually go to court. Even in the Soviet days we were doing arbitrations, because back in those days, all of the joint venture decrees had arbitration, usually in Stockholm. But if you had it in Russia, you did still have the TPP as we call it, the *Torgovo-promyshlennaia palata*, which is the Chamber of Commerce. But anytime you’re in litigation, you’re not having quick resolution, which is why Citibank doesn’t like arbitration. There was a process of it where people would respond and you would negotiate it. I’m trying to think if I’ve seen, in the early days, if I saw a lot of successes. It’s a very good question, I just don’t remember. I’ll look into it.

I do think that it also goes to—when I moved over to the Soviet Union, one of the things that every Russian would tell you is that in the Soviet Union, and then in Russia, there are no laws. I mean, there’s a ton of laws, but basically the idea is that people don’t really abide by them. There’s a famous—I’ve always said and I could be wrong [Mikhail Yevgrafovich] Saltykov-Shchedrin—quote that said the harshness of Russian law—and this is before the revolution—is mitigated by the fact that no one has to obey them.⁵ And Russians really do adopt that. One of the jokes that we used to say—it’s not really a joke—but we used to say that in America, everything which is not prohibited is permitted. And in Russia we used to say, everything that is permitted is mandatory. And they were sort of dark humor, but it was really true because they’re just—I don’t want to say there wasn’t the rule of law. The rule of law was all, in the Soviet days, was all *diktaty*, was all orders from above. And if you’re in private business, this idea that you sign a contract and you have to abide by it, it would be the state that would tell you whether you had to abide by it.

Now you were getting into private business deals, like loan agreements. I never saw a loan agreement that had to be enforced, by the way. Because usually you're in a situation where either they just have no assets and it's not worth your time to fight over a dead carcass, or they repaid. Most of the time people really—I believe, and I know I sound defensive saying that—but I really do think that most of the time people really do abide. As I always said, you really don't need a contract, because when you spend all the time to negotiate a contract, the other side understands its obligations and they generally do tend to perform. There are some famous exceptions to that, but I do think that most people go into signing a contract with the intent to fulfill it. And I can tell you that I think that that's what happened.

I think the problem that happened in the early days of the Russian Federation, the old days of the Soviet Union, is that people were signing joint venture agreements and early-days investment agreements where they really did not have a meeting of the minds. We used to joke that joint ventures could be defined as sleeping in the same bed but having different dreams. Or, the idea that the Western partner was going to take all the risks and the Russian partner would get half of the profits. And trying to define the joint risks that we were taking. For example, what's the Russian side putting in? Let's say they put in a building, or a factory, or something like that. No, if it doesn't do well, you can't just take back your building or your factory. You've got risks. If you borrow money from the bank, you have a risk. There are a bunch of cases.

I think the problem was that sometimes these ventures just were not going to be profitable. McDonald's, which we talked about earlier, was very, very profitable. But what made McDonald's really work in the long run wasn't who owned that flagship restaurant. What they ended up doing—I mean, there's a McDonald's almost on every corner [0:45:00] today. What they did was they franchised. What made them successful and what McDonald's did was they went out and they created this whole farming system for the potatoes, the bakeries for the buns, and to produce the meat and all that sort of stuff. What ended up really happening is, it was no longer a joint venture anymore. The profit wasn't going to be at that initial joint venture level. What it really was, was in just doing the franchises and the joint venture didn't really matter anymore. They really developed past that.

Citibank was lending money now to not nascent businesses, but large oil and gas companies, steel factories. There were a lot of great businesses that were there that were really good clients of the bank that it could do. They went so quickly from—January 1, 1992, let's call it—but by the time you got to the year 2000, there was a lot of business. Because remember—sorry, I shouldn't have said it that way—one of the things that happened was they did succeed, I think starting in '93, '94 when Chubais came in, they did succeed in privatizing most of the assets. I guess it actually started in '92.

I keep a picture of the tanks firing on the White House in 1993. There's two reasons for it. One is that that is really when Russia started, because what happened—because they fired the tanks—was they got rid of what was known as the Supreme Soviet—the parliament, as people like to [say]. Basically [what] the parliament said, is that under the Constitution at the time, they could amend the Constitution whenever they wanted. So they had a real constitutional crisis in 1993 where the parliament basically said, "Mr. Yeltsin, you don't agree with us, we're just going to

vote you not only out of office, we're going to vote your position out. We're going to change the Constitution." And they were at loggerheads over that.

Now, one of the other things that they were discussing at the time—I always focus on this, although that was obviously critically important—is one of the things they were also talking about was how to privatize. And that was really the second issue, and I would argue probably even the greater issue. I believe—I could be wrong—that Mr. Yeltsin really wanted to, that in order to move this country forward, they had to privatize. You couldn't keep the structure of the state the way it was. I give Mr. Yeltsin great credit for that. He brought in Mr. Chubais; they really pushed very hard. They brought in these Western so-called experts to help them do it. But one of the things that they really pushed for is that no matter what, let's do it so you can never go back again.

And there were people who were saying, "No, no, no you can't do this massive privatization." There was a real fight about it. It really did end by Mr. Yeltsin bringing out the tanks and, more importantly, the army supporting him to bring out the tanks. They fired on the White House and essentially disbanded the parliament, the people's parliament, and the whole new history of Russia started. Because at that point, they had to adopt a new constitution and then Mr. Yeltsin obviously obtained—well, the president—obtained tremendous powers, which we're still living with today. But, if you didn't do that, we would have been living in a very different place.

By the way, one thing that I always found interesting is the tanks fired very high up in the White House. And somebody told me years later—I'm not saying this is true—but the reason they fired so high up is they really weren't trying to hurt anybody. They wanted to make a statement, which they obviously did. But they weren't trying to destroy that building; they were trying to make a statement, which they clearly did. But the other important thing about that is—I would argue as a lawyer—the reason I say that the modern Russia started on that day is, the disbanding of the Supreme Soviet, the people's parliament, was an illegal act. And I'm not saying we should ever go back to 1993 and retroactively say nothing that happened after that is valid because it was an illegal act. But I think as a lawyer, we spent so much time, probably an inordinate amount of time, discussing it among the lawyers. And I was taking the view back then that, "Who cares?" It was an absolutely necessary event to have [0:50:00] happen.

I'm not happy about it. Few people died that day, which was very good given all the people who were on the streets. I feel bad for the folks who died up in Ostankino.⁶ But we had to do this. Dash it all; let's move forward. And to be fair, I was wrong, and these lawyers were right in demanding that, you know what, at the end of the day, we still have to have the rule of law. We're not allowed to just pick and choose when we abide by the law and when we don't, because that really is the definition of anarchy. Now, it's easy for me to say that twenty-five years later. And none of them were saying that they were supportive of the People's Soviet,⁷ who was it—[Ruslan I.] Khasbulatov and Ryzhkov [sic; Alexander Vladimirovich Rutskoy] were the two men there. They weren't huge fans of that.

But theoretically and legalistically, I dismissed that argument. And obviously we face things like that. We faced the same thing in Ukraine in 2014. And this is not about Ukraine so I'm not going to get into that, but there is a real legal argument to be discussed about what happened in Ukraine

in 2014 with Crimea and the ouster of Mr. [Viktor Fedorovich] Yanukovych, who I don't like. But, again, as lawyers, when we're sitting in Moscow—let's go back to '93—we're advising clients how to do things legally. How to give these legal opinions; that it's legal, valid, and binding, enforceable according to those terms. How to go to court, whether it's this arbitration court, or regular court, or whatever it is, to say that, yes, we have a valid agreement and it should be enforced.

And then to have something like 1993 occur was really jarring for lawyers. And as I said, I dismissed it too handily. In the years after that I really went back and I talked to a lot of these people, and I understand where they're coming from. The same thing happened with privatization. Without going into tons of detail about how they did it, but the whole privatization process—if you assembled the greatest minds in the world to develop privatization, you would never have done it the way they did it. The only reason you did it this way—that's not to be critical of Mr. Chubais—it's that it was done just to as quickly as possible move everything from state hands to private hands.

But the reason I say that, as a lawyer living there and advising clients, we had to live with the results of that privatization. Imagine—and I had situations like this—where a client is going to come in and buy an asset in Russia, let's say in '96, '97, whenever. The company had been privatized. The first thing that they ask you as a lawyer practicing there is, "Is everything okay? Am I getting what I'm paying for?" And we say, "Well, let's go back through the privatization." And I can tell you, without a doubt, this is really *sto protsent*, a hundred percent, there was not a single privatization that was done completely in accordance with the law. Famously, years later, Mr. Putin came out and basically said, "You know what? We're just going to draw a line under this. We're not going back and relitigating privatizations, because if we had to do that, everything has to be reopened.

You can agree or disagree. As a lawyer, you can say whether it was the best way to do it or whatever. But at the end of the day, you're going from a situation where everything was state-owned. You had the Supreme Soviet who basically felt like they could change the Constitution whenever they wanted. You were going to be living in such uncertainty that, at the end of the day—another phrase I hate—but at the end of the day, firing on the White House, doing the privatization the way they did it, you probably just had no choice but to do it that way. But as a lawyer, it's a very uncomfortable conclusion to come to. You're basically saying, "Yes, there was nothing really in accordance with the law about this, but I like the result so I'm going to support it."

It made it, as I say, very interesting. Somebody once asked me what it was like to live in Moscow in the early '90s and I said to them that it was *strashno interesno*, which means it was terrifyingly interesting. And I told them *imenno strashno, imenno interesno*, it was absolutely terrifying, it was absolutely interesting. If you want to [0:55:00] really give the history of the Russian Federation, you have to admit that the whole start of it was dubious legality.

But to be fair, you could argue the same thing about America. You could argue that it's happened in other countries. And we live with the results. I'm not suggesting we go back and undo it. But it's an interesting part of the history that when I give lectures on this—if people are

going to understand the history, they should understand the history in full. As [Ivan Alexandrovich] Goncharov said, “To know somebody, you have to know them in their bedclothes and slippers.” If you’re going to learn the history, unfortunately, let’s tell the complete history.

That was a seminal event. They did the privatization. Privatization was such a positive force, in terms of kicking the economy into the next gear. Without privatization, who knows what would have happened. With privatization, everybody got a voucher, they created the stock market, a lot of people came in and made a lot of money off of that, including Mr. Chubais himself. Mr. Browder—Bill Browder, Hermitage [Capital Management]—came in. A lot of people made a lot of money off of that, but what was neat about it is now you did have privately-owned industry. If you look at the statistics, you take some of the oil companies. They went from—it’s not possible to have negative production, I mean, you can’t produce less than one barrel a day, but they were producing so poorly that once they privatized, if you then—investment came in by 2004. Russia had made up its lost production, and over the course of the years Russia became either the leading producer or the second leading producer. Now it’s being overtaken by the United States. You wouldn’t have done that if the oil companies stayed, I would argue, in state hands.

But, and I don’t want to get into all the legal niceties, one of the things that they did with the oil and gas privatization, which was very good, is that the state retained ownership of all the oil and gas in the ground, and coal, and anything else. So that you could get a license to pull it out and then pay tax, or pay a portion of it, to the government. That was a very interesting law, it’s called the Law on Natural Resources, or *O nedrakh*. Everything is “*O*,” *O nedrakh*.⁸ There was a lot of real thought that went into this. I think people seem to think that it was all just slapdash, and they just adopted whatever they could. But there was some real thought. And as oil prices or natural gas prices rise, the state does better.

If you look at the state of the economy in the early ‘90s, it was devastatingly bad. Inflation was high, reserves were almost tapped out. You couldn’t imagine a worse economy for them. And yet, you look at it today—they have no deficit, very little deficit. They had a rainy day fund that they had to go through that [they’re] replenishing. Their debt is under control. Inflation is under control. This is the lowest inflation they’ve ever had. They did some things that were absolutely right, and privatization, I would argue, was central to that. As much as I criticize it, it was so absolutely necessary.

One of the projects that I worked on, and if you get a chance you can talk to some of them, was land privatization. And this was an IFC-sponsored project, the International Finance Corporation. This was in the mid-‘90s—I wish I could tell you the exact year, if I could remember it—but one of the things that they were trying to do, is if you go back to these places that have all these cows, these collective farms wanted to privatize the land. You’ve been living and working there for years and years and years, and now [1:00:00] all of a sudden you’re going to get some portion of this land for your private ownership.

But they tried to figure out how to do it best, to privatize this. Because, number one, if you took—let’s just say there’s a hundred thousand acres or hectares—some of the land is better than others. And one of the things that we worked with the IFC to devise was a system where they

would divide up the land into lots and everybody could buy a lot based on how long they'd lived there and worked that farm. But, depending upon the quality of the land, you'd be either getting a larger plot or a smaller plot. You'd get a smaller plot with much better land, or a bigger plot that would include some land that you didn't want. What was kind of neat is you would bid on this to see which things people would want. The most important thing, though, was—having said all that—if you created all of these very, very, very small farms, they wouldn't be economically viable. Now you had to figure out what to do with all the equipment, get them to agree to still put the main wheat farm into—to plow it together, just to plant it together, to take out loans together, and so forth. It was a massive task, that if you were just sitting here after two hundred years of American development or however, even longer than that here, how do you create these systems? These were not easy systems to do.

Every privatization that was being done, even though I criticize it and say, “Maybe it was unfair, maybe it was rushed,” you really wanted to go from a system of state ownership to private ownership. When we would privatize a factory or a series of factories, one of the things that the privatization law did was it gave management an outsize share in it. And I would argue that the reason that they did that was they had to bribe the management. Bribe's a bad word—they had to incentivize the management to do this, and this is how you created a lot of very wealthy people.

If I was in the management, just the small group of managers would get ten or twenty percent of the privatized company. Whereas all the workers may only get thirty or forty percent. Because remember, in the early days, the state kept fifty percent and then they sold that off through privatization auctions. But the idea would be that we gave management an outsize share so that they wouldn't say no. Because if management fought it, we never would have gotten to privatization. That's something that I've argued—I'm sort of crossing out of being a lawyer into being an economist. I'm a good lawyer, I hope, but I'm not a very good economist.

But spending all this time with all of these people trying to develop these systems, we just really had no choice but to do it that way. And then with Mr. Putin just putting a line under everything, you created some real wealth. I think unfortunately the workers got a little bit—can I say screwed on this tape? Because people would buy up their shares for very small amounts of money at the time. If you're a worker in a factory, you really care about how you're going to eat this month, not taking a share in a company that you'll see how it does in the future. Other people came in and they were willing to do that. So I think there's an incredible amount of unfairness in it. But you created an enormous amount of wealth in a country that really wasn't sure how it was going to move forward.

Why don't we start with Rossiya?

Right, we were talking about privatization. One of the things I wanted to talk about was a company called Rossiya, which if you're a Russian, you know that it's a chocolate factory in Samara. Russians love, love, love their chocolate, and Russian chocolate is definitely different than Western chocolate. But it's one of those things—and when you talk about some of the crises that went on—one of the things that was explained to me is that you could still buy a box of chocolate to bring to somebody.

Nestlé came in and really wanted to get involved [1:05:00] in the Russian market. And one of the things that makes Nestlé really neat is when they go into another country, they often are buying local products and then they add their own products to it. If you're from England, they own Smarties, which is Rowntree. If you're in the United States, most people don't realize when they buy Nestlé Crunch that Nestlé's a Swiss company, the Nestlé red bar, or red tablet, whatever they call it. We don't really think of Nestlé as a foreign company. When they were coming into Russia, they wanted to buy a Russian-established company and Rossiya was going to be privatized.

The reason I wanted to talk about this as an example is this is one that I worked with. One of the things that privatization was set up for was rather than just put all the shares into private hands, one of the things that they also did is they said there was going to be an investment component in certain factories. When I was talking earlier—the management would get a certain share, the workers would get a certain share, and then the state would retain usually about fifty percent. Again, the exact numbers don't matter. What the state decided is they're going to sell off their fifty percent share. But in addition to just selling it, rather than just getting money into the state—which is a good idea—they also said that we'll sell it to the investor who bids the most for investing into the company. I don't remember what the actual figures were, but let's just say they'll pay ten million dollars for the state share, but they'll also agree to invest another ten million dollars into the factory. The state gets ten million dollars, but then not only the factory, but the local economy and the workers, will get the benefit of that as well.

With Rossiya, there was what was known as an investment tender. And the question was, how do you construct an investment tender? None of these rules were written down. Moses didn't bring them down from the mountain. We were making the rules up as we went along. The idea was a good, strong idea. Management was very supportive of the idea of Nestlé coming in, because it's one of the few major factories that has a good background.

Anyways, Nestlé decided, "Yes, we'll come in." The local privatization authority was very supportive, and we actually worked very closely with them to write the investment tender rules in such a way that Nestlé could fulfill them. I'm not sure how to phrase this. But one of the things that we wrote into the investment tender rules is that you have to agree that there was a minimum amount that you had to bid, whatever the bid was; I don't remember. And you had to agree to put in a new production line for a new candy bar that would be at least fifteen percent whole hazelnuts. Different people feel differently about hazelnuts. Anyways, Europeans are nuts for hazelnuts. But there weren't many companies that produced a candy bar with fifteen percent whole hazelnuts. But lo and behold, Nestlé produced something called Nuts, which was at least fifteen percent whole hazelnuts.

To make a long story short, it was pretty competitive on the amount that was being bid, but at the end of the day, Nestlé was the one who could agree to build a new production line, and Nestlé won the bid. The other bidder was a company called Inkombank, which doesn't exist anymore, but they were the ones who bought some of the other major chocolate factories. They were trying to amalgamate, consolidate, the major chocolate factories in Russia. But I think that the management of Rossiya felt that Nestlé was the better long-term partner. Inkombank was a bank; what a shock. They would have access now to foreign processes, intellectual property, the way

you would manage a factory. They were very, very, very supportive of Nestlé coming in to take it forward, but we did have to do some engineering in terms of how the privatization was going to run.

This is where, looking back on it, you may quibble with the way the privatization was done, but Nestlé really did come in, [1:10:00] they did very much expand Rossiya's production capacity. They added new production and more importantly they were able to reverse the decline in the workforce in Samara and make it truly a jewel for Russia in producing chocolate. Russia became Nestlé's third largest market throughout the '90s as Nestlé went on a real acquisition spree. I did ten or twelve acquisitions with Russia, almost all of them were out of privatization. Now they weren't all investment tenders; some of them had already been privatized and we just went in and bought it from the holder.

One of the factories that we bought was for breakfast cereals. Russians don't really get breakfast cereal at all, but Nestlé's a big producer of breakfast cereals along with General Mills, who they have a joint venture with in the United States. But Russians never really saw that. If you lived in Russia in the Soviet days, you'll remember something called Gerkules, which was essentially whole oats. But people were buying up beer factories, and one of the things that beer factories had was grains. They didn't need that part of it anymore. We actually went around and bought up part of these factories that we could create breakfast cereals from, because they were already using grains. And then the beer part really only would focus on the beer and they no longer needed the consolidated part, so it really worked out very well. We bought about three or four grain facilities that we turned into breakfast cereal.

And we also did a joint venture to produce something called the 48 Kopeek, which means forty-eight kopeks, which was a vanilla ice cream bar, which was made in Soviet days that every kid loved, and it went out of production. We did a joint venture with what was left of this old Soviet organization because it had freezer capacities and we started to create 48 Kopeek, forty-eight kopeks. Obviously cost a lot more than forty-eight kopeks at that point because the ruble had devalued greatly since Soviet days. But, people were thrilled. We used the old formula. We were producing very rich Russian vanilla ice cream that people had grown up with. They loved it. And that was one of the things that Nestlé did.

If you go to buy Rossiya chocolates, they're still the old recipes which people in some ways prefer to more Western—think of Cadbury and Hershey's and stuff. But they also added Nestlé products, and you expanded the factory. We bought three or four other what they called *konditerskie fabriki*, confectionery factories, throughout Russia, and they're still producing it. If you looked at the way the sausage was being made, you might not be very happy with the way the privatization process went through. But if you're a results-oriented person—we followed the law as close as we could and the result was increase in production, continue to produce these things, finance it, grow it, and a real success story for Russia that comes out of this foreign investment, this privatization program attracting foreign investors.

Interestingly, the headline in one of the papers when we won the auction was "Nestlé Buys Russia" because *rossiya* means "Russia," and I thought it was always very cute. Obviously we didn't buy the entire country, we just bought the manufacturer called Rossiya. It still is working,

it's really very, very cool. Again, Nestlé put a lot of money into Russia; it became the third largest market. They were selling coffee; Nescafé coffee became very big in Russia. Baby food; cereals. Nestlé really focused on Russia.

One of the things—I don't think I'm telling any stories out of school—that I remember, because I was out in Samara all the time, they were very, very nice people. [1:15:00] But unfortunately, one of the first things that Nestlé had to do was revamp the, if you will, security system at the factory. Not because people were sneaking in but, because product was sneaking out and being sold on—let's call it the gray market. And one of the things they had to do was lay down the law that we're going to increase salaries but we're also going to stop this gray market of our products. We've got to work hand in hand. And again, it took some time, but they put in a lot of time, they worked with the people, management saw the light. Obviously there's been some economic crises, in 1998, 2008, 2014 with the institution of the sanctions, so it's a tough market for other, independent reasons. But I bet you Nestlé will tell you that they have been very happy with their investment.

One of the other stories from the '90s, which I just absolutely adore—it's not one that gets told a lot—is, I remember meeting a guy name Augie [K.] Fabela, and actually Augie, Jr. [Augie K. Fabela, II] spent a lot of time—but Augie, Sr. met a guy name Dr. [Dmitry Borisovich] Zimin, who had an idea of creating something called *sotovaia sviaz'*, which is cell telephones. And I had no idea what the cell in cell telephones means, and then I learned it and it basically means that as you move around, your signal is transferred from one tower to another tower, and the area around the tower is a cell. I mean, again, talk to somebody who really knows this to explain cells. But the idea was that they had the technology—because it was a former military technology—that they could create these. They had the locations to set up the cell towers. Some of them they owned, some of them they could rent, but they had connections to all of them. And let's put together a company that will develop the first cellular telephone systems in Russia. And it blew me away. I had no idea what a cell phone was. We just didn't have them. We had these large things that were sort of radio frequencies that we would use.

And God bless, Augie, Sr. and then his son Augie, Jr. and Dr. Zimin, they put together this company and they developed the technology. Cell phones were just coming out; they were very early. Going back to what I said earlier, if you've got what was literally sometimes a five-year wait to get a telephone line, which was even just local—I don't know how long the wait was—Russians gravitated to cell phones. They went from no telephone, they skipped right past land lines, and went right to cell phones. The penetration rate was tremendous. And in, I think it was 1995 or '96, I forget, but VimpelCom [Ltd.] was listed on the New York Stock Exchange. It was the first Russian company to list on the stock exchange, although to be fair they say "since the revolution" because there may have been something before the revolution in 1917. They didn't really go back to that history.

But VimpelCom was a completely new company. There was no privatization here. And that's why the story's really neat. These people were obviously all trained in the state. They were very smart engineers, Dr. Zimin and his people. They had very good contacts, but Dr. Zimin and the Fabelas put together a brand-new company. It had no privatization past. It was just a tremendous thing. They were able to list it on the New York Stock Exchange; it was a darling of the stock

exchange. How many Russian companies were listed on the New York Stock Exchange? All of one, for a long time. But VimpelCom became a very well-known name. They did very well. The returns were very good. Unfortunately, again, we had a couple crises, 1998, 2008. There were some objective business things, and then unfortunately for VimpelCom, their stock didn't do very well for the last few years, the last six years or something, I have to look at a thing.

[1:20:00]

But also, they got caught in a very bad scandal involving the Foreign Corrupt Practices Act in the United States and, what do they call it—I forget what they call the anti-corruption act in Europe—and they got hit with, I think it was close to, combined, eight hundred million dollars in fines. Now, they still exist; obviously that'll take a bit of a dent in your thing. But for a long time, because it was a brand new company, they didn't have any state involvement, they were licensed by the Ministry of Communications, but they were a very transparent company, they were always considered the most transparent company in Russia, they were, for a long time, the only company that was listed, obviously, through New York Stock Exchange, SEC [U.S. Securities and Exchange Commission], rules. Very, very, very interesting company that was a real success story through the vision of Dr. Zimin.

And I remember Dr. Zimin sitting in my conference room and he was describing what was going to happen. You know how people say “on the back of a napkin?” It was literally on the back of a napkin. And I'd love to tell you I understood exactly what he was saying, but I really had no clue. But, we could help him with every legal step along the way, help him with the foreign partners who would come in, get the financing; he could figure out the technology of it; he could help on the Russian side. God bless them, they put together a tremendous company that really showed the possibilities of what was being created in that craziness of the early '90s, and how to take advantage of that. So I commend people to look at the history of VimpelCom.

And another thing I should add, is Dr. Zimin—who made some real good money on his stock—one of things he did was he created a foundation to put money back in and to help people in Russia. I think that one of the things we forget is, Russians don't give to charities like we give here. But part of the reason is that they don't have the 501(c)(3), the tax incentives to be setting these up. But I think individually, Russians are pretty charitable. They're obviously very charitable with their families, extended families, their extended neighborhoods, with the areas that they're in, especially as you get out of Moscow into the regions. But also because of the—I did see it, not with everybody—but with people who were making money as Russia was expanding through the '90s, there were some people who really wanted to give money back, and really help people out.

One of the other projects—I'm just going to add to this here—that I spent a lot of time working on in the '90s was something called Operation Smile. And the reason I mention it is, one of the things that I first did when I first came over in 1990, I gave a talk on not-for-profit companies. And I really think I was talking to the wall, because we just didn't have the concept of not-for-profits. As somebody told me later on, if you're talking about a not-for-profit, it just means you don't know how to do your business well. We can all do a business that's not for profit; let's try to businesses that are for profit. And I was trying to explain, “No, we do it on purpose.” But, to be fair, when we—I didn't bring Operation Smile there; when Operation Smile wanted to come,

and I said I'll donate my legal services to help you set up and raise money—once we started to do operations throughout Russia, the response was absolutely incredible. We would raise money for missions. Hotels would give us banquet space; they would help donate meals. Sotheby's [Inc.] came in to help us do auctions to raise money. And this was all being donated. People would open up their wallets to donate money. Artists would donate artwork that we could auction off to raise money for these operations.

One auction we raised 250 thousand dollars, and the reason I mention the amount is, each operation everything is donated, [1:25:00] but they need 1,500 dollars per operation. If you could raise 150 thousand dollars, you can just do the math and see how many operations you could do. You raise 250 thousand dollars, and they would have at least two missions a year in Russia. And normally the mission would be about a week. All of the doctors would volunteer; all of the nurses would volunteer. Johnson & Johnson would donate the sutures. A lot of people would donate other gear that was need for the operations. And they would do roughly seventy-five to a hundred operations in a week, during the mission. And that's what we would do is, we would raise money and as I said, so many people—this is a side of the 1990s that you don't see for Russia—

Granted, if we went to the Russian government and said, "Here's what we want to do," I mean, maybe, whatever minister we would talk to—I'm not suggesting any individual person—but would say, "How can we make money off of this?" So we of course did it without asking for a ton of permission. But when you went and started to talk to the community, there was tremendous support for this, and from the artists, as I said, on down. And then what would happen is, successive missions that were done—if you went to, I don't know, pick a city, the next mission that they would go on, doctors who were trained on that mission would go on the next mission, so that you would be training local doctors as well. The mission that I remember in the 2000s, I think it was 2011, 2012, that went to Irkutsk, most of the doctors who went on that, there were a few doctors that came from abroad, but a number of the doctors had been doing these now for ten, fifteen years on other missions throughout Russia. So there were Russian doctors who were now going on these missions to other cities in Russia. You can just see how this expands. And I love that story from the '90s, just starting out from that.

[INTERRUPTION]

Talk a little bit about the legal environment in Russia in the 1990s after the collapse of the Soviet Union.

One of the discussions that we were having as the law was trying to develop and new laws were coming out every day, one of the interesting things when I was teaching a course on law we talked about was something called the GKChP, which were the leaders of the—some would call it the "coup attempt," when Mr. Gorbachev was detained. Leaving aside all of that, the Soviet Union fell apart in December 1991, and the prosecutors continued to pursue charges against these. One of them had killed himself; I forget which one it was. But remember, I worked with lawyers who would go to defense, go to court. And as we were trying to talk about as the law developed, one of the things that we would discuss was whether any of these nine people who were still left could still be charged with crimes under the Russian criminal code if their crime

was trying to overthrow the Soviet government, which had ceased to exist. Mr. Gorbachev resigned, the Soviet Union fell apart, we now had a new government in the Russian Federation.

At the end of the day, my recollection is, that they dropped charges against all of the—let's call them conspirators, if you will, just to use a term—and my recollection is also that one of them insisted that he be brought to trial so that he would be acquitted, because he felt he was innocent. These weren't just discussions where we sat around just for the purposes of it, but it was an interesting question. What did they do wrong? And the reason we were discussing it is in the context of 1992, 1993, the new constitution is adopted at the end of 1993, and what is the rule of law going to look like? And you certainly don't want prosecutions to be made just vindictively. Some people argued very strenuously that what they did was patriotic. Some would argue that what they did was absolutely wrong. But from a legal standpoint, the question was, did they violate the law, and if they did, did they [1:30:00] violate Russian law?

I don't mean to laugh, because it's serious business. As I said, because the cases were all dismissed, we never really got an answer to that. I think other countries face it today. As lawyers, we always said there's only two things that are illegal if you're unsuccessful. One is suicide—again, I don't mean to joke about it—and the other one is a coup d'état. If you succeed in overthrowing a government, by definition it wasn't illegal. You set up a new one, generally. The American Revolution, that's what we were always talking about. And if you look around at the history of the world, and certainly even modern history of the world, when you succeed, it's not a crime. It's only when you don't succeed that they try and bring cases. And we had the unique example, and I'd love it if somebody comes back in as a dissertation—I'm kidding. I don't know whether anybody wants to do a doctoral on this, but analyzing Russian law as to whether that would actually have been a crime under the Russian Criminal Code that they had.

Again, I'm not going to spend a lot of time on it, but it was interesting. It was more interesting as we sat around and tried to figure out how the law was being developed. We were, as I mentioned, a joint venture law office, so technically when we started, we started as a Soviet legal entity, *sovremennoe predpriiatie* [joint venture]. And then when everything fell apart, we just continued as most organizations did until you had to reregister. Now, when we went ahead and reregistered, we reregistered as a representation office of an American firm. That was probably in 1995 we did that. In our first couple of years, we were operating as a—first Soviet, then a Russian legal entity. And we were probably the first law firm there would give legal opinions under Russian law.

Again, I mentioned this about the EBRD's loan, where we were willing to give a legal opinion that the document was legal, valid, and binding, and the entity had the right to do it. And I know these seem like such simple concepts, and these are done every day in America and in other countries. But in the Soviet Union and then in the nascent days of the Russian Federation, there were—and this is not a criticism of them—but most of the law firms just said, "No, we can't give a legal opinion. We don't know what the law is." But these are such basic concepts. How do you enter into a contract? How do you make sure that the contract is valid? How do you enforce the contract? Just basic—how do you set up a company? How do you ensure that it was done in accordance with the laws? Privatization—was privatization done in accordance with the law? If you bought a company out of privatization, do you own it? If you buy shares in the new stock

market when it was coming out, do you own that share? Can the state take away your share? How do you know that you own what you believe you know?

And that's what they would come to us—and I would love if I could just say to all my clients, "I'm not sure." But it was up to us to tell the client, "Look, here's what we're sure about, and here's the things we're not sure about." And this is the way I described it to people coming into Russia at this time, is that there are a number of answers which developed over time when we're now very comfortable on certain things. Having said that, there's still a tremendous amount of risk here, and my job is to point out the risks to you, and you can decide whether to come in or not. But it's my job to help you. I don't want you to think this is a risk when we believe it's no longer a risk, and obviously we're not cowboys about this, so we felt pretty strongly that it was not a risk. But I also want you to know that you might have thought something is no problem when it may actually, fundamentally be a risk.

Bob Strauss [Robert S. Strauss] famously said, as all of this was developing—and I wish I could remember what year, somebody will look it up—and I've used this quote so many times. Bob Strauss said at the time, "If I had ten thousand dollars, I would invest it in the Russian Federation. But if I had a hundred thousand dollars, I would only invest ten thousand dollars in Russia."⁹ [1:35:00] And it was absolutely, absolutely the right quote. And that's what we were trying to tell people, is that if you're betting all of your money on something, Russia's a crazy place to bet all your money. But, if you see Russia as the developing democracy, economy, whatever you want to call it, that we all saw it as, it's probably worth taking the risk. It goes back to what a lot of companies said—"you know what? Russia's just too big a market." Some of these companies were in America, in Europe, in other countries. And they just said, "We want to take the risk. We want to come into Russia."

Going back to what I was saying about issuing legal opinions, it was a very interesting practice. Because the client was asking you to opine—that's why it's a legal opinion—that everything is okay. If you ever read a legal opinion—and I do not recommend that anybody does that unless they're really bored—but the legal opinion is phrased in a very specific way. There's a number of assumptions and so forth. I remember doing one legal opinion with another law firm where they were representing, obviously, the other side. I asked them to send me their form of legal opinion so I could take a look at it and give them comments, which is always done. I'm not going to name the law firm, although I don't think they exist anymore. But the legal opinion that they sent said, essentially—it didn't say quite this way—they said everything is fine. And then the last paragraph was an assumption, which is fine to have assumptions, but they said, "We assume"—and I'll never forget the words—"we assume that Russian law will continue to be correctly interpreted." That's an absolute quote.

So I said to them, I said, "Okay, I understand that normally you would assume that this is based on Russian law today, that Russian law doesn't change, because then the opinion wouldn't be—that's not fair. And so there are a series of assumptions that are always okay. But what does it mean that you assume that Russian law will continue to be correctly interpreted?" I said, "Who's determined whether something is correct or not? Basically, what you're saying is if you're wrong, whoever's interpreting Russian law is incorrect, because this is the correct interpretation." And we spent a lot of time going back and forth, but this was the struggle that we

had. I was never going to issue a legal opinion that on the one hand tells my client that, within certain bounds, everything's okay, and then have a sentence in there that basically takes it all back.

The reason I use this example is because this is the struggle that we had. With the laws changing every day, we could handle that. Okay. As I mentioned with the EBRD, okay, the bank is not sure enough that this legal entity is still legally in existence and has a legal power. We'll fix it, so that they can get more comfortable about that. Tomorrow, the laws may change and say, "No, you can't take a loan in hard currency, you have to do it in rubles." But when the loan was taken today, because Russian law generally would not have retroactive effect, you could feel fairly certain that the borrower could repay in dollars. Or if it did change, your legal opinion was speaking to today's laws, not to tomorrow's laws as they were going to change. And to be fair to the Russian government, the parliament, and so forth, they were trying to adopt better and better laws to develop this new economy, this new country.

As a lawyer watching it—and again, maybe you've got to be very strange, like being a lawyer—but it was really fun to see how they would adopt new laws. When there was a problem with something, they would try and put something in effect to help minimize that risk that we just talked about. I had another case when I was hired as local counsel to issue a legal opinion in a transaction. Because of what I'm going to say, I'm not going to say who were the participants in this. But they sent me the form of legal opinion they wanted me to write, which basically said everything is fine [1:40:00] in the way they structured the transaction. I remember the transaction was taking place in St. Petersburg, and it was a telecommunications company. They gave me the legal opinion that they wanted me to say. And I told them that, "The way you structured it is very aggressive based on Russian law today." I'm going to say it was around 1994. Very aggressive on Russian law. "Russian law just hadn't caught up to what you're trying to do." And I said, "I can't give one of the legal opinions that you've asked for."

And they said, "We have to have this legal opinion in order to go forward with this transaction." And I said, "I understand that, but I think you're being a little too aggressive under Russian law here." And I remember the lawyer on the other side getting very upset with me—this was over the course of a couple of days—and saying, "You have to give this legal opinion because we have to do this transaction, and we can't do the transaction unless you give the legal opinion." And I said, "If you're so sure that this is permitted under Russian law, why don't you give the legal opinion?" And he says, "Our firm won't give a Russian legal opinion." I said, "Then don't tell me what I have to say. I am telling you what Russian law permits, where it's vague, and where I can give an opinion."

And this was the issue. What people were doing is, they were trying to take transactions that we would do—let's call it in the West; I don't like that term—but outside Russia, and then just mark up those documents, use them for Russia, and then try and get somebody to say this works under Russian law. But Russian law wasn't there yet. In some ways it's not always there today. But they have their own set of laws, and there are a tremendous amount of transactions that are done. Clients understand the risks.

I'm not going to name the transaction, but I was looking back at another legal opinion that I had to give on a transaction. And really, the client had decided that they wanted to do the transaction, but they wanted to see what their risks were. We laid out the risks that they had. They decided that this transaction was too important. They just wanted to make sure that when they got their approvals and their corporate board room that they understood all the risks. There are a number of things that we did to get certain approvals, in this case from the Central Bank, from the Ministry of Finance [of the Russian Federation], and other places. We even got some legislation adopted at the parliament, because we identified ten, twelve risks, and we said, "Here's what we can do to close off as many of these as possible, but these are going to remain." And the client said, "Thank you very much. I understand the risks," and they went forward with it, notwithstanding the risks. Or, fully apprised of the risks.

Again, the 1990s in Russia was a place of infinite opportunity. I shouldn't say infinite, but large opportunities, large risks. And as lawyers, that's what we were doing, is trying to help people identify the risks. Where we could, we would suggest legislative changes. Believe it or not, the Russians were pretty receptive to that, because we weren't asking them to move their country three miles to the left or the right, which they couldn't do. We were explaining to them that certain transactions that we needed to do, we're going to need a legislative basis, and these things were going to help. And that's what we worked on with them.

What was it like to liaison with the Russian government on issues like that?

My impression was that they were incredibly receptive as long as they could do it sort of their way. And what I'm saying is that—and I know this isn't about recent history—but I remember going to Kazan, which is in Russia, and I gave I'm sure a very well-received lecture, where I basically told them that I think they should just adopt the Delaware commercial code instead of their own commercial code, because it would be easier for them and for [1:45:00] everybody else.

The reason I mention that is, I think what Russia didn't want to do at that time was just adopt somebody else's laws. They had a very specific set of circumstances, and they wanted to consider what was the best way for them to adopt a new civil code. Do you want to mirror the way the U.S. does it? The way Europe does it? And they definitely chose more the continental method. But again, they had their own—I shouldn't say nuances—but they had things the way that they saw it. They grew up in a different tradition, and they didn't want to just develop somebody else's laws.

A lot of advisors would come in and just say, "You know what you should do? You should just adopt"—especially as a lot of them were U.S. advisors that were coming in—"why don't we just adopt all the U.S. code on corporations and so forth?" And they didn't want to do that, I think for a lot reasons. But as I pointed out, when I was a very, very young lawyer, I did a number of cases involving the [U.S.] Environmental Protection Agency, the EPA. And I said to the Russians, "One thing you don't want to adopt is the U.S. Superfund law. I can see why you wouldn't want to adopt all of our body of law." They really were going out and trying to pick and choose what's the best way to handle certain things. And in that sense, it wasn't a clean slate. They did have some of the old laws that we had to bring in. But privatization was just a completely new

concept, how you do it. And you weren't necessarily going to do privatization the way they did it in England under Margaret Thatcher.

Eastern Europe was a little bit more advanced, but Eastern Europe—Poland and those countries—had a slightly different background, because they were trying to privatize assets, but at the same time trying to find the previous owners. Because it had come in so much later than it had come in the Soviet Union. Russia decided they weren't going to go back. If they had expropriated your *osobniak*, your mansion, the heirs of that royal or aristocratic family could not claim it back. They were going to draw a line under that. Whereas in Poland and other countries, they didn't do the same thing. I'm not an expert on those so I don't know. We had to figure out another way to do it.

They were also in a situation where one of the things that came about when you were talking to them is, they were trying to figure out whether you were suggesting something because it was better for you than for them. Just because international agencies were going to come in doesn't mean it's necessarily—just because they saw it and other countries were doing it. Russia really wanted to do it their own way. I'm very sympathetic to that. The thing I always said is, when I was growing up, my father would always tell me not to do something, and then I would go ahead and do it. Then I'd realize that maybe he was right in the first place, but I could never really admit it. I felt like we sort of had that exchange going on. Not that I was the parent and Russia was the child, but just there were a lot of people coming in, and sometimes they would decide to do something because they saw it as the Russian way, rather than necessarily the best way to do it.

And as I said, I'm very sympathetic to what they were trying to do, the whole privatization that went on. As I talked about before, they really just had to move all the state assets into private ownership. Just no choice, so that they can never go back again. Without doing it necessarily the most efficient or the fairest way to do it. Maybe not all these people wanted to do it the fairest way. Maybe some people made a lot of money.

If you don't mind, I'm going to transition into the loans for shares program.¹⁰ The loans for shares program came about for two reasons, in my mind. I'm sure there are multiple reasons. But one of the things that people forget is, before 1996, there really hadn't been free and fair elections in Russia. One of the things that we were thinking about was democracy was really [1:50:00] on a razor's edge in Russia. Mr. Yeltsin pushed through the adoption of the new constitution in 1993. People really saw him as really trying to consolidate his power. But the government had no money. So, privatization wasn't really going to raise tons of money, but it was going to raise some money for them. And also, hopefully the economy was really going to develop from that. But there were a lot of people around who really wanted to try and make money off of what was going on and some people would argue that that's one of the reasons privatization went the way that it did.

But the loans for shares program—this is just my opinion—I see as inextricably tied in with the reelection of Boris Yeltsin in 1996, at the lead-up to the reelection of Boris Yeltsin in 1996. Boris Yeltsin was popular, I think, for about six months. Very popular. He was certainly very popular from August 1991 into January, February of 1992. He's the guy who helped spur on the

breakup of the Soviet Union, and I do think a lot of people saw that as a very positive thing. He pushed Mr. Gorbachev aside, but he [Yeltsin] was not necessarily the greatest person to lead Russia into the new time period. And there was some real suspicions about his health, maybe his drinking habits. Obviously, I don't know anything about that personally, but I know what I read. More importantly, because of this privatization movement that was going on, Russia was really starting to develop a stock market, developing private shares. The privatization vouchers were doing that. People were actually pretty optimistic about the future of the economy in Russia. I think Mr. Yeltsin wanted to build on that. But he needed support, and the loans for shares program was really designed to shore up his support among these people.

I think future historians are going to look at this and maybe rule it to be a little bit more corrupt than I'm giving it credit for. I wasn't in any of these meetings that really decided the loans for shares, so I don't know how it was, but what they basically said is—the government has a way to raise money for the government, through essentially preselling companies. They were loans; shares were then pledged against these loans. It was a very effective way for the government to raise money. If you just look at it as the government needed to raise money, I think you can argue, really, the government had no choice.

One of the things I would also point out—I think people really forget about this—Russia did not default on any Soviet debt. They just took it on. I know they also took the nuclear codes and all that. But they just said, "Sure, we're going to take all this debt." They never disavowed it. So they had a pretty large, whatever it is, sword of Damocles hanging over their heads. Fast-forwarding to today, the Russian government has very little debt compared to their GDP and their reserves and all that. But at that time, it was a really dire situation. Sort of presaging the 1998 crisis. It was pretty bad. Russia was living beyond its means. Inflation was high, reserves were low, debt was very high, and GDP was low. What a terrible combination. We were all optimistic, because I think we were just all much younger and just generally optimists.

Remember, we all—I shouldn't say we all—a lot of us really felt like the Soviet system was the worst system, except for others that I can think of, like Cambodia under Pol Pot. But it was a really bad system. We were all happily trying to help them build the new system. There was [1:55:00] a tremendous amount of optimism.

But at the end of the day, we did have Mr. Yeltsin as president, who was sort of teetering on his own. We were all trying to build this and we really just didn't know where it was going to go. In that context, when the loans for shares was introduced as a way for the government to raise money, again, I think people were behind that. I also think that the 1996 election just in general was really seen as a choice between going backwards and going forwards. Mr. [Gennady Andreyevich] Zyuganov, who I remember meeting with, he met with all the business leaders in Moscow. I'm sure he traveled throughout Russia. I was living in Moscow at the time. But he was trying to do one of these PR things where, "What I'm talking about is stability." Chicken in every pot, to use an Americanism. His idea was that the Yeltsin government is going to take us in a completely unprecedentedly bad way, and what the Communist Party represented was a return to stability, a return to when people weren't losing their life savings overnight, as people did.

It's hard to put yourself back in the 1995, 1996 timeframe, but there were more people in the 1995-6 timeframe who grew up in the Soviet Union than there are now. This is more than twenty

years later. You've got whole generations that don't remember the Soviet [Union]. At the time, most people did remember that. They remember how much their lives changed. While I think a lot of them were supportive of this idea that we had to throw off communism, the Soviet system—it was just not the system that was going to take us forward. It was a scary time. I forget what Mr. Zyuganov polled, but I'm sure it was close to thirty-five percent or thirty-two percent or something like that. I don't know. But he was certainly leading Yeltsin strongly in the polling, and he had this really core group of people who were going to support him.

Anyways, but with the loans for shares, I'm going to talk about this as a lawyer now, not—maybe there was a good reason to do it economically, and you can justify it, but when you look at it as a legal way to do it, the loans were no problem. I think anybody should be able to lend money to the Russian government. I don't have a problem with that. The problem with the structure of the loans for shares was that what they said was, "In order to secure these loans, we're going to put up these assets as security." Whether it was an oil company, or a steel company, or an aluminum company, or whatever it was that they put up. And again, I'm not sure I have any great problem with that. But they designed it in such a way that if your loan is not repaid—normally what would happen if you borrow money from a bank and you don't repay it, they take your house and they sell it, and they take their money. And if there's extra, they give the remainder back to you. That's not the way this was designed.

I mean, in theory, they tried to design it that way. What they said is that "If the government doesn't repay, we're going to auction off these assets and then you'll get repaid from those auctioned assets." But what ended up really happening was—and future historians will look back on this unkindly—is that what they basically said is, the person who lent the money organized the auction of those assets. And not only that, but the person who organizes the auction for the assets also sort of worked it out with everybody else that their company would really be the only one that would bid on those assets. So, what the Russian government was doing in terms of a way to privatize, it says, "Look, we've got these great assets, we can borrow money on the basis of those assets—all good things to do—and if we can't repay the loan, because the economy's not there to do it yet, we can then sell the assets. And hopefully these assets are worth a lot, and then we repay the loan, and then we keep the remainder. What a wonderful privatization process." Obviously, everybody knows how it really ended up working out. [2:00:00]

And all of these what are now known as oligarchs essentially agreed among themselves that they wouldn't—and I wasn't there for any of these agreements, so I can't say that it all happened in a dark, smoky room—but you just know the way it worked out. There was no competition on the bids for these assets and people were able to get them at relatively low values. There wasn't really a very strong auction process for these loans for shares.

Loans for shares obviously became this moniker for a corrupt privatization method. In defense, just for a second—where Russia was at this time, it's not clear how much all these assets were worth. It's always bad—and we do this in Manhattan—"oh, boy, if I hadn't sold my apartment twenty years ago for a hundred thousand dollars, it'd be worth over a million today." It's not fair to look at today's prices and say, "My apartment was worth a million dollars twenty, twenty-five years ago." I'm not completely defending them about this, but looking at the time period, it was absolutely—in my mind, privatization had to be done. The government had to raise money. I

think the problem was that they set it up in such a way that the auctions were never going to be really fair. That's why, looking back on it—and again, I'm naive, because they clearly set this whole thing up knowing exactly what they were doing from day one to transfer ownership away from the state. My only small defense of it—and I don't really mean to defend it—is that it was absolutely necessary for the government to survive. I think they could have done the privatization process in a different way and I think they should have done the privatization process in a different way. But I'm not sure that Russia really had that much time to do it.

As much as I've railed against the creation of this whole new oligarch class that did all this and worked with the government to basically create their fortunes, and really at the expense of the little people, something had to be done quickly, because this country wasn't going to survive. And as somebody living there—and again, as I mentioned before, my wife is Russian, my in-laws are Russian, this wasn't just me being the foreigner who was living there—there really was the sense that either this little experiment was going to work or we were going to have civil war and chaos in the streets. And we really did not want that to happen. I don't want to justify anything. That's unfair for me to say. I'm not justifying it. But something had to be done to, as I say, save this little experiment.

And Mr. Yeltsin, I don't know. I've actually gone back and asked myself the question—and I wish there was a way to do this thought experiment—would Russia have been better off if Gennady Zyuganov had been elected president in 1996? And I think now, as you look back on it, I think you're going to find more people who would say, "You know what, that might not have been the bad choice." Thank God I'm not God and I didn't have to decide that. But I do think there are a lot of people who put their fingers on the scale, including Mr. Yeltsin, including a lot of Western governments who supported Mr. Yeltsin, who sort of closed their eyes to this loans for shares program. And there are other loans that were being given at that time to the Russian government to prop it up. It wasn't as if Russia were just doing this on its own, swimming as hard as it can in the middle of the lake. There were some real fingers on the scale to support it.

And I have to say, admittedly, I was one of the people who felt that we've got to make sure that this experiment works. I don't want to go back. Remember, I'm a virulent anti-communist, rightly or wrongly, I just have too many people who—their life histories with communism, I just felt like it shouldn't be done. I was not involved in creating the loans for shares program.

[2:05:00] And it all came together so quickly. And again, Mr. Yeltsin was not a strong leader and I think they were able to sort of influence that to get it done.

Now looking back on it twenty-some-odd years later, I'm obviously conflicted as to where I would come out on whether that was good or not. I don't think Russia would have gotten through the '90s, and certainly I don't think the whole growth in the 2000s would have occurred. I hate to say this, I feel absolutely terrible saying this, but I'm not sure it would have all happened without some of the shenanigans that were going on. I probably should have prepared what I was going to say there.

What did you think at the time?

It's very hard to go back and separate yourself from the knowledge that you have afterwards, and go back to it. It was all bound up, because there are other things that were going on, and I think we were less focused on loans for shares than we were on the development of the broader privatization program, the voucher program, the idea that every man, woman, and child in Russia was going to become now a stakeholder in the new economy. We were all promoting so much this idea that there was going to be a broad stock market.

When you go around to people in the United States, even if they don't own shares themselves—through their retirement funds, through their pension funds, the stakeholders are so broadly—I don't want to say balanced, but spread out—that really that was what was compelling to us at the time. That we wanted to go from the concentration of everything in the state to the decentralization and getting every man, woman, and child to be a stakeholder in this new economy. I think that was a bit naive in our sense, because it didn't really work out that way. You know the old *Animal Farm* line, "Everybody's equal, but some are more equal than others." Some people, through loans for shares and other processes that they developed here, were able to take a much greater share than we might have determined to be equitable. But we were so focused on the fact that even if it's not quite fair, it's better than the alternative. And that's really what we felt at the time.

People would go out—everybody got a voucher. My wife got a voucher, her parents got vouchers. And what people would do is they would go into the countryside, whatever that means, with suitcases full of cash. I didn't do this as a lawyer, but people went out there, and they would buy up their vouchers so they could use those to bid on privatized assets. Is that good or bad? I don't know. I can tell you that when somebody sold their—every voucher was ten thousand rubles—if they sold their ten thousand-ruble voucher for twelve thousand rubles or eight thousand rubles—I don't know what the price was, I'd have to go back and check—but they were happy to get that money in their pocket. A lot of people didn't see the future of being a stakeholder or shareholder.

I think that's true in the United States as well, too. I'm not sure that everybody sees owning shares as everything. If they could use it to get a car—they never had a car before. Remember, apartments were being privatized—for no money, by the way. But if they could get something else that they never got, or they needed a new refrigerator. Just sometimes on the most basic level. Is that fair? No. And I certainly wasn't living hand-to-mouth. But I think for a lot of people, they saw this as their chance to improve their life more immediately, and not in the future.

I was such—and I still remain—such an optimist about that place because of the people. I feel really bad, because I think so many people got the short end of the stick over there with the whole privatization process. But, it's easy [2:10:00] for me to say it, if you look at a graph of GDP from 1995 to today, it's phenomenal. And again, I don't know that that tide has raised all boats, but I do think that Russia is economically so much better off today. Russia has very low debt—the hard currency reserves. It was a terrible process to be going through and I think it was very, very difficult on people, especially in the provinces, as opposed to in Moscow city. But even in Moscow city, I think it was tough times. But I was such a believer in this reformation of

the Russian Federation—I don't want to use reformation in the full sense of the word—a lot of us were real believers in that.

As I went back and looked at some of my things, as you look at these investor conferences or these investment conferences that we were having, Russia was adopting a law on foreign investment, protecting foreign investors coming in there. Foreign investors felt like, "Yeah, Russia's opening up finally, after the dark, dreary days of the Soviet Union." And people were coming in. Companies were opening offices, they were buying things out of privatization. A lot of good was happening. But, to be fair, as you look back at the history, it was certainly not the most equitable way to do it. I think if we had stopped and said, "Wait a second, could we be doing this another way?" As I look back on it now, I would say we probably should have slowed down a little bit. Maybe we could have done it in a more equitable manner. At the same time, the same brain is saying, I still believe that if we had done that, I don't know whether we would have just never gotten there. That's my fear, and that was my fear, and I still share that fear, that I don't think we could have necessarily slowed down and done it another way.

I don't know if I talked about this before, so I apologize if I'm repeating myself, but when we talk about Yeltsin firing on the White House and disbanding the Supreme Soviet—which I know I talked about a little bit—it's part and parcel of the same exact discussion. If you sit there as a lawyer, and if you ask me as a lawyer, is this the system I would have designed—loans for shares, the privatization system—I hope the answer I would come up with is no. Because I want a system of a rule of law. And that's not the way you create a system. It's very hard to say that in order to create a better system, we have to violate the law. It's not right for Yeltsin to have disbanded the Supreme Soviet in a completely unlawful manner so that we could create the new Russian Federation that now I'm saying, "at least our GDP is up, our debt is down, inflation's under control and our reserves are up." God, that just makes me sound completely callous to all these people who suffered supreme dislocations in all this, and great poverty. So, I don't want to be that callous.

But at the same time, I can tell you, living there at this time, we just didn't see another way out of this. Russia had no money. It had taken on the Soviet debt—I know I'm repeating myself—but the path forward for Russia was going to be to bring in foreign investment, significant foreign investment, to develop a new system where people could buy assets and then develop those assets. Where you could have a stock market, which people could go in and invest in, could raise money on. This was the only way I could see it happening.

And one of the things that I would add is that when Mr. Yeltsin was reelected in 1996—again, it was a very strange election campaign and I remember going with my wife to vote in—I didn't vote, sorry. In Russia, unlike some other countries, you have to bring an ID to vote. I don't want to make a comment about America, but what I mean is, I couldn't have possibly voted in the election in 1996. But I remember going and it was a really big deal to go to the local election thing. I'll never forget this, because my wife lives in the Tverskaya region, right in the center of town. I remember going to vote and [2:15:00] you have very, very high turnouts. People were very excited to vote for this thing. This is, again, my impression; I wasn't voting.

But it was, again, it was the first election that they were having for the president of the Russian Federation. It was a really, really significant event. Again, you could argue whether or not it was the two best candidates. You could argue about whether or not it was fair and everything like that. I get it. But at the end of the day—and it's so easy for me to be dispassionate about this, but I lived there for all ten years of the '90s—that election, the fact that it was a free and fair election, and I think it was pretty free and fair, and the fact that they did it and they started out on this new path, so they now had a new president in 1996 and I don't want to tell you the end of the book in terms of the 1990s, but the fact that Mr. Yeltsin stepped down on December 31, 1999 and the famous address. And I remember watching that address. I was shocked that he was stepping down. But again, what happened is he handed off power to Mr. Putin, who was his Prime Minister. And under the constitution, the Prime Minister takes over for ninety days and has to call elections in that ninety days, and then whoever gets elected takes over. And they did that.

If you're looking at the 2000s, if you're looking at that ten-year period, 1990 to the 2000s, you've now had an election where Mr. Yeltsin is elected in 1996—again, a lot of confusion around what was going on—and then in 2000 Mr. Putin gets elected. And you had a peaceful transfer of power. And that's what I will emphasize. Maybe I'm wrong. I'm sure I am. But that peaceful transition of power, the fact that we avoided a civil war, that after 1991 and 1993, and 1993 was—I remember in 1993, I'm sorry if I'm going, digressing for a second, but I remember in 1993 I lived in an apartment in the center of town. And on one side of my street was TASS, the TASS building. And on the other side of my street, it was only two blocks long, was the mayor's office of the City of Moscow, right on Tverskaya [Ulitsa]. And then TASS is on what was then [Ulitsa] Gertsena, which is now called something else.

But they were fighting for both buildings. Machine gun fire on both sides of my street. We couldn't leave my apartment. I had a baby at the time. We were so fascinated in terms of what was going on. We were watching it on CNN inside the apartment. We had one of these little rabbit ears thing that caught just CNN back in those days, you could get it. We were watching it on CNN, and I couldn't go to work, obviously. I couldn't leave my apartment. I did see the scenes, like everybody did, of the waves of people who were over at the White House who were observing the tanks that came out. But we really didn't know how long this was going to last. As it turns out, it only lasted a day. And so, no problem. I could take a day off work. Yes, it was a little bit scary. Our lives were never in danger. Nobody was storming our apartment.

But I can tell you, waking up that day and seeing what was happening, I really for a while had the thought that this was going to end in civil war. And I was so thankful it didn't. I guess what I'm saying is that from my standpoint, and I've talked to my wife about it a lot, the idea that that led into the elections of '96, the transfer of power in 2000, is so much the better result. Again, if I could get to a similar result in terms of the economics and the peacefulness and do it a little bit more slowly, and a little bit more equitably, I would have much preferred to have done it that way. I'm a big critic of the loans for shares. But by the same token, I'm talking out of both sides of my mouth, and I'm not sure how they were going to do it another way, looking at it back then.

As an American citizen, you didn't receive a voucher, right? Just your wife?

No. Just my wife.

And your child at the time was too young, probably.

No, I think every man, woman, and child—although, I'd have to check that. I actually probably had two kids by the time the vouchers—I don't know. My second child came just about that time. But they weren't Russian citizens. My daughter is now a Russian citizen. But at the time, she wasn't. And again, this is what's so fascinating. I'm sorry if I'm going [2:20:00] into maybe too much personal stuff, but when my daughter was born at the end of 1991, there was no way we were going to have that birth in Moscow. I'm going to go out on a limb here and tell you that back in 1991, probably hundreds of thousands of kids were born in Russia. And I'm sure we could have done it. But it just didn't enter my mind that you would have a baby, by choice—even though my wife was Soviet at that time, and then Russian. Even in '93, '94 when the voucher program started, the privatization program started, we weren't really that sure. I had a son born in 1994. He was born abroad, because again, while I was optimistic, I was supportive, I wasn't that confident. So we had both children born abroad. On the one hand, again, I'm very fiercely supportive, but still didn't take all my risks.

One of the things that I'll never forget is when—our daughter was born in New York, Stony Brook Hospital. And when we came back, my wife's best friend gave birth at a Soviet hospital, in Moscow. And I'll never forget, because I'm like, "Let's go see her at the hospital. Come on. Let's go. Let's get some stuff together and let's go over to the hospital." And the difference was, in a U.S. hospital, not only was I allowed to be in the delivery room, but family could come over to the hospital and they could visit. She had a private room. We got lucky. Most of the rooms weren't private. But whatever the timing was, I'm sure I didn't bribe anybody, but we had a private room. So when we go to the Soviet hospital in Moscow—or now it's Russia because the Soviet Union has broken up by then—you're not allowed to go in. You have to wave from the window. So it was still such a stark difference. And I understand why they wouldn't do it. Because you can't go in and possibly infect the child, and it was a very good idea. But I was just in America, so I'm not sure why the stark difference.

There's also the tradition of you're not even supposed to see a baby for thirty days if you're not family. I wonder if that plays into it. For the family part at least, the separation. But even the father—

That's a good point. But you're right. And I totally blew right past that. You're right; I shouldn't forget the Russian traditions. But there was—we were still in two different dimensions. I don't remember the other story I was going to tell about when we were giving birth. But that's okay. Flew out of my head.

Well, I brought that up because I wanted to ask if you remember what your wife did with her voucher.

Oh, that's a good question. We didn't invest it. We didn't sell it. It's on my wall. It's framed. I held on to it because—and this is what's so funny—again, I feel like I'm the most two-faced person in the world. Because on the one hand, I've got to tell you, I didn't think those vouchers

were really going to be worth anything. And for most people, they really weren't worth a lot. Taking an individual voucher, it wasn't like you could go and invest in Apple when it was valued at a hundred thousand dollars, where now it's a trillion dollars and you can just see your one share, ten thousand rubles being worth whatever the math is on that equation.

We felt like it had to all be done, but the individual wasn't really going to see that. I didn't really want to sell that voucher for eight or twelve thousand rubles. I wanted it as an historical document, because I still was hedging my bet about whether this whole thing was really going to ever work, or whether this privatization experiment, which was a cool experiment, may not have ever—something else was going to happen and these vouchers that everybody was investing really weren't going to be worth that. I know it's a terrible thing to say. We had confidence that we needed to do it. But also, we didn't need the money like other people did. So I could view it as an historical experiment and I could be a little bit distant from the whole privatization thing. It would be interesting. [2:25:00] I wish I could go back. I wish I had two vouchers and I could tell you what I did with one of them and how much money we made or didn't make. And then we kept the other one for historical value.

Do you know legally if they're still worth anything?

No. They're not. No, because the privatization program's over. There's nothing you could exchange the voucher for. And also, one of the things that happened if you—and I don't have it—but if you chart the value of the ruble, I don't know what ten thousand rubles at that time would be worth in today's rubles. The one thing I can tell you for sure is when I lived there in the Soviet Union, the official exchange rate was a dollar was worth sixty kopeks. That was the official exchange rate. That was a different ruble back then. But the ruble, since there was such high inflation, you may recall that at one point the ruble had gone to five thousand rubles to the dollar. I don't think that's what the exchange rate was when those vouchers came out, in terms of them being ten thousand or two dollars, but then they had to lop off some because of the inflation. I don't know. Today, ten thousand rubles, the ruble is sixty rubles to the dollar, so ten thousand rubles is worth—

[INTERRUPTION]

Let's just call it 150, 160 dollars. But you couldn't invest it in anything today. It is clearly just an historical document today. The Russian government has announced—and for the last ten, fifteen years they've talked about—another round of privatization. But again, they're being slower about that, because they really do want to raise money. They're not going to do a second loans for shares program. So, no.

This is why this whole thing is very interesting. Because on the one hand, to look back on it as a dispassionate historian, and what were people thinking, what were they going through in the '90s, what was it like to live in the '90s, while at the same time being a participant, or having people who were really being starkly affected by what was going on. My father-in-law was a scientist at the Academy of Sciences. He basically went from making a very comfortable, what we would call middle-class lifestyle, to having virtually no pension. He owned his apartment because those were privatized. We supported him. He had enough to live. He was never going to

starve. He had medical care, because that's provided by the state. Not always great, but he wasn't going to be destitute; he wasn't going to be homeless. But his whole life changed.

So, these people were just—their lives were so monumentally affected. And he didn't care about his vouchers. That's what I'm saying. These folks had no faith. I shouldn't say no faith. They had little faith that these, if we invested—just get rid of them. One of the things that I should say is, one of the things that happened through the loans for shares program and the privatization program, and then even as you went through the 1990s, the big difference was that Russian companies were controlled by usually one person or group of persons who controlled that company. It started out as the state, and then it shifted to usually insiders, or oligarchs, or the managers or whatever, which sometimes were the same thing. In America, if you own six percent of IBM—I don't even know if it's IBM anymore—but you control the company.

In Russia, if you own six percent, you were just a minority shareholder, and the majority was just going to make all the decisions that they wanted. One of the things that changed in the '90s, and it probably didn't happen until about 2000, but I don't remember the exact date, is to institute minority shareholder protection rights. [2:30:00] Because in the early days, if you had more than fifty percent of the shares of a company—and it started with the Soviet days and then the early privatization days—you controlled that company and the minority shareholders had no say. You put in the entire board. So then they started to put in more and more minority shareholder protections. And that they did draw very heavily on from, again, the West, in terms of what should be done.

Some very basic things—for example, if you were going to enter into an agreement between the company and another affiliated company, so the majority shareholder owns both of those companies, you need to get minority shareholder approval to do that. Those are pretty basic concepts. But they weren't necessarily around in the early days, and if they were, they were observed only in their breach. They came up with new rules on affiliation, so that you couldn't hide your affiliation. That's one of the things that they were able to do in the whole loans for shares program, as they would say, "Oh, this company bidding over here has no affiliation to us." But if you really could look through at the shareholding, it was totally affiliated. We came up with better rules on affiliation, so that you couldn't hide it as easily as you could earlier.

Again, we used to joke about it was a lot like watching sausage being made. You never want to watch sausage being made, you never want to watch all these laws being made as we were going through the '90s in Russia. But if you look at the 2000s, the advances that were made in those ten years—and really we should really look at 1993 as the watershed. So we're really talking about six or seven years to adopt all of these laws. It's remarkable how much they put in place. On the one hand, the glass really was half full, as you look at those ten years.

The point is, I think it's very important that the amount that they were able to get done in ten years or seven years, whatever period you want to use—I think this is, again, as a participant in this, as a lawyer looking at all this, you could either choose to say, "This law is completely insufficient" or say "but it's a lot better than what we had." And I was firmly in the camp of, as much I could critique things, it was a lot better than what we had. And going back to something

that you asked about earlier, I actually found the Russian authorities to be very receptive when we would come up with comments. And I can give you an example, if you don't mind.

One of the big things that was happening in the '90s—and anybody who goes back to study this period—is if you were investing in the new stock market in Russia or buying shares of a company that has now been privatized and so forth, every Western client that came to me said, "I'm really enthused about this, I read Bob Strauss' quote, I want to invest my ten thousand dollars. But what I'm concerned about is I'm going to get a registered share of a company and then tomorrow I'm going to get"—and this was a phrase everybody used—"I'm going to get wiped off the register. How do I protect myself from getting wiped of the register?"

There's two things about that. To put it into a little context, it wasn't rampant. People weren't buying shares and the next day they would wake up and find out that they really didn't own the shares. There were examples of that. I would argue, having looked at a lot of this and been involved with some of them, that most of them involved disputes. Take an example where we agree to set up a company or take a company out of privatization, I'm going to put another million or ten million dollars into this operation, and I never put my ten million.

Now, I'm going to say the reason I didn't do it is because you promised to do all these other things. And they say, "We're not going to do it until you put in your ten million dollars and by the way we think we did fulfill our part of the bargain." You have a classic, age-old dispute where one side's saying, "I did everything I was supposed to"—"you didn't, and so we're going to take away your shares because of that." And I'm not saying anybody's right or anybody's wrong. It's just [2:35:00] usually there was another dispute rather than just, as I said, somebody woke up one morning and they just all of a sudden found out that their name had been erased and they didn't have their shares.

But we spent a lot of time developing, particularly for public companies—public companies meaning that you're going to have broad-base shareholding that are listed shares—setting up independent share registries to hold those shares. So that, rather than having the company maintain its own registry—so you've got this majority shareholder owning more than fifty percent and they all of a sudden tell this person just to wipe that person off the register—you have independent registries. You can't just walk in there and tell them to do something. They really were trying to do that, to improve these systems. That's what we spent a lot of time working on. I do think, personally, that the idea of being wiped off the registry was a little bit overblown in the '90s. But, again, if it happens to you, it's not overblown. And if it's a risk, we should acknowledge it as a risk. And if it's a risk, we should figure out how to fix it. We spent a lot of time on that.

There was a guy, Vasiliev, I want to say his first name was Dimitri [Valerievich] Vasiliev, who was head of what we used to call the Russian SEC.¹¹ He really was working very hard to improve the system and I give him a lot of credit. The other thing, from a private investor standpoint—because there were risks in Russia, because the corporate law, the civil code, wasn't as developed as we wanted it to be—if you weren't necessarily talking about a privatized entity, but you and I wanted to do a business together—you're foreign, I'm Russian—and we want to do a business to develop something, maybe buy something in Russia, whatever—one of the

things that we spent a lot time doing was we would set up a company outside of Russia. We would do our shareholding agreement among ourselves under English law or some other law, and then the Russian entity, the Russian business, would be wholly owned by that Western company. If we had a dispute, we would all be under what we considered more developed law. And that was a way things were done.

Also, at this time—if somebody's interested in it, they can look into it—a lot of the shares that were trading that Western investors were interested in were trading on Western markets. You would take essentially Russian shares, you would do something called an ADR, an American depository receipt. Or you would have shares in custody, custody meaning depository, nominee name, in Russia. And then other shares would be traded outside of Russia. And you wouldn't be doing your trades inside Russia.

At some point somebody said, and I don't have the actual figures, but that at the height of the Russian market something like ninety percent of the shares were trading abroad, not in Russia. Now, that doesn't happen. And remember, we're only talking twenty-five years later. There's been a lot of good developments, but at that time, people, while they were bullish, if you will, on Russia—and again, I keep going back to Bob Strauss—and while they were willing to invest part of their money in Russia, we also sometimes had to design other ways to protect people. And we would look at it, figure out where the risks were, and say we can close some of the risks this way, some of the risks they're willing to take, and maybe we have to close some of the risks another way. And that's what we were doing every day, is just doing the best that we could.

Was there any conversation about education for Russians who were getting these vouchers, in terms of the strategies that they should consider and what to do with them that was either in the media or that you would have been privy to, or anything like that.

It's a great question. To be honest, I don't know. I'm sure there was some media campaign, and especially because, my guess is—and I just don't remember it—that the voucher program wasn't just designed by the Russians. There were [2:40:00] experts coming in from abroad who helped them do this and I'm sure they said, "We need to do some type of media campaign." I don't remember it. The problem was, if Russia had—I don't know how many people Russia had then, let's just pick a round figure—150 million people after the breakup with the Soviet Union, ten million, eleven million, twelve million were in Moscow. St. Petersburg only has, what, a million and a half people? I mean, it's a real big drop off. And then Nizhny [Novgorod] I think is the third biggest city in Russia. I think it is. And that has a million or less. The vast, vast, vast majority of people—I don't know how much you can really get out to them. We lived in a bubble in Moscow.

And you really went out to some of these other cities. I suspect a lot of people were getting their vouchers, at the same time somebody was saying, "Here's your voucher. I'll give you X amount of money for it" and they were just turning around and selling it immediately. I don't know. I know enough examples of people that I know well going into the provinces to buy up vouchers to then use to bid on in the privatization process. That's the story I know more than Ivan Ivanovich, you know, gets his voucher and is trying to figure out strategically what to do with it.

What was your perception at the time of the people who were going out and buying the vouchers? How good of an idea did that seem on their part at the time, from your perspective?

Unfortunately, again, as I said, unfortunately, I wish we were a little bit more dispassionate and we would have gone a little bit more slowly. Again, it wasn't ever in my control, I don't mean it that way. But as a general matter, I do think that the problem is—and I go back to my story with the guys at the line at McDonald's. People were figuring out how to monetize everything, and there's always going to be people vastly smarter than me in the room and in the market. And I think what was happening is because the privatization program on the voucher side was designed with at least the semblance of equity. That we're not just selling it to the highest bidders in the world. We're going to try and decentralize this ownership to give every man, woman, and child a stake in this. I think one of the things is that most people immediately, especially good financial brains, were able to see that there's a way to monetize this to their advantage, that what they saw in thirty seconds took me thirty hours. And just do the relationship.

And that's what I'm saying. It was so exciting to see the market develop, and more importantly, and I keep going back to it, it was so vital just to get the privatization done that a lot of us closed our eyes to—and I wouldn't have had any power anyways—but just said, at the end of the day—my least favorite phrase—it's more important to get this privatization done to stop the reversal back. And the fact that some people, the oligarchs or the financial wizards, were going to be able to make a lot of money doing this—it's not fair, it's not great. I never really sat down and had this conversation with myself at the time.

But I know, in terms of talking to people, when we would argue about the whole privatization program, I almost felt like bringing it to today's date. It's like you're either a progressive or you want to take us back to the nineteenth century. I really felt like it was—it seemed so stark and so black and white—that if you weren't supporting moving it forward, even with the inequalities or the inequities—none of us really saw 1998 coming, and then later on 2008, the dislocations that really happened. Certainly, none of us were sitting around talking to workers in Saratov as to how they would have viewed this and how we could have done this a better way to provide for them. I feel bad. [2:45:00]

Generally about the legal environment during these years—not all non-Russian legal experts and lawyers and law offices that came in were successful. What do you think it was about your office that was different?

I should be fair, I think there were people who were vastly more successful at it than I was, or our office was. I think there's two things. Number one, I was a believer. In other words, I didn't come over there for two or three years saying, "I'll do my stint in Moscow and then if I'm a good person, they'll send me to Paris," if that was the plum position. I was really committed to Moscow, to Russia. And again, remember, there were people who were vastly more successful, so I'm not trying to use mine as the example for being successful.

I think the other thing that I really—and I used to talk to my Russian lawyers about this—is that I wasn't much more experienced than them with the law. I think I mentioned this before, that some

of these laws were days old. And I remember talking to a lot of my Russian lawyers, and as I got more senior over there, and my lawyers, by definition, were getting younger, as we were hiring new lawyers, I always used to say to them that, "Look, on a lot of these issues, your view on this is every bit as important as mine, and in some ways maybe more important. In a lot of ways maybe more important."

I remember sitting around with them, and we'd sit around the table, and we would argue about what the law meant, and how to move forward, and stuff like that. I don't think they were used to this idea of, "Let's have this discussion." Because a lot of people in Russian legal training [thought] that there was always a right answer. And in a lot of the things that we were doing, there wasn't always one answer, and we had to try and get there. And I used to call it the dialectic. Obviously joking about the dialectic, but I used to say—I would throw something out, a thesis, and you should give me your opinion, anti-thesis, or antithesis, and then we'll get to the synthesis. I'm not really a Hegelian. But it really does work in that sense.

But they were shy. And again, I understand it, because generally when you went to a Soviet law school, or even in the early days of Russia, the teacher was always right. And I was always raised more under the idea that it is an exchange of ideas. And, yes, the teacher is probably more right than I am, but there were enough times when the teacher says, "That's a good point, Mr. Langer." Probably not as often as I would have liked. I wanted my lawyers to say this. I absolutely recognize that anything that I did on Russian law was based on having these Russian lawyers. I think that all Western lawyers came to that view. I'd like to believe I came to that view a little bit earlier, and I'd like to ascribe that to the fact that I was giving legal opinions long before anybody else. So that I could not give a legal opinion on Russian law without a really good, competent, Russian lawyer, or team of Russian lawyers.

I do believe that if I did anything, I hope, and I'm sure it wasn't as quick as I should have done it, I really developed this respect for these lawyers over there who were—we were doing it together. As I said, I think some Western law firms came in there and they were doing what they did really well. There were some firms who did, for example, IPOs. And the IPO would be done on a Western exchange. What they were doing in Russia was helping this company develop, but then they were doing the work that they did abroad. More of my work was seemingly focused on what we did in Russia, and I couldn't just pick up [2:50:00] the forms. But again, I am viewing history a little bit through rose-colored glasses here, and I'm not sure I quite had that appreciation always. But I do remember, because I worked with some very good Russian lawyers, just incredibly strong Russian lawyers, and it was fascinating to see.

And I remember getting invited—and I would go give some lectures at Russian law schools—and I remember trying to put together lectures in terms of, "What am I going to teach these people about their law?" I was very cognizant of that. But by the same token, what I could teach them wasn't about their law, [it] was what issues I was facing, or my clients were facing, under this developing Russian law. I really felt like in many ways I could go in there and say, "Here's a fact pattern. Client walks into your office and says, 'Here's what I want to do.' What would you tell them under Russian law?" I didn't do it that way, because the Russian students tended to be a little bit more docile, or, you know, listening. But that was the approach that I took.

I've stayed I touch with a lot of Russian lawyers. I just had lunch recently with one who I hired in—I forget whether it was in '91 or '92—but really, really early on. He's now very, very, very successful and is a brilliant guy. And I had lunch with him, and it was really fun to talk with him about the twenty-seven years ago. I met him because I went to MGU to give a lecture and he stayed after and we spoke. I offered him a job and we've stayed in touch for all these years. There's a number of Russian lawyers that I've stayed in touch with, and it's really fun, because these folks are brilliant, they've developed incredibly well, and they always were really good. And those were also the ones that I relied on to do what I had to do.

How did you find the Russian lawyers? There's one example you just gave with MGU, but other than that?

Early on, it was tougher. Once word got out that there were law firms in Moscow, and it didn't take but a couple years for law firms to proliferate, people would send their resumes; they would contact you. It's not much different than here. It's a little bit different. Often times it would be—take this guy that I hired in whatever year and then he knows somebody who is either a couple—law school there is combined with undergraduate, so it's a five-year program. If he just graduated, he might know somebody who is a first year. And now, if that was '92, now you're in '96 or '95. Or just because I always worked with a lot of Russian lawyers, so they knew people through something called the *advokatura*, which is the litigators. They had these bureaus that they worked with and through their contacts they would know people.

I do think there was a lot of the—daughter or son of somebody that I grew up with, if they're a little bit older, if they were my age at that point. People were graduating. I've had that now. Again, I think it's just through contacts. But there were really only two law schools at the time, maybe three. There was a smaller pool. They don't graduate as many lawyers as they do here. But also, there weren't as many law firms. It's definitely word of mouth. I tell people now, I won't work with a client unless I know them for twenty years, or somebody I know for twenty years knows them for twenty years. There are exceptions to that rule, especially with start-ups. But what I mean is, most of the people that we worked with, it's through these contacts that you have.

In the lead-up to the 1998 financial crisis, what were your perceptions about the financial stability of the country through your work and your personal experience being there?

[2:55:00] What impact did it have on you, and your work, and the environment?

I can definitely tell you that I don't know anybody who really predicted [the] 1998 crisis. Although, having said that, if you look back at the levels of debt that they had and the ability to service the debt, and the devaluation of the ruble, the ruble was just not sustainable. Maybe there were people who were economists who really saw that coming. I didn't, because I was just such an optimist about the idea that things were moving. We were thrilled that the nascent stock market was developing, the privatization was developing, as I've talked about, and the fact that people were making money. I guess we should have seen—there were a whole bunch of funds that were being developed for investing in the Russian stock market, Hermitage [Capital Management] being one of them. But there were other funds for people, and in the United States people were investing in the stock market. And the stock market rose tremendously. Really, the

stock market sort of started in '95, I'm guessing. It started out slowly and then there were some real gains, percentage-wise.

I think the problem was that, fundamentally, Russia just didn't have a lot of money and it was saddled with a lot of debt. And the ruble, there was so much speculation on the ruble, and, I think, people arbitraging the exchange rates. So, dollar was king. Dollar was absolutely king. But they were trying to de-dollarize the economy to make the ruble stronger. And I guess looking back on it as Bernie Sucher called 1998, he called it the three D's—default, devaluation, and denial. They were just in such denial that this was really, fundamentally going to happen that I think they ignored some of the signs.

But I didn't see them by any stretch. I invested, as a lot people invested, and I lost money, like a lot of people lost money. The stock market in Russia lost ninety-three percent of its value. The good news was, because we were talking about privatization, you didn't have every ma and pa having their life savings in the stock market. You didn't have the IRAs or the 401(k)s. So while it was incredibly distressing for people that the stock market went down, and some people who had made big bets, there were a lot of funds that were trading.

But the individual—I think the bigger issue for them was the devaluation. When Russia defaulted on its bonds, that was a very rational decision. It took over the Soviet debt, it had issued [bonds] to try to raise money. But as a lawyer, I didn't realize until '98 came about, or whenever it was, that I was always so worried about default, and then when Russia defaulted, you realize there's not a lot you can do.

I was just rereading a note that I did back leading up to this period. One of the discussions that we were having was whether the Russian government waived sovereign immunity, the idea being whether you can sue them if they default. And the reality was, who cares? Okay, so you can sue them. What are you going to do? You sue them, you get a judgment against them. They have no money. They just defaulted. The whole idea was that they had to restructure all this. If you look back now where we are, Russia, remember, has now paid off all the Soviet debt, its debts are under control. So it looked devastating at the time, that they were going to go into [3:00:00] default, was really just a correction for them to renegotiate and get better terms, which they did.

I remember sitting around—because it was August, I forget what it was, in 1998, the exact date—but really most of us were looking at each other saying, "Are we going to continue in Russia? Our office is going to close up. Is everybody just going to—last one out turn off the lights?" We really had no idea what was going to happen. There wasn't a lot of, particularly, legal work needed, because suing the Russian Federation—it was all renegotiating. There weren't a lot of lawyers that were needed for that.

But, slowly—we all had clients that had businesses there; lots of people had invested. The crisis was the crisis, the devaluation was the devaluation. But the next morning everybody woke up and now you had to run your businesses. You still had a job to do. And I have to tell you that the thing that amazed me the most about the Russians is they got up the next morning. And I hate to say that they were nonplussed by the whole thing. I think they were "plussed," if that's a word.

They were affected by it. But—"we've been through crises before, we'll figure our way out of this crisis again." I wasn't alive for the Great Depression, I don't know what happened in America, but I read the stories. If you had a ninety-three percent drop in America today, or at that time, it would have been devastating. By comparison, the drop in 2008 was huge, but it was forty-four percent. Ninety-three percent to have to be almost wiped out is huge. And there really wasn't this panic on the streets. Again, my recollection of it, and I feel very certain of it, but I could still be wrong, is that people handled it as much in stride as you possibly could for such a debilitating effect. That's what's amazing.

Now, the people who lost a lot of money were people who were more invested and that wasn't the small people. But, the devaluation hurt a tremendous amount. Also, one of the things that people know, and that I learned probably very much for the first time in '98, is how much devaluation really helped the economy. Now, all of a sudden, it got wages more under control. Russia was a little bit overheated in the period up to that. It grew so fast, so quickly from—we're talking about '95 or whenever. That was a very, very, very rapid growth. I'm not saying just that in and of itself, but all of that optimism and pent-up demand and stuff like that, and this was maybe more than a correction than it needed. But it sort of reset things. And it really did set Russia going forward again.

Some people will argue that by the time Mr. Putin took over in 2000, that the real growth in the 2000s was really because they were able to do this correction in 1998. None of us saw it that way in 1998. I'm putting a positive spin on it. It really did seem like the end of the world. But the world really didn't end. And businesses went forward, and as I say, Russians were incredibly stoic about this. They were like, "Yeah, we've seen this before. We'll get through it." And they did. That's the amazing thing for me when you go through—I hope nobody ever has to experience a financial crisis like that. But if you're going to be in any country in the world to experience a financial crisis like that, Russia is the place to be. My view is that Russians really live for today, not for tomorrow.

I don't know if you've ever heard the expression—it's one of my favorites—"what is the definition of a Russian optimist?" A Russian optimist is somebody who believes that tomorrow will be better than the day after tomorrow. In many ways, I always felt that [3:05:00] if things were getting too good, Russians started to get a little nervous anyways. And we weren't really thinking in that five-or-ten-years-ahead-of-time-type thing. When '98 hit—again, I feel terrible, because anybody who got really hurt by that, I don't want to be complacent about that. But people were never as optimistic as I was about stuff. And I probably got caught up in that we were on this one-way ride up, and Russia really is a roller coaster, the highs and the lows.

And this was one that really saw that happening. I remember one of the things that we did, we were trying to figure out what we were going to do tomorrow. Were all our clients gone? Was all our legal work gone? And I remember one of the things that I organized was I put together a gathering of all people who were investors or whatever in Russia, whatever they were doing. I remember we had twenty-five, thirty people at a big table and we really just went around and talked about what were our expectations of where things were going to go from here. It probably was, at the end of the day, a large therapy session more than anything else. But it was interesting because you couldn't just stop. You couldn't just say, "That's it. Stop the world, I want to get

off." You couldn't do that. We all had families, or certainly people my age had families. Other people had families. Everybody was being dislocated and you just—as I say, if you're going to be anywhere, be in Russia. We just started to rebuild stuff, so the folks who had made a lot of money lost a lot of money, so people felt that was kind of fair.

Looking back at it now, obviously, we see that people did very well again after that. But the debt was overwhelming for Russia, and it took many more years for the ruble to become, if you will, freely tradable. The ruble was not freely tradable back then and there were a lot of people who were arbitraging on the value of the ruble, the Central Bank auctions, and setting the Central Bank rate. It could be influenced by large movements one way or the other.

I remember one of the stories that came out in '98—you can feel how you want to feel about this story—there were a lot of foreign investors who were getting exposure to the Russian market and they were buying these GKO [Government short-term obligations]. I forget what that stands for, but anyways, it's a Ministry of Finance bond. But it was denominated in rubles, and also they weren't tradable. You couldn't come in and buy them, if my recollection is right, if I have it correct on the GKO. But people wanted exposure to these things, so they would be buying these derivative products that the banks would put together to get exposure to these.

And because they were denominated in a very volatile ruble, the banks were also doing these exchange contracts, which were called non-deliverable forward FX contracts. The idea was you were getting exposure to a ruble note, but at the same time, that ruble note, when it was going to mature, you didn't want the rubles, you wanted to have somebody who would guarantee you a certain amount of dollars at the end. And again, these are complex products. I'm a lawyer, not a banker. But '98—one of the things that happened with the severe devaluation and the default that went on was these non-deliverable forward contracts were now going to be coming due, and these Russian banks who were issuing them were going to be bankrupted by that.

And yet, these contracts were contracts. Nobody wanted to default. I remember somebody suing on one of these contracts and the Russian court [3:10:00] came out with a ruling that said they're not going to enforce a non-deliverable FX contract. And the reason is, is because it's basically a gambling contract. And under the civil code—and they're right—gambling contracts are not enforceable. And by the way, if you look it up in the United States, gambling contracts were not enforceable, either. And commodity exchange contracts were originally non-enforceable if they were gambling contracts. And they had to come up with exceptions to make sure that these contracts were enforceable.

In the United States, we went through a period where people were essentially betting on the markets, and the law had to be developed. And the reason I say that, is again, this is 1998, 1999, and the law is not developed to that extent. We shouldn't have necessarily expected that the same non-deliverable forward contracts that everybody uses everywhere around the world, which had been litigated for years, are going to operate the same way in Russia. The law was just much too immature for that. And people were doing these things. We could argue about whether the court should have enforced those, should not have enforced those. But it's a Russian court, these were Russian banks, and they came up with what was a rational rule at the time. And I would argue

that all of these people, while they may not have understood that this was the risk, they understood that they were investing in a very risky market.

When I go back to what I was talking about before, I'm not sure any of us lawyers sitting in Moscow would have said a non-deliverable FX contract is not enforceable under Russian law because it's an illegal gaming contract. I don't know that we would have been that prescient to have come up with that. But it does come under the category, I would argue, of that you were taking a risk on a derivative instrument with an FX contract with Russian banks of—I don't want to say dubious, but certainly not certain financial responsibility. To say that you had no idea that this would have been a risk is unfair to throw to the Russian Federation. This was not me buying a factory which I thought was worth a million dollars because we're producing X number of widgets and so forth and I'm still taking risks. You were betting on very risky derivative contracts.

I remember another example—and I don't think it was in connection with 1998—but there was also something called Minfin [Ministry of Finance] bonds that were issued for the Soviet-era debt. And those were denominated in dollars, so you didn't have the currency risk. But they were bearer bonds. And again, as a lawyer, the reason I go into that is a bearer bond means, essentially, that it's like a hundred-dollar bill or a one-dollar bill—it's currency. These things were traded all of the time because, again, the bright bankers were playing daily with, "What's the value of this? Will Russia repay this? What's the value of these dollar-denominated notes?" They loved this exposure to Russia and these bonds were traded. But because there was no way that you were going to deliver money versus having the bond delivered to you, there was billions of dollars of these things out there. They were all held at I think it was Vnesheconombank as the depository, so they were all held in the vaults. And then people would trade and the only thing that would change is these book entries for them, so the bonds didn't physically change.

One day, there was a court case that somebody said about a couple hundred thousand dollars of these bonds had been stolen, so nobody knew which bonds of all of these bonds [that] were out there were subject to a claim by somebody who said that they were stolen. I remember talking to somebody and they were saying that "as we're trading these, who knows whether the one I just acquired yesterday, or I'm going to acquire tomorrow, may not be good because there may be an adverse claim on it?" That's a much more complicated legal issue but I don't want to get into all the [3:15:00] complexities of it. I remember going to my client, which was a major bank that was a major trader in these Minfin bonds, and saying to them, "what are we going to do? There's this risk." And I was amazed and they said, "You know what? Of all the risks we're taking with these bonds, everybody's got an equal risk in the market. Don't worry about that risk. That's a risk that—" and I didn't realize, that's a risk that they were willing to take.

And that's why I'm saying, it's not like they priced that risk in, nobody necessarily anticipated that risk, but they understand that when you're going to be trading in a market like this, there are going to be some risks that you can't anticipate. That's why these are trading at a discount to their face or whatever they, however they do it. But that's what people need to understand about Russia in that period, is there was a lot of risk. The 1998 crisis, when you view back twenty years and look at that time and you talk to people about that time, you realize that there was a lot of risk that people had already priced into this market, even though they lost money. People

didn't see that, but that wasn't—it was a horrible risk in that sense, but again, it was just the volatility of Russia that people who really understood Russia knew that they were in a market.

I never anticipated that, to answer your question. No, none of us saw this buildup. Or nobody that I knew saw it, because I know a lot of people who lost a lot of money. But, by the same token, these people, they piled back into Russia. By 2008 when we had another crisis—now that was more of a worldwide crisis—but traders, financial investors have very short memories, God bless them. And again, the risks that they were willing to take—

I will tell you about one other story that also really shocked me, very quickly. I'll name the company, but I won't name the shareholder. But again, this is a Russian risk that I don't think people anticipated. This had nothing to do with the 1998 crisis, but Gazprom was one of those companies—if people are interested they should go back—Gazprom and Sberbank had two classes of shares—those that could trade with foreigners and those that were not open to foreigners. There was a whole complex of systems that I helped people deal with here so that you could get an exposure to that arbitrage between the two. There were some very major investors who were doing that, and this involved one of those major investors who had, essentially, exposure to Russian Gazprom shares. But he couldn't really have—when I say he, it—couldn't really have exposure, because foreigners couldn't hold those shares.

There was going to be an election for the new president of Gazprom. Lo and behold, before this was going to happen, these shares were frozen by the prosecutor as supposedly having been part of a fraudulent scheme during the privatization of Gazprom shares. It was panic in the market, because this is a billion dollar market now. I remember getting a call saying, "What are we going to do? How can they freeze these shares?" This is, again, talk about the lawlessness of Russia, and now we're going back to all these visions of being wiped off the share register and stuff like that. And what the prosecutor was saying, fair or unfair, was saying there's a claim that these shares were improperly privatized and therefore they cannot circulate on the market. A little bit different than a bearer bond but I won't get into all that, take too long to get into the legal issues. I get called as a lawyer to say, "What are you going to do about this?" I'm like, "Let me check, because legally I'm not sure fighting the Russians on this is really going to help."

We went through our contacts and what we were told was, "Yeah, yeah, we understand there's problem. But by the way, if you would just give us a proxy to vote the shares in the upcoming election, we can probably figure out a way to get them unfrozen." The reason I say that is on the one hand, [3:20:00] you have this other issue with these other bonds and people were just nonplussed by it. Here, this was a pretty big issue, and I think it's absolutely wrong and does point out some of the risks in Russia. That other one, they said "Yes, that's just a risk of doing business." There's no way we would have ever seen this as just a risk of doing business in Russia.

Now, having said it, they weren't saying you're never going to get your shares back. It was obviously just a tactic to get something else that they needed and it was a pretty heavy-handed tactic to get it done. But that's the '90s in a nutshell. People were willing to take really wild risks. Even on this one they were taking risks, because they probably really shouldn't have had exposure to these things, other than through derivatives. I think the Russians were able to utilize

a bit of a weakness there. I don't agree with it, I think it was absolutely heavy-handed, but that's what—you never knew what was going to happen when you woke up that day, and what kind of legal issue you were going to have.

You can't talk about the resolution of that issue, can you?

Well, no, it got resolved. We gave the proxy.

Oh, okay.

Yes. Oh, I'm sorry, I didn't mean to be—I'm sorry, when faced with that situation—"no, no, we're going to go fight, we're going to sue you." No, of course we gave the proxy. I'm really simplifying it, but really at that point, when we were probably talking about in excess of a billion dollars and that was just the tip of an iceberg—this was a big deal. If the Gazprom market—yes, no, no, there was no way to fight city hall on this one. I would love it, I just can't imagine any client—it would kind of be like the ACLU [American Civil Liberties Union] taking up a free speech case. This was not a free speech case; this was your pocketbook at the end of the day. I don't think anybody wanted to create a major fight. I think my client, on the other hand, was actually very happy that we figured out a way to resolve it.

I was the wrong person to call to resolve this. I thought it was legal issue, I thought I was going to be Spencer Tracy or whoever, Clarence Darrow and all those great legal names, and I was going to figure out how to fight this and figure out a way. But I think my client was probably happier that without spending a ton of money we were able to figure out—remember, I didn't do the solution, because it was a completely not a legal solution. I found my way, got the bankers to make this solution; this was not my solution. But yes, no, there was no other way to resolve that.

And the good news is, and as I said, one of the really important reasons why you wanted to—that scenario doesn't exist any longer. You don't find people in that scenario anymore. But, one of the things that Mr. Putin did was by drawing a line under privatization and saying, "We're not going to entertain any more claims in privatization." I don't remember when he made that announcement, but when you watch the buildup to the next crisis of 2008, it was very important that he added that measure of stability. I'm not supporting everything that he did, but that one thing was very important to do, I'll suggest.

If we move on to Yukos, why don't you talk about how you even became involved with them in the first place?

It's a funny and, unfortunately, sad story. Years ago, there was a gentleman named Vasily Aleksanyan who went to Columbia to get his LLM [Master of Laws]. One of the guys who worked for me was a very close friend of Vasily's who went to Columbia Law School with him. [3:25:00] When Vasily graduated Columbia Law School, he came to Moscow and was looking for a job. This was '94, '95-ish. He came, he was a very bright guy, very well spoken, very, very nice guy. I said, "I'd love to give you a job. Let me call up my partners in New York and see if I can offer you a job." For whatever reason, they said no. I don't think it had anything to do Vasily

Aleksanyan, but I couldn't offer him a job. He ended up going to work for Mikhail [Borisovich] Khodorkovsky at Menatep, then became the lawyer for Yukos Oil Company.

When everything went south, unfortunately, Vasily was arrested, and ended up dying, so that's why it's a tragic story. But I used to tell Vasily, when he became general counsel of Yukos Oil Company, a fifty-billion-dollar company or something like that, I used to say, "See? You owe it all to me, because if I had offered you a job you would have been an associate, maybe a partner by then, at a law firm, rather than general counsel of Yukos Oil Company."

So, I knew these guys. I didn't know them during that period. I didn't see them again until really after 2000, when Yukos Oil Company wanted to raise money and be listed on the New York Stock Exchange. I was going to say they called me up and said, "Could you help me?" It was a competitive thing. They called me and said, "Would you like to be one of the firms that would be considered for this?" We did. But the reason I think Yukos is interesting is because Mr. Khodorkovsky, he's so involved in the '90s and the development of the oligarchs—Menatep, and what Mr. Khodorkovsky was doing. I wasn't representing him, I wasn't at all.

But one of things that I used to say, and one of the things that we said when we were going to take Yukos public, is I think the shift that went on. and this is what's neat about Yukos, is the shift that went on throughout the '90s, is that there was a perception—and I think it was reality—that a lot of what people were trying to do was take as much as you can out of the Russian system. If you could get control of a company, figure out how you could take as much money out of that company. Whereas the Western investors always felt like what we should be doing is putting money into this, growing it, and then we'll have a more valuable company. Whereas Russians, going back to what I said earlier—and I know this is a terribly gross simplification—but what the Russians were saying is, "We're not thinking about five, ten years from now, we're thinking about today. What can we do today? Not tomorrow, or certainly not the day after tomorrow."

I talked about VimpelCom, which listed in 1996, and they really demonstrated how if you watched, charted their share price and stuff like that, they were able to build a new business, list on the exchange, and really develop a market capitalization. I think what was happening in the '90s was these companies, because they became public even though they were controlled by the oligarchs, you started to see this Russian trading system, the stock market develop, and you started to see that it could grow. I think Mr. Khodorkovsky was one of those who saw that he could probably make a lot more money by growing the value of the company rather than just seeing how much he could pull out of it through oil trading. I can't tell you when that happened, because I didn't know Mr. Khodorkovsky in the '90s. In my view, he was one of the early—I shouldn't say visionaries, either—but he was one of the people who saw that if he could take his company public, he could become very wealthy, and everybody else could become very wealthy, by making this very large company and growing the value of it.

When I look back on the '90s through the Yukos lens—now, [3:30:00] there was a lot of stuff, there was a lot of litigation that went on that I wasn't involved in or anything like that. There was a little bit of heavy-handed tactics in terms of trying to consolidate the control over these companies. There's a guy named [Kenneth B.] Dart, and if anybody's ever interested in the

period, they should go back and look at the litigation that went on between—Ken Dart, by the way, is who makes those Styrofoam cups called Dart. He was a big investor there and he had a major litigation with Mr. Khodorkovsky and Yukos over his shareholding in some of the companies that Yukos consolidated. But again, I wasn't involved in those, so I'm not going to really talk about it, because I can't really add a lot to it.

But, because I was brought in by Yukos Oil Company to bring them public, and this was in the early 2000s, one of the things we had to look back on is, how did they become what they became? Because one of the things that you do is you describe the history of the company. You describe all the consolidations that went on. Because at the end of the day, if you're going to buy shares of this company called Yukos Oil Company, you want to be sure that it owns everything it says it owns. It has all of these—I think the number was 143 licenses—to drill oil to various areas, and we had to make sure that every one of the 143 licenses were good that they had acquired over all those periods. We spent a lot of time working with these guys to go back over everything that happened in the past.

By the way, none of this related to the reasons why Mr. Khodorkovsky was arrested. Because he was arrested for privatization of a company called [Apatit]. Some of the things that he was accused of had nothing to do with Yukos. Now, on the other hand, when they did come back, they were trying to say that the way Yukos Oil Company was set up for tax purposes did not conform to Russian law. The way they would pull oil out of the ground and then they would sell it to a company that was in a tax jurisdiction set up in Russia that didn't pay tax. But it was set up by the Russians and utilized by Yukos and other companies.

The Russians came back and said that was not proper. Again, I have my view of it as a lawyer as to whether certain aspects of it were proper. At the end of the day, when I look at it as a lawyer, you can never be a hundred percent sure of Russian law, and at the end of the day, the Russian authorities were arguing that certain things were not appropriate. If their court system agreed with them, as it did—it's easy for me to get on my soapbox and say, "What a corrupt country, there is no legal system there." But again, there [were] some places throughout the '90s where people were being aggressive. That's why when I was talking about these other things—I decry the fact that Mr. Khodorkovsky was arrested, and I feel terrible that Vasily Aleksanyan, he was arrested and all that stuff. It's just such a crying shame that the company was broken up and a lot of shareholders lost value and all that. So it's a much more complex story.

I also know that other oil companies were doing some of the aggressive things that Yukos Oil Company was doing. Somebody said, "Why did they go after Yukos and not other companies?" Some people said, "Well, it was the largest," which it was at the time. But there clearly was an element of selective prosecution here. I think those are valid to point out, without a doubt. But Yukos really is the story of the '90s. Mr. Khodorkovsky starting out with this bank, participating in the loans for shares program, which is why I know so much about the loans for shares program. Consolidating Yukos Oil Company and going through some of these other oil companies [3:35:00] that were privatized and buying up shares and so forth.

He put together an amazing oil company. I'm not defending him or dismissing him, but by the time he was going to do an IPO, he had grown that oil production for companies that their oil

production was plummeting. So, he did something. And as I said, leaving aside everything that he did in his past, one of the things that he really saw was the value of doing shareholder value. I do believe that he really saw that and he really wanted to build a world-class oil company. There's a lot of theories about what happened and why it happened to him. I have my own theories, which I'm not going to go on tape with. But the bottom line was, once the government saw an opening and they were able to attack, I really do believe it was more of a financial attack than a political attack, that much I'll say for sure. I know people said he stepped out, because he started to get involved in politics, but I think it's an age-old question. This was a forty or fifty billion-dollar asset and people just couldn't stop. And because of the '90s—and again, this was before Mr. Putin had said we're going to draw the line under the privatizations and so forth—it was open for attack.

As I said, this is the quintessential story of the '90s, because if you were an observer of this and you came to your lawyer and you said, "Could you lay out all the risks that I have in this scenario?"—there were a ton of risks, I do want to emphasize. I don't believe that any of them justified what ended up happening. I don't want to be defending that, other than it's not for me to defend or prosecute. There was just so much risk from the 1990s through the privatizations, through the way you would develop aggressive tax schemes, through the way that you would do things, that it opened it up.

I'm not talking about Yukos Oil Company at all, but in the early days, we used to say that Russian laws were written in such a way that you could never get a hundred percent comfortable. I do think that there was an element of tradition from the Soviet Union, in that the Soviet Union was almost constructed in a way that the State, at the end of the day, was the only person who could tell you whether everything was okay or not. If you were an ordinary citizen, you could never really argue with the state. The law was never on your side; the law was always on the state's side.

One of the things that we always talked about under the Soviet constitution was you had so many rights enumerated in the constitution, but every one of your rights had a corresponding responsibility to not use that right against the interests of the state. So, the idea of human rights violations—and again, I am not defending the Soviet state whatsoever—but they would come back and say, "Yes, you have the right to work, but you also have an obligation to work. If you're not working, you're a parasite. If you're a parasite, you can be arrested." And, by the way, if you lost your job because you were criticizing the government, and you're now not working, and you have an obligation to work—it was all used to the detriment—and this is why I'm so much against the Soviet state, so I'm not defending them at all. But in some ways, in the early Russian laws, we really felt like where we would find *dyrochki*, where we would find loopholes in the law, sometimes it was there so that you could never get really comfortable that everything you were doing was in accordance with the law.

This really was the difficulty of being a lawyer there. We were trying to tell our clients, "Yes, the laws have developed to such an extent. Yes, you can come in and invest and we can help you." But again, our role wasn't to tell them that everything was fine. Our role was to tell them, "But there are still risks and as these laws develop, and as we go through them, here's the risk." Again, I'm not sure I would have seen the risk that I was talking about with the Gazprom shares.

And some of the others [3:40:00] I'm not sure I would have seen. I wasn't involved with Yukos at the time. Looking back, it was a little bit easier to say what these risks were as we did it. But it's a fine line between being aggressive, building this new economy, building this new legal system, and trying to move forward, and yet still being subject to these risks that the state could always use against you.

I don't think Russia's a lawless place. Even in the '90s, I don't think it was a lawless place. It was certainly a lot more lawless then than it is now. But it's hard to defend Russia when people criticize it when you see things like this, where it was selective prosecution, where—I hate to say this because my mom, if she was still alive, would never let me get away with it—everybody's doing it. That doesn't make it okay, but really everybody was doing it. I do think it was unprecedented and unjustified.

One of the examples is that—and I don't want to get into too much detail—but in America, if you have a license, if you are drilling for oil, you own the rights to that oil, either because the person who owns the land, you've bought the rights to the oil beneath, or you bought the land and rights beneath; doesn't matter. If you're pulling oil out, you own that oil. In Russia, the Russian government owns all the oil in the ground, so it doesn't matter. If you want to drill, you have to either own the property above, or lease the property above. But in order to pull that oil out of the ground, you must get a license from the Russian government, and they'll tell you where you can pull out oil. And then you essentially split the revenue with the government based on that license. That's very simplistic. But one of the things about that license is you don't get that license for all time. You usually have the license for I think it's a five-year period, or whatever it is, and it has to be renewed.

Yukos Oil Company had 143 licenses, and somebody could check me, but I'm pretty sure that number is correct. And they're always coming up, because you have so many licenses and you have to renew them, and the state was always renewing them, because it was almost pro forma that they just renewed them. You had certain conditions that you had to invest a certain amount of money, you just couldn't hold the license and not drill. But as long as you were doing that, the state always extended licenses.

And looking back on it—and obviously I've spent a lot of time looking back on it—before Mr. Khodorkovsky was arrested and all that, we started, about six months earlier, to have problems getting licenses renewed. And we should have seen the writing on the wall there. It was the state, again, legitimately in that case, exercising their power. I don't think they should have done it, but on the license part, there's nothing that says if you have a license they must renew it. Because again, remember, that license has fifty conditions in it, and you're never going to comply with all fifty conditions. You're going to comply with forty-seven or forty-eight. But again, licenses were never not renewed. But they started to look at that.

If a client came to me in the '90s—and I looked at literally thousands of oil and gas licenses in the Russian Federation—that's a risk. That's an obvious risk. You have a five-year license or a ten-year license, whatever it was, I apologize, I don't remember. Clearly, I can tell any client, I'm a good enough lawyer to say, "There's a risk that your license won't be renewed." And one of the reasons why oil companies are valued at less in Russia than in the United States or in other

countries is because you have to discount for the fact that you may lose your license at some point. You don't own the oil in the ground, you just have the right to pull it out of the ground. That's a reasonable basis for there to be a discount.

When you look at the Russian system and say, "Is that the better system? [3:45:00] That the Russian state owns all the oil?" I'm not talking about Yukos Oil Company here at all for a second, but I would argue that I would rather have every man, woman, and child in the country own the oil rather than the oil company own the oil. They do that in Alaska. Every man, woman, and child in Alaska gets a check every year for the oil that's produced in that state. If I was going to create a system, I would create that system. And that's what Russia was trying to do. All I'm trying to say is you can argue about the license system, but there's a reason for doing it. But what it also does is it gives a much greater measure of control to the state. That's just one area, but then you've got all of these other things where people were being aggressive throughout all these years. The state really does retain a very strong measure of control that can be abused.

I'm totally simplifying the Yukos thing, and it's not fair to Mr. Khodorkovsky and people whose lives are really affected by this. Mr. Khodorkovsky went to jail for what, ten years. I don't mean to minimize it at all, and I have a lot of friends—I don't mean it that way. But being dispassionate about it for a second, Yukos is a great case study for the 1990s, both the positive and the negative. There was a conspiracy theory out there that said that after—I'm not subscribing to this—but that after the breakup of the Soviet Union, because a lot of the oligarchs had Jewish heritage, that there was a view that it wasn't so bad to put these assets in their hands, because it would be easier to get them back. Because people are not going to rise up as much. I'm not saying that that's true. There's a really, really fascinating article that somebody wrote about it. Again, I kind of feel like I'm wading into Alex Jones' territory now, to use a modern example in the United States.

I don't know, but it is very interesting that somebody once asked, "Why did so many of these assets get into the hands of people who were either Jewish, or had a mother or father who was Jewish?" I don't mean to laugh about it, but it's very, very interesting, because if you go back to people like Mr. Gusinsky and others who did lose their empires, there's a whole conspiracy theory that's out there. The article that I read, if anybody's ever interested in it, and it was a very well-written article, it's called "Of Bicycle Riders and Jews." What it's about is when this guy was growing up, his grandmother always said whenever something happened in her village that it was either the fault of the bicycle riders or the Jews. And he would say to her, but Babbi, why the bicycle riders? And she would say, why the Jews?

There's a lot—and the reason I say that, and again, I'm not, I have no—there's a lot of conspiracy theories out there about why the attack on Khodorkovsky, and Yukos Oil Company, and stuff like that. And if somebody really is interested in studying the '90s—and then it goes obviously into the early 2000s—this is interesting. I wish I knew the truth. The only truth I know is the stuff that I worked on. But it has everything to do with the '90s in that one story.

When you were putting together the history of Yukos for the stock exchange listing, how did you go about that?

To be fair, it's a condensed history. Really, all people care about is that everything that happened up until now is okay. But when you're doing a stock exchange listing, it's very funny, there's two pieces of your document, but from a legal standpoint, the most important part of your document is something called the "risk factors." On Russian legal entities, risk factors [3:50:00] run thirty-seven pages, which is a lot.

The other funny part about it, though, is the one part of the document that investors never read is the risk factors. One of the things that you'll see if you ever look at the risk factors for Yukos Oil Company or for any Russian company that listed, you'll see people saying, "The history involves loans for shares, and it's not clear." And at the time this was being written, before people were saying there's a line drawn, we were saying there's a risk that somebody will go back and challenge it. There's a risk that the licenses will not be renewed. There's a risk that some of the tax structures that have been used may be ruled to be overly aggressive. Do you know what I mean? What you're doing is, in terms of telling the history, is you're also trying to point out where there might be risks that you can see, and then add in these broad brushstroke things that say, "And there might be other risks."

When we did the offering for VimpelCom, one of the risk factors was that Yeltsin's in poor health and he could die and we don't know what's going to happen. If you were doing an offering during the election in 1996 you would say, "We don't know whether Yeltsin—Mr. Zyuganov could be arrested, so if you're buying this," whatever it is—most of the time they're financial instruments. That's what really we were talking about. We weren't going back to tell the entire history of Yukos Oil Company, but we had to be confident that we went back and explored the history, so that if there was a risk that we needed to disclose, or a way to describe it, we would know about those risks.

One of the things that ended up happening was—in order to list on the New York Stock Exchange, you need three years of audited financials. Pricewaterhouse[Coopers]—not to throw Pricewaterhouse under the bus here—but Pricewaterhouse audited Yukos' financials and gave three years of audited financials for Yukos Oil Company. After Mr. Khodorkovsky was arrested and all these allegations were made, Pricewaterhouse withdrew their audited financials of Yukos Oil Company. I'd love to say it's unprecedented, but let's put it this way, it's very unusual. And basically, one of the things that Pricewaterhouse said was, "We didn't know all of this when we signed off on the audits of these companies."

I can't speak for Pricewaterhouse. Let's assume for their benefit that everything they're saying is true. One of the things that you try and do is go back and explore every nook and cranny, because you don't want to be in that position. I know Pricewaterhouse didn't want to be in that position, so I'm not ascribing anything bad to them. But when I'm doing it, for the legal parts—because as I said, there's two important parts of the offering, one is the risk factors and the other is the financials. What people are really buying when they buy your shares is they're buying based on your financials. What're your historicals, and what do they think is the future. And if your financials aren't accurate, that would certainly affect the price of the share. That's why the withdrawing of the audits was so critical.

Did PricewaterhouseCoopers have access to the history that you guys had written, or were those two things happening concurrently?

No, we were all in the same meetings. Yeah, no, no, no. And again, to be fair to Pricewaterhouse, some of the things that were alleged—it wasn't all crystal clear. And remember, Yukos never listed on the New York Stock Exchange. Mr. Khodorkovsky was arrested actually while we were preparing to go public within a month. But we weren't quite that close. It sounds like one of these movie scenes. It wasn't quite that dramatic. But it was that dramatic in the sense that when Mr. Khodorkovsky was arrested, we were very close to listing on the New York Stock Exchange. To be fair to Pricewaterhouse and to us, there were a couple of issues that still had to be clarified in terms of risks. One being the licenses, by the way. The others I won't talk about.

But, no oil company had listed yet like that. VimpelCom, which listed six, seven years earlier, whatever it was, it was a new company. [3:55:00] You only need, by the way, two years of audited financials for that. But what I'm saying is, we didn't have privatization. We didn't have all of these oil and gas licenses. We didn't have aggressive tax structures, because we were a new company. The risk factors were much less. We were creating a new product—cellular telephone service. We didn't have loans for shares. There was so much difference that you could go to market earlier with a company.

And it's the same with a startup today. It's so much easier to go with a startup than a company that's been around and then you try and list after it's been in operation for ten, twelve years. But also, the difference too was VimpelCom was created in the '90s, which was why I think it's another quintessential story of the 1990s. Because it was a new company developed after the fall of the Soviet Union from a real visionary entrepreneur with a Western partner—this was Dr. Zimin—and it rode that up and it was classic. Yukos was another classic story of the '90s. I hate to say it is juxtaposed, but it is almost juxtaposed, given how it turned out. If I was teaching a business course on Russia in the 1990s, those would be two of my case studies. Let's put it that way.

What was your reaction when Khodorkovsky was arrested?

I never actually thought about that. I was shocked. The other thing too though is that it was not as big a shock as that. I think the greater shock was that—and I in one sense applaud him for not having left. There was writing on the walls that this might happen. And Mr. Khodorkovsky was not going to—he was flying in his plane from, I forgot where, to Moscow when he was arrested. Being the coward that I am, I probably would have changed the flight plan and flown to somewhere in Western Europe.

I think it was just more shocking in that I don't think any of us really anticipated that it would ever happen. I think there was a lot of pressure on these folks because Mr. Putin was really trying to consolidate his control at the time. He famously said at a meeting, I forgot whether it was six months or a year before that, "You guys take care of business, I take care of politics, stay out of each other's—" And supposedly that was him trying to tell them—and that's why some people have said that because Mr. Khodorkovsky was wading into politics that maybe that was the impetus. Maybe it was, but I really think that there was a bit of a power struggle going on then.

The people that I knew well, I just don't think any of us really thought that the power struggle would go that way, where somebody like Mr. Khodorkovsky would be arrested. We just didn't fathom that, because we thought he was too powerful and there was going to be another resolution to this, do you know what I mean? Kind of like those shares that were frozen. I was really convinced that there was going to be another resolution to this that wouldn't have involved arrest and prosecution and ten years in jail and the breakup of the company, or the sale of the company. But I have to say, I am the wrong person—I can tell you what my reactions were that day, but I think I told you earlier that—July 1991, not a prayer in the world, even October 1991 that this country was breaking up, the Soviet Union. You know—1998? Yes, maybe some people saw it. I didn't really see that kind of a correction coming, and certainly I just didn't ever envision that conflict reaching that kind of a head.

There was another famous situation, which if anybody is studying the '90s, they should go look at it. It involved a man named Paul [E.] Tatum, in something called the Radisson Slavyanskaya Hotel. Paul was a very interesting character, and the reason I raise it is that—basically, this was a joint venture hotel that was set up in [4:00:00] the Soviet days. It was called Americom [Business Center]. Some people in Moscow really wanted to take over that property. And Paul Tatum, to his credit, said, "No way." He fought them and fought them and fought them. Paul ended up getting assassinated in a *perekhod* [underground street crossing] near the Slavyanskaya Hotel in Moscow, and it was absolutely tragic. One of the things I always tell people is—I mean, Paul was very stubborn about this. I knew Paul very well. And no matter what, no matter how stubborn he was, right, wrong, anything, Paul did not deserve to die. If it were me, I would hope you'd find another resolution. But Paul felt like this was going to be taken from him and he was going to fight it tooth and nail.

This was earlier in the '90s, and I don't mean to compare Paul and Mikhail at all, because that's probably unfair. But I do think they were both very stubborn and felt that they were absolutely right. And it's entirely possible, and maybe even more than just possible, that they were right. The consequences with Paul and then the consequences for Mr. Khodorkovsky were really just tragic. That's the way that I look at it. I feel so bad. I remember going to Paul's memorial service that we had in Moscow. It was tragic, it was sad. Paul was crazy in terms of as an investor in Russia, but maybe that's why he was an investor in Russia. He came over and he built this thing. And Khodorkovsky built this even bigger thing. But that's what Russia's like. Russia in the '90s was this—my God, people were pouring in there, we had all this optimism as I said before, and all these visions, and everything seemed possible. People were maybe going around a few—bending a few rules, let's put it that way. But never that we would ever see any tragic consequences there.

I don't mind people losing ninety-three percent, especially if you're a billionaire. I'm not. When, what was his name, Zuckerberg, lost whatever it was—you know. Again, there are certain risks that people understood. As I said, from my standpoint, in talking to people, there were risks that people were willing to take. And then there are other risks. I think what happened to Paul, I think what happened to Yukos Oil Company, those were not risks that we really envisioned was what was going to happen.

Thank God they're the exceptional cases, and so I can sit here and try and give a sort of measured—I hope measured—feeling about Russia, in that there's good and bad, and it's not Dodge City with pavement. People weren't getting killed. Certainly, not once you got through the '90s, and even in the '90s, it wasn't a completely lawless place by any stretch of the imagination. It really wasn't. We were building the new laws and we really felt that we were building the rule of law.

Now, one thing that you have to remember that Mr. Putin said—and it's one of the favorite phrases, in a tragic sense, is—we always talk about the rule of law. We wanted to establish a rules-based system, a rule of law. And Mr. Putin called it *diktatura prava*, the dictatorship of the law. And I don't know how to take that. On the one, hand I agree with him. The law should be a dictator. It should be inviolate, it should be supreme, just like we talk about our constitution. On the other hand, I'm not sure what he meant by dictatorship of the law. [4:05:00] I think there are some days when people look back on the '90s and the 2000s, and say, "Is it a dictatorship or is it a dictatorship of the law?" And if you start from where we were in '92 and '93, certainly the rule of law is much more present than it was then, just vastly.

And throughout the '90s, that's exactly what we were doing. But there is a bit of capriciousness in certain individual circumstances. I think in terms of the vast majority of the investors that I worked with, they understood those risks. I go back to the Nestlé example I was giving. If you told Nestlé that some of their product might have been going out the back door, they would've said, "That's a risk," you know what I mean? There are certain risks that you're going to have in a country. These two examples that I just gave, they don't countervail everything that we said, but these are not the risks that I think should be present in that place. Again, Russia's terrifyingly interesting, *strashno interesno*, unfortunately.

So after Khodorkovsky is arrested, the listing's not going to happen.

Nope.

What impact did that arrest have on the rest of your legal work?

Even though I wasn't living in Russia anymore at that time, I was in Russia one week out of three. I wasn't there 180 days, so I wasn't a taxpayer. I was there half the time. We spent a lot of time talking about it. Obviously, it was a huge shock to everybody that this happened. But looking back on it—I'm not even talking about from this vantage point—but pretty quickly, it became a blip on the screen in terms of the market. The people and investors, whatever their views are, once people realized that this is probably a one-off, they continued to invest in Russia. There were a lot of people who felt like this should be decried, and that modern states don't do this to their citizens and so forth. A lot of people were willing to write it off or overlook it. I think in some ways, partially because not all the facts were on Yukos' side in the sense that they were, you know, it's the '90s, nothing wrong, it was just an interesting time period. Nothing to ever justify what happened in my own mind.

But, moving back and looking at it now from the market side, as opposed to my personal side where I'm shocked, I think people just said that it's not going to affect the broader society.

There's no campaign against the oligarchs. That's why I told that thing about the bicycle riders and the Jews. Mr. Gusinsky lost his empire, he moved to the United States, actually became a citizen of Gibraltar. Mr. Berezovsky left. These are complex characters. Each one of these folks had a story.

At a time, people were thinking that maybe this was going to be a broader movement against the oligarchs, and it turned out to not be true, or at least didn't happen. I think the market just ended up shrugging it off. I'm still shocked to this day that the market shrugged it off. But, again, I am absolutely the wrong person to be judging this, because the folks who really are [4:10:00] the investors, they're the ones who really made this decision. So many other things have overtaken—the 2008 crisis, and then, my God, 2014, and after that, that this is a complete blip on the screen. To me, it's not a blip. To me, it's a big deal. But there's so many other bigger issues here, that Russia consolidated its ownership, essentially, of the oil industry. There are still independent oil companies.

One of the things that Yukos was doing that a lot of people may not realize is Yukos was in talks with major U.S. oil companies—I have not to name it—to take a stake in Yukos Oil Company before Mr. Khodorkovsky was arrested.¹² I'm not tying those two together.

I think that that's on the Internet.

Oh, it is?

I think, yes.

Yeah, number two guy at that oil company was Rex Tillerson. The reason I raise that is, I was very much involved with all of that, and the question now becomes today—and I don't know the answer to it—would the Russian government have ever considered letting an American oil company come in and take that large a stake in one of the major Russian oil companies? I'm not saying it because it has anything to do with Yukos or Mr. Khodorkovsky or anything like that. Just as a general matter. I think as you look back on that from 2018, the answer is a definitive no. I don't know what the answer was back then, but these days, I don't think the Americans would let a Russian oil company buy up, or buy a major part of, a U.S. oil company, given where things stand.

But back then, we really thought it was possible. It may just again demonstrate my naivete—"don't judge, Robert." If Robert says, "What do you think's going to happen tomorrow?"—don't buy it for a second. I get it. But there were really serious negotiations on that. And at that time, you also have to understand Yukos was in the process of becoming a larger oil company because they had taken over Sibneft. Well, they had merged with Sibneft. What was going on here was a much bigger deal at that time. I haven't focused on it because it's outside the '90s. But it was a much bigger deal at the time. It was now the leading producer of oil measured in barrels per day in Russia. This was the number one company in Russia. Well, Gazprom was probably technically the number one company in Russia.

So, this was a major, major, major company. The fact that all this happened was absolutely inconceivable to us with all the things that were going to happen. That's why I was shocked, to put it in context. Russia has now consolidated. Maybe it was demonstrating that, at the end of the day, the state is most powerful. And look, the United States is that way, too. I'm not trying to get into whataboutism, but what I mean is, all countries have a certain measure of that. I think that the hard part—and just to tie it into what we were talking about before—is, as a lawyer working in Russia—I'm doing this now for virtually almost thirty years—I'd love to be able to say that I can spot all the risks. But you can't always. And it's a good lesson that it teaches you, that you can't always spot all of the risks.

Having said that, you also can't really predict the future. Yogi Berra once said, "The difficulty about predicting the future is you don't know what's going to happen tomorrow," or something like that. I don't know. But he's right. And that's the thing, I can tell you, "Here's what I think is going to happen." But we really don't know. I think for me, [4:15:00] one of the things that the '90s taught me is I literally had no idea of what was going to happen from day to day. It was a valuable lesson.

Speaking of risks, did you face any as a result of being involved with Yukos?

No. At the end of the day, probably more than I know, but not compared to what the other folks did. For me, really at the end of the day, no. But some of the other folks did. And as I said, that's why I kind of feel bad—"that cut I got on my finger was really painful." No, I'm kidding. Because I got involved so late in Yukos, no, I didn't really know anything. I'm convinced that I didn't know anything. As I like to say, if I had a document, the state had six other copies of that document. And that's not because they're bugging my phone. It's just there was nothing that I knew that nobody else knew. I'm very convinced of that. And maybe I was just, again, dumb? Fortunate? I don't know. Some people got treated a lot worse than I did.

[END OF INTERVIEW]

¹ Refers to the adoption of Christianity in Kievan Rus' in 988.

² The World Trade Center Moscow, *Tsentr mezhdonarodnoi torgovli*.

³ Abbreviation for the State Committee on the State of Emergency, responsible for the attempted coup d'état against General Secretary Mikhail Gorbachev in August 1991.

⁴ Refers to Grigory Alexeyevich Yavlinsky.

⁵ The full quotation is "*Strogost' rossiiskikh zakonov smiagchaetsia neobiazatel'nost'iu ikh ispolneniya*."

⁶ An estimated 46 people died at Ostankino Tower in October 1993 during Russia's constitutional crisis:

<https://echo.msk.ru/programs/netak/547409-echo>

⁷ Refers to the Russian Supreme Soviet, the administrative body led by Ruslan Khasbulatov in opposition to President Yeltsin in the 1993 crisis.

⁸ Per Russian naming conventions, laws typically begin with the words "law on" and referred to beginning with "on," or *o* in Russian.

⁹ Paraphrase.

¹⁰ "Loans for shares" was one of the most controversial of the Yeltsin government's privatization programs. For two opposing views from recent academic debate on loans for shares, see Daniel Treisman (2010) "Loans for Shares" Revisited, *Post-Soviet Affairs*, 26:3, 207-227, DOI: [10.2747/1060-586X.26.3.207](https://doi.org/10.2747/1060-586X.26.3.207) and Chapter 5 in Carol Scott

Leonard & David Pitt-Watson (2013) Privatization and Transition in Russia in the Early 1990s. Routledge, DOI: [10.4324/9780203766828](https://doi.org/10.4324/9780203766828).

¹¹ The Federal Commission on Securities Market of Russia.

¹² For an overview of the Yukos/Exxon negotiations, see: <https://www.nytimes.com/2003/10/02/business/exxon-may-offer-25-billion-for-40-of-yukos.html>. Khodorkovsky was arrested on October 25, 2003.