



Mikhail Gorbachev joins Evgeny Lebedev (right) for a night of wolves and Czar power.

THE POISON-AND-CAVIAR WORLD OF RUSSIAN OLIGARCHS IN LONDON.

Ruble Rousers

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One night last June, 400 A-list guests and several packs of wolves descended upon Althorp, the ancestral home of the late Princess Diana. The guests--who included Orlando Bloom, Elle MacPherson, and Salman Rushdie--had been invited to attend a fund-raiser for the Raisa Gorbachev Foundation, which helps childhood cancer victims in Russia. The wolves, who were led about the estate on leashes, had been hired to provide ambiance--specifically, that of a "Russian midsummer fantasy." Creating a tableau that, according to the *London Times*, not even "Keith Richards at the creative summit of his hallucinogenic powers could have conjured up," the wolves and celebrities were joined by a bejeweled camel, Cossacks on dancing horses, people in eighteenth-century costumes sitting in trees like a "scene from a Watteau painting," and--for a touch of contemporary flavor--U2's Bono, via video link from Dublin, and the hip-hop group the Black Eyed Peas. After a dinner that included jellied borsch with smoked sturgeon and golden Osetra caviar, the guests took part in a charity auction, bidding for prizes: a private dinner with co-host Mikhail Gorbachev in Moscow; a flight in a MiG fighter jet; and, for those yearning to experience the tough love of the Putin regime, a night in a Russian maximum-security prison.

This extraordinary party, wolves and all, was underwritten to the tune of \$2.3 million by Alexander Lebedev, a former KGB spy who now owns one-third of Aeroflot-Russian Airlines. The elder Lebedev maintains his primary residence in Moscow, but his 26-year-old son Evgeny went to British schools and now lives in the upscale neighborhood of Knightsbridge. The Lebedevs are part of a new generation of Russians who have invaded London, rippling Britain's aristocratic classes more than any group since the Arab sheiks arrived in opec-fueled limousines in the 1970s. These days, the main dining rooms at the Ivy and Cipriani are as likely to be tinkling with Russian as English. London real estate

agents have estimated that 20 percent of all houses sold for over \$10 million are sold to Russians. Of those sold for over \$30 million, the figure climbs to 50 percent. "Today, effectively, the Russians are the richest buyers we've got," says Trevor Abrahamson of Glentree Estates.

But, while London is awash in Russian oligarchs, the party at Althorp wasn't. Among those missing was 40-year-old Roman Abramovich, Britain's second-wealthiest resident, who bought the Chelsea football club for \$233 million in 2003 and is underwriting its \$200 million-a-year payroll. The perpetually unshaven college dropout, known as "Roma" among his fellow Russians, shuttles between Moscow and a \$54 million townhouse in Belgravia, a \$10 million townhouse in Knightsbridge, and a 440-acre estate in West Sussex that once belonged to the late King Hussein of Jordan, complete with two polo fields, a rifle range, and a go-kart track.

Also absent was Abramovich's former business partner, Boris Berezovsky, who presided over a vast automobile and media empire until President Vladimir Putin charged him with fraud and embezzlement and he fled the country for political asylum in Great Britain. Berezovsky's own list of posh properties--which include an \$8 million flat in Belgravia (registered to his daughter); two more in Kensington Gardens; an eight-bedroom, seventeenth-century Stanley House in Chelsea; and another estate in Surrey--puts him in the same rarefied billionaires' club as Abramovich. But the two are unlikely to appear together at a party. In 2005, Berezovsky accused the younger oligarch of buying out his shares too cheaply in Sibneft, the Siberian oil company, after he was forced to leave the country. These days, they communicate mainly through their lawyers. There is also a political subtext to their feud--one that highlights the astonishing degree to which these Russians remain intimately involved in life back home. Abramovich remains, on Putin's nomination, governor of the northeastern Russian region of Chukotka, and he is on cordial terms with the Russian leader. Berezovsky, on the other hand, has morphed into Putin's biggest nightmare: a sworn enemy with a big mouth, wads of cash, and a liberal agenda.

The strained relationship between Abramovich and Berezovsky is not unique. In fact, according to Alexander Terentyev, a former Russian TV editor who is researching the Russian migration phenomenon at the London School of Economics, the oligarchs move in separate, often secretive circles. They can frequently be seen traveling the city in blacked-out Mercedes, surrounded by coterie of ex-SAS bodyguards. Because of this factionalism, Evgeny Lebedev, who chairs the Raisa Gorbachev Foundation and co-hosted the party at Althorp, said he didn't succeed in persuading a single Russian oligarch to attend the benefit. "Russian wealthy people seem to be quite interested in their own causes, and not very helpful toward others," the younger Lebedev explained to me after returning from Oscar-night partying in Los Angeles. "That seems to be a problem with Russian society as a whole, not just philanthropy. People, at best, don't help each other; and, at worst, they make it worse for each other. They compete with each other."

But, as with Abramovich and Berezovsky, the reasons why London's Russian oligarchs tend to go their own ways range deeper than disputes over cheaply purchased oil shares

or divergent preferences for charities. In many ways, they are competing to shape Russia's future.

Eight months ago, I arrived in London after three years of living and working as a reporter in Moscow. I was lonely for *pelmeni* dumplings with sour cream, for the soul-scorching folk songs of Zhanna Bichevskaya, and for long winter nights drinking and smoking and arguing at kitchen tables till dawn. Although cool Britannia seemed like an unlikely setting for these emotion-filled Russian pastimes, I had heard that perhaps 300,000 Russians now lived there, at least part-time, and so I held out hope. But what I quickly realized was that London's Russians eagerly blended in with the culture of their British hosts. They had created no ethnic enclaves (unlike, say, the Pakistanis or Somalis), gravitated toward quintessentially British, upscale areas like Bond Street or Ascot Park or neighborhood financial pubs in the City, and were more likely to be eating sushi than borsch. In fact, it was easy to forget they were even there until last November, when former KGB agent Alexander Litvinenko died after ingesting, apparently at a piano bar in Mayfair, a colossal dose of radioactive Polonium-210.

Suddenly, the biggest Russian news story of the past several years, one that shined a harsh new international spotlight on the character of the Putin government, was taking place not in Russia, but in London. London's hidden Russian community began to come out of the woodwork: The newspapers were filled with quotes from resident ex-KGB spies like Oleg Gordievsky, and there was speculation that Litvinenko had been killed because of his associations with Berezovsky or because he had been involved in dealings with London's Chechens. The Litvinenko murder revealed that Britain has quietly become not only the single greatest center of Russian capital outside Moscow, but a turbulent seat of Russian opposition.

This isn't the first time London has played host to Russians dreaming of a new political era. On a winter day, I went to visit Highgate Cemetery, where Litvinenko's grave lies in a locked, fenced-off quarter. Highgate's winding byways, with their mossy tombstones and spooky Gothic mausoleums, seem destined to act as paths of pilgrimage for those with a point to make in faraway Russia. First, there is the towering monument to Karl Marx, who spent the latter years of his life in London, penning the revolutionary tomes that eventually helped bring down the czarist government. Vladimir Lenin would have paid his respects here as a young revolutionary; the office where he briefly edited the Russian Social Democratic Labor Party journal was only a few miles away. Now in a slightly less imposing locale, but already greening under the relentless drizzle of a London winter, there is the grave of Litvinenko with its lead-lined coffin, attracting its own sporadic stream of family and friends.

Litvinenko was no Marx; the *Kapital* that the communist ideologue warned about is thriving in today's Russia. Thanks to the booming oil market, last year Russia had the largest state budget surplus of any nation in the world, and it is sitting on gold and currency reserves that have now reached \$303 billion. But by last year, according to the

Bank for International Settlements, Russian citizens had stashed \$220 billion in banks abroad, particularly in Great Britain--more, in fact, than all the money on deposit inside Russia itself. The fact that so many are heading for the exits--or, at least, setting up their children or spouses abroad and putting their capital in British banks--says much about the level of confidence among those whose billions Russia needs for rebuilding its disastrously crumbling infrastructure, building new production in less oil-dependent sectors, and maintaining a robust tax base.

Looked at another way, though, it may be that the growing links between the Russian power elite and one of the most liberal, international cities on earth will ultimately lead to a more democratic Russia. "So many people now have this double life between Britain and Russia," explains Terentyev. "This experience can't help but influence the Russian development, and in a Western direction."

In 2004, not long after the Russian government arrested Mikhail Khodorkovsky, the CEO of Yukos, then Russia's biggest private oil company, London was treated to the spectacle of 100 silver limousines parading past the Russian Embassy. Timed to coincide with the preliminary hearings in Khodorkovsky's case, they tied up traffic in the central city for an hour. The only man with enough money to spend hundreds of thousands of dollars to annoy the Russian government, and the motive to do so, was the original limousine liberal, Boris Berezovsky.

Berezovsky has used the elegant confines of his office in Mayfair as a platform for waging war on Putin's government. And it is a war. In an interview with Russia's Echo of Moscow radio station in January, the tycoon announced he had been working on a coup plan for the past 18 months to replace the "anti-constitutional regime" in Russia with "a coup, a forced seizure of power." (Later, he backtracked, saying he was talking about a bloodless seizure of power like the Rose and Orange revolutions in Georgia and Ukraine, which, of course, the Kremlin fears even more than a military coup.)

On a recent afternoon, I went to Berezovsky's heavily guarded office. Traces of Polonium-210 had been discovered there, and, after the clean-up, his staff had reupholstered two deep, pillowed chairs in front of his desk. I avoided the chairs and sat on the sofa instead, next to a statue of a small bronze panther leaping at three terrified horses.

Berezovsky is a dark, intense, balding man with a seemingly endless supply of murky conspiracies up his sleeve. He speaks in broken English, fractured partly by his heavy accent and partly by the cell phones and urgent knocks on the office door that continually distract him. During our visit, he told me he is convinced the Kremlin is behind Litvinenko's murder.

Berezovsky isn't the only one who subscribes to this theory. Putin has created a state so intolerant of opposition that it is possible to imagine that a dissident was murdered by his government in the heart of London with a radioactive isotope. He has presided over the greatest rollback of human rights since the communist era. His government has



sanctioned the arrest, torture, and murder of countless Chechens, while leveling their capital virtually to the ground; it has rolled over the press and failed to convict anyone for the murders of at least 13 journalists since Putin came to power in 2000. He has installed KGB veterans at nearly every significant level of government and allowed the security services to become a massive, corporate empire. And, in doing so, he has made himself and his government a target for reform-minded London oligarchs like Berezovsky.

But Putin's motives--and missteps--are more complicated than their portrayal in the Western press. Often forgotten in the international outcry over Khodorkovsky's arrest is the fact that the former Yukos executive, like some of the oligarchs currently living in Britain, made his billions by plundering the nation's industry after the collapse of the Soviet Union. In 1995, Khodorkovsky's Menatep Bank acquired Yukos from the state for a mere \$350 million; two years later, the company was valued at \$9

billion. Putin had the support of many ordinary Russians, living subsistence-level existences, when he rose up against the oligarchs and reasserted state control over key sectors of the Russian economy. He also rebuilt much of the nation's tax base and checkmated Khodorkovsky's plan to sell off Yukos, and possibly Sibneft, to Western oil companies.

Putin's attempts, however, to keep Russian capital in the country--and in state hands--backfired. The government takeover of Yukos was just one in a series of rollbacks on private investment that made foreign banks and London real estate look like comparatively safe cocoons for Russian capital. In addition, the ruinous \$27.5 billion tax bill imposed on Yukos--and the shady sale of its main production facility to state-controlled Rosneft--sent troubling signs to Western investors. In the end, the government's across-the-board moves against private property rights had the opposite of their intended effect, nearly quadrupling capital flight in 2004. (In 2005, the trend had reversed and Russia had a net positive capital inflow for the first time in years.) Great Britain became an especially attractive destination because it allows foreign residents to structure their accounts so that they can ferment offshore, unmolested by British taxes.

Russia is currently a rich country, with oil at \$60 per barrel. The oil stabilization fund alone stands at \$103 billion, and Russia has paid off its \$22 billion foreign debt on a stepped-up schedule. A few oligarch billions in Britain represent barely a speck of dust on Putin's lapel. But, if oil prices fall to \$25 or \$30 a barrel, Russia's geopolitical heft could evaporate overnight--and the billions parked in Russian oligarchs' London real estate, yachts, Boeings, and helicopters, and in their bank accounts and investments around the world, could leave the country without the tax base or productive capacity to dig itself out of a calamitous hole.

Abramovich, the reigning czar of London's émigré community, is trying to prevent this scenario by continuing to invest in Russia. And, while he spends an increasing amount of time in Great Britain and has installed his children in British schools, he says he



Roman Abramovich (inset) and one of his modest English dachas.



Oligarch-cum-liberal Boris Berezovsky gets in the head of his nemesis Vladimir Putin.

considers Moscow his primary residence. Although most of his oil and aluminum holdings have been sold off, last year his London-based Millhouse Capital acquired a 41 percent stake in the Russian steel smelting conglomerate Evraz Group, effectively returning \$3.1 billion in capital to Russia and setting the stage for assembling a major new Russian metals conglomerate with the Kremlin. Abramovich, unlike Berezovsky and Khodorkovsky, has been careful not to step over the clear line Putin drew for Russia's oligarchs shortly after his election: Keep your ill-gotten gains, but stay out of politics. In his rare public statements, he is careful not to criticize the state of Russia's democracy. When Putin early this year signaled his desire for the oligarch to continue pouring millions of dollars of his own money into the impoverished Chukotka province as its governor--an effective social tax of mammoth proportions--Abramovich did just that. His skillfully managed relationship with the Kremlin has allowed Abramovich to not only continue investing in Russia but to magnify his holdings by stunning proportions.

Or Berezovsky, on the other hand, Great Britain serves as a secure--and even inspirational--launching pad for his reform movement. "This country is the greatest world democracy today, where you feel really independent of the executive and court system," he tells me. "It's completely different from Russia. So many businesspeople in Russia are under pressure of the state, under pressure of security services, and so on."

Like Abramovich's position, Berezovsky's is not without a large element of self-interest. As illustrated by a photo on his office wall of himself talking confidentially into Boris Yeltsin's ear, Berezovsky was once the godfather of the oligarchic family that helped launch Yeltsin and select Putin as his heir apparent. Though he clearly has come to believe in the importance of democratic reform, he also stands to regain much of his lost financial empire if he succeeds in undermining Putin's powerful grip.

The Litvinenko murder has provided Berezovsky with the perfect shiv to attack his former protégé. During our interview, he advanced the theory that Andrei Lugovoy, the former Russian KGB agent who had tea with Litvinenko on November 1, poisoned him at the Kremlin's behest. (Lugovoy claims he is a fellow victim, not a perpetrator.) "One day before the first of November, on the thirty-first of October, Mr. Lugovoy--who now is suspected to be the killer--he was sitting in this room in front of me, and we drank wine with him. And he had no less chances to poison me in this office where we are present now than to do the same in the hotel, putting polonium to a cup of tea of my friend Alexander," Berezovsky says, leaning forward intensely and nodding toward the poisonous chairs.

Why then, I ask, didn't Lugovoy try to kill *him*? Wasn't he a meatier target? "It's very good question," Berezovsky says, lapsing into characteristic mystery. "I have more or less clear answer ... myself to this question. But I can't tell you what it is right now."

Berezovsky has very real reasons to fear the Putin government. Not least among them is that extraditing him and forcing him to face trial on charges of fraud and embezzlement has held one of the top places on Russia's diplomatic agenda with Great Britain. Putin's rush to get Berezovsky back to Russia may also have something to do with the zeal of his reform movement activities. From Great Britain, Berezovsky has funded a series of human rights groups, soldiers' mothers groups, and press-freedom organizations inside Russia. He adopted the name of the nineteenth-century dissident Alexander Herzen's newsletter, *Kolokol*, or Bell, for the Internet newsletter he published until recently through his New Yorkbased International Foundation for Civil Liberties, though he claims it's not a direct reference to Herzen. In March, a major opposition protest broke out in St. Petersburg, with several thousand demonstrators chanting "Shame!" as they marched through the streets, before many were clubbed and dragged away to jail by the police. Some were carrying banners in support of Berezovsky, news agencies reported.

Berezovsky claims his biggest project was pouring as much as \$50 million into the Orange Revolution to counter the Kremlin's campaign to keep Ukraine within Russia's orbit. (President Viktor Yushchenko denied getting any money from the London tycoon--it would have been illegal under Ukrainian law--but Berezovsky's people say the Kremlin was spending "billions" on the other side.) His support for the Orange Revolution was directed not at Ukraine, he says, but to inspire Russian activists "to help Russia move to democracy."

Berezovsky is one of a trio of figures--Litvinenko was another, along with Chechen resistance leader Akhmad Zakayev--who have formed the backbone of the London-based opposition to Putin's government that seeks to discredit the Kremlin and mobilize international support against the war in Chechnya. "People say that we're out to make trouble for Putin. But we're saying that of course we're here to promote democracy and human rights. And what that means is in the eye of the beholder," says Alex Goldfarb, a longtime Berezovsky aide and friend of Litvinenko who is co-writing a book about the former KGB agent's death with his widow, Marina.

Litvinenko supplied the names, birthdates, and photographs of the skeletons in Moscow's closets to Berezovsky and others, thanks to his contacts with former colleagues at the FSB. He made his first big splash in London with a book claiming that the FSB had engineered a series of deadly apartment bombings in Russia during the run-up to the 2000 elections, an allegation Kremlin spokesman Dmitri Peskov has said was "a product of an ill brain." Lately, however, his revelations about corruption and violence in the Russian halls of power had become so frequent, and often so outrageous, they had begun to fade into background noise. Last July, Litvinenko amazed even his friends when he riffed off the much-photographed kiss Putin had planted on the bare belly of a five-year-old boy, publishing an article on a website linked to the Chechen rebels claiming that videotapes existed within the FSB's internal security directorate of Putin having sex with underage boys. No hint of documentation supported the claim. Most people ignored it. But Goldfarb believes it could have been the last straw, the one final irritation out of London that, only a little more than a year before Russia's crucial 2008 presidential elections, put a teacup full of polonium in Litvinenko's hands.

The Litvinenko episode may have done more than just thrust London's shy Russian community into the spotlight. Berezovsky, for one, believes that it's contributed to a newfound sympathy for his gospel of undermining Putin and making sure he isn't able to hold onto power, or handpick a successor, in 2008. "When I came to London in 2001 and made a lot of public presentations, trying to explain that Putin was starting to destroy Russia, ninety-five percent of the audience didn't believe me," he says. "And, now, I present the same arguments, the same understanding, for sure based on new facts, and ninety-nine percent of the audience accepts now my position."

But Berezovsky tends to play much better in London than he does in Russia--or even, for that matter, among the rest of the Russian expatriates, many of whom see his campaign for "reform" as a bold front for rehabilitating his financial empire and big business domination of the government back in Russia. Putin encourages this view. When asked recently about the Litvinenko case, he turned almost immediately to the London oligarchs. "They are people hiding from Russian justice for crimes they committed on the territory of the Russian Federation--first and foremost, economic crimes," he told reporters. Many in Russia likewise see the forays of Berezovsky and other businessmen into Great Britain (and the United States and Israel) as leaving home with the household icons in their suitcase. "Tell me this. Is it good for Nigeria whether its millionaires are all in London? Is it? Then why do you ask me if it is good for Russia that its millionaires are in London?" says Boris Kagarlitsky, director of the Institute of Globalization Studies in Moscow. "This is an excellent liberal idea--that what is good for the money is good, full stop, even if people have to die for it. They keep saying, There is no good way to use this money in Russia.' And that's exactly right: Let people die and not spend a penny, because it is more profitable [to spend it] somewhere else," he said. "What we need in Russia is we need to rebuild the entire infrastructure of this country, which was totally neglected for twenty years. The electricity systems are falling apart, even the elevators in the apartment houses are falling apart. Will you make a lot of profit out of rebuilding that? Of course not. Where if you go to the London stock exchange, you will make millions."

What Kagarlitsky has put his finger on is not all that surprising: The oligarchs are ultimately less interested in shaping Russia's future than their own. London has become a place where they can play out their fantasies, preferring to run with the wolves on English estates rather than from Putin back at home. But they're not the only ones. Many of those who no longer have the Kremlin's ear, including even former members of Putin's own administration, are quietly stashing their nest eggs in London. "Most Russians don't want to be identified as having a safe haven," said one banker familiar with the Russian community. "They all want to be seen as happy patriots in their own country. But ... they're all scared. Because, in Russia, one day you're in, and the next day you're out. There's no rule of law. Anything could happen."

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