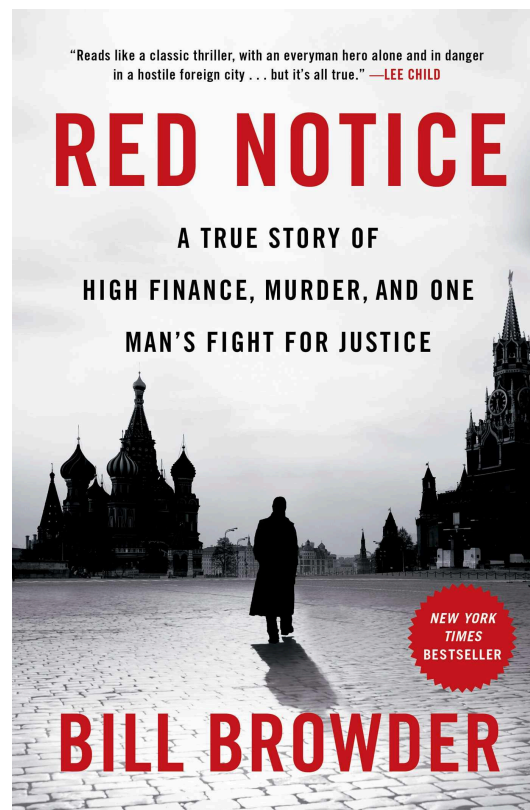


Book Notes: [Red Notice](#), by Bill Browder
February 2015, 416 pages.



My Review (March 2015):

One does not need to open a dusty old copy of Gulag Archipelago to read about tyranny in Russia. That is so last century.

Maybe millions are not suffering purges and dying in Siberian labor camps. But that evil still exists in Russia. It is profitable. And like the genocide of the past, it comes from the top.

Bill Browder was a hedge fund manager in Moscow shortly after the Soviet bankruptcy. He was astonished to find investment opportunities that were reasonably valued at 1-2% of their true value. It was through Bill's fund that Western dollars flowed into the new Russian private sector (voucher privatization) in the 90's.

But while the faces that redistributed Poland, East Germany and other countries 75 years ago may have changed, the greed, criminal inspirations and disdain for human rights have not.

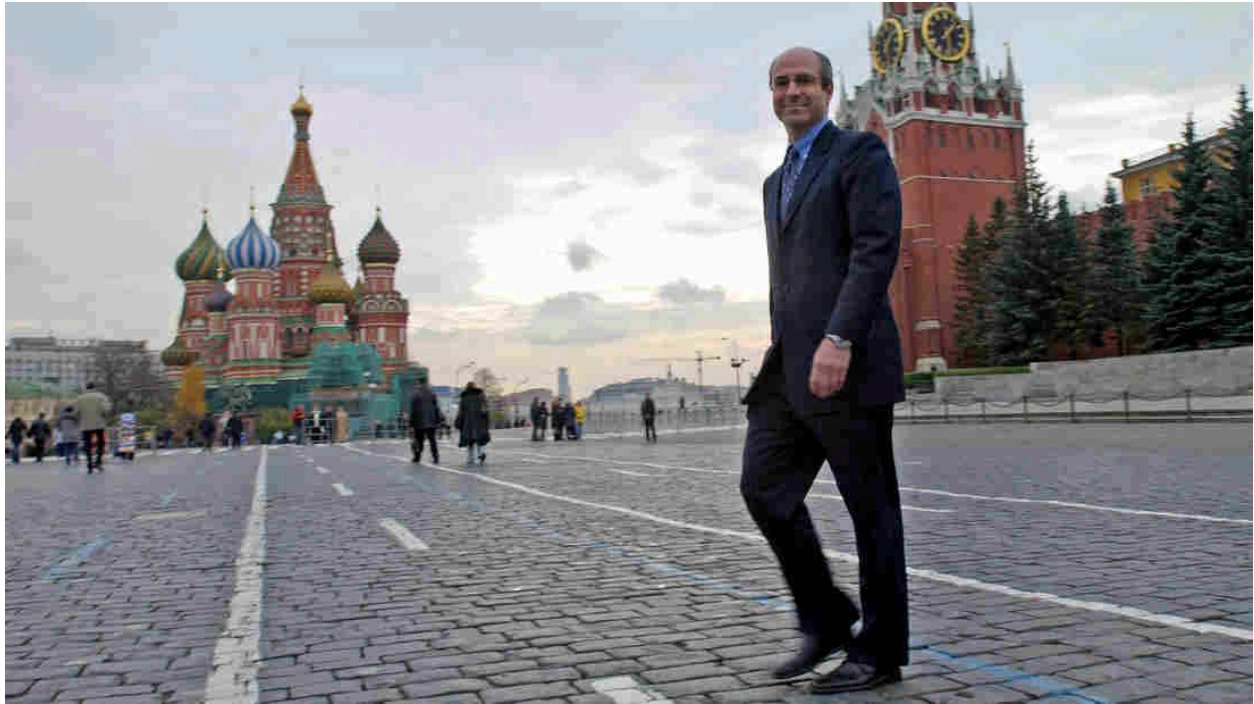
While not the focus of the book, you'll read how Barack Obama, John Kerry and Harry Reid all played a part in this story of corruption and murder. You'll read about the author's uphill and

exhausting battle to get human rights legislation through these barriers in the US congress and White House. He overcame huge odds.

My biggest take-aways from this book are the explanations of “why?” Russians act as they do. What are the cultural influences that have led to their seemingly illogical behavior in personal, business and international interactions?

This book can also serve as a “how to” manual for both predicting the behavior of tyrants and corrupt officials, and how to expose their actions.

Red Notice is a fantastic book. It is a story of evil and justice, of fear and principle. I highly recommend this book to all audiences interested in foreign business, crime, corruption, tyranny and human rights abuses.



My questions for the author (pictured above):

1. How should have the post-Soviet Union privatized its wealth to achieve the intended benefits of the voucher privatization – putting the nation's wealth into the hands of every citizen?
 - a. Maybe a vesting schedule that would block citizens from selling everything on day 1?
2. The author is bold, principled and determined. Why did he, or people with those same traits, never consider politics?
3. What needs to happen in Russia before you'd feel safe investing there again?

My Notes:

P6:

“...in Russia there is no respect for the individual and his or her rights.”

P87:

The voucher privatization was meant to put the wealth of Russia into the hands of the people. The people, however, sold their shares in a hyper-inflation environment. “Instead of 150 million Russians sharing the spoils of mass privatization, Russia wound up with twenty-two oligarchs owning 39 percent of the economy and everyone else living in poverty.”

P96:

“Seventy years of communism had destroyed the work ethic of an entire nation. Millions of Russians had been sent to the gulags for showing the slightest hint of personal initiative.”

P116:

Russian proverb: “One day, a poor villager happens upon a magic talking fish that is ready to grant him a single wish. Overjoyed, the villager weighs his options: “Maybe a castle? Or even better – a thousand bars of gold? Why not a ship to sail the world?” As the villager is about to make his decision, the fish interrupts him to say that there is one important caveat: whatever the villager gets, his neighbor will receive two of the same. Without skipping a beat, the villager says, “In that case, please poke one of my eyes out.”

“The moral is simple: when it comes to money, Russians will gladly – gleefully, even – sacrifice their own success to screw their neighbor.”

P122:

“Every other time a foreigner got ripped off in Russia, they would engage in heated brainstorming sessions behind closed doors, attempting to figure out how to resist (just as we had done). But then their lawyers and advisors would point out that retaliation was infeasible and dangerous, and after all the tough talk, they would slink away like wounded animals.”

P125:

“The whole exercise was teaching me that Russian business culture is closer to that of a prison yard than anything else. In prison, all you have is your reputation. Your position is hard – earned and it is not relinquished easily. When someone is crossing the yard coming for you,

you cannot stand idly by. You have to kill him before he kills you. If you don't, and if you manage to survive the attack, you'll be deemed weak and before you know it, you will have lost your respect and become someone's bitch. This is the calculus that every oligarch and every Russian politician goes through every day."

P144:

"With no more incentive to behave, and with all these profits piling up after the devaluation, there was no longer any incentive not to steal. Why share profits with minority investors? What had they done to help? Nothing. With the brakes off, the oligarchs embarked on an orgy of stealing. The tools they used were many and with no law enforcement to stop them, their imaginations ran wild. They engaged in asset stripping, dilutions, transfer pricing, and embezzlement, to name a few of their tricks."

P155:

"How do you do a stealing analysis of a Russian company? This wasn't something they taught at Stanford Business School."

P156:

"I'd stumbled upon one of the most important cultural phenomena of post-Soviet Russia – **the exploding wealth gap.**"

"...by the year 2000 the richest person had become 250,000 times richer than the poorest person. This wealth disparity was created in such a short period of time that it poisoned the psychology of the nation. People were so angry that they were ready to spill their guts to anyone who wanted to talk about it."

P158:

"...the second most interesting cultural phenomenon in Russia – that it was **one of the most bureaucratic places in the world.**"

P161:

"Russians accepted the concept of corruption and graft in the abstract, but when they were given concrete examples of who was getting money and how much they were getting, they were furious."

P165:

"Basically, when it came to me and my anti-corruption campaigns, Putin was operating on the political maxim of "Your enemy's enemy is your friend," so he would make regular use of my

work as a pretext to knock his oligarch enemies off-balance. I was so wrapped up in my own success and the runaway returns of the fund that I didn't understand this. I naively thought that Putin was acting in the nation interest and was genuinely trying to clean up Russia."

P166:

"What saved me was not anyone's fear of the law, but paranoia. **Russia is a country that lives on conspiracy theories.** There are layers upon layers of explanations for why things happen, and none of them is straightforward. In the mind of an average Russian, it was inconceivable that an unassuming American guy who barely spoke Russian would aggressively be going after Russia's most powerful oligarchs on his own. The only plausible explanation was that I must have been operating as a proxy for someone powerful. Considering how each of my battles with the oligarchs led to an intervention by Putin or his government, most people assumed that this someone was none other than Vladimir Putin himself. It was a ridiculous thought. I had never met Putin in my life. But because everyone thought I was "Putin's guy," no one touched me."

P167:

My emotions were mixed about Khodorkovsky's arrest. In the short term, the Russian market would take a big hit and my fund would lose money if he stayed in jail for even a few days. Longer term, however, if he miraculously stayed in jail and this was to be the beginning of a crackdown on the oligarchs, it meant Russia had a chance at becoming a normal country. Ultimately, that would be a good thing, not just for the fund, but for everyone living in Russia."

P172:

"Russians always need a way to save face."

P188:

"What he [Putin] was saying was crystal clear: "We never mention enemies by name, and that includes Bill Browder. I am now instructing my law enforcement agencies to open up as many criminal cases against him as possible." If you think this interpretation is paranoid or an exaggeration, it wasn't. If anything, I wasn't being paranoid enough."

P195:

"...had become apparent to me from my decade in Russia was that **when an official asks to meet informally, it means only one thing: they want a bribe.**"

P214:

“Everything had now become clear. We had become the victims of something called a **“Russian Raider Attack.”** These typically involved corrupt police officers fabricating criminal cases, corrupt judges approving the seizure of assets, and organized criminals hurting anyone who stood in the way. The practice was so common that Vedomosti, the independent Russian newspaper, had even published a menu of ‘raider’ services with prices...”

“So the police raid our offices, seize a ton of documents, and then use a convicted killer to fraudulently reregister our companies?” “That’s exactly what happened,” Sergei said. “And it gets worse. Those documents were then used to forge a bunch of backdated contracts that claim your stolen company owes seventy-one million dollars to an empty shell company that you never did any business with.” “My God,” I said. “Wait. It gets worse. Those forged contracts were taken to court, and a lawyer who you didn’t hire showed up to defend your companies. As soon as the case started, he pleaded guilty to seventy-one million dollars in liabilities.”

P215:

“Russian stories never have happy endings.”

P228:

“I cannot forecast to you the action of Russia. It is a riddle wrapped in a mystery inside an enigma; but perhaps there is a key. That key is Russian national interest.” Fast-forward to 2008. Churchill’s observations about Russia were still correct, with one big proviso. **Instead of the national interest guiding Russia’s actions, they were now guided by money, specifically the criminal acquisition of money by government officials.”**

P232:

“... while the people we were fighting had no respect for the law, they had an almost slavish respect for procedure and bureaucracy. Just as he’d rattled the bad guys into moving the companies around, he thought he would rattle the police by inserting more evidence about their own involvement in the crime into the case file.”

P253:

“This isn’t 1937.”

P261:

“At the time, there were roughly 300,000 people who had been unjustly imprisoned in Russia.”

P271:

“... how corrupt Russian police worked – they abused their official status to steal money and terrorize their victims. They hid behind a wall of legitimacy granted by their status as law enforcement agents. The press would always report official statements as if they were truth because in most countries law enforcement agencies don’t openly lie.”

P276:

“That night, at 12:15am, the voice mail alert on my Blackberry vibrated. Nobody ever called my Blackberry. No one even knew the number. I looked at Elena and dialed into voice mail. There was one message. I heard a man in the midst of a savage beating. He was screaming and pleading. The recording lasted about two minutes and cut off mid-wail.”

P293:

“This is what they wanted to hear because **ever since Barack Obama had become president in 2009, the main policy of the US government toward Russia had been one of appeasement.**”

P298:

“Russian stories don’t have happy endings. **Russians are familiar with hardship, suffering, and despair – not with success and certainly not with justice. Not surprisingly, this has engendered in my Russians a deep-seated fatalism that stipulates that the world is bad, it will always be bad, and any attempt to change things is doomed.**”

P356:

“For the previous few years, Putin had sat comfortably in the Kremlin, knowing that whatever happened in the US Congress, President Obama opposed the Magnitsky Act. In Putin’s totalitarian mind, this was an ironclad guarantee that it would never become law. **But what Putin overlooked was that the United States was not Russia.**”

P359:

“Putin rarely projects his intentions and is one of the enigmatic leaders in the world. Unpredictability is his modus operandi. While he does this to keep his options open, **he also never backs down from a fight or shows any weakness.**”

P361:

“However, this whole affair cost Putin something much dearer than money: his aura of invincibility. **Humiliation is his currency – he uses it to get what he wants and to put people in their place. In his mind, he hasn’t succeeded until his opponent has failed, and**

he can't be happy until his opponent is miserable. In Putin's world, the humiliator cannot, under any circumstances, become the humiliatee. Yet this is precisely what happened in the wake of the adoption ban. What does a man like Putin do when he is humiliated? As we'd seen so many times before, he lashes out against the person who humiliated him. Ominously, that person was me."

P364:

"They were going to put the man they had killed on trial. Even Joseph Stalin, one of the most zealous mass murderers of all time, a man responsible for the deaths of at least 20 million Russians, never stooped to putting a dead man on trial. But in March 2013, that is exactly what Vladimir Putin did."

P375:

"I certainly don't do this out of bravery, though; I'm no braver than anyone else and I feel fear as much as the next person. But what I've discovered about fear is that no matter how scared I am at any particular moment, the feeling doesn't last. After a time it subsides. As anyone who lives in a war zone or who has a dangerous job will tell you, your body doesn't have the capacity to feel fear for an extended period. The more incidents you encounter, the more inured you become to them. I have to assume that there is a very real chance that Putin or members of his regime will have me killed someday."

P376:

"If you asked me when I was at Stanford Business School what I would have thought about giving up a life as a hedge fund manager to become a human rights activist, I would have looked at you as if you were out of your mind."

The late Sergei Magnitsky:

