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Q&A: Republican Entrepreneur Touts Obama's Reset

By Howard Amos

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Sucher firmly believes that Russia and America are fated to be friends. **Vladimir Filonov**

Listing just a few of his current jobs takes Bernard Sucher about a quarter of an hour.

Not only are there a lot of them, but they range across industries: from a board seat at MMK, a steelmaker founded under Stalin, to U.S.-based internet startups and a Moscow restaurant.

The common thread is Sucher's two decades of experience in Russia. And the office of the financial expert, philanthropist and aspiring public servant bears witness to a life thousands of kilometers from his childhood home in Detroit.

On one wall is a photograph of Sucher, with a full head of hair, shaking hands with Fred Berliner, one of the founders of the RTS Index in the early 1990s. And by his desk there is a sledgehammer he received as a present many years later after he jokingly told colleagues he was tapping his head to make the hair grow back. There are also pictures of his Adygei wife,

his children and a copy of recent research on Sergei Magnitsky.

Though a stalwart of Moscow's expatriate community for more than 20 years, Sucher, 52, is looking to expand his philanthropic and business activities in the United States. He said he already spends two weeks out of every seven there.

Bernard Sucher

Education

1983 — BA in Business Administration with a focus on Russian and Soviet Studies from the University of Michigan
2001 — Graduate of Columbia University Graduate School of Business, senior executive program

Work Experience

1984-1986 – Did cold calling for U.S.-based stockbroker E.F. Hutton
1986-1990 – Vice president at Cresvale, specializing in Japanese derivatives
1990-1993 – Executive director at Goldman Sachs
1993-2002 – Co-founder and then managing director at Troika Dialog
2002-2007 – Chairman of the Board at Alfa Capital
2007-2010 – Russia head at Bank of America-Merrill Lynch
2011– Member of the board of directors at Aton
2011– Member of the board at MMK
2011– Member of the board at Eastern Promises

Favorite book: “The Lord of the Rings” (1954-5) by J. R. R. Tolkien
Reading now: Stephen King’s “11/22/63” (2011) and Ibn Battuta
Movie pick: “Dr. Strangelove” (1964), directed by Stanley Kubrik
Favorite restaurant: Maharaja, 2/1 Starosadsky Pereulok, Moscow
Weekend getaway destination: Detroit

There were traces of nostalgia for what Sucher likened to the "Mad Max" film of Russia in the

wild 1990s in some of what he told The Moscow Times. But he remains engaged with developments in both the United States and Russia, even occasionally playing basketball with U.S. Ambassador Michael McFaul.

Sucher, 51, has come a long way to be a sought-after adviser for state and private companies alike. He first came to the Soviet Union as a penurious backpacker on a cruise liner to Odessa in 1980. After a lucrative stint on Wall Street, he returned to Russia in 1993 to live permanently.

Among dozens of subsequent investments, perhaps Starlite Diner, the watering hole of choice for homesick expats, is the most enduring. But the one he is most proud of — and something that combined his flair for finance with a new generation of Russian talent — was the establishment of brokerage Troika Dialog in the early 1990s.

Sucher worked at the firm alongside partner Ruben Vardanyan until 2002, when he left after a dispute. While he maintains that the respect he still feels for Vardanyan is mutual, he described their parting of ways as a "divorce."

State-controlled financial giant Sberbank bought Troika last year. Sucher said he understood Vardanyan's decision to sell, but he is openly critical of some trends in the banking sector.

In an interview that has been edited for length and clarity, Sucher spoke about Russian finance, how he does business, the plague of everyday corruption and his inability to quit the country he made his home 20 years ago.

Q: When will Moscow be an international financial center?

A: If by "international" you mean a place where significant numbers of foreign firms and investors go to raise capital and list securities, base cross-border financial businesses and develop professional talent for their global franchises, then I would not imagine such a thing happening in my lifetime.

Strong rule of law and deep pools of long-term domestic capital are essential predicates for a competitive financial center. Moscow has neither. You also need a more or less friendly regulatory regime, fairly open borders, a capable labor force and an adequate supply chain for supporting industry services.

A more realistic hope is that the Russian authorities, having set a very high bar for success, at least manage to accomplish credible reform of Russia's pension and savings industry. This would eventually get you long-term domestic capital. What I call the "Big Money." And Big Money has the clout to help nudge you toward rule of law. I'd like to think that I will live long enough to see that.

Q: Have there been any accomplishments?

A: The Central Depositary [editor's note: a structure that holds certified and uncertified securities and facilitates trading and other transactions] — if and when it arrives — will be a real achievement. We have been talking about a central depositary for something like 15 or 16 years.

Aton is a supporter of the merger between MICEX and RTS. Nonetheless, I think it is pretty strange that, when you say you are trying to build a competitive global financial center, your first meaningful step is to take out the single most creative and entrepreneurial actor in your own space. RTS was a tough competitor that kept innovating against state-controlled Goliath MICEX. Are you really advancing your national cause when you eliminate a source of innovation and entrepreneurship?

Q: How do you assess Sberbank's purchase of Troika?

A: Viewed narrowly, Sberbank's purchase of Troika is probably a fair transaction. But there are obvious grounds for concern.

First, in light of what we've seen in the West, where deposit-taking saving institutions have gotten themselves and their countries in serious trouble, is it really good for Russia that the nation's predominant piggy bank is now pursuing profit and glory in investment banking?

Second, is it good for Russia that a state-controlled oligopoly takes out of the market a privately owned firm that has been one of the most dynamic and innovative actors in the country's developing domestic capital markets?

My answer to both questions is "no." But only time will tell us what is the true cost to Russian markets and the economy as a whole.

Finally, since 2008-2009, the whole complex of state-owned banks, and banks with owners who are friends of the state, has lurched into a swamp of related-party transactions, consolidations and bailouts that are largely impervious to outside analysis. We've all seen this kind of movie before. The creepy music should clue us all in by now — it's called a horror show.

Q: Before switching your bets to Putin in July, you said you thought Medvedev would come back for a second term as president. Why did you get it wrong?

A: More specifically, I was convinced that whoever the new president might be, it would certainly not be Vladimir Putin. Why did I hold this view for so long? Simply put, the new president will face challenges that have proven intractable for anyone in the Kremlin to solve.

I thought that Putin — having led a charmed political life in the 2000s — would have been shrewd enough to avoid putting himself in a position where he will inevitably pay the price for failure. Well, he's made his choice. And now that he's done so, the downside seems a lot more obvious than the upside.

Q: How many jobs do you actually have at the moment?

A: For the next 20 years or whatever time I've got left, I am interested in being a lot more active in the United States than I am in any other sphere.

My main role in Russia is being a board member and adviser to the senior management of Aton. Outside of my sphere of experience I have several other roles. One is as a board member for MMK, Magnitogorsk Steel. I've never been involved in the steel industry and to be blunt I don't speak "steel" in English, let alone in Russian. It's a steep learning curve.

And then I am also a board member of a real estate company called Eastern Properties.

I also have businesses that I think of as "legacy businesses" — the most important of which is Starlite Diner. I also have legacy causes. The first of those is Tarusa Hospital where my business partner from another legacy business, Maxim Osipov, is a doctor. Maxim set about saving the hospital. To support his ultimately successful effort, we founded two charitable structures.

In the United States I am very involved in Venture for America — a new NGO trying to change the conversation about what American higher education is about. We don't think it's a particularly good thing that kids leave top universities and go on to become bankers, lawyers and consultants. These are jobs for middlemen. While Wall Street was very good to me, its gravitational pull has clearly led to a misallocation of precious human resources. The best and the brightest hardly ever go back into the core urban areas that really need the job creation.

And then I have various investments. One of which is Nation Builder — an Internet tool designed to help redemocratize American democracy. I am also working on an online project to assist Americans to invest properly in emerging markets. Altogether, I am involved in 19 or 20 such things.

Q: How do you deal with corruption?

A: I was lucky when I came to this country because I already had some money and, more importantly, I already had my own sense of what was right and wrong.

Since then, I have had many opportunities to make a great deal more money if I was willing to do things that were either unethical or illegal. It was never hard rejecting those things. What is hard, frankly, is seeing other people get away with it again, and again and again.

But if you run a business here, you work in an ethical swamp. You will not wade through it without the smell entering your nose and the dirt splashing on your clothes. I know that some businesses with which I've been associated in the past have paid off thugs in uniform. Is that corruption? Yes, it is. And pleading self-defense doesn't really make it stink any less.

I understand that from the perspective of the United States, or for people who don't live in this kind of environment, a man who cannot stop corruption impacting his life is simply another guilty party. But I don't think that you'll ever improve anything by sitting at a safe distance and simply judging others. If you want to make a difference, if you want to raise standards, you have to get involved. You have to work on it.

From what I've experienced, corruption in Russia is worse now than it ever was. And while it is really difficult today to see how the country shakes this off, others have done it. Russia must beat corruption or it will fail as a nation.

Q: What role does business play in all of this?

A: I really believe that the most revolutionary actor in Russian society is business. A lot of liberals would say they're disappointed that civil society hasn't developed more robustly. I can accept that. We can be disappointed that this state is shockingly similar to the state that it

superseded. But is that really so surprising? The Russian bureaucracy has been frustrating its supposed masters for hundreds of years. That's not new. What is new inside the country is business. And outside the country it's globalization. These dynamics and the dynamics between them are far stronger than any old ideology, or any corrupt bureaucracy. That's why I am still an optimist.

Q: Do you agree with Mitt Romney that Russia is the United States' No. 1 geopolitical foe?

A: That's rubbish. We are collaborating across a broad range of issues and, while we are hardly allies in the commonly accepted sense of the term, we are finding ourselves more and more often on the same side of the table. Whether we like it or not we are fated to be friends.

In general — and I say this as a Republican — the "reset" that [U.S. Ambassador] Mike McFaul was instrumental in conceiving and executing has brought real benefits to the United States. Its critics are just wrong.

Q: Is there anything about what you have seen and done in Russia that influences your work in Detroit?

A: Moscow in 1991 or 1993 was a crumbling ruin. Can you imagine places like Tverskaya being really dark because the streetlights didn't work? Those were the conditions that I lived in and which Muscovites had become used to by 1995 or 1996. And, because the country was effectively bankrupt, state power had receded from view. Both have an echo in Detroit today.

On the one hand that's a lot of freedom, but it's also the edge of chaos. The creativity that comes out of this desperation and the possibilities that come from land and people being priced really low, that's similar. Where the analogy breaks down is that the city of Detroit will not be rescued by the discovery of vast oil reserves beneath its streets.

Q: There are few Westerners who have remained so active for so long in the Russian business world. What's the closest you have come to quitting?

A: I have for years been trying to go home. But even if I am successful in that ambition, I don't imagine I'll ever entirely "leave" Russia. Business here is full of opportunity. I am lucky to have more friends in Russia than I can count. My wife was born in Moscow and our kids consider this their home country, too. When such things are part of the building blocks of your life, you may spend much of your time elsewhere, but you don't quit.

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