The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Catherine Belton's "Putin's People" is Essential Reading

"How the KGB Took Back Russia and then Took on the West."

By Emily Couch

October 17, 2021



Author Catherine Belton

The path taken by Catherine Belton's "Putin's People: How the KGB Took Back Russia and then Took on the West" is a well-trodden one. For those who have read Masha Gessen's "The Man Without a Face: The Unlikely Rise of Vladimir Putin," Ben Judah's "Fragile Empire: How Russia Fell In and Out of Love with Vladimir Putin," and – most recently – Mikhail Zygar's "All the Kremlin's Men: Inside the Court of Vladimir Putin," the contours of Belton's tale will be familiar. The unassuming KGB operative in Dresden, "the Family's" mistaken belief that this former-operative could be controlled, the theories about the horrific 1999 apartment bombing, the Yukos Affair – the well-known vignettes of Putin's ascent and consolidation of power are all here.

What sets Belton's telling of this story apart is the spotlight she turns upon the KGB's role in

the collapse of the Soviet Union and the rise of a revanchist Russia. Far from being the ruthless defenders of Marxist-Leninism that the Western imagination might believe them to be, the security service, she argues, saw communist ideology as a millstone preventing the Soviet Union from successfully rivalling the West. The corruption of Western institutions and politicians, Belton asserts, is part of the "KGB capitalism" that governs Russia's political and economic life.

One of the book's most interesting contentions is that the apparent rise of the Russian Orthodox Church post-2012 has little to do with conservative ideology and everything to do with maintaining the kleptocratic Putin regime. "Most of this newfound religious zeal," writes Belton, "was in fact no more than cover. Inside Russia, the joining of Church and state was just another element of the erosion of any remnants of democracy." Belton's portrait of Konstantin Malofeyev – the shadowy founder of the Saint Vasily the Great Foundation who also happens to sit on the boards of state telecom giants Svyazinvest and Rostelecom – who forged many of Russia's links with European far-right and far-left parties, is illuminating.

The author's writing style is anything but dry. There is a bit of Charles Dickens – rarely does she introduce a character without a thumbnail description of their appearance, mannerisms, or personality – and John le Carré, to whom she gives a nod in the Chapter 3 subtitle "Submariner, Soldier, Trader, Spy." The vivid scene-setting that opens Part One embodies the noir, crime novel feel: "St Petersburg – it's early February 1992, and an official car from the city administration is slowly driving down the main streets of the city. A grey slush has been partially swept from the pavements, and people are trudging through the cold in thick anonymous coats, laden with bags and hunched against the wind."

Belton's focus on the complex connections between the Russian state, security apparatus, and organized crime comes at a timely moment as Western countries wake up, albeit belatedly, to the global challenges posed by kleptocracy. Defined by Merriam-Webster as "government by those who seek chiefly status and personal gain at the expense of the governed," the phenomenon is receiving increased media and political attention on both sides of the Atlantic. Her detailed depiction of the corrosive impact of KGB capital serves as a disturbing reminder of just how complicit the West has been – and, indeed, continues to be – in creating its own adversary.

Belton neatly sums up the damning verdict in the final chapter: "...the West's backing of the Kremlin's takeover of his company and its usurping of the rule of law facilitated the domination of Putin's security men, and furthered their integration into Western financial markets. The weakness of the Western capitalist system, in which money ultimately outweighed all other considerations, left it wide open for the Kremlin to manipulate."

Overall, Belton delivers a searing indictment of both the KGB men who undermined any hope for democracy in Russia and of the West for punishing the Putin regime with one hand while accepting its dirty money with the other. "Putin's People" is a must-read for all those interested in the tragic and twisted development of Russia's political and economic system.

Excerpt from Chapter Six, 'The Inner Circle Made Him'

For the first few years of Putin's presidency, these Leningrad KGB men, the *siloviki*, shared an uneasy power with the holdovers from the Yeltsin regime. They watched and learned as

Voloshin, the wily Kremlin chief of staff who Putin retained in the role, helped ensure that Putin inherited ‘a well-oiled machine’. Voloshin was the main Kremlin representative of the Family, a liberal in his economic views, but a statist in his political ones. He was among those who’d helped engineer the transfer of power to the KGB. An economist, he’d graduated from the Academy of Foreign Trade – which had always been associated with the First Chief Directorate, the foreign-intelligence division of the KGB – and then served as the deputy head of its Centre for Competitive Research in the perestroika years. Putin later sent Voloshin, who spoke fluent English, as a special envoy to discuss military matters with top generals in the US. In the beginning he proved a vital ally for the *siloviki* as he assisted Putin in pushing out political enemies.

Voloshin had also worked in tandem with the other leading figure who remained from the Yeltsin era, Mikhail Kasyanov, who Putin had reappointed as his prime minister. Having been in charge of foreign debt in his previous post as first deputy finance minister, Kasyanov was steeped in the murky debt deals that were the core of the shadow financing of the regime. Although he was a pro-Western economic liberal, he was seen as a safe pair of hands. But he was in fact the personification of the Yeltsin years, a deep-voiced, avuncular type with a reputation – strongly denied – for greasing the wheels behind the scenes that had earned him the nickname ‘Misha 2 Per Cent’.

In line with the relatively pro-market pitch he’d used to win the trust of the Yeltsin Family and then in his manifesto as president, Putin announced a series of liberal reforms that won him plaudits with economists across the globe and convinced investors of his market credentials. He introduced one of the world’s most competitive income-tax rates, a flat 13 per cent that at one swoop eradicated many of the problems with non-payment that had plagued the Yeltsin regime. He embarked on land reforms that allowed private property to be bought and sold, lifting another major brake on investment. As his presidential economic adviser, he’d hired Andrei Illarionov, widely regarded as one of the country’s most principled liberal economists. Amid the pro-market moves, oil prices – on which so much of the Russian budget depended – were finally starting to rise. And, buoyed by the surging inflows, Putin’s government began paying down the vast debts on funds the Yeltsin administration had borrowed from the IMF. The instability and chaos of the Yeltsin years seemed, finally, to be coming to an end.

The world was also cheered by Putin’s attempts to seek rapprochement with the West. One of his first acts as president was to close down the Lourdes listening station in Cuba, that Yegor Gaidar had fought so hard to maintain. He sought to build a close relationship with US president George W. Bush, and was the first world leader to call and express his condolences after the September 11 2001 attacks. He even defied the advice of his own defence minister – by that time Sergei Ivanov – and allowed the US access to military bases in Central Asia from which it could launch attacks in neighbouring Afghanistan. Putin’s KGB past was pushed into the background, as George W. Bush said that when he looked deep into his eyes he got a ‘sense of his soul’.

But all of this was short-lived. The early days of Putin’s presidency now seem an era of wishful thinking and great naïvety. According to Pugachev, the attempts at rapprochement with the West were made not out of any sense of generosity, but because Putin expected something in return. So when in June 2002 George W. Bush, after months of being courted by

Putin, announced that the United States was unilaterally withdrawing from the Anti-Ballistic Missile Treaty, a key arms agreement dating from the Cold War, Putin and his advisers felt betrayed. The withdrawal from the treaty would allow the US to begin testing a missile-defence system that it proposed to install in former Warsaw Pact states. The US claimed that it was intended as a defence against Iranian missiles, but Putin's administration saw it as directly aimed at Russia. 'It's clear the missile-defence shield can't be against any other country apart from Russia,' Voloshin told reporters. American officials, he said, had 'Cold War cockroaches in their head'. At the same time, NATO was continuing a relentless march east. Assurances given by a string of Western leaders to Gorbachev that there would be no eastern expansion were being ridden over roughshod. The final year of Yeltsin's rule had seen NATO swallow Poland, Hungary and the Czech Republic. In November 2000, NATO invited seven more Central and East European countries to join. It seemed to the Kremlin that the US was rubbing the West's dominance in their faces.

From the beginning, behind the appearance of liberal economics there was a strong undertow aimed at strengthening the control of the state. Putin's early reforms were in fact intended to establish an Augusto Pinochet-type rule, whereby economic reform would be pushed through with the 'totalitarian force' of a strong state. Almost as soon as he was elected, Pyotr Aven, the bespectacled economist who'd trained first with Gaidar and then at a KGB-linked institute of economics in Austria, had called on Putin to rule the country as Pinochet had ruled Chile. Putin, Aven was clearly hinting, was now in a position to complete Russia's market transition in the way Andropov had intended, before the process spiralled out of control. Aven was the former minister for foreign economic trade who'd signed off on the St Petersburg oil-for-food schemes on behalf of Prime Minister Gaidar, and who'd been involved in the international investigations firm Kroll's attempt to track down the missing Party gold, before the Russian government denied the firm access to the information Russian prosecutors had. By this time, he had joined forces with Mikhail Fridman, one of the young Komsomol who became one of the country's first entrepreneurs. Aven was president of Fridman's Alfa Bank, which formed the core of one of Russia's biggest financial industrial conglomerates, with holdings in oil and telecoms. Within the Alfa Group's financial network sat the director of one of its main holding companies in Gibraltar, Franz Wolf, the son of Markus Wolf, the Stasi's ruthless former intelligence chief.

The signs that Putin was seeking to carve out a different type of power were there from the start. Optimists hoped at first that he was carrying out a tightrope act, seeking to balance the relatively liberal, relatively pro-Western Yeltsin Family flank of his regime with the St Petersburg security men. But the influence of the KGB men began to far outweigh all else. Their world view was steeped in the logic of the Cold War, and gradually that came to define and mould Putin too. Seeking to restore Russia's might, they viewed the US as eternally seeking the break-up of their country and the weakening of its power. For them, the economy was to be harnessed as a weapon first to restore the power of the Russian state – and themselves as leaders of the KGB – and then against the West. Putin had, to some degree, retained some of the influence of the liberal Sobchak. But eventually, said Pugachev *[Sergei Pugachev – co-founder of Mezhprombank, known as Putin's banker, MT]*, 'the inner circle made him. They changed him into someone else. He got disappointed in the US and then he just wanted to get rich. It was the inner circle who pushed him to restore the state.'

The FSB chief Patrushev, in particular, had sought to tie Putin to the KGB security clan and its

Cold War views. He had been more senior than Putin within the FSB, holding top posts in the Moscow security services for most of the nineties, and when Putin was elevated first to FSB director and then to the presidency, he was sceptical and believed he could manipulate him. 'He was always the most decisive. Putin was nothing compared to him,' said a Kremlin insider. Patrushev wanted to bind Putin to the presidency so he would not ever be able to step away. He'd begun to do so from the very beginning of Putin's run for the presidency with the apartment bombings that led to the Chechen war. But for the first year, the Yeltsin Family seemed oblivious to this strand of Putin's background – or, believing that their own position had been secured, they did not want to know.

All the while, Pugachev moved in the shadows, watching over his protégé like a hawk, trying to balance the influence of the opposing forces – the Yeltsin Family and the security men – over the president. He attempted to shield Putin from attempts to bribe him, he said, instead paying for everything he needed himself. In Putin's first year in office, Pugachev said that he spent $50 million on meeting the Putin family's every need, down to buying the cutlery they used in their home. He bought apartments for prosecutors in order to make sure they were under the president's – and his – control. He insisted that this was essential to make sure the president and his prosecutors remained uncorrupted: 'There were always people proposing he take money for this, or for that. Mostly it was done through Yury Kovalchuk,' he said, referring to the St Petersburg ally who'd taken over Bank Rossiya, the main cash pot for Putin's St Petersburg allies. Pugachev claimed that he was trying to bring an end to the era when the oligarchs of the Yeltsin years believed they controlled the Kremlin by giving 'donations' to Kremlin officials – not realising, perhaps, that essentially he was doing exactly the same. 'I was just trying to make sure this didn't happen. The rules had to have changed,' he said.

Excerpted from "Putin's People: How the KGB Took Back Russia and then Took on the West," by Catherine Belton, published by William Collins, Great Britain, in 2020, and by Farrar, Straus and Giroux, U.S. 2020. Copyright © 2020 by Catherine Belton. Used by permission. All rights reserved. Footnotes have been removed to ease reading. For more information about Catherine Belton and her book, see her publisher's site here.

"Putin's People: How the KGB Took Back Russian and then Took on the West" has been shortlisted for the 2021 Pushkin House Book Prize.

Original url:
https://www.themoscowtimes.com/2021/10/17/catherine-beltons-putins-people-is-essential-reading-a75310