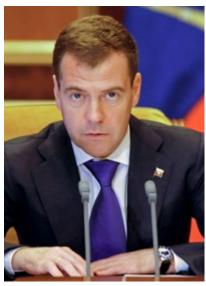
New American

Written by <u>William F. Jasper</u> on August 5, 2010



## "Breathing Pixie Dust" Investing in Russia

"Maybe I'm breathing the same pixie dust, but there's real momentum for this," says Esther Dyson, in a June 25 online article for Foreign Policy magazine reporting on Russian President Dmitry Medvedev's visit to California's Silicon Valley. Dyson, a globally celebrated technology guru, is a major promoter of Skolkovo, the ambitious project near Moscow that Kremlin leaders intend to make into a high-tech research and production center. (See Obama's Russia Adviser Michael McFaul and the Russian Spies.)



A one-time member of the Skolkovo advisory board, Dyson is the founder of EDventure holdings, which has invested heavily in Russian start-up companies. She sits on the advisory board of AmBAR, the American Business Association of Russian-speaking Professionals, which organized a major summit of American venture capital investors in Russia this past May. Dyson and AmBAR also were involved in facilitating Medvedev's tech-shopping trip to the United States in June.

For all her tech savvyness, supposed business acumen, and high-flying global connections, Dyson seems hopelessly star-struck with Medvedev, and unrealistically optimistic about his potential for changing Russia. The *Foreign Policy* article reports:

She was present at some of the events in Silicon Valley and was struck by Medvedev's level of engagement and bonhomie. "He is so sensible, he understands the issues," she said. "He's responsive, thoughtful, not at all bombastic. He gets the culture. You could stick him in a cubicle at Google, and no one would notice. But the issues persist, so the question is, can his mentality be expanded to everyone?"

Apparently, Dyson and other Medvedev cheerleaders were quite taken with the Russian President's easy delivery of scripted lines during his U.S. tour. On taking leave of California's Governor Schwarzenegger, Medvedev predictably borrowed quips from Arnold's action-hero movies. "I'll be back," he told Schwarzenegger. And with a wink, he added "Hasta la vista baby."

Esther Dyson is typical of the American elites who promote <u>East-West convergence</u> and claim to see a bright silver lining in every dark cloud over the Kremlin, a new blossoming of freedom in every <u>new</u> <u>concentration of power by the KGB/FSB</u>. A member of the Council on Foreign Relations (CFR) and an advisory board member of the Soros Medical Internet Project, Dyson is also well connected to the powers-that-be in Russia, including Putin, Medvedev, and unsavory oligarchs such as Yuri Milner, Alisher Usmanov, Roman Abramovich, and Viktor Vekselberg.

Bulgarian President <u>Georgi Parvanov has appointed Dyson</u> to the President's IT Advisory Council (PITAC). Bulgaria remains one of the most corrupt and oppressive regimes of the former Soviet empire, and President <u>Parvanov is a veteran of the Bulgarian secret police</u>, a subsidiary of the Soviet KGB.

Like other advocates of investing in Russia, Dyson claims to be a firm believer in free markets,

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transparency, openness, and accountability. However, she is perfectly willing to partner with entities run by the Russian state such as <u>RUSNANO</u>, for instance and to look the other way as the KGB/FSB operatives of the Putin-Medvedev government take down other outside investors. While claiming they are helping foster free-market reform in Russia and other parts of the former Soviet Union, many investors are actually helping brutal regimes fasten even more technologically efficient oppression upon their citizens.

#### Gangsters R Us

Goldman Sachs and other Wall Street insiders may qualify as gangsters in a certain sense, but they still do not have the raw power to seize property at gunpoint and murder with virtual impunity, as the "godfathers of the Kremlin" do.

Before investors fall for the latest Russia seduction and before taxpayers allow themselves to be signed on unwittingly as guarantors it would behoove all to be aware of some very recent history of the perils of doing business in Russia.

Bill Browder, CEO and founder of Hermitage Capital Management, was one of the largest Western investors in Russia. He is the grandson of Earl Browder, who was General Secretary of the Communist Party, USA during much of the 1930s and '40s. For awhile Bill Browder also was "breathing the pixie dust." He was a friend of Putin, Medvedev, and the Kremlin's ruling clique. Or so he thought. For the past several years, Bill Browder has been warning the world about the corruption permeating the supposedly reformed government of Putin and Medvedev, and the dangers of trying to do business in Russia.

The Browder/Hermitage case is not an isolated example. Even the big boys, with supposed inside political connections get taken down. As happened with British Petroleum, in the <u>TNK-BP joint venture</u>.

More recently, Yevgeny Chichvarkin, who appears to be one of Russia's legitimate entrepreneurs, was forced to flee Russia and seek asylum in England. Unlike the state-approved oligarchs who became instant billionaires by "privatizing" massive state assets, Chichvarkin built his mobile phone business from the ground up, starting with nothing.

Chichvarkin claims that in retribution for challenging the Putin power structure, his mother was brutally beaten to death. Russian officials claim that she died of a heart attack from natural causes.

Perhaps the "pixie dust" will protect Esther Dyson for awhile, anyway. But many of the Skolkovo investors are sure to get the Hermitage/BP treatment, or worse. And even favored <u>"angel investors"</u> such as Dyson may find out they need more than pixie dust to survive in Russia.

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Photo of Dmitry Medvedev: AP Images



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