

Trump's businesses are full of dirty Russian money. The scandal is that it's legal.

Shell companies put figures from Putin's Mafia into Trump Tower. Should that be worrying?

By Craig Unger

Collusion or not, President Trump and the Russians are thick as thieves.

What I mean is that for more than three decades, at least 13 people with known or alleged links to the Russian Mafia held the deeds to, lived in or ran criminal operations out of Trump Tower in New York or other Trump properties. I mean that many of them used Trump-branded real estate to launder vast amounts of money by buying multimillion-dollar condos through anonymous shell companies. I mean that the [Bayrock Group](#), a real estate development company that was based in Trump Tower and had ties to the Kremlin, came up with a new business model to franchise Trump condos after he lost billions of dollars in his Atlantic City casino developments, and helped make him rich again.

Yet Trump's relationship with the Russian underworld, a de facto state actor, has barely surfaced in the uproar surrounding Russia's interference in the 2016 campaign. That oversight may be explained in part by journalist Michael Kinsley's long-held maxim: The real scandal isn't what's illegal; it's what is legal.

Robert S. Mueller III, of course, is a prosecutor. His job as special counsel, now complete, was to decide whether to indict. But what if some of the most egregious and corrupt offenses are not illegal? Russian President Vladimir Putin has long insisted that American democracy itself is corrupt. Under his aegis, the Russians have methodically studied various components of the American body politic — campaign finance, our legal system, social media and perhaps especially the real estate industry — and exploited every loophole they could find.

As Oleg Kalugin, a former head of counterintelligence for the KGB, told me in an interview for my book "[House of Trump, House of Putin](#): The Untold Story of Donald Trump and the Russian Mafia," the Mafia amounts to "one of the branches of the Russian government today." Where Americans cracked down on the Italian American Mafia, Putin dealt with the Russian mob very differently. He co-opted it. He made it an integral part of his Mafia state. Russian gangsters became, in effect, Putin's enforcers. They had long and deep relationships. According to a [tape recording](#) made by former Russian agent Alexander Litvinenko a year before he was fatally poisoned in London, Putin had close ties to Semion Mogilevich, a top mobster, that dated to the early 1990s.

That criminals with ties to Russia bought Trump condos, partnered with Trump and were based at Trump Tower — his home, his place of work, the crown jewel of his empire — should be deeply concerning. It's not hard to conclude that, as a result, the president, wittingly or not, has long been compromised by a hostile foreign power, even if Mueller did not conclude that Trump colluded or conspired with the Russians.

Let's go back to 1984, when [David Bogatin](#), an [alleged](#) Russian gangster who arrived in the United States a few years earlier with \$3 in his pocket, sat down with Trump and bought not one but five condos, for a total of \$6 million — about \$15 million in today's dollars. What was most striking about the transaction was that at the time, according to David Cay Johnston's "The Making of Donald Trump," Trump Tower was one of only two major buildings in New York City that sold condos to buyers who used shell companies that allowed them to purchase real estate while concealing their identities. Thus, according to the New York state attorney general's office, when Trump closed the deal with Bogatin, whether he knew it or not, he had just helped launder money for the Russian Mafia.

And so began a 35-year relationship between Trump and Russian organized crime. Mind you, this was a period during which the disintegration of the Soviet Union had opened a fire-hose-like torrent of hundreds of billions of dollars in flight capital from oligarchs, wealthy apparatchiks and mobsters in Russia and its satellites. And who better to launder so much money for the Russians than Trump — selling them multimillion-dollar condos at top dollar, with little or no apparent scrutiny of who was buying them.

Over the next three decades, dozens of lawyers, accountants, real estate agents, mortgage brokers and other white-collar professionals came together to facilitate such transactions on a massive scale. According to a BuzzFeed [investigation](#), more than 1,300 condos, one-fifth of all Trump-branded condos sold in the United States since the 1980s, were shifted "in secretive, all-cash transactions that enable buyers to avoid legal scrutiny by shielding their finances and identities."

The Trump Organization has [dismissed](#) money laundering charges as unsubstantiated, and because it is so difficult to penetrate the shell companies that purchased these condos, it is almost impossible for reporters — or, for that matter, anyone without subpoena power — to determine how much money laundering by Russians went through Trump-branded properties. But Anders Aslund, a Swedish economist, put it this way to me: "Early on, Trump came to the conclusion that it is better to do business with crooks than with honest people. Crooks have two big advantages. First, they're prepared to pay more money than honest people. And second, they will always lose if you sue them because they are known to be crooks."

After Trump World Tower opened in 2001, Trump began looking for buyers in Russia through Sotheby's International Realty, which teamed up with a Russian real estate outfit. "I had contacts in Moscow looking to invest in the United States," real estate broker Dolly Lenz told [USA Today](#). "They all wanted to meet Donald." In the end, she said, she sold 65 units to Russians in Trump World Tower alone.

The condo sales were just a part of it. In 2002, after Trump had racked up \$4 billion in debt from his disastrous ventures in Atlantic City, the Russians again came to his rescue, by way of the Bayrock Group. At a time when

Trump found it almost impossible to get [loans from Western banks](#), Bayrock offered him enormous [fees](#) — 18 to 25 percent of the profits — simply to use his name on its developments.

So how did all this go unchallenged? According to Jonathan Winer, who served as deputy assistant secretary of state for international law enforcement in the Clinton administration, one answer may be lax regulations. “If you are doing a transaction with no mortgage, there is no financial institution that needs to know where the money came from, particularly if it’s a wire transfer from overseas,” Winer told me in an interview for my [book](#). “The customer obligations that are imposed on all kinds of financial institutions are not imposed on people selling real estate. They should have been, but they weren’t.”

And without such regulations, prosecutors’ hands are tied.

All of which made it easier for the Russian Mafia to expand throughout the United States. As it did so, it grew closer to Trump. Even though Mogilevich had no known direct contacts with Trump, several of his associates did. Among them was Bogatin, who took part in a massive [gasoline tax scam](#), and whose brother, Jacob (Yacov) Bogatin, was [indicted with Mogilevich](#) in 2003 on 45 felony counts of stock fraud. (Because there is no extradition treaty between the United States and Russia, they were never brought to trial in the United States.)

Another Mogilevich associate in Trump’s orbit was the late Vyacheslav Ivankov, a ruthless extortionist who became renowned as one of the most brutal killers in the annals of Russian crime. Mogilevich had sent him to New York in 1992 with a mandate to consolidate the Russian Mafia in the United States and to form alliances with the Cosa Nostra and other Mafias. Once he arrived, Ivankov became a regular at the Trump Taj Mahal in Atlantic City, and was widely thought to be based in the Brighton Beach area of Brooklyn, where many Russian mobsters lived. But when the FBI came looking for him, it discovered that the head of the Russian Mafia in New York owned a [luxury condo](#) in the glitziest part of Manhattan — at 721 Fifth Avenue, in fact — Trump Tower. There is no evidence of personal interaction between Trump and Ivankov.

Yet another Mogilevich associate with ties to Trump was Alimzhan Tokhtakhounov, better known as Taiwanchik, whose relationship with Mogilevich dates back more than three decades. Indicted in 2002 for bribing Olympic figure skating judges, Tokhtakhounov was awarded the No. 5 position on the FBI’s [Most Wanted List](#), two slots behind Mogilevich. In April 2013, two gambling rings that he allegedly ran were busted by the FBI on the 63rd floor of Trump Tower, resulting in the [indictments of 34 members and associates](#) of Russian organized crime. Among them was Tokhtakhounov, who fled the country to avoid prosecution, and appeared later that year at Trump’s 2013 [Miss Universe pageant](#) in Moscow.

These were just some of the Russian mobsters who gravitated toward Trump as they laundered money and cultivated politicians. Over time, they learned how to work the system. They paid large sums for the most powerful legal talent in the land — enough, at times, to woo the very men who had once been charged with pursuing them. In 1997, former FBI director William Sessions traveled to Moscow and alerted the world to the horrifying dangers of the brutal Russian Mafia. But 10 years later, he took on as a [client](#) the Ukrainian-born Mogilevich. At the time, the U.S. Department of Justice was investigating racketeering charges against

Mogilevich over questionable energy deals between Russia and Ukraine. Sessions's successor as FBI director, Louis Freeh, also later represented Russian clients. All perfectly legal. In Freeh's case, the client was Denis Katsyv's Cyprus-based Prevezon Holdings. Freeh helped Prevezon settle a money laundering probe by the U.S. government after the company was accused of laundering more than \$200 million in a Russian tax fraud scheme in which an American hedge fund manager and his firm, Hermitage Capital, were said to have been framed by the Russians. The ensuing scandal culminated in the death of Sergei Magnitsky, Hermitage's accountant, and led to the passage of the [Magnitsky Act](#), which sanctioned high-level Russian officials. [Natalia Veselnitskaya](#), Prevezon's defense lawyer, attended the much-discussed [June 2016 meeting](#) at Trump Tower with Trump's eldest son, Donald Trump Jr.; Trump's son-in-law, Jared Kushner; and Trump campaign chairman Paul Manafort.

Manafort has been convicted of bank fraud, tax fraud and failure to comply with the Foreign Agents Registration Act by not reporting foreign income.

The special counsel's report has not yet been released, only Attorney General William P. Barr's summary with its finding of no collusion. But it's clear that it was profoundly naive to think that a prosecutor would save the day and cure our diseased democracy of all that ails it. That's because the problem behind this assault on the nation's sovereignty far transcends the criminal arena. I'm no fan of Putin's, but he was right about one thing: Swaths of American society are corrupt. If we want to protect our most precious institutions, we should examine new regulations in a wide range of sectors. The House Intelligence Committee, the House Oversight Committee and the House Judiciary Committee have geared up for hearings and investigations. They had better move fast. We have a president who has a long, tangled history with figures connected to Russian organized crime — all of it, apparently, perfectly legal.

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Craig Unger

Craig Unger is the author of "House of Trump, House of Putin" and a former contributing editor of Vanity Fair. Follow 