

Britain: Labour, the Conservatives and the oligarchs

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A bitter row over relations between Russian billionaire Oleg Deripaska, Labour's Peter Mandelson and Conservative Party shadow chancellor George Osborne has brought to light the intimate relations between Britain's major parties and the global financial oligarchy.

The grubby saga began with Peter Mandelson's reappointment to the cabinet as business secretary on October 3. Having been forced to resign on two previous occasions over allegations of political and financial impropriety, Mandelson's appointment was regarded as a self-inflicted wound by a prime minister floundering amidst party factionalism and popular hostility.

Two days later, the *Sunday Times* pointed up Labour's internal divisions, revealing how Mandelson had "dripped pure poison" against Prime Minister Gordon Brown into the ears of an unnamed Conservative just days before his appointment.

Within days, questions were being asked about Mandelson's relations with Deripaska, owner of Rusal, the world's largest aluminium producer.

A source let it be known that Mandelson had been a guest onboard the oligarch's £80 million luxury super-yacht in Corfu last August. Surely this was a conflict of interest, the Tories argued, given that European trade commissioner Mandelson had played a role in determining tariffs on aluminium and Rusal had benefited directly from a decision to scrap the charge, saving the firm millions.

The revelations were sourced to Osborne, a longstanding friend of financier Nat Rothschild.

The son of the fourth Baron Rothschild and a contemporary of Osborne at Oxford University, Nat Rothschild is co-chairman of the hedge fund Atticus Capital and JNR Capital, which have extensive investments in Russia, Ukraine and Eastern Europe.

Osborne had been holidaying with his family at Rothschild's villa in Corfu during August. The area had become the venue for a gathering of the mega-rich and several prominent politicians. Deripaska and Rothschild intend building a super-yacht harbour in Montenegro "for the world's richest sailors" to rival Monaco.

Deripaska's *Queen K* was moored in the villa's vicinity, as was that of billionaire newspaper baron Rupert Murdoch. Also

present was investment banker James Goodwin, a former adviser to US President Bill Clinton.

Such gatherings are nothing new. However, as a source close to Rothschild stated, "There is a long history in British politics in which people from other political parties meet and discuss the state of their parties and remain discreet about it."

Osborne's efforts to boost his party's fortunes had transgressed this unwritten rule. And it brought a furious response. Regarding the shadow chancellor's comments, the source added that Rothschild "is doubly angry in that his mother had been funding Osborne's office for years."

Rothschild responded by letting it be known that Osborne could only have made such claims because he too had been hobnobbing with Deripaska. The Tories were guilty of attempting to solicit finance from the Russian oligarch, Rothschild claimed.

In a letter to the *Times*, Rothschild wrote of his "surprise" at the newspaper's decision to focus on the friendship between Mandelson and Deripaska, given that another of his guests, Osborne, "found the opportunity of meeting with Mr. Deripaska so good that he invited the Conservatives' fundraiser Andrew Feldman, who was staying nearby, to accompany him on to Mr. Deripaska's boat to solicit a donation.

"Since Mr. Deripaska is not a British citizen, it was suggested by Mr. Feldman, in a subsequent conversation at which Mr. Deripaska was not present, that the donation was 'channelled' through one of Mr. Deripaska's British companies. Mr. Deripaska declined to make any donation. I mention this because it turns out that your obsession with Mr. Mandelson is trivial in light of Mr. Osborne's actions. I also think it ill behoves all political parties to try and make capital at the expense of another in such circumstances. Perhaps in future it would be better if all involved accepted the age-old adage that private parties are just that."

Donations from foreign nationals are illegal under British electoral law.

Osborne and Feldman's denials were met with the threat of legal action. Rothschild disclosed that he had two guests willing to act as witnesses in court to a discussion on a donation, one of whom was named as Goodwin.

With Osborne and the Tories censured, Rothschild signalled

that he was prepared to let the matter drop. The *Guardian* reported that he had let it be known that "given his deep social connections with the Conservative party, Rothschild did not want the battle to deteriorate or lead to a mutually destructive court case." He had only intended his disclosures "as a 'slap on the wrist' because he was furious that Osborne had breached confidences" in an effort to get at Mandelson.

However, a source warned, "If anything is put out that in any way contradicts what he has said, Nat will come back."

Much of the resulting press coverage has focussed on the catastrophic fall-out from the row for the Tories. In particular, the revelations have demolished Tory claims to represent "every man."

Osborne, a millionaire, is the son of a baronet and a debutante. His relations with Conservative leader David Cameron—as well as with Rothschild—were forged in the Bullingdon Club, described as a "socially exclusive student dining club at Oxford University" which is "infamous for its members' wealth and destructive binges."

Conservative efforts to rebrand their party will not have been helped by articles revealing how Rothschild was deeply offended by his old "chum's" conduct. The *Guardian* wrote: "Gossiping about private chat in villas and on yachts both smacks of immaturity and offends a social code. No wonder, Drones Club wits will recall, that Osborne was known in the Buller as an 'oik' because he didn't go to Eton, merely to the slightly cheaper St. Paul's." ("Oik" is a standard term of derision amongst privately educated schoolboys for someone who must work for his living, rather than live off his inheritance.)

Nor are the Tories helped by the reminiscences of another former member of the Bullingdon Club as to how "at one event Osborne was held upside down by the ankles by his fellow members, who would only release if he correctly answered the question: 'What are you?' To each incorrect answer Osborne was bumped on the head. Finally he came up with the right answer: 'I am despicable.'"

Less has been said about the disclosures of relations between both parties and the likes of Deripaska.

Listed by *Forbes* as Russia's richest man, with a fortune estimated last year at \$28 billion, his investment vehicle Basic Element has given him control of a number of financial and manufacturing interests, including Rusal.

Deripaska obtained his fortune when, following the collapse of the Soviet Union and the restoration of capitalism, aspiring oligarchs sought to carve up the newly-privatised state factories. Many of those benefiting directly had close relations to former Communist Party apparatchiks-turned capitalist owners. Deripaska himself is married to Polina Yumasheva, the daughter of Boris Yeltsin's ex-chief of staff Valentin Yumashev, who married Yeltsin's younger daughter, Tatyana.

The battle for control of the aluminium industry was so vicious that, according to *Forbes* magazine, "When the smoke

had cleared, dozens of executives, bankers, traders and mob bosses were dead."

Court cases and allegations follow Deripaska around the world. He is reportedly under investigation in the US and the UK over claims of money laundering. His US visa was revoked and he has been the subject of numerous allegations of corruption and criminality.

Documents filed at the High Court in London allege that a legal consultant to Deripaska was involved in a smear campaign against his ex-business partner Michael Cherney, who is currently attempting to sue the oligarch over claims that he was cheated out of a 20 percent share in Rusal.

Deripaska is said to be currently barred from entering the US at the FBI's request.

Just to complete the picture of cross-party cronyism, according to subsequent reports Mandelson had attempted to warn the Tories off from running with Osborne's disclosures. The *Guardian* reported that Tory leader Cameron's office was given notice that Mandelson knew of discussions over a possible donation, and that a "stronger private message" was delivered to the Tory leader's chief of staff, Ed Llewellyn.

"Tory sources confirmed that Llewellyn was told by friends of the business secretary that both sides had an interest in acting discreetly," it wrote.

On Friday, the newspaper revealed that Mandelson's initial account of the history of his relations with Deripaska was wrong, and that he had first met the oligarch in 2004, not 2006. This is prior to him taking up his post as European commissioner.

Whatever the immediate fallout from these revelations, whether it claims the scalp of Osborne, Mandelson or both, they pose a more fundamental political issue.

While the government and the Tory opposition profess concern over the impact of recession on working people and denounce "greedy" bankers—all the while using public funds to bail out the banks and the super-rich—leading representatives of both parties have been caught out hobnobbing on board luxury yachts with a number of the self-same people, amid accusations of attempted backhanders and political favours.

Not for nothing has the row been described as proof positive that Britain has a one-party state—with only nominally separate parties all dedicated to serving the interests of a wealthy elite.



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