London trial reveals corrupt dealings of Russian oligarchs

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4 January 2012

The multibillion-pound legal battle between two Russian oligarchs, Boris Berezovsky and Roman Abramovich, resumed in London's Commercial Court Tuesday.

The trial has stretched over three months, exposing some of the murky details behind the rise of a super-rich oligarchy in Russia during the 1990s. Evidence submitted in open court has aroused considerable public interest inside Russia, where the full extent of the incredible wealth and lavish lifestyle of the elite is being seen for the first time. It consists of opulent homes dotted around the globe, luxury yachts, limousines, and stays in obscenely expensive hotels—a world totally beyond the reach of the vast majority of people on the planet.

Abramovich has paid out millions since 2008 attempting to have the case "struck out". Lead judge Sir Antony Coleman stated, "The overall affect has been to delay considerably the progress of the proceedings, to involve the parties in massive costs bills and take up many expensive hours of court time and judicial time".

The judge ordered that the claim by Berezovsky against Abramovich should go ahead, and allowed all of his amendments to his pleadings. Abramovich had applied for permission to appeal, but the application was refused. He engaged the services of Britain's top barrister, Jonathon Sumption, QC, who delayed his own elevation to the Supreme Court in order to represent him.

Berezovsky vs. Abramovich is not only the most expensive trial recorded in UK legal history, but the highest value claim being litigated anywhere in the world. Berezovsky is suing his former close friend and business partner for more than £3.5 billion in damages, claiming that in the late 1990s and early 2000s, Abramovich forced him to sell his shares to him in their jointly owned oil company, Sibneft, at a greatly reduced price. He alleges that he was intimidated by threats.

Berezovsky alleges that Abramovich had his friend, Nikolai Glushkov, a former deputy director-general of the Russian national airline Aeroflot, arrested and kept as a "hostage" in prison until he paid him a knock-down price for his shares in the ORT television station and oil company. He also claims Abramovich was holding a 50 percent share in the Russian aluminium company Rusal on trust for himself, another oligarch Arkady Patarkatsishvili and Abramovich equally, and had agreed not to sell any shares without their consent. It is part of Berezovsky's case that Abramovich, acting in breach of trust and contract, sold half of this 50 percent stake to another oligarch, Oleg Deripaska, in September 2003, rendering his own stake far less valuable.

As one oligarch preceded another into the witness box, they revealed their own role, and that of the entire Stalinist bureaucracy, in the industrial and financial rape of the Soviet Union. This took the form of entire strategic industries being sold off at bargain basement prices to an inner circle and sold again for huge profits.

Abramovich spent seven hours in the witness box under cross-examination. He admitted that after the two men met on a private yacht in 1994, they agreed that Berezovsky would use his Kremlin connections to persuade the government to privatize oilfields that Abramovich would buy in a shady closed auction.

In return for Berezovsky's political protection, Abramovich says he financed his friend's luxurious lifestyle, chartering planes, booking five-star Riviera hotels, and buying resort houses worth many hundreds of millions. He denies Berezovsky ever had a stake in what became the Sibneft oil company.

Deripaska, who made his billions in the metal industry, explained how he offered Berezovsky a loan of £8.5 million to help him buy a manor house in England if he helped tone down the criticisms being made of the "aluminium wars" by his television station ORT.

"Initially, I was grateful for Mr. Berezovsky's assistance," he said, "but by 2000 I had strong suspicions that he had in fact encouraged the negative coverage so he had a means of exerting pressure on me." He called on Abramovich to help get the money back, and a meeting was arranged with Berezovsky at the Dorchester Hotel in London. The issue of the debt "was discussed only briefly and it was agreed that Abramovich would take care of the debt."

Alexander Voloshin, who has close ties to the Kremlin, recalled how Berezovsky lost his position among the leading oligarchs in 2000. He told the hearing Berezovsky's political influence came to an end after his television station ORT criticised [then President Vladimir] Putin's handling of the Kurtz affair—the nuclear submarine that sank with all hands in the Barents Sea on August 12, 2000. Voloshin said, "President Putin did have a reason to become emotional because he did believe, and I fully agreed with him, that Mr. Berezovsky was using the Kursk tragedy in order to get some political capital for himself."

Government ministers were later appointed to the board of the television station.

Berezovsky insists his deal with Abramovich gave him a stake in Sibneft that he sold for US$1.3 billion, three years before

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Abramovich handed the company to the government for US$11.9 billion.

The court also heard accusations of both men's links with Chechen gangsters and billions funnelled through opaque offshore companies.

Hardly anything was known about Abramovich in the UK before the trial, other than his position as owner of Chelsea Football Club. The 45-year-old remained a mystery in his own country, despite his enormous wealth, close links to the Kremlin and political involvement—first as governor, today as a deputy in the far eastern region of Chukotka.

Berezovsky is an extreme right-wing intellectual and was once a key political figure in the Gorbachev, Yeltsin and Putin regimes. But after a fallout in 2000, referred to by Volosin in his evidence, he was sacked by Putin and became a bitter and vociferous political rival. He penned an article that was published in the *Washington Post* that same year, in which he proclaimed the right of oligarchs to meddle in the nation's politics, arguing "that in the absence of civil society, it is acceptable, indeed necessary [for the rich], to interfere directly in the political process in order to protect democracy".

The system that would result from the "direct interference" of oligarchs into the "political process" would not be "democracy", but an alternative form of right-wing dictatorship.

The oligarch's trial is helping fuel anger and disgust in Russia, which is feeding into the increasingly febrile political atmosphere surrounding the presidential elections in which Putin is once more a candidate. This is manifested in the present efforts by rightist opposition parties, such as the extreme free-market Yabloko, to discredit Putin's United Russia party and secure a greater share of power for themselves.

The ruling elite are attempting to exploit broader tensions within society for their own ends, seeking in particular to mobilise sections of the upper middle class who are also demanding a greater share of the pie. To this end, opposition newspaper *Novaya Gazeta*, owned by the oligarch Alexander Lebedev and the former Soviet president Mikhail Gorbachev, likened the trial to Russia's version of WikiLeaks.

However, the danger facing not only the Kremlin, but all factions of the oligarchy, is that such divisions within ruling circles can open the door for more fundamental oppositional sentiment from below, from the working class.

The vast and rapidly growing social gap in Russia was addressed by Victoria Wiley in her article "The Russian Wealth Divide," in the June 16, 2011, edition of the *National Geographic*. Wiley wrote, "Since the collapse of the Soviet Union in 1991, Russia's richest have more than doubled their wealth. Yet, a recent study by Moscow's Higher School of Economics, [HSE] says that 60% of the country's population is either no better off, or poorer today than they were 20 years ago. The gap between Russia's richest and poorest is widening while possibly intensifying class-based tensions."

It is for this reason that the Russian government has launched a campaign to try to discredit the trial and downplay its revelations. It released a video featuring Vladimir Solovyov, a leading Kremlin-friendly journalist who hosts a debate show on Rossiya, one of the country's main state-run channels, titled "Russia is not an English colony".

Notwithstanding such nationalist posturing, it is the Stalinist bureaucracy represented by Putin just as much as by Mikhail Gorbachev and Boris Yeltsin and its counterrevolutionary *perestroika* programme of capitalist restoration that should be put on trial for what has been done to Russia's workers.

The one area of agreement between the two sides in the Abramovich vs. Berezovsky case has been their insistence that all these events happened during a period of complete "lawlessness" in Russia, when supposedly nobody could control what was happening. But it was the Stalinist bureaucracy that was in control and deliberately created the climate of lawlessness. It was the bureaucracy that used the democratic verbiage associated with *perestroika* as camouflage for its dismantling of the Soviet state and carving up its assets among themselves. It was out of this criminal enterprise that the oligarchy emerged.

A few doors down from Court Number 26, Berezovsky is involved in another case. Vladimir Terluk appeared on a programme on Russian TV about the poisoning of Alexander Litvinenko and accused Berezovsky of having exerted pressure on him to produce false evidence of a murder plot. Berezovsky sued him and the Russian TV company and won, a verdict that Terluk is now appealing. There is also a libel case involving Lebedev, the ex-KGB officer and now owner of the *Evening Standard* and the *Independent*.

It is becoming increasing popular among Russian oligarchs to have their disputes tried in London in order to minimise the risk of unfavourable reaction at home. But it also serves to highlight the extraordinary influence of these elements within Britain, which is just as hospitable to financial parasitism and criminality as Moscow, if not more so.

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