

# Belgian and French authorities move to seize Russian assets

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20 June 2015

The West continued its economic war against Russia this week with efforts to seize Russian state assets in Belgium and France. The measures, in response to a ruling issued by the Hague last July demanding that Moscow pay \$50 billion to former investors in the Yukos energy company, are expected to extend to other countries in Europe, the United States, and elsewhere around the world.

They come at the start of a major economic forum in St. Petersburg intended to attract foreign investors to Russia and just days after a six-month extension of European Union (EU) economic sanctions against the country, which were passed with the approval of all 28 EU member states.

In 2006, Yukos, led by billionaire Russian oligarch Mikhail Khodorkovsky, was forced into bankruptcy and dismantled by the Russian government due to massive unpaid tax obligations. Khodorkovsky, who had become the country's wealthiest individual through the mass theft that accompanied the dissolution of the USSR and thanks to his close connections with the state, fell afoul of the Putin regime after transforming himself into a critic of the Kremlin and a supposed advocate of democracy in Russia.

For nearly a decade Yukos majority shareholder, GML Ltd., has sought to use the European courts to force Russia to compensate it for the seizure and sale of Yukos' holdings. On Wednesday, the Belgian Court of Arbitration approved a \$1.87 billion GML claim against Russia, which set in motion the moves against the country's assets overseas.

Some operations at the French subsidiary of Russia's VTB bank have reportedly been frozen, and dozens of other companies in Belgium and France are being required to declare their Russian-owned assets, which they are now blocked from moving abroad. Property of the Russian Orthodox Church is also being targeted.

Making clear that the country's holdings everywhere

are at risk, Timothy Osborne, executive director of GML, declared, "We will shortly have cases going in most of the western European countries, and then we will look farther afield." According to Osborne, in the long-term GML hopes to take aim at major state-controlled companies, such as Russian energy firms Gazprom and Rosneft and Russia's airline, Aeroflot.

*Kommersant.ru* reports that the Russian state directly owns 3,000 properties in 124 countries. VTB, which has 30 subsidiaries, has operations across Europe, including in France, the UK, Ireland, Germany, and Austria. Rosneft has significant holdings in oil and gas operations in Germany, Italy, the United States and Canada. Aeroflot operates in 52 countries.

*Politico*, the online news outlet, observed, "If GML succeeds, it will provide a lasting model for other parties seeking compensation from the Russian Federation." In other words, one of the aims of the GML lawsuit is to create a precedent whereby the Russian government is fundamentally unable to defend its property interests overseas.

Inasmuch as the Putin regime sustains itself by doling out access to the wealth generated by state-controlled enterprises to oligarchs and Kremlin bureaucrats, the targeting of the overseas assets of these corporations puts further pressure on its base of support inside Russia.

Khodorkovsky, who is now living in Switzerland after being released from jail by Putin in 2013 in an attempt to curry favor with the West, wrote on his Twitter page on Thursday, "I am pleased by the seizure of the property of our bureaucrats in Belgium. I hope that the proceeds will go towards projects useful for Russian society." Khodorkovsky is closely allied to forces in Europe, the United States, and Russia itself seeking regime change in Moscow. His vision of what is "useful for Russian society" consists of transforming the country into a semi-colony of the US, redividing its economic spoils to the

benefit of those who have been cut out by the Putin regime, gaining access to the halls of power for right-wing opponents of the government., and imposing brutal austerity on the working class.

Since the US-backed, far-right putsch in Ukraine last year, the US and NATO have been waging an intense campaign to undermine the Russian economy. In addition to sanctions that have caused the population's living standards to decline significantly, Russia's currency has been under attack by speculators, driving up the cost of imports critical to consumer demand and industrial production. The falling price of oil has left the state's budget in tatters. Despite government claims that the economic situation has stabilized, Russia is moving towards a renewed recession.

The Russian government's initial response to the attack on its overseas assets has been relatively muted. The Ministry of Foreign Affairs declared the property seizures to be a violation of international norms and laws guaranteeing diplomatic immunity. Speaking to journalists Friday, Foreign Minister Sergei Lavrov said that the Russian companies impacted "intend to file claims with a Russian court seeking for similar actions to be taken in the Russian Federation."

However, presidential press secretary Dmitry Peskov has said that the government has no comment on the situation in Belgium, telling journalists on Thursday, "lawyers are dealing with the matter." In an effort to maintain that these events are of no economic significance to Russia, which could experience \$100 billion of capital flight this year alone, he insisted that the events "bear no relationship to the investment climate in the Russian Federation."

His position was echoed by Vice Premier Igor Shuvalov who stated on Friday, "Neither France nor Belgium are seizing assets, rather it's the law enforcement officers in these countries...I think that when such things happen, you have to give the lawyers a chance to do their work."

Russian presidential aide Andrey Belousov said that the Kremlin knew in advance that the seizures would be happening and lamented that "the situation in France and Belgium... has unfortunately become very politicized."

"We hope that reason will prevail and that we won't go very far down this road," he added.

In an interview with the Kremlin newspaper *Rossiskaya Gazeta*, Russia's ambassador to France, Aleksandr Orlov, also insisted that the "legal aspect" of the property seizures was the fundamental question, adding that Russia's diplomatic relationship with France was

cemented by a whole series of international laws and agreements. He expressed confidence that "the French government will help us defend our interests."

President Putin, who gave a keynote address at the St. Petersburg International Economic Forum, made no mention of the events. While rebuking his "partners" in the West for causing the crisis in the Ukraine and criticizing the US for issuing "ultimatums," he also used the forum to insist on Russia's continued commitment to "dialogue" and "collaboration" with these very forces. Insisting that Russia has no aspirations of achieving "the ephemeral status of a great power," Putin argued, "We are not behaving aggressively." Rather, he said, Russia "has begun to more consistently and persistently stand up for its interests."

Despite the Kremlin's immediate efforts to downplay the significance of the events in France and Belgium, the United States and NATO continue their military threats against Russia and tensions continue to escalate. NATO Supreme Allied Commander Philip Breedlove denounced Russia on Thursday for not behaving as a "responsible nuclear nation" after Moscow announced it was adding more intercontinental ballistic missiles to its nuclear arsenal. The hypocrisy of this statement is staggering given that American officials have openly discussed the possibility of using nuclear weapons against Russia.

In an interview with a Swedish newspaper, Russia's ambassador to Sweden warned that if the Scandinavian country joins NATO, Moscow would be forced to take military counter-measures. "The country that joins NATO needs to be aware of the risks it is exposing itself to," said Viktor Tatarinstev.



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