The Globe and Mail (Canada)

May 11, 2007 Friday

Preferred by the Kremlin, shunned by the States

**BYLINE:** SINCLAIR STEWART, With a report from Greg Keenan in Toronto

**SECTION:** NEWS BUSINESS; STRONACH'S NEW PARTNER: 'ONE OF PUTIN'S FAVOURITE OLIGARCHS'; Pg. A1

**LENGTH:** 957 words

**DATELINE:** NEW YORK

He is perhaps the most powerful of Russia's oligarchs, a precocious - some would say ruthless - billionaire, who built his fortune against the bloody backdrop of that country's "aluminum wars" in the 1990s.

He has nurtured close ties to the Kremlin, married the daughter of former president Boris Yeltsin's son-in-law, amassed an estimated $8-billion in personal wealth and built a corporate empire that stretches from metals and automobiles to aircraft and construction.

Yet for all his success at home, 39-year-old **Oleg Deripaska** has struggled for legitimacy in the United States, where he has been dogged by civil lawsuits questioning the methods he used to build that empire.

Mr. Deripaska has repeatedly denied allegations levelled against him, and he has not been specifically accused by American authorities of any crime.

However, these whispers about shady business dealings may raise concerns about his $1.5-billion investment in Canada's Magna International, not to mention Magna's attempts to win control of DaimlerChrysler, an iconic American company.

The United States has recently shown protectionist proclivities, citing national security concerns to quash both a Chinese state-owned oil company's bid for Unocal Ltd. and a planned acquisition of U.S. port service contracts by Dubai Ports World. Observers suggested yesterday that if Mr. Deripaska is perceived as a backer for the Chrysler bid, it could trigger similar sentiments, especially given that U.S. authorities reportedly denied him permission to enter the country last year.

"I think most Americans who study Russia view [Deripaska] as a bit of a heavy," said Blair Ruble, director of the Russian-focused Kennan Institute at the Woodrow Wilson International Center for Scholars. "Life is strange, but I'd imagine someone is going to pick up on this at some point and create some hooplah. ... If anybody connects the dots and it gains traction, it will be a replay" of the controversy over the Dubai Ports deal, he predicted.

One former U.S. government official, who has met Mr. Deripaska and describes him as both cocksure and tough, said there is a good chance the U.S. government would review the Chrysler purchase if the Russian tycoon is seen as a backer, in part because of his close relationship with Russian President Vladimir Putin. The official said U.S. decision-makers have escalating concerns about the control the Kremlin wields over Russian enterprise.

"This will be extra ammunition for anyone who wants to block an acquisition," he said.

Magna chairman Frank Stronach said yesterday that he met with Mr. Putin to get an "endorsement" of Mr. Deripaska before doing the deal. The auto-parts magnate was also quick to vouch for the credibility of his newest business partner, insisting he has a "social conscience" and is well thought of in the European business community.

"We spoke with a lot of European partners where he has ownership, and we only hear the highest regards, as a businessman as a gentleman," Mr. Stronach said in an interview. "We only heard good things about it."

Mr. Stronach added that he hopes the Chrysler deal will be done before the Deripaska deal concludes.

Mr. Deripaska appeared with Mr. Stronach in Toronto yesterday. He said he was impressed with the Magna operations he has seen and with the company's corporate culture.

His rapid rise to the top of the Russian business world has long ago been consecrated as legend.

The former physics student at the University of Moscow abandoned his studies to become a metals trader in the early 1990s, when the country's aluminum industry was tilting into anarchy and dozens of executives were slain.

It's not clear how the poor boy who grew up milking cows in the Caucasus managed to scrape together enough money to buy a minority stake in a Siberian aluminum smelter in 1993. But by any measure, it was a bargain. Mr. Deripaska is credited with improving production, fending off gangsters who wanted a piece of the action and shrewdly merging his burgeoning aluminum holdings with those of another Russian magnate, Roman Abramovich.

Today, the father of two controls the world's largest aluminum company and commutes between homes in Russia and London's fashionable Belgravia district.

Yet some of his former business partners have sued him - unsuccessfully - accusing him of using strong-arm tactics to establish both his foothold in the industry and his fortune. These are accusations Mr. Deripaska flatly denies, but that have apparently raised suspicions with U.S. officials.

The Wall Street Journal reported last month that the United States declined to give him permission to enter the country last year because of "the accuracy of statements" he made to the FBI - this after he had paid $560,000 in lobbying fees to former presidential candidate Bob Dole and won a visa in 2005.

A spokesman for Mr. Deripaska declined to comment on his visa status.

He has managed to impress many American businessmen and dignitaries, however, said one former high-level White House official.

"He thinks in grand terms. He's very intense, very focused," the official said. "He's always been very careful to not engage in high-profile political activities. That's one of the reasons he survived and prospered from the Yeltsin period to the Putin period."

David Satter, a senior fellow at the Hudson Institute who is an expert on Russia, put it more bluntly. He said he hoped the U.S. government would not back a bid for Chrysler in which Mr. Deripaska participated.

"Deripaska is one of Putin's favorite oligarchs, which in the post-Yeltsin system means that he is available, when needed, to serve the regime's political purposes, including its foreign policy purposes."

The Mining Journal

September 1, 2006

Thinking big

**BYLINE:** KEN.GOODING@MINING-JOURNAL.COM

**SECTION:** FIFTH COLUMN; Pg. 15

**LENGTH:** 1382 words

OLEG Deripaska has long held the ambition to turn Rusal, the Russian aluminium group he controls, into the world's biggest business of its kind. And, if the reports and rumours coming out of Russia are to be believed, it won't be long before he achieves that ambition.

It's been suggested that, later this year, Mr Deripaska will merge Rusal with Sual, the aluminium group controlled by one of his former bitter rivals, Victor Vekselberg (MJ, August 25, p1).

This week, the rumour mill gathered steam as the London Financial Times reported seeing a non-binding merger agreement between Rusal and Sual signed last Friday (August 25).

The deal would also involve the acquisition of the alumina assets of Swiss-based commodities trader Glencore, in return for a 14% stake in the new giant.

Analysts reckon that this time the oft-mooted merger will materialise. As evidence, they point to three factors in particular:

\* Russian President Vladimir Putin wants to see his country establish 'national champions' in a number of key sectors of the global economy -- companies that would have a dominant international presence -- rather than let Russia rely almost entirely on being a petrochemical economy. A Rusal-Sual combination fits this profile beautifully;

\* Mr Vekselberg wants to release some cash from Sual so he can spread his interests into new ventures in the petrochemical and power sectors; and

\* as far as Mr Deripaska's ambitions are concerned, the deal would immediately propel the combined Rusal-Sual group to the top spot among world aluminium producers, with annual output of about 3.7 Mt compared with the 3.5 Mt/y produced by each of the North Americans, Alcoa and Alcan. And aluminium is an industry where size really counts economically.

Although only 38, Mr Deripaska is already firmly established among Russia's super-rich oligarchs. He came from humble beginnings -- raised by his grandparents on a small farm in southern Russia. He told one interviewer that he returns to that farm once a year, sometimes climbing into the branches of a cherry tree in the garden for a "peaceful and restorative retreat".

He was always bright and ambitious, and emerged from the prestigious Moscow State University with a Degree in Nuclear Physics. But he made his first, modest fortune from sugar trading. He used those earnings to buy a big stake in Sayansk Aluminium during Russia's pell-mell rush into privatisation in the early 1990s. So, aged 26, he was installed as a director of the Sayansk business.

According to one biographer, Mr Deripaska worked long hours on the shop floor at Sayansk and sometimes slept beside the electrolytic furnaces.

Later, he somehow survived the bloodbath that accompanied the privatisation of Russia's aluminium industry. Aluminium was one of the few Russian products that was of high-enough quality to be sold internationally -- and for US dollars. A great deal of money was at stake, and the so-called 'aluminium wars' were well-named.

We know, for example, that, in the fierce struggle for control of the Krasnoyarsk aluminium complex, as contending parties bought up available shares and exercised pressure to place their own people in management positions, several businessmen and officials wound up dead.

Among them were the former deputy director of Krasnoyarsk, Vadim Yafyazov, and Yugorsky bank president Oleg Kantor. In November 1994, Yuri Karetnikov, deputy chairman of the Russian Federation Metallurgy Committee, was killed in a suspicious car crash. Also, the director of Krasnoyarsk quit after being beaten nearly to death near his apartment. Later, another factory director was accused of ordering the assassination of a Siberian governor. Mr Deripaska's financial director survived an attempt on his life in Moscow, made apparently by a hired killer.

So lawless was Siberia that one aluminium plant changed hands literally at a keystroke, when one large shareholder was deleted from a database of owners and found little recourse in the powerless courts.

During this time, Mr Deripaska allied himself with a UK-based metals trading group, Trans-World, as a protege of Mikhail Chernoy, the Siberian deal-maker today living in self-imposed exile in Israel.

Some of those who worked with Mr Deripaska have faced criminal charges, but none has been directed at him. Nevertheless, questions over Mr Deripaska's role in the aluminium wars led the US State Department to deny him a visa until last year, and then only after he mounted a high-level lobbying effort in Washington to have the restriction lifted.

Former partners and competitors have sued him in New York and London, making allegations that portray an unseemly side to Mr Deripaska's aluminium industry career. He says these are intended to tar his reputation and block his efforts to expand abroad.

In Russia, Mr Deripaska's image is different from that of most other oligarchs. He is seen as someone who was a corporate raider after the collapse of the Soviet Union, taking over businesses after forcing out weaker owners, rather than someone who made a quick fortune from currency speculation or from the rigged 'loans for shares' series of privatisations in 1995.

His relationship with Mr Chernoy had soured by 2000, and the following year Mr Deripaska's profile in Russia was lifted enormously when he joined Roman Abramovich, the oil billionaire and owner of Chelsea football club in England, to merge their aluminium interests to form Rusal.

Today, Russian reports suggest that Mr Abramovich is Russia's richest man, worth an estimated US$ 18 billion, and Mr Deripaska is the richest Russian actually living in Russia, worth US$ 14 billion.

The two remain business partners with joint interests in banking and other investments. Both own houses in London, where Mr Abramovich lives full-time, whereas Mr Deripaska is reported to fly in most weekends to study English.

Mr Abramovich was, inadvertently, to pave the way for Mr Deripaska to join the inner circle of the Kremlin elite and win important political patronage. For it was at Mr Abramovich's house that Mr Deripaska first met Polina Yamusheva, the daughter of Valentin Yumasheva, a close confident of and speechwriter for President Boris Yeltsin.

Eighteen months after they were married -- it was Moscow's social event of the year -- Mr Yumasheva married President Yeltsin's daughter, Tatyana, making Polina the step-granddaughter of the president and Mr Deripaska a member of the Yeltsin family via marriage.

The signs are that Mr Deripaska can also count on President Putin's goodwill. For example, the Russian Government has shortlisted Rusal's proposal to complete a huge Siberian hydropower plant and aluminium smelter, using low-interest loans provided by the country's national petroleum windfall fund.

This is part of Mr Deripaska's ambitious plan to increase Rusal's annual output to 5 Mt by 2013. Rusal has also been expanding outside Russia -- in the first six months of this year, it made acquisitions in China, Guyana and Nigeria.

Mr Deripaska holds his stake in Rusal via his main holding company, Basic Element, which also has assets in the energy, machinery, financial services and construction sectors. Basic Element says it employs 290,000 people all over the world, that its annual revenue tops US$ 13 billion and its assets are worth over US$ 14 billion.

A great deal of Mr Deripaska's money comes from Rusal, which paid him US$ 1.48 billion in dividends for 2005 and is expected to hand over US$ 2 billion this year. Rusal was the most profitable aluminium company in the world last year, with net income of US$ 1.65 billion and an EBITDA (earnings before interest, tax, depreciation and amortisation) margin of 33.7%. The only company that comes close is China's Chalco, with an EBITDA margin of 30% last year. Sual posted a 22% margin.

And, if the mooted merger with Sual is implemented, Mr Deripaska would control 64.5% of the world's biggest aluminium producer (based on the latest rumour, which allows for the 14% Glencore stake and 21.5% for Mr Vekselberg). The new giant would have a monopoly in its domestic market and an international market value -- a 'guestimate' of course -- in the order of US$ 30 billion.

 **Oleg Deripaska**
RusData Dialine - BizEkon News

August 8, 2007 Wednesday

**Oleg Deripaska** Adds Minor Stake in General Motors to His Assets

**BYLINE:** Yuliya Fedorinova; Gleb Stolyarov

**SECTION:** NEWS

**LENGTH:** 384 words

**DATELINE:** VEDOMOSTI, No. 145 (1919), p. A1

Russian billionaire **Oleg Deripaska** has added a minor stake in General Motors to his automotive assets. He does not intend to become the world's largest automaker, but wants to profit from the growth of General Motor's capitalization. According to experts, it was a smart move, as General Motors posted profits for the first half of 2007, the first time in years.

Deripaska bought a 5 percent stake in General Motors in 2006, according to one of his employees. Another source on the billionaire's team said he bought less than 5 percent on the stock exchange, and does not intend to increase his stake any more.

**Oleg Deripaska is ranked second richest in the group of 100 wealthiest Russians and the 40th richest person in the world, according to the Russian edition of Forbes.**

He usually buys controlling stakes in automotive companies. In 2000, his companies assumed control of the Gorky Automobile Works, or GAZ, and later took over several bus and engine manufacturers, the Urals automaker, or UralAZ, and producers of special vehicles.

Deripaska united all of these assets in the GAZ Group, which belongs to Russian Machines, a company entirely owned by Basic Element.

In 2006, GAZ began buying foreign assets. The first such acquisition was the LDV plant based in Birmingham, Britain, which produces the Maxus light commercial vehicles. Next GAZ bought from Daimler Chrysler a plant and licenses to produce automobiles on the Chrysler Sebring and Dodge Stratus platforms.

In 2007 Russian Machines agreed with Canada's Magna, the world's third largest producer of auto components, on the acquisition of a stake worth USD 1.54 billion. Now Deripaska will control Magna jointly with its chairman, Frank Stronach.

November 26, 2001

Gangster-Free Capitalism?

**BYLINE:** Paul Klebnikov

**SECTION:** INTERNATIONAL; Pg. 107

**LENGTH:** 1613 words

**HIGHLIGHT:**
**Oleg Deripaska** survived Russia's bloody privatization. Now he is practicing a more civilized form of business.

**Oleg Deripaska** survived Russia's bloody privatization. Now, just like the country as a whole, he is practicing a more civilized form of business.

To hear Russian tycoon **Oleg Deripaska** tell it, the main problem facing Russia today is bad public relations. Deripaska, 33, is founder and one of the controlling shareholders of Russian Aluminum, the world's second-largest aluminum producer, but he says he gets no respect.

Case in point: Three years ago Deripaska met with U.S. Treasury Secretary Paul O'Neill at a Rand Corp. conference. O'Neill was chairman of Alcoa at the time, and Deripaska tried to get him to invest in Russia's aluminum smelters.

"O'Neill had an emotional reaction that the level of corruption was too high to do serious projects in Russia,' Deripaska recalls. "He told me: 'I don't want to pay bribes every time my product has to cross a bridge.' I told him that I didn't have to pay bribes, but I couldn't convince him.'

**Perhaps that is an understatement. Last December several of his business rivals filed a lawsuit in the U.S. District Court in Manhattan alleging that Deripaska and his partners used death threats, gangsters and fraud to gain control of an aluminum smelter in the Siberian town of Novokuznetsk. Assuming the plaintiffs can overcome any objections to this choice of forum for a Russian dispute, they will try to maintain the action under the expansive Racketeer Influenced & Corrupt Organizations (RICO) statute, which permits a trebling of damages.**

Sunday Times (London)

October 5, 2003, Sunday

Siberia's hell factories fuel energy empire

**BYLINE:** Simon Bell

**SECTION:** Business; Business; 6

**LENGTH:** 1279 words

**Oleg Deripaska,** one of the world's richest men, wants to be the Russian Rockefeller. Report by Simon Bell

WHEN **Oleg Deripaska** arrived by private jet in Farnborough on Wednesday morning it was to put the seal on his long-awaited deal with friend and business partner, Roman Abramovich. In the course of the day he privately announced that he had bought half of Abramovich's stake in Rusal for around $ 2.3 billion (Pounds 1.38billion) in cash, leaving Deripaska with 75% of the second-largest aluminium producer in the world.

Ahead of going to Stamford Bridge to watch Abramovich's team Chelsea play the Turkish team Besiktas, Deripaska sat in London's Savoy hotel and spelt out his grand ambition -to be Russia's Rockefeller.

Deripaska, a boyish 35-year-old, has been visiting London in secret for more than a year to improve his English. His punishing schedule in that time has been to spend a day in London, a day in Moscow and the rest of the week five hours' flying time east of Moscow at the various Siberian aluminium smelters and energy companies owned by Rusal, of which he is chief executive.

At Chelsea on Wednesday evening he and Abramovich exchanged the traditional Russian businessman's end-of-deal poem, which roughly translates as, "more pies and doughnuts, less black eyes and bruises".

Though Chelsea lost 2-0, it was pies and doughnuts all round. "Three years ago Roman bought his stake (in Rusal) from Transworld for $ 540m," an aide says. "Now it's upwards of $ 2 billion." So Abramovich won a couple of billion to add to his cash mountain and **Oleg Deripaska** became undisputed king of Rusal.

Like Abramovich before him, Deripaska is virtually unknown in the West, despite being one of the world's richest men. But his arrival in London shouldn't cause any excitement among estate agents or Premiership chairmen. "London is the best city in Europe," he says. "But I have no plans to move here or buy anything."

He is, in fact, the flip side of Abramovich. While Chelsea's Russian owner amasses a gigantic cash pile, leading some to expect his imminent departure from Russia, Deripaska is an oligarch who invests long-term in Russian enterprises, has built himself a magnificent country house in the country's wild southern region of Khakassia and takes care to be the oligarch closest to President Putin.

Where Abramovich is a financial investor who largely keeps clear of national politics, Deripaska is an industrialist who wants to build an empire. He wants Rusal to be No 1 in the world and in order to make it so, he needs and expects to get the Kremlin's support.

When Putin's bureaucratic allies, known as the Chekists, began their assault this summer on fellow oligarch Mikhail Khodorkovsky, Deripaska's investment company Base Element seemed blessed from above. As soon as Deripaska bought a car plant, for example, the government introduced higher tariffs on imported foreign cars.

When the Khakassia governor announced he would not take away the region's hydro- electric plant from UES, the state electricity supplier, it was because UES agreed to sell energy to Deripaska at Soviet prices. As state prosecutors raided Khodorkovksy's offices at Yukos they also burst into the offices of a company that is an old enemy of Deripaska.

**Oleg Deripaska's** career began in 1992. Still a student at Moscow State University, he was a director of a company that sold military hardware following the withdrawal of Russian forces from East Germany. When he graduated he went straight into the Moscow stock exchange as a broker and by 1994 he was CFO of Aluminprodukt , through which he bought the Sayansk Aluminium plant with the help of Transworld Group (TWG) -the metals company owned by the London-based Reuben brothers and Mikhail Chernoy, a figure filed by the Swiss police under "Russian Organised Crime".

"I slept inside the factory at Sayansk," Deripaska says. "I lived there."

Sleeping next to poisonous electrolytic furnaces shows an unusual commitment, but Deripaska had to protect the plant against its former owner who would phone the then 26-year-old with promises to kill him. On one occasion, as he returned across the mountains to Sayansk, Deripaska's enemies were waiting for him with a grenade launcher. Around the time of TWG's acquisitions of Sayansk and another aluminium plant in Krasnoyarsk, 27 bodies were left in the wake.

When TWG crumbled under a revolt led by Deripaska, the magnate tried to gain control of what remained of his empire -two huge Siberian aluminium plants. The Russian state power monopoly UES sought to bankrupt these plants, and their alumina supplies were cut off. Deripaska's plans seemed doomed until Abramovich rode over the horizon as his white knight. He bought TWG's stake. That deal in Siberia in 2001 between the two oligarchs created Rusal. It reached its conclusion this week at Stamford Bridge.

Now Deripaska owns the controlling stake in Rusal, what does he intend to do? "Roman and I have one approach," he says, acknowledging that Abramovich still owns 25%. "It will take 10 years or more to achieve what I plan to do," he says.

"But with the majority holding I can now do this. I want to take Rusal into the No 1 position in the world in aluminium production. We need to do away with the old Soviet technology, implement new management systems and production systems. We want to develop core competence."

It is estimated that in order to make these changes in technology he will need to invest around $ 8 billion. Despite the world's big aluminium producers knocking on his door, eager for a share in Russian industry, Deripaska says he doesn't need foreign investment to achieve his aims.

The huge revenues generated by Rusal will probably leave him with $ 500m a year to plough back into building his dream empire. In the next 10 to 20 years he hopes Stalin's hell factories will become the most modern in the world.

"What helps Rusal beyond any competitor," he says, "is the power situation in Siberia. Cheap power is the foundation of our business and we are one of the biggest energy investors in Russia."

Deripaska now has a seat on the board of UES to guard his energy interests, and he controls the energy companies in Krasnoyarsk and Irkutsk. "There's a saying that Russian wealth will come out of Siberia," he says. "I agree. But we need to work more precisely on energy regulation. UES wants to privatise everything which isn't right." Deripaska will use his financial and political clout to ensure he gets his way.

It is energy and aluminium that make Deripaska unique among the oligarchs. Rusal is the only company in Russia that has the potential to be the biggest in its class. In fact, it is already overhauling Alcoa in upstream activities.

"We want to be a world-class company with world-class technology and management," he says. "We want to be the best. Our aluminium will develop Russian industry and Russian companies downstream -automobile companies, aircraft companies. We get all upside out of Russian industry. We're hugely profitable. The rest of the world can't compete."

But as long as Rusal remains unlisted, critics of Deripaska will use this to attack him. "We still have corporate restructuring to do before we list," Deripaska says.

"We'll certainly move to a listing. First we want to be at our best. We want new smelters, we want to show market investors how efficient we are, we want to demonstrate our ability properly."

And then he adds, Russian to the core, "Russia is the most important place to list first."

Simon Bell is writing a book about the oligarchs.

BBC Monitoring Former Soviet Union - Political
Supplied by BBC Worldwide Monitoring

February 13, 2007 Tuesday

Russia's richest tycoon Deripaska denies funding political parties

**LENGTH:** 307 words

Text of report by Russian news agency ITAR-TASS

Moscow, 13 February: The Bazovyy Element group of companies, owned by **Oleg Deripaska,** denies involvement in funding a number of political parties and movements. "We are not involved in politics, directly or indirectly," says a statement for the media posted on the company's official website.

Bazovyy Element also stresses that it is "not making any attempts to illegally influence decisions by state bodies". "In our relations with bodies of state power, we strive to build up and maintain stable formal relationships in accordance with the law," the statement says.

The company is concerned with attempts "to launch a disinformation campaign" against Bazovyy Element and its owner. "The aim of the political provocation that is being prepared is to harm the reputation of **Oleg Deripaska** and the companies he owns, to try to undermine their development plans, including in the international arena," the authors of the document emphasize.

The company has become aware that "those who ordered and organized the provocation plan to circulate through the mass media some clearly slanderous fabrications, alleging that **Oleg Deripaska** and Bazovyy Element are funding a number of political parties and movements, including the Congress of Russian Communities [nationalist movement recently relaunched by the prominent MP Dmitriy Rogozin] and the Movement Against Illegal Migration [hard-line nationalist group led by Aleksandr Belov]". **Oleg Deripaska's** website warns media representatives "of responsibility for publishing reports of a libellous nature".

[**Oleg Deripaska** has overtaken Roman Abramovich at the top of the list of the wealthiest Russians published by the Russian Finance magazine, Russian Mayak radio reported on 12 February.]

Rusal rounds up resource suppliers: Rusal has grown from scratch in 2000 to become the world's third-largest producer of aluminium. But if this rapid growth is to continue, the company will need to stick to the acquisition trail, picking up bauxite and alumina producers worldwide; RUSSIA

**BYLINE:** Wells, Kathryn

**SECTION:** No. 438, Vol. 36; Pg. 100; ISSN: 0014-2433

**LENGTH:** 1808 words

RUSSIA'S RUSAL HAS a natural appetite for M&A. Created just five years ago after the merger of various aluminium smelters and alumina refineries belonging to two companies--Oleg Deripaska's Basic Element, formerly known as Sibirsky Aluminium; and Sibneft, then belonging to Roman Abramovich and Boris Berezovsky--it has swiftly risen to become Russia's largest aluminium company and the third largest globally.

Basic Element has gradually increased its ownership in Rusal ever since, taking full control of the company in 2004.

The company boasts at least one huge competitive advantage--access to the cheap hydropower supplies available in Siberia; its major drawback is a lack of self-sufficiency in raw materials, involving heavy costs transporting them to Russia from far-flung locations.

This has given it a voracious appetite for companies with access to supplies of the bauxite and alumina used to produce aluminium, and has led it to widen its vision beyond Russia to central Asia, Africa, south America, and lately even Australia as it goes in search of new sources.

Rusal's most headline-grabbing acquisition to date took place in April 200S when it completed a $ 401 million deal for a 20% stake in Australia's Queensland Alumina, the world's largest alumina refiner. In addition, it has assumed about $ 60 million of QAL's debt.

The deal is Russia's largest ever investment in Australia, and the first significant investment outside the former Soviet Union by a Russian aluminium company. QAL itself is a joint venture between Rusal, Alcan (with a 41.4% stake) and Comalco (38.6%). The three shareholders are evaluating the possibility of expanding the company further through extra investment.

The company's decision to buy developed-market assets is part of a wider trend in Russia. "The good news is that the environment in Russia is starting to become somewhat workaday," says Charles Ryan, chairman of UFG in Moscow. "The strategy of Russia's companies is starting to become more normal, with the same drivers as in other countries."

The initial move towards acquisitiveness among Russian companies began several years ago when they began buying assets in neighbouring countries--central Asia and other former Soviet republics. This has been expanded to take on board developed-market assets, as Russia's largest companies flex their financial muscles.

"It is not surprising that it is taking place in and around the metals and mining sectors today," says Ryan. "The aluminium market is dependent on sources outside Russia such as bauxite. In the steel industry, a global game is afoot for access to markets."

For Rusal, Africa has historically been a particularly important destination. Guinea boasts one-third of the world's recoverable bauxite reserves, making it an obvious target. The company set about forming partnerships with local bauxite miners, and in May 2001 took over the management of bauxite mining complex Compagnie des Bauxites de Kindia for 25 years. Rusal also took over the management of the Friguia Bauxite and Alumina Complex in 2002 for 22 years.

Rusal is also looking at the Dian-Dian bauxite deposit in Guinea, one of the world's largest, as a possible site for a greenfield alumina refinery project.

In south America, Rusal established a joint venture with the government of **Guyana** in the Bauxite Company of **Guyana** at the end of 2004, involving plans to double bauxite production in the next few years.

Anything is possible

AUSTRIA TODAY

December 20, 2006 Wednesday 6:21 PM (Central European Time)

FT: Romanian Authorities Investigate Austria´s Foundation

**SECTION:** POLITICS

**LENGTH:** 1059 words

The Romanian authorities are investigating a deal through which an Austria-based foundation with suspected links to the controversial Ukraine-born businessman Michael Chernoy is attempting to buy Romania´s third-largest refinery. That announced in a special report of UK's Financial Times (FT). Mr Chernoy, an Israeli citizen, is well known for his involvement in Russia´s "**aluminium wars**" in the 1990s. He has been investigated in several countries for suspected money laundering, fraud and embezzlement. He denies all wrong-doing and has never been convicted of a crime. Mr Chernoy denies any connection to the current takeover attempt of Rafo by PMG-Privatstiftung, an Austrian foundation run by Yakov Goldovsky, a long-time business associate of Mr Chernoy´s, FT revealed. In August, Calder-A, a Dutch-registered subsidiary of PMG, agreed to buy Balkan Petroleum for EUR 60 million from its Romanian owners, some of whom were in jail at the time awaiting trial on charges of tax evasion and fraud. However, because Rafo owes the state more than EUR 300 million in unpaid taxes, penalties and interest, the deal must be approved by Avas, the Romanian privatisation agency, before PMG can take control of the refinery, FT writes. Although they say they have no direct evidence, some Romanian officials are convinced that Mr Chernoy is behind the attempted takeover of Rafo. One official, speaking on condition of anonymity, said "it beggars belief" to suggest Mr Chernoy was not connected to PMG. Chernoy, in a statement sent through a spokesman, said he did take an interest in Rafo in 2005 and purchased part of Rafo´s debts to Exponet, a crude oil supplier. However, in 2006 he said he lost interest in Rafo and sold the acquired debts to Mr Goldovsky, who had begun his efforts to buy Balkan Petroleum. But he denied any other connection to Mr Goldovsky´s acquisition. "I had nothing to do with purchases of those stocks," he said in an e-mail statement. Romania´s government has yet to decide on Mr Goldovsky´s bid for Rafo. In an attempt to advance the deal, Yoav Stern, a representative of Mr Goldovsky, last month met Teodor Atanasiu, the head of Avas. Mr Atanasiu would not respond to questions, but an Avas spokesman said Mr Stern promised Rafo´s full debts to the state would be paid before the end of the year. The spokesman said Mr Atanasiu would consider approving the takeover "only after all debts are paid". But, he said, full payment would not win PMG automatic control of the refinery. He also said that Avas was still waiting for information on PMG requested by Razvan Orasanu, Mr Atanasiu´s predecessor at Avas. Mr Orasanu had asked for the foundation´s shareholder structure, accounts and funding sources. Avas would not confirm that this request was aimed directly at revealing a link between PMG and Mr Chernoy. Mr Orasanu left Avas on October 30 as part of a government reshuffle. Wolfgang Zronek, a director at PMG, confirmed Mr Goldovsky founded PMG and was a long-time business associate of Mr Chernoy. However, he denied Mr Chernoy had any connection to PMG or the Rafo bid. Mr Zronek would not disclose who owned PMG or why Mr Goldovsky wanted to acquire Rafo. Austrian public reporting requirements do not oblige Austria-registered foundations to reveal their ownership. In a 2003 interview with the Russian newspaper Vedomosti, Mr Goldovsky said Mr Chernoy had financed several of his business ventures. A former chief executive of Sibur,a subsidiary of Gazprom, Mr Goldovsky and other executives were removed from Sibur in 2002 amid accusations of embezzlement.Mr Goldovsky was subsequently convicted of siphoning an estimated USD 80 million from Sibur and sentenced to time served while awaiting trial. Mr Chernoy is also linked to PMG through Todor Batkov, a wealthy Bulgarian businessman and chairman of Levski Sofia football club, who is listed in company documents as a director of Calder-A, the subsidiary of PMG used to purchase Balkan Petroleum. In the 1990s Mr Batkov reportedly acted as Mr Chernoy´s lawyer in Bulgaria, where he had substantial investments. In 2000, when Bulgaria´s high level of organised crime was seen as a possible obstacle to joining Nato, Mr Chernoy was expelled from the country. The government declared him a threat to national security, claiming he was implicated in a plot to murder the son of a government minister. Although never charged with a crime, Mr Chernoy was barred from Bulgaria for 10 years and forced to sell his Bulgarian investments, including a majority stake in MobilTel, the country´s largest mobile phone operator. Mr Chernoy sold the MobilTel stake to Austria Telekom and most other businesses to Mr Batkov. PMG´s bid for Rafo has received backing from a senior Austrian official. On October 4, Hubert Gorbach, Austria´s vice-chancellor, travelled to Bucharest to attend a meeting between Mr Orasanu and Mr Goldovsky. According to Mr Orasanu, Mr Gorbach lobbied for the deal at the meeting and in several subsequent phone conversations. Mr Gorbach, a member of Austria´s far-right Freedom party, declined to be interviewed by FT. Martin Standl, Mr Grobach´s spokesman, denied that Mr Gorbach had ever lobbied on behalf of Mr Goldovsky, but said he had travelled to Romania to help Stefan Malaschofsky, an officer at PMG, arrange appointments with officials. Mr Standl said it was common for Mr Gorbach to try to assist Austrian companies abroad, especially in eastern Europe. Mr Gorbach did not know Mr Chernoy or Mr Goldovsky, he said. Mr Chernoy is known for his involvement in Russia´s so-called "**aluminium war**", a struggle over former state assets that involved several murders. According to a reportby the Center for Public Integrity, a Washington-based research group, Mr Chernoy has been investigated by the US Federal Bureau of Investigation and Interpol. Both agencies claimed that Trans Commodities, a Russian company owned by Mr Chernoy and his brother Lev, had been used for money laundering and the fraudulent takeover of Russian metals companies in the 1990s. A 1996 Interpol report, citing Russian police, said the Chernoy brothers were suspected of money laundering, embezzlement of funds and contract killing. The brothers have repeatedly denied breaking any laws and have never been convicted of any crime, in Russia or elsewhere, FT concluded.

Newsweek

November 15, 1999, Atlantic Edition

The Trail of the Bull of Krasnoyarsk

**BYLINE:** By Bill Powell; with Toula Vlahou in Athens

**SECTION:** EUROPE; Justice; Pg. 32

**LENGTH:** 1356 words

**HIGHLIGHT:** After a six-month intercontinental search, police finally catch up with one of Russia's most wanted

The running of the bull had lasted six months, and at the end one of Russia's most wanted men was traveling light. Instead of his usual retinue of gun-toting bodyguards, he had with him just a shaving kit and a driver as he sat in the back of a Mercedes and tried, unsuccessfully, to slip across the Hungarian border from the former Yugoslavia on Oct. 29. Anatoly Petrovich Bykov, law enforcement officials say, had been in and out of Montenegro for six months since fleeing Russia before Moscow issued a warrant for his arrest. He had been in the United States at least once, Russian and U.S. officials believe, travelling on a Greek passport; but despite an alert at all U.S. airports and border crossings, had managed to get out unnoticed.

Wanted for questioning about money laundering and accomplice-to-murder charges, the 39-year-old businessman had, according to one Russian press report, been staying in a villa once owned by Tito. Then on Friday, October 29, for reasons that are not yet clear, he tried to cross into Hungary. When a border guard checked his name against an Interpol most-wanted list, Bykov was detained. The former boxer and physical education teacher offered no resistance, saying only that as a representative in his regional parliament he was immune from prosecution. Now he sits in a Budapest jail, awaiting extradition to Moscow.

In post-Soviet Russia, as in perhaps no other country in the world, organized crime and big business overlap in ways that often make it unclear just where criminality ends and legitimate commerce begins. The case of the Bull of Krasnoyarsk (the word bykov in Russian means bull) may give Russian prosecutors a high-profile opportunity to begin to sort out exactly that question. If, that is, the case ever comes to trial.

Anatoly Bykov is a native of a small town in southwestern Krasnoyarsk, the vast Siberian region where the former general (and once and future presidential candidate) Aleksandr Lebed is now governor. Krasnoyarsk is one of the most naturally endowed regions in Russia; more than one fifth the size of the continental United States, the province has vast reserves of coal, minerals, timber, oil and gas. It is also an industrial center, home to huge steel and aluminum plants that once fed the Soviet military machine. Today, Bykov is the chairman of the board and one of the largest shareholders of the company, Kraz, that owns the biggest aluminum plant in the world. Kraz employs 14,000 people and is hugely profitable, shipping more than 90 percent of its production to export markets in return for hard currency, according to finance director Irina Chekhvolova. In addition Bykov controls, among other assets, a company that supplies Kraz with the raw material to make aluminum, a hydroelectric plant that powers the factory and an influential local television station.

To many of the men who pour out of the factory gates every day at the end of their shift, Bykov is the ultimate local boy made good, now harassed by the powers that be. They just want what he has, says one. Bykov pays his workers on time--a major plus in Boris Yeltsin's Russia--donates to local charities (he set up and funds an orphanage called Ivan and Maria) and in general, as one local journalist puts it, makes it clear that he cares about the region.

Moscow's crime fighters know a different Anatoly Bykov. In their eyes he has become one of the most ruthless criminals in an epicly ruthless era. Bykov started out, law enforcement officials say, in the late 1980s by offering protection services for local businesses. He recruited fit young sportsmen who neither smoked nor drank and provided the muscle for local businessmen worried about competitors moving in on their businesses. And in Krasnoyarsk, muscle was much in demand. The region was home to what have come to be called the **aluminum wars:** bloody battles fought for control over newly privatized companies in the metals and aluminum industry. More than 30 casualties of the wars are today buried in a single cemetery in the town of Krasnoyarsk, and to date not one of those murders has ever been solved. Law enforcement officials in Moscow insist that in the early 1990s Anatoly Bykov's organization became an active participant in those wars. One of the counts expected to be filed against him, according to law enforcement agencies, is helping arrange the contract murder of a business rival in the mid '90s.

Bykov's allies in the region, by contrast, portray him as a local hero, rising on the back of hard work. Our Petrovich, as the locals call him, is a very good organizer, says Chekvolova at Kraz. He may not know intimately the production processes need to make aluminum, but he has the skill to organize the business.

Maybe, but this at least is clear: Bykov is now the most powerful force in Krasnoyarsk outside the governor's office. He controls the biggest business in the capital and has a private security force of more than 100, staffed mainly by former KGB and Interior Ministry troops (including the former regional heads of both agencies). Further, Moscow officials believe privately that key members of local law enforcement agencies are in his pocket.

Bykov's power, ironically, was never more prominently displayed than when he helped Lebed win the governor's race in the spring of 1998. Bykov helped bankroll Lebed's campaign, and may have hoped to do the same when Lebed, as expected, tries to capture the Kremlin next year. But the two men had a very swift falling out. Lebed, in a recent interview with NEWSWEEK, says Bykov tried to bribe him--$500,000 a month--if the governor could ensure Bykov's control of five of the biggest businesses in Krasnoyarsk. I explained to Mr. Bykov that I was in power here, Lebed says.

Genrykh Padva, Bykov's Moscow attorney, flatly denies Lebed's account. Their dispute, Padva says, was simply about contrasting visions of the regional economy. His client, he says, became convinced he had made a mistake in supporting the former general. In any event, soon after Bykov and Lebed fell out, the federal government sent out a senior Interior Ministry official to investigate Bykov. The reputation of the officer in charge, Vlaidimir Kalesnikov, preceded him: a cold, tough bastard, as one journalist who has known him for years puts it. For months, Kalesnikov pieced together the case that resulted in the arrest warrant issued earlier this year. To Bykov loyalists like Gennadi Kiselyov, deputy director of Kraz's security service, the case amounts to a show trial--the effort of Lebed and some unidentified commercial forces in Moscow to frame Bykov and take control of his businesses. Kiselyov says that a local law enforcement officer working on Kalesnikov's team was demoted when she said she didn't believe there was enough evidence to bring charges against Bykov. Contacted by NEWSWEEK, the officer--Svetlana Kalokhmatova--refused to comment.

Who is the real Anatoly Bykov? Padva says flatly that his client has never committed any crimes and is innocent of the specific allegations that prompted the arrest warrant. A possibly critical player in any forthcoming trial could be Vladimir Tatarenkov, a reputed Siberian organized crime figure arrested in late August in Greece for possession of illegal weapons. According to law enforcement officials, Taterenkov heads his own criminal organization, and has had a business relationship with Bykov. Lebed openly describes what some Moscow law enforcement officials believe the nature of that relationship is: He's Mr. Bykov's personal killer, Lebed says, responsible for at least 12 contract hits in Krasnoyarsk. (Padva, Bykov's attorney, calls that description a fantasy.)

In post-Soviet Russia, neither contract killers nor brainy organized-crime figures turned businessmen are usually brought to justice. In a recent television interview from an undisclosed site in Europe before his arrest, Anatoly Bykov appeared relaxed. He denied that he was any kind of criminal. After all, Bykov said with a smile, criminals are behind bars. Now he is

Independent on Sunday

June 9, 2002

IS THERE A GOLDEN FUTURE FOR THIS METAL-BASHER?

**BYLINE:** Heather Tomlinson

**LENGTH:** 1076 words

Aluminium does not have the glister of gold, nor the romance of diamonds. After all, we see it every day - in cooking foil, in a lager can, in cars and aeroplanes. But when it first became commercially available in 1854 it was more expensive than platinum, and the recent history of its production in the former Soviet bloc is a terrible tale of greed, corruption and murder.

The so-called "**aluminium wars**" of the 1990s, in which rival gangs fought over control of Russia's smelters, killed more than 100 people, according to estimates from Mark Galeotti, an organised crime expert at Keele University.

Now, it appears that the battles are over. Control of the industry is consolidated into a company called Russian Aluminium, or Rusal, which is the world's second-largest producer of the metal. It owns five enormous aluminium smelters and two refineries in Siberia.

The company's low-key headquarters in Moscow could pass for the offices of a dull British widget company - except for the pistol on the hip of the security guard. But then Rusal says that since it has been established, the industry is more stable than it has ever been. It is controlled by two Russian oligarchs; Oleg Deripaska, the chairman, and, so everyone says, Roman Abramovich, who has other oil and media assets in Russia and is one of the country's richest men. However, as Mr Abramovich is the governor of a Siberian province, he is not allowed to own the business formally.

Rusal is now wooing Western banks and investors, at the same time as President Vladimir Putin moves ever closer to the US and the European Union. But many fingers got burnt after the Russian financial crisis in the late 1990s, and Rusal comes with a little baggage.

The firm is facing a lawsuit from companies associated with former aluminium baron Mikhail Zhivilo. Filed in a New York court, it accuses Rusal, and Mr Deripaska, of "murder, bribery, extortion, mail and wire fraud, and money laundering", during the **aluminium wars.**

The 600-paragraph writ speaks of bribery of local politicians and accuses Mr Deripaska of being associated with the murderers of an American businessman. It also alleges that he threatened Mr Zhivilo with the same fate.

All of the allegations are rubbished by Rusal. "The management of Russian Aluminium remains confident that there is neither direct nor indirect evidence of any of the allegations," says a spokesperson.

Rusal's supporters also point out that Mr Zhivilo himself is wanted in Russia for murder. However, he says the charges were trumped up by bribed local politicians.

Rusal is hoping the trial will come to a head in September, but denies that business is being affected. "Its trading partners and bankers have long since taken the case in their stride, viewing it as nothing more than an outgrowth of an old business dispute from the chaotic pre-Rusal days," says a spokesperson.

But the court case is not the only thing that needs to be resolved before Western investors can be attracted. Russia still has much to do in reforming its tax and legal systems. A recent report from the Russian think-tank Indem highlights a problem - Russian businesses pay out $ 36bn (pounds 25bn) a year in bribes: that's 10 per cent of the value of all business transactions, and equivalent to half the annual budget of the Russian government.

Another factor hindering the move to the West is the fact that there is little publicly available financial information. Results for the past three years are due out soon, in preparation for a $ 200-$ 300m Eurobond issue later this year. Russian stockbroker Renaissance Capital expects revenues of $ 4.2bn and profits of nearly $ 1bn for 2001. Rusal also intends to be ready for a flotation on Western stockmarkets within two years' time.

At present, the company has borrowed small amounts from Western banks including WestLB, Citigroup and Stanbic, the South African banking group. However, to raise money through the riskier process of bond issues or flotations requires a greater trust in the company.

"There are huge hurdles to overcome before Western capital will flow freely into Russia," says Victor Lazarovici, a senior metals analyst at Canadian research firm Nesbitt Burns. "The history of Rusal is not as spotless as it could be."

He says the company needs to build up a track record and improve transparency. Rusal is trying to end Soviet-style secrecy, and is arranging for credit ratings agencies to report on the company. But its doors are only ajar at present. Even finding out who exactly owns the company is not easy. Alexander Boulygine, the chief operating officer, says Rusal is half-owned by Base Element, a vehicle controlled by Mr Deripaska, but the other half is managed by a UK company, Millhouse Capital, on behalf of shareholders in the oil company Sibneft; Mr Abramovich is believed to be one of those shareholders, but this is not confirmed. In addition, many of the smelters and refineries still have minority shareholders who are thought to be less than wholesome, although Rusal is trying to buy the factories outright.

InfoProd

December 8, 2006 Friday

RUSSIA THREE-PART ANALYSIS PART THREE - MOSCOW VIA LONDON BUSINESS, BLOODY BUSINESS

**LENGTH:** 909 words

By Douglas Davis. (LONDON)-Reports in the Moscow media have suggested that two exiled oligarchs, Boris Berezovsky and Michael Cherney (Mikhail Chernoy), contracted the murder of Andrei Kozlov because he was planning to re-open the case of false banking letters. This was a scam in the early Nineties which permitted the Chechen mafia to withdraw hundreds of millions of dollars from Russias State Bank accounts using false banking letters of advice. Observers are puzzled by the linkage of Mr Kozlovs murder with the old banking scam, but they say the tactic of pinning the blame on out-of-favour oligarchs is typical of the Putin regime.

Mr Cherney, who settled in Israel in 1993, made his fortune during the privatisation of Russias aluminium industry, but quickly became the target of competitors, who launched an offensive aimed at securing a slice of Russias lucrative metals industry. According to Konstantin Borovoy, the founder of the first Russian commodity exchange and now a Democratic opposition leader, Mr Cherneys rivals invested $20 million in a media campaign that was designed to blame Mr Cherney for the **aluminium wars** a series of contract murders of bankers and managers in the Russian metal industry during the Nineties. Some Russian analysts say that blowing the **aluminium wars** out of proportion allowed the Kremlin to successfully divert public attention from the real war that Russia was waging in Chechnya. Now, they say, history is repeating itself, with the oligarchs once again being set up to divert public attention from much larger scams. Meanwhile, Moscows interests in pursing its anti-Ukrainian campaign are said to converge with those of the oligarchs who are said to be currently in favour with the Kremlin. One of the most important of them is said to be Oleg Deripaska, owner Russias aluminium giant, RusAl. Mr Deripaska now spends a considerable amount of time in London, where he reportedly paid GBP25 million for a grade-I listed Regency house in Belgrave Square several years ago. In addition to RusAl, he also controls GAZ, an automobile manufacturer; the aircraft producer Aviacar, and an insurance company, Ingosstrakh, among others. His wealth has been estimated at about GBP7.4 billion. And he is set to become even richer. Earlier this year, Mr Deripaska was reported to have signed a memorandum of understanding with Viktor Vekselberg, who controls Sual, another major Russian aluminium company. The successful merger would result in the creation of the single-largest aluminium producer in the world. The deal will hand Mr Deripaska a 75 per cent share of the new company, which will then have a monopoly in aluminium in Russia. According to Russian media reports, the deal has received the blessing of Mr Putin, effectively guaranteeing that the merger will not attract the attention of the anti-trust regulators. But as Mr Deripaskas fortune grows, so do the legal challenges he is facing. A London court is currently considering the suit brought by Ansol, a company formerly owned by Tajik Aluminum Smelter. Ansol alleges that, in addition to Mr Deripaskas failure to fulfill contractual agreements, he hired computer specialists to hack into the computers of Ansols London lawyers and obtain sensitive information. Ansols claims are partly based on the belief that RusAls security department contains former members of the Russian Special Services who are likely to possess the relevant skills and have access to the relevant technology. Another suit against Mr Deripaska has been filed in the Commcercial Court of the High Court in London on Friday, November 24, 2006 by Mr Cherney, who introduced Mr Deripaska to the metals business by making him his manager and then his partner. Mr Cherney is now seeking over $3 billion, which, he says, represents 20 per cent of RusAls stock for which Mr Cherney says he has yet to be paid. Sources in Moscow allege that Mr Deripaska is behind a new Russian media campaign that is targeting Mr Cherney. They also allege that the campaign is designed to send a message to the latter: a new criminal investigation against Cherney may be initiated in Moscow as a retaliation for his suit against Deripaska. In view of the rampant corruption in Russia and the allegedly close links between the Kremlins most-favoured oligarchs and its legal agencies the threat is considered to be real. Russian media sources suspect that Mr Deripaska may have been involved in arranging criminal cases in Russia against his former partners, Anatoly Bykov, and the Zhivilo brothers, Mikhail and Yuri. The latter fled Russia, sued Mr Deripaska in the West and made him settle with them. Western law-enforcement agencies have long doubted the quality of cases brought against businessmen in Russia. British courts have twice rejected demands by the office of Russias attorney-general to extradite Boris Berezovsky on charges which range from the theft of state property to plotting a coup. Instead, Mr Berezovsky has been granted political asylum in Britain. Meanwhile, Mr Cherney has also won cases in Israel, Bulgaria, Switzerland and France, where courts rejected allegations by his former Russian partners that he was involved in organised crime. These days, the West is more concerned about the Kremlins hostile acts against its own dissidents than about the supposed "misdeeds" of oligarchs whom the Kremlin seeks to harass through its own deeply flawed legal processes.

Mr Boulygine argues that as the company is still private it is not required to reveal full financial information just yet. Meanwhile, he would rather concentrate on positive issues, such as the upgrading of all of its factories to reduce toxic emissions and its appointment of an independent audit committee

These are signs that the company is trying to change, and the dubious past of the industry might one day be forgotten. Mr Putin's spin-doctors have accused Western journalists of being "Russophobic" and obsessed with mafia activities. Perhaps they have a point: money laundering and financial crime are problems in many countries other than Russia, including Colombia, Italy and the US.

As Rusal waits and hopes for a clean bill of health from the New York court, there is no guarantee that the bad old days of gang warfare is not out of the question. "Some of the real bandits have been forced out," says Keele University's Dr Galeotti, speaking generally on Russian industry. "The situation has moved from the Second World War to the Cold War. It can be a very stable pattern, but as with the Cold War, if there is opportunity or instability, there is still considerable potential for a flare-up."

And that is a scenario that is dreaded by Rusal, its potential investors, and the embattled Russian population.

Sunday Business (London)

October 24, 2004, Sunday

Billionaire oligarch Abramovich admits defeat in Russia's **aluminium war**

**BYLINE:** By Ben Aris

**LENGTH:** 758 words

MOSCOW -- Metals giant Russian Aluminium (RusAl) is about to put its past behind it and become a big player on the international stage. It was reported last week that Chelsea Football Club owner Roman Abramovich is selling his remaining stake in the company, Russia's biggest aluminium producer, to fellow oligarch Oleg Deripaska.

The company, which accounts for three-quarters of Russia's primary aluminium output and 10 percent of the global supply, emerged from Russia's bloody **aluminium wars** of the 1990s and is already the third largest producer in the world.

The company's creation is clouded in mystery. It materialised between president Boris Yeltsin's decision to step down on new year's eve 1999 and the election won by Vladimir Putin in May 2000, with Deripaska and Abramovich owning half each.

Abramovich is cashing out of Russia and has already sold half his stake to Deripaska, in 2003 for an estimated $ 1 billion (560 million pounds, E810m) to $ 1.5 billion. He will sell his remaining quarter to Deripaska by the end of this year.

Deripaska's holding company, Base Element, said it hoped to buy the remaining stake from Abramovich's holding company, Millhouse Capital, by November for an undisclosed sum. The deal has been agreed, but the two tycoons are haggling over the payment schedule. "De facto, the deal is already done," a Base Element company source said last week.

The ousting of the last of Yeltsin-era investors from Russian Aluminium's board marks the end of an era where company cash was looted by transfer pricing schemes while owners amassed fortunes in off-shore havens.

Despite his oligarch status and close ties to the Kremlin, Deripaska is a professional metalman and has been running aluminium smelters since he was 26. The company has aggressive expansion plans and has been cleaning up its corporate governance.

"He is still an oligarch and doesn't have many friends here," says Rob Edwards, a metals analyst with Renaissance Capital. "But he is tough, a survivor, and it seems he intends to be chief executive of Russian Aluminium ad infinitum. He has certainly stepped up to the plate on things like paying taxes at home and the company has a lot better reputation than it did a few years ago."

But there is still much to do. The key to building a competitive aluminium concern is balancing mining bauxite (aluminium ore) with refining (an intermediate stage) and ensuring the company has adequate access to cheap power to run its aluminium smelters.

The company is still short of bauxite and was among the first of the Russian natural resource companies to buy assets outside of Russia with the purchase of the Kindia bauxite mining concession and the Friguia alumina refinery in Guinea. It also has assets in Ukraine, Romania, Kazakhstan and Tajikistan.

"Russian Aluminium needs an international presence because most of our customers are international and also because Russia is deficient in bauxite," said Gulzhan Moldozhanova, director of strategy and corporate development for the company. "If we have to source bauxite abroad, it follows that refining abroad becomes an option."

While the balancing of bauxite and refining with aluminium smelting is in hand, the company is also preparing to buy into Russian generating capacity when the national utility monopoly, United Energy Systems (UES), is broken up in 2006.

The detailed mechanism of how UES's generating assets will be sold off are the object of intense political wrangling, but the original plan made UES's shares the currency for auctions. RusAl is already a big shareholder in several of the regional power companies close to its main smelters and looks likely to take a substantial share in the new generating companies.

Analysts have cheered the prospect of Abramovich departing from Russian Aluminium. The Kremlin seems to approve of the new-look Russian Aluminium and this month included the company in a Kremlin-negotiated deal to invest $ 1 billion in Venezuela's aluminium industry.

"The operations have improved, and distribution remarkably so, with sales in the United States," says Edwards.

Last month the company's first deputy general director, Alexei Fyodorov, announced it was planning to invest $ 10 billion over 10 years to construct at least three new aluminium plants in Russia, saying the company hoped to be a "fully international" by 2014.

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To see more of The Business

Financial Times (London,England)

April 11, 2000, Tuesday London Edition 3

WORLD NEWS - EUROPE: Aluminium 'risk-taker' changes tack in Russia: Charles Clover and William Hall on a UK company's involvement in a lucrative but dangerous industry:

**BYLINE:** By CHARLES CLOVER and WILLIAM HALL

**SECTION:** WORLD NEWS - EUROPE; Pg. 10

**LENGTH:** 1283 words

The decision by Trans-World Group, the UK-based metals group, to sell its aluminium assets in Russia marks the close of a turbulent period in which two secretive British brothers who head the company became key players in one of the country's most successful but dangerous industries.

David Reuben, 61, who lives in London, and his brother Simon, 58, who lives in Monte Carlo, sought their fortune in Russia in the dying days of the Soviet empire. After the collapse of the communist regime, their involvement deepened as Trans-World worked to protect its position as the most important outlet for Russia's Dollars 6bn (Pounds 3.7bn) of aluminium exports.

Now, despite surviving what became known as the "Great Patriotic **Aluminium War**" of the mid-1990s, they have decided to retreat, driven to sell out by the advance of former local partners who have since become powerful competing forces.

"Structures in the industry have changed in recent years," says Simon Reuben. "New players are appearing on the scene. We saw an opportunity to divest ourselves of some of our interests on favourable terms, and therefore pursued them."

Trans-World will apparently still do significant trading business with Russia, which will remain a key part of its overall operations.

"Trans-World has no intention to withdraw from business in the former Soviet Union," says David Reuben. "Trans-World will remain a significant investor with specific interests focused on the metallurgical industry," says Simon Reuben.

But crucially, they will no longer own assets on the scale that put them at the heart of a rumbustious Russian industry.

The brothers set up Trans-World in 1977, and began by buying aluminium from the USSR in the 1980s.

"We started in aluminium because it was not traded on the metal exchange," says David Reuben. "Trans-World had a run of about five years before the London Metal Exchange started making its own market in aluminium. We were trading as much as 1m tonnes a year and were among the top three traders."

By the late 1980s the amount of aluminium coming out of Russia was increasing dramatically and by 1991-92 Trans-World was handling close to 50 per cent of Russian exports. But Russia's state-owned companies were becoming less reliable counter-parties. Traders were starting to do their own deals, diverting cargoes from established exporters such as the Reuben brothers.

"We were losing control, so we decided we had to move into Russia as investors," says David Reuben. But first they needed a local partner they could trust.

In May 1992, a Russian businessman named Lev Chernoi walked into their office, asking for the Reubens to help him with finance for a cargo of aluminium. But although the cargo got lost, David recalled that "for the first time someone came and apologised".

Mr Chernoi, born in Tashkent and stricken with polio as a child, had built up with his brother Michael a thriving metals trading business as the Soviet Union underwent free market reforms. He and David Reuben struck up a friendship, and the latter proposed they work together. "Lev (Chernoi) promised that his people would literally live in the plants and follow the trains around to make sure that the aluminium was delivered on time," says David.

Together they bought a 20 per cent interest in Krasnoyarsk smelter and a controlling interest in Bratsk, respectively the second largest and largest smelters in Russia.

In 1994, the Reubens met up with another formidable Russian businessman, Oleg Deripaska, who had access to shares in the Sayansk smelter, the third largest and most profitable smelter in Russia.

At one point the three smelters gave the Reubens, along with Mr Chernoi and Mr Deripaska, control of 7 per cent of global aluminium production. The group also had a share in the Novolipetsk steel mill, and had taken control of plants in Kazakhstan which made raw material for the Russian plants.

It would surprise few who know Russia's rough-and-tumble business world that the group has clashed with both the authorities and its competitors. Trans-World lost control of Krasnoyarsk smelter for four years after the plant's director simply deleted its shareholding from the registry with a computer keystroke in October 1994.

The 1994-1998 period in the Krasnoyarsk region has been dubbed the "Great Patriotic **Aluminium War**", in which local mafia and factory directors were sucked into a bloody battle for control of the smelter.

Dozens died in a series of murders, including local bankers, crime bosses and factory officials. The victims included both allies and competitors of Trans-World, though David angrily denies any hint that they or their partners had any role in the violence. "There is absolutely no truth to any of the allegations that Trans-World has been involved in any illegal activity in Russia," he says.

"Let me be clear. Trans-World has one unshakeable principle - that is a commitment to follow legal principles and norms wherever we work. On more than one occasion we have been on the receiving end of actions that have lacked any legality.

"In 1994 they seized our shares in Krasnoyarsk. A vacuum was created and this attracted a lot of competitors, each one vying to gain power over the others," he says.

In the end Trans-World regained control of the smelter, helped by the interventions of Aleksander Lebed, the former Russian army general-turned-politician. Mr Lebed was elected governor of Krasnoyarsk in 1998, assisted by campaign finance from Mr Chernoi.

Anatoly Bykov, a member of the board of directors and shareholder at the smelter, also supported the return of control to Trans-World. Mr Bykov is currently in Hungary awaiting extradition to Russia to face murder charges.

His associate, Vladimir Tatarenkov, has been captured in Greece despite having plastic surgery in an attempt to avoid detection. His extradition is also being sought on murder charges related to the **aluminium war** filed by the Russian authorities.

Meanwhile, as a solution to the Krasnoyarsk issue was emerging, in November 1997, Mr Deripaska, director of the Sayansk smelter, ended contracts with Trans-World. Trans-World accused him in lawsuits of going so far as to set up identically named trading companies to re-register trading licences with Russian authorities without Trans-World's knowledge. The same thing happened at Novolipetsk steel works, according to Trans-World.

And Trans-World's partners in Kazakhstan seized the company's assets after a dispute about non-payment of taxes the same week.

Trans-World, which said it had invested Dollars 750m in Kazakhstan alone, responded by seizing 3,000 tonnes of Kazakh steel aboard a ship in Rotterdam. The two groups settled their multiple lawsuits a fortnight ago.

Trans-World's decision to sell most of its stakes in Russia's aluminium industry and end its long-running legal battle with Kazakhstan appears to have been prompted by the growing strength of domestic forces in the industry.

Mr Chernoi has allied himself with Russian oligarchs Boris Berezovsky and Roman Abramovich, who are among the buyers of Trans-World's assets.

Mr Deripaska and his company Siberian Aluminium are also in a powerful position. The two forces are already in talks to combine to create a giant, domestically owned Russian aluminium group.

For David Reuben, playing the heady game of Russian aluminium seems to have given him more satisfaction than the money he made.

"We were risk-takers. That's why we went into Russia, and that's why you don't see any of the big producers, the Alcoas, the Alcans, in Russia. They are not risk-takers. It was only people like us."

The Moscow Times

August 15, 2001

INSIDE RUSSIA: THE 3RD **ALUMINUM WAR**

**BYLINE:** YULIA LATYNINA

**SECTION:** Pg. 7

**LENGTH:** 614 words

Russia is undoubtedly becoming more civilized. All you need to do is take a look at the aluminum companies. The first **aluminum war** was fought with pistols and machine guns. The second was waged with the help of bribed courts. The third **aluminum war** has an international flavor - its main weapon is a New York court. The plaintiffs are the losers of the previous war and the defendants are the winners.

Now the list of plaintiffs - which includes the companies of the Zhivilo brothers, who lost the Novokuznetsk Aluminum Plant - has been swelled by the companies of Dzhalol Khaidarov, who lost the Kachkanar vanadium-mining plant.

Russian Aluminum head Oleg Deripaska and former metals magnate Mikhail Chernoi, together with the head of the Urals Metals and Mining Company, Iskander Makhmudov, and the leader of the Izmailovsky criminal gang, Anton Malevsky, stand accused of money laundering and plotting to use whatever means possible to take over Russia's metals companies.

The case - in which Anatoly Bykov is named as a "victim" and Malevsky is accused of causing harm - ought really to be sorted out by Yaponchik or some other gangster, certainly not by a New York court.

Not so long ago the plaintiffs' comparatively weak case against RusAl existed as part of a public show, to counter the PR strategy of Deripaska or his people, who wanted to advertise him like a hamburger or a pop star.

None of Deripaska's "partners" have ever tried to be public figures and certainly have never positioned themselves as a new generation of Russian businessmen, striving for transparency and honesty.

They conduct their business Russian-style, and if they happen to grab their opponent by the balls under the negotiating table then they certainly won't be giving any liberal-sounding interviews afterward.

Deripaska is a different matter, though. He talks about "honest rules of the game" and his Siberian Aluminum tells Western investors how important it is to be a transparent company. (Interesting: How can a company have transparent cash flows if, according to Zhivilo, that company pays Malevsky?)

Deripaska has erected a huge and costly PR wall on which his opponents have plastered cheap posters reading "suspected of participation in organized crime." Now the PR campaign has evolved into a grandiose political headache.

This is not a problem limited to one particular company in Russia. These are claims that could have been brought against John D. Rockefeller, who burned down the oil plants of his rivals, or to the railway man Leland Stanford, who as governor of California spent half the state budget on his own railroad, or to the American media king William Clark, who so wanted to become a senator that he had his thugs organize a shootout at a polling station, as a result of which a member of the election committee was killed and a ballot box was stolen. Clark became a senator.

In such circumstances the Kremlin has two possible routes. The first is to use the arguments of the losers to re-investigate the privatizations.

The second is to support the interests of Russian business even if in the process this means supporting the interests of criminals. At the end of the day the British government wasn't afraid to send troops to India in defense of what would today be considered the criminal interests of the East India company. Similarly, the British were not afraid to initiate the Boer War to protect the interests of Cecil Rhodes, who has more bodies on his conscience than the Izmailovsky gang.

Britain ruled the waves because it fought for its industrialists and not against them.

Yulia Latynina is a journalist with ORT.

The Globe and Mail (Canada)

May 12, 2007 Saturday

Meet Russia's oligarchs: Some ruthless. Some exiled. All filthy rich

**BYLINE:** SINCLAIR STEWART

**SECTION:** REPORT ON BUSINESS: INTERNATIONAL; COVER STORY: RUSSIA INC.; Pg. B4

**LENGTH:** 1707 words

**DATELINE:** NEW YORK

In the mid-1990s, billionaire oil and media mogul Boris Berezovsky boasted that he, along with six other men, controlled half of the wealth in Russia. An unlikely sounding claim, perhaps, but not necessarily an inaccurate one.

The Seven Oligarchs, so dubbed because of their potent combination of financial and political clout, had amassed unheard of fortunes in less than a decade, drawing inevitable comparisons to the U.S. robber barons of the 19th century.

Their ascent began in the late 1980s, after former Soviet leader Mikhail Gorbachev inched the country toward free-market reforms and allowed some companies to be privately owned. But the real money wasn't made until the early 1990s, after the election of Boris Yeltsin and the dissolution of the Soviet Union.

The economic chaos that ensued proved to have dreadful consequences for most of the country - and lucrative ones for aspiring entrepreneurs like Mr. Berezovsky. Rules, when they existed, were opaque, corruption was rampant, and the black market flourished. This was capitalism, shoot-'em-up style.

The Russian government greased the rise of these would-be tycoons with policies like "voucher privatization," in which citizens were given a voucher, or share, in the country's wealth. These did not put food on the table, however, and many were sold for next to nothing, creating enormous wealth for the buyers.

Another notorious scheme was the "shares for loans" program, in which the government issued cheaply valued shares in its massive state-owned companies in exchange for loans from privately owned banks that sprouted up seemingly overnight. The policy led to what many describe as the looting of Russia, giving these oligarchs control over major industries, not to mention the country's treasure trove of resources.

The group of seven banded to support Mr. Yeltsin's re-election in 1996, and shortly thereafter crested in power. When Vladimir Putin succeeded him at the end of 1999, he warned that these wealthy businessmen should not meddle in politics. Some listened; others, emboldened by their sudden fortunes, pressed on, which usually led to exile. Others, like Mikhail Khodorkovsky, were jailed for fraud.

Yet there is a new generation, led by the likes of Oleg Deripaska, who continue to prosper, and are now attempting to invest outside of Russia - and win credibility as respected businessmen. Observers say this group, like Mr. Deripaska, has learned to survive by sticking to business, and staying out of the political arena.

**ROMAN ABRAMOVICH**

Born: 1966

Estimated Worth: $18.7-billion

Path to riches: Oil, mining, media

The "Stealth Oligarch," nicknamed "Roma," is arguably the best-known Russian tycoon outside of his native country.

Mr. Abramovich, one of the youngest Russian billionaires, gained prominence in the West after purchasing the storied Chelsea football franchise. He grew up with his grandparents in Siberia, and after university took a job as a commodities trader. But it was his friendship with Boris Berezovsky that vaulted him into Boris Yeltsin's inner circle. He joined the board of Russian oil producer Sibneft, and later bought a controlling stake from Mr. Berezovsky when his mentor fled to exile following the election of Vladimir Putin.

Mr. Abramovich, who is close friends with Mr. Yeltsin's daughter, also owns Russia's largest TV network and sold his stake in Russian Aluminum to Oleg Deripaska. The billionaire is governor of remote Chukotka, though he spends most of his time in London, where he has several grand properties, including a $50-million (U.S.) townhouse and an estate that once belonged to King Hussein of Jordan.

**BORIS BEREZOVSKY**

Born: 1946

Estimated worth: $840-million

Path to riches: Aviation, media, mining, oil

Mr. Berezovsky was one of the "Seven Tycoons" who helped back Mr. Yeltsin's successful re-election in 1996.

A PhD grad in math and physics, he amassed a multipronged empire, consisting of a controlling position in the national airline, Aeroflot, along with Sibneft, aluminum companies, and ORT, the influential TV broadcaster. Mr. Yelstin rewarded his loyalty by appointing him deputy secretary of the National Security Council, and he continued to flourish until Mr. Putin came to power. Mr. Berezovsky drew the new president's wrath when his television network was sharply critical of the way Mr. Putin handled the sinking of a Russian submarine. He went into exile in Britain and France, sold the bulk of his holdings to Mr. Abramovich, and was later arrested abroad for allegedly defrauding the Russian government. The charge was thrown out, and Britain granted him political asylum. He has several lavish homes there, along with a retreat in the south of France said to be worth tens of millions of dollars.

**MIKHAIL PROKHOROV**

Born:1965

Estimated worth: $13.5-billion

Path to Riches: Mining, banking, power

Mr. Prohkhorov made headlines in January after he was one of 27 people - including several young Russian women - arrested at a posh ski resort by French authorities investigating a suspected prostitution ring. He was cleared several days later by a French judge. The towering, 6-foot-7 kickboxing and basketball enthusiast is often called Russia's most eligible bachelor - not to mention one of its richest citizens. One of the most prominent of Russia's young oligarchs, Mr. Prokhorov began his career in banking, and along with Vladimir Potanin helped attract money from former state-run companies. The two soon moved into resources, and in 1992 began building Interros, a holding company that has swelled into a $15-billion private investment firm with stakes in media and resources, including nickel giant Norilsk. Mr. Prokhorov was CEO of Norilsk since 2001, but resigned earlier this year after a split with Mr. Potanin. Mr. Potanin bought out Mr. Prokhorov's shares in the nickel miner, and Mr. Prokhorov acquired his partner's piece of Russia's biggest gold company.

**VLADIMIR POTANIN**

Born: 1964

Estimated Worth: $13.5-billion

Path to riches: Mining, media, real estate, power

Mr. Potanin, who came from an affluent communist family, studied at the Moscow Institute of International Relations before embarking on a finance career. He started Interros, recruited Mr. Prokhorov, and opened two banks that developed strong ties with state-owned companies. He reportedly cashed in on the "shares-for-loans" program, in which companies gave up equity in exchange for borrowing, and became First Deputy Prime Minister for a seven-month span in mid-1996, but took a hit in the financial crisis of 1998. Nevertheless, he remains one of the most powerful Russian businessmen, thanks to his control over Norilsk, and the range of assets housed in Interros. He has a lavish home in Moscow, and has become a patron of the arts, serving as a trustee on the board of the Guggenheim Museum.

**MIKHAIL KHODORKOVSKY**

Born: 1963

Estimated worth: $500-million

Path to Riches: Oil and banking

He has had dinner with Condoleeza Rice, and rubbed shoulders with many of the West's business elite, including Warren Buffett and Bill Gates.

But now Mr. Khodorkovsky is languishing in a jail, and his once formidable $15-billion empire is in shambles. An enthusiastic communist as a boy, Mr. Khodorkovsky embraced the fitful move toward privatization, first selling computers, and later founding a bank, Menatep. The company was suspected of having ties to the KGB and other government agencies, and it prospered. He also had considerable success with the privatization of state vouchers, which eventually provided him with the money to go on a bargain shopping spree for a variety of resource and energy assets. His coup came in 1995, when he acquired control of oil behemoth Yukos, but his persistent involvement in politics - he funded opposition parties - rankled Mr. Putin. Mr. Khodorkovsky was arrested at gunpoint in 2003, and in 2005, in a case that drew considerable international attention, was sentenced to prison for fraud and tax evasion. Many of his companies have been sold off.

**VLADIMIR GUSINSKY**

Born: 1953

Estimated worth: $400-million

Path to Riches: Banking and media

The man once described as the "Rupert Murdoch of Russia" is said to have relied less on the process of privatization to amass his fortune. He dabbled in just about everything - the army, the theatre, women's clothing, and even cab driving - before finding his groove with a consulting firm for foreign investors. This was the start of a business empire that soon spilled into the media sector, and made Mr. Gusinsky a mogul. He started the country's first independent newspaper and television station, created a satellite TV arm, and owned magazine and radio stations. Yet he offended Mr. Putin with critical coverage, and soon fled the country. He was arrested several times - in Moscow, Athens, and Spain - but the charges were thrown out. Many of the businesses he left behind were auctioned off to Gazprom, the massive state gas company. He now splits his time between Israel, the United States and Spain.

**OLEG DERIPASKA**

Born: 1968

Estimated worth: $13.3-billion

Path to riches: aluminum, airplanes, and autos

The youngest oligarch is quickly becoming one of the most powerful, and some Russian reports now list him as the country's richest citizen.

Mr. Deripaska, who this week took a $1.5-billion stake in Canada's Magna International Inc., has shown a deft political instinct. He has cultivated close ties with Mr. Putin and is married to the daughter of former president Boris Yeltsin's son-in-law. The former commodities trader managed to gain a foothold in a Russian smelter in the early 1990s, and emerged from the violent "**aluminum wars**" as a resource kingpin. He later bought Mr. Abramovich's stake in Russian Aluminum and combined it with his own company to form the world's biggest aluminum company. Regarded as both shrewd and ruthless, he has been sued by several former business partners who have accused him of shady dealings, but the cases have been dismissed. He paid the law firm of former presidential candidate Bob Dole $560,000 to help him get a U.S. visa in 2005, but was denied permission to enter the country last year, according to The Wall Street Journal.

The Observer (England)

June 3, 2007

Business & Media: Business: MAMMON: First oligarch claims his due: Michael Cherney rose from running a Tashkent street lottery with ping-pong balls to revolutionising the Soviet industrial machine. A former partner of Abramovich and Berezovsky, he's now suing the country's richest man for $6bn

**BYLINE:** Simon Bell

**SECTION:** OBSERVER BUSINESS PAGES; Pg. 9

**LENGTH:** 1642 words

An English courtroom is set to stage a legal contest next year between Russia's richest man and the mentor who paved the way to his riches.

Oleg Deripaska, whose fortune recently exceeded that of Roman Abramovich, is being sued for 40 per cent of the aluminium company Rusal, a stake worth at least $6bn. The man bringing the suit is a little-known Russian businessman living in Israel called Michael Cherney, who gave Deripaska his first break, in 1993, as one of his factory managers.

Cherney has avoided the limelight since emigrating to Israel in 1994 and, unlike the oligarchs, stayed out of the political intrigues revolving around Boris Yeltsin and Vladimir Putin. He is, however, the missing link between the 'red directors' of Soviet industry and today's Russian tycoons. As well as fostering Deripaska, Cherney also backed Iskander Makhmudov and Vladimir Lisin, the metals magnates now worth $8bn and $11bn respectively, and Alexander Mashkevich, a minerals billionaire.

When the Soviet Union collapsed at the end of the Eighties, heavy industry ground to a halt and its labour force went unpaid, but Cherney was the man who literally kept the country's furnaces burning. By the early Nineties, he had been so successful in wiring up the clapped-out Soviet industrial base to modern Russia that Rusal - which he founded with Berezovsky, Abramovich and Deripaska - was on its way to becoming the largest aluminium company in the world.

Cherney was born to Jewish parents in Tashkent in 1952. 'Tashkent was a pretty wild place when I was a kid,' he says. 'It attracted roughnecks from all over the Soviet Union, looking for jobs in construction after an earthquake. It was all about drinking and fighting.'

Rejected by Komsomol, the Communist youth league, Cherney developed his skills as a boxer and basketball player until he was conscripted into the Red Army. When he left the army, he decided to become a businessman. 'At the time it was a capital offence to possess more than $10,000,' he recalls.

Cherney started a lottery on the streets of Tashkent, played with ping-pong balls in a drum. 'We had to pretend it was just another socialist enterprise', he says. 'But soon we were making 30,000 roubles a month, when a teacher's wage was 120 roubles. We had to pay off the cops and, if they weren't around, show some muscle ourselves.'

His business horizons opened up when he was offered a job as a sports official that allowed him to travel all over the Soviet Union. He began exporting watermelons to the Siberian industrial city of Krasnoyarsk, until he was chased away by criminal gangs. Then he teamed up with an Israeli to sell Russian honey in aluminium milk churns to the West, but when his partner told him he would be paid in tomato sauce rather than dollars, Cherney dropped the scheme.

'Real money back then only came from the tzekh ['workshops'] , ' he says. 'It was illegal, but it had always operated. A tzekh owner made a deal with factory managers to buy leftover raw materials. I bought what was rubbish to them and made shoes. You had to bribe everyone: the police, the soviets, the factory managers, the municipal authorities.'

The leap from underground manufacturing to dollar millions came through foreign rouble transfers and bartering. 'Using a Bulgarian company that negotiated foreign debt, I bought cloth from Korea through an Uzbek import body. My commission was 10 per cent. It was my first million. To get the money, I had to go to Austria. I remember standing in this spotlessly clean bank staffed by coiffed blondes in this capitalist country. I was in a complete daze.'

After Cherney went into partnership in 1988 with Sam Kislin, a Ukrainian-American, the deals began to multiply: iron ore pellets in exchange for Lada cars; coke and coal for food and sugar. 'Basically, I converted roubles to dol lars by exporting coke and importing consumer goods,' he says. 'I approached Russian factories, which were operating only at 30 to 40 per cent capacity. They were on the point of collapse without the coke to run the furnaces.'

By 1991, the company Cherney and Kislin had set up, TransCommodities, was making $30m to $40m annually. Cherney was summoned by the Minister of Metallurgy and ordered to provide coke and coal for Russia's factories. Merely on the promise of payment, Cherney supplied Russian industry with $100m-worth of Polish coal. 'We brought all the coke smelters back to life,' Cherney says. 'We practically kicked the Russian economy into gear.'

In 1992, profits grew to over $300m and Cherney was approached by David and Simon Reuben, two British brothers who wanted to buy aluminium. Through a company called Transworld, Cherney and the Reubens began importing raw materials and exporting aluminium, using a system called 'tolling', whereby manufacturers were given government permission to import and export tax- and duty-free. 'We set up production lines, paid workers' salaries, paid for electricity for the plants and paid for transport of the finished product,' he says.

Much vodka was drunk to cement the deals, and Cherney began to acquire enemies. 'By early 1994, a campaign against me was under way. During privatisation, we acquired factories that others wanted. Our aluminium business also caused a massive loss in profits to certain corporations in the West and consequently to their Russian partners. And, of course, we were Jews.'

A company backed by the Russian Interior Ministry and the FSB security service began to pressure Cherney and his partners. After a manager who had just signed a deal with Cherney was beaten up, friends at Yeltsin's tennis club in Moscow told him: 'We've heard people want to kill you. You should leave.'

Cherney emigrated to Israel, from where he has conducted his business since 1994. Meanwhile the '**aluminium wars'** raged in Russia, a struggle from which Rusal is now emerging as the world's number one aluminium producer. 'In 2001, I sold my stake to the Deripaska group,' he says. 'I'm out of the aluminium business now, except for the money owed to me from this stock sale.'

Sitting in a Russian restaurant in the Israeli port of Jaffa, now 55 and greying, Cherney still looks every inch the boxer he once was. 'I managed my businesses in Russia from here,' he says. 'Everything went fine until 1997. But then kompromat - black propaganda - began to be published in Russia at someone's behest.

'I have no criminal record anywhere, but suddenly articles were written claiming I was guilty of drug trafficking, kidnapping, money laundering, murder, you name it. Perhaps it was convenient for someone in the aluminium business to lay their own crimes and murders at my door. My stake in the business was - is - very valuable and certain people wanted to get their hands on it. At any rate, the accusations mounted until the Israelis, who had set up a special bureau to investigate Russians in Israel, became afraid of me, I believe.'

The special bureau tapped Cherney's phones for five years and found nothing to incriminate him. Their investigation went global - Cherney appeared on the files of foreign agencies as a figure 'being investigated by Israel for various crimes'. The mud began to stick.

He was arrested in Switzerland, only to be freed next day for lack of evidence. He was accused of attending a mafia convention in South Africa, but the secret services there could only report his absence. Finally, he was accused of murdering the son of a Bulgarian minister over a telecoms deal. 'The problem with this accusation,' Cherney says, 'is that the son of the Bulgarian minister wasn't dead. The Bulgarians finally informed the Israelis that no relative of any minister had been murdered since the days of the Ottoman empire.'

This was the turning point in what Cherney and his supporters say had become a campaign of victimisation. . A scandal unfolded in Israel that linked figures who had been hounding Cherney with the political left, who did not welcome rich Russian Jews in Israel. Cherney had been a pawn in a political war begun by his enemies in Russia.

Cherney says '[Deripaska] panicked when he heard in 2001 that I was going to sell my stake in Rusal to MDM Bank for $1bn. He met me in London. So I sold the stake to him instead, and the contract guaranteed payment in three years. He met me in secret in Vienna in 2003 and I told him he had violated the terms. Then he stopped answering the phone.

'In January 2005, we met again in Kiev. In the intervening years, Deripaska has bought out Berezovsky and Abramovich, using our joint money to do so - mine as well as his. That means I now have 40 per cent of the company, where before I had 20 per cent. If he'd kept to our agreement, none of this would be happening and he would have ended up paying less. My final deadline in March last year passed without him paying me. I own 40 per cent of $15bn - or $21bn, depending on the valuation when we finally get to court.'

He refuses to say whether it was Deripaska who instigated the kompromat . 'People don't pay what they owe you; that's life. But this is different. When I first met Deripaska, I liked him. He penetrated my soul. I took him to Paris, showed him expensive hotels and women for the first time. He was young, a dynamic achiever. I saw in him a reliable partner. So I'm not going to let him do this.'

Deripaska refutes these allegations and is challenging the interpretation of the contract.

Cherney settles back and lights a large cigar, exuding all the confidence of the billionaire - or of the former boxer who still relishes a fight.

THE CV

Name Michael Cherney

Age 55

Job Businessman; investor; founder of the Michael Cherney Foundation for victims of terrorism

Family Married, four daughters

Education After secondary school, he was drafted into the Soviet Army and then attended technical college

Interests Sports, children's health

The Moscow Times

June 18, 2007 Monday

Journalist Writing Book On Metals Tells of Attack

**BYLINE:** The Moscow Times

**LENGTH:** 268 words

A Channel One television reporter said he was shot in the shoulder by an unidentified gunman outside his apartment building last week in an attack that might be linked to a book he is writing about the 1990s **aluminum wars.**

Andrei Kalitin, 37, said he was shot at around 9 p.m. Wednesday in the courtyard of 4 Vysokaya Ulitsa in southern Moscow, Kommersant reported Friday. The attacker fired a shingle shot with a gun equipped with a silencer, Kalitin told the newspaper. He said the attacker's face was obscured by a baseball cap.

Kalitin sought treatment at a hospital and was released shortly afterward at his own request. He reported the shooting to the police the next day.

Kalitin speculated that the attack might be connected to his years-long investigation into the murky aluminum industry of the 1990s, including scandals surrounding former metals tycoon Mikhail Chyorny, who now lives in Israel, Izvestia reported. Chyorny's spokesman declined comment, the report said.

Kalitin's book, titled "Mafia in Black," is to be released in August.

The New York-based Committee to Protect Journalists urged police to thoroughly investigate last week's attack.

"We are deeply concerned about the safety of Andrei Kalitin, who had worked on sensitive issues prior to the attack," Joel Simon, CPJ's executive director, said in a statement.

Kalitin is a reporter for Channel One's investigative journalism program "Spetsrassledovaniye," or "Special Investigation," a position he has held since last year. Before that he worked as a television reporter for the television program "Sovershenno Sekretno," or "Top Secret."

The Guardian (London) - Final Edition

July 2, 2007 Monday

G2: The richer they come . . .: Can Russias oligarchs keep their billions - and their freedom? By Luke Harding

**SECTION:** GUARDIAN FEATURES PAGES; Pg. 6

**LENGTH:** 3459 words

Today Boris Berezovsky, Vladimir Putin's most implacable enemy, goes on trial in Russia for corruption, accused of stealing millions of dollars from Russia's state airline, Aeroflot. If convicted, the former mathematics professor faces 10 years in jail. But he won't be in court to face his accusers, or to hear the verdict weeks from now. Berezovsky has dismissed the case as a Kremlin show trial and has said he won't turn up.

The charges against Berezovsky have their origins in the 90s, when a small, well-connected group of entrepreneurs made a killing from the privatisation of Russia's state assets. But what happened to the rest of them? A survey of the oligarchs, as they have become known, reveals an intriguing picture. Most of the first wave are now in prison or in exile, including Berezovsky, who has lived in Britain since 2001, the year he fell out with Putin, and has enjoyed asylum since 2003. Only a handful, led by Roman Abramovich, Russia's richest man, have managed to succeed under both Boris Yeltsin and Putin, his successor.

Few ordinary Russians will feel much sympathy for the losers. Any admiration for the gusto with which the country's 50-odd billionaires live their lives is more than outweighed by outrage at the way many of them made their money. And in a country where anti-semitism is still rife and openly expressed, nationalist rabble-rousers have made much of the fact that of the seven oligarchs who controlled 50% of Russia's economy during the 1990s, six were Jewish: Berezovsky, Vladimir Guzinsky, Alexander Smolensky, Mikhail Khodorkovsky, Mikhail Friedman and Valery Malkin. That fact is incontestable - but it is the result not of some grand conspiracy, but of the way the Soviet Union restricted Jews' ability to assimilate and rise up in society. While ethnic Slavs dominated all the best career slots in the highly bureaucratised official society, Jews who wanted to get ahead were forced into the black market economy. When communism collapsed and the black market was legalised as free market capitalism, the Jewish entrepreneurs had a head start.

All this changed when Putin became president in 2000. Putin's previous employer was the KGB - a notorious Slavs-only club. Since he took power, most of the original Jewish oligarchs have fled. But this probably has more to do with their failure to observe the new rules in Putin's Russia than their religion. During his time in office, Putin - who is due to step down next year - has established a new law: leave politics to the Kremlin. Or else.

Overleaf: who made how much - and how

Roman Abramovich

Age 40

Who is he? Russia's richest tycoon, as well as the owner of a small football club somewhere in west London. Abramovich's fortune is now estimated at a whopping $19.2bn, according to Forbes' 2007 list of Russia's top 100 businessmen (which reckons that there are 52 other Russian billionaires). That is some $2.4bn more than the nest-egg of his former business partner, Oleg Deripaska, who comes second (see below). Shy, media-phobic, and with still-boyish features, Abramovich has managed to navigate the transition between the Yeltsin and Putin eras. He has maintained good relations with both Kremlins. He has thus hung on to his fortune, acquired in the 1990s when Abramovich was an oil trader. He has also adopted the new Putin-era mantra of social responsibility, ploughing millions back into Chukotka, a province of reindeer farmers and polar bears in Russia's frozen and generally knackered far east. Abramovich is still the governor there, despite several attempts to resign. His recent divorce from his wife Irina - and his alleged romance with 24-year-old Daria Zhukova - have propelled him uncomfortably back into the tabloid limelight.

Relationship with Putin Chummy. During a recent one-on-one meeting in the Kremlin, the president told Abramovich that he had to soldier on as Chukotka's governor. Wisely, Abramovich agreed.

Place of residence Knightsbridge, London, and a 440-acre estate in Fyning Hill, West Sussex. It has its own go-kart track, apparently.

How he got his money In the 1990s he and his fellow oligarchs took advantage of the privatisation of Russia's state assets. In 1995 he hit the big time - when Abramovich, together with Boris Berezovsky, acquired a controlling interest in a large oil company, Sibneft. Critics say the company was worth billions more than the pair paid for it. The bidding process was rigged, they add. Sibneft employees also allege that they were later forced to sell their shares for food when Sibneft failed to pay their wages. By 2001, Abramovich's empire - held by his investment vehicle, Millhouse Capital - included not just Sibneft, but stakes in Aeroflot, aluminium, insurance, cars and hydroelectrics. Since then he has sold many of his Russian assets.

Family Two ex-wives: Olga - they divorced in 1990 - and Irina, a former Aeroflot stewardess, with whom he has four children. Last autumn Abramovich denied rumours that his marriage to Irina was in trouble. In April he confirmed that he and Mrs A had split. She is believed to have got a derisory $300m. She was spotted in Moscow last month opening a new hotel.

Hobbies Football? Did anyone mention this? Abramovich bought Chelsea FC in 2003, beginning a trend of foreign multimillionaires snapping up English clubs. Despite a galaxy of overhyped stars, Chelsea failed this season to win the Premiership or the Champions League - though they did make off with the FA Cup.

Prospects Good. Abramovich is likely to maintain good relations with Putin's successor, while continuing his oxymoronic dual identity as London-based emigre and Russian patriot. Putin may even drop in to Chukotka this week.

Oleg Deripaska

Age 39

Who is he? According to Finans magazine, Deripaska is now Russia's richest man, with a fortune estimated at $21.2bn. Forbes magazine puts him in second place with $16.8bn - just behind his friend Roman Abramovich. Deripaska, who made his fortune from aluminium, claims the estimates are exaggerated. Either way, he is the most successful of the new and ambitious generation of Putin-era oligarchs. Deripaska grew up in the north Caucasus and studied in Moscow. He began work in the early 1990s as a metal trader. Beginning with a small stake in a Siberian smelting factory, Deripaska seized control of Russia's vast, lucrative aluminium industry, merging his company in 2000 with Abramovich's. His firm - Basic Element - is due to float on the London Stock Exchange for $25-30bn. Several ex-business partners have sued Deripaska; the US has previously refused him a visa. Like Abramovich, Deripaska likes London, speaks English and is a keen Anglophile. Unlike Abramovich, though, Deripaska has no plans to leave Russia. He also claims to be indifferent about football. In an interview with the Guardian earlier this year, he denied rumours that he wanted to buy Arsenal FC. "I'm not very enthusiastic about football. Not at all," he said.

Relationship with Putin Very close. The two ski together, it is said. Putin took Deripaska with him on a trip to Austria in May .

Place of residence Moscow and the North Caucasus. Like any self-respecting oligarch, he also has a small London pad.

How he got his money By emerging like a triumphant gladiator from the "**aluminium wars**", the corpse-and-bits-of-body-strewn battle in the 1990s for control of Russia's aluminium industry. Deripaska denies tales that at one point the local mafia tried to blow him up with a grenade launcher. But even among oligarchs - who are not exactly a bunch of softies - Deripaska has a reputation for ruthlessness. An Israel-based businessman, Michael Cherney, is one of several disgruntled ex-business partners currently suing Deripaska in Britain. He alleges that the tycoon has swindled him out of billions. Deripaska denies the claim.

Family Deripaska is usefully married into the Yeltsin clan, Russia's former first family. The father of his wife Polina - Valentin Yumashev - was chief of staff to Boris Yeltsin and is married to the late president's younger and politically astute daughter, Tatyana. Deripaska has two children aged four and five. Oh yes, and a British nanny.

Hobbies Unknown. The tycoon doesn't talk about them. But he has spent money on patriotic projects, including the restoration of Russian churches.

Prospects Excellent. Deripaska is, in the words of one observer, "untouchable", thanks to his dynastic alliance with the Yeltsin family and his friendship with Putin. He is now aggressively expanding his empire into property and construction, and has also bought the ailing British van maker LDV. He is Russia's leading deal-making tycoon.

Mikhail Khodorkovsky

Age 44

Who is he? The man who defied Vladimir Putin and ended up in a Siberian jail. One of the original "magnificent seven", the group of oligarchs who swaggeringly bestrode the Yeltsin era, Khodorkovsky acquired his spectacular fortune during the knockdown privatisation of Russia's state assets in the 1990s. While Abramovich got oil, Khodorkovsky got oil, too - lots of it - with his firm Yukos becoming Russia's biggest oil company. Like the hero of a dubious morality tale, however, Khodorkovsky broke the rules established by Yeltsin's ex-KGB successor Vladimir Putin: don't meddle in politics. In the autumn of 2003 he funded opposition political parties ahead of Duma elections. The Kremlin's response was blunt. It charged Khodorkovsky with tax evasion and fraud. A court sentenced him to eight years in jail; receivers broke up his Yukos empire and sold off the bits. Brilliant and ruthless - he once installed video cameras to spy on his employees - Khodorkovsky is now either a justly convicted criminal or Russia's most famous political prisoner, depending on your point of view. He is unlikely to get out of jail any time soon. Once Russia's richest man, he has seen his fortune dwindle to a paltry $500m, Forbes suggests.

Relation with Putin Not good. See place of residence.

Place of residence Prison camp number 13, Chita jail, eastern Siberia. It's a very long way away from Moscow. He was last year given a spell in solitary for illegally possessing two lemons. His mum was allowed to visit him recently on his 44th birthday.

How he got his money According to the Kremlin, he nicked it. Like the others, Khodorkovsky aggressively exploited Russia's Yeltsin-era privatisations. An ambitious middle-class Soviet kid, Khodorkovsky began buying and selling in the late 1980s. He founded his own bank, Menatap, then in 1995 bought Yukos for just $350m. Two years later the firm was valued at $9bn. The deal was part of the notorious loans-for-shares programme, which saw Yeltsin give away state assets to a small group of 23 or so oligarchs. In return they agreed to get Boris re-elected as president in the face of a resurgent Communist party. He was.

Family Wife and four children.

Hobbies Before his internment, Khodorkovsky was a frequent visitor to Maharaja, a Moscow curry house. He is also a fan of Abba, and prefers jeans to formal suits.

Prospects Rubbish. Khodorkovsky now faces the prospect of a second trial on further charges of embezzlement and money laundering. The latest charges appear designed to ensure that the tycoon stays in prison until well after Putin departs office next year - and an as yet unknown Kremlin-backed successor takes over.

Boris Berezovsky

Age 61

Who is he? Brainy former mathematics professor and former Kremlin kingmaker who has morphed into Putin's enemy number one. In an interview with the Guardian in April, Berezovsky claimed he was plotting a coup against Putin, and called for a violent uprising against the Russian state. Russia has opened a criminal investigation and accused him of treason. It has repeatedly called for his extradition from Britain, where he has lived since 2001. Slight, balding and with a fondness for abstruse Latin phrases, Berezovsky began dabbling in the private sector in the late 80s. His unrivalled ability to get close to those in power led him to penetrate Yeltsin's family circle. He then used his political connections to acquire profitable stakes in state companies. They included a car dealership, the national airline Aeroflot, and several oil companies that he organised into Sibneft (see Abramovich). He also bought a TV station, ORT. His fortune is now estimated at $1.1bn.

Relationship with Putin A bit like that between Darth Vader and Luke Skywalker, though without the touching family reconciliation death scene. (Putin is Luke). Britain's refusal to hand over Berezovksy to Moscow continues to irritate the Kremlin, and poison UK-British relations (see below).

Place of residence A mansion on the Wentworth estate near Weybridge, a house in Chelsea and a vast Belgravia apartment. Definitely not Moscow.

How he got his money Like his fellow oligarchs, Berezovsky was a beneficiary of the extraordinary series of sweetheart privatisation deals that saw state assets flogged off in the 1990s for a fraction of their real value. Berezovsky's share of the swag was Sibneft (see Abramovich), a newly created oil company, which he got for a whisker over $100m. Its value was later estimated at $1bn. Berezovsky also held stakes in a car dealership, and in the state-owned airline Aeroflot. In return, Berezovsky masterminded the 1996 re-election of Boris Yeltsin for a chaotic, bedridden, vodka-soaked, corruption-tainted second term. He and his billionaire friends coughed up £140m for Yeltsin's campaign.

Family Married at least three times, with six children.

Hobbies In his 2002 entry in Russia's Who's Who, Berezovsky modestly lists two hobbies: work and power.

Prospects Surprisingly good. In the wake of the horrible murder of his associate Alexander Litvinenko - allegedly killed by a former KGB agent using radioactive polonium-210 - no British court is likely to send Berezovsky back to Russia. Berezovsky will continue to enjoy life under his assumed British name - Platon Elenin - and make revolutionary mischief.

Mikhail Prokhorov

Age 42

Who is he? According to the Moscow tabloids, he is Russia's most eligible bachelor, with a snappy little fortune of $15bn. At the age of 42, Prokhorov is still defiantly unmarried, despite a string of eligible girlfriends and a recent spoof announcement that he intended to tie the knot. His playboy reputation was cemented in February when French police arrested him during an investigation into an international prostitution ring. Police seized Prokhorov in the French skiing resort of Courchevel - a favourite destination for Russia's ultra-rich. He was later released without charge. "The allegations are absurd," Sergei Chernytsin, spokesman for Prokhorov's firm Norilsk Nickel, said in January. He added: "Naturally, he likes girls, and treats them in a natural way. But this isn't a pretext to accuse him of pimping." The incident provoked a personal chewing-out from the ascetic Putin, it is said. As well as liking women and parties, Prokhorov is Russia's fifth richest man. His billions were made from the vast nickel and gold deposits hacked out of Russia's frozen north. His mine in the town of Norilsk, the second largest human settlement north of the Arctic Circle, was privatised in Russia's anarchic 1990s.

Relationship with Putin Worsening? Putin last year awarded him the Order of Friendship - a token of Kremlin esteem. But his arrest in January may have led to a cooling.

Place of residence Moscow, and (sometimes) the Alps.

How he made his money Back in the early 1990s, Prokhorov was a clever young banker working for the state-run International Bank of International Cooperation. Vladimir Potanin, an influential banker from a privileged Soviet background, talent-spotted him. The two men moved into private banking, got their mitts on several billion-dollar government accounts, and never looked back. In November 1995 Potanin and Prokhorov snapped up Norilsk Nickel, Russia's largest nickel company, for £78m less than the asking price. Months later Potanin had become deputy prime minister.

Family Plenty of exes, but no Mrs Prokhorov as yet.

Hobbies Loads. As well as throwing lavish parties, Prokhorov likes basketball (he's two metres tall) and skiing. Then there is kickboxing, football, the avant-garde, and - strange but true - Salvador Dali.

Prospects Good, assuming he watches his step on the pistes. According to Kommersant newspaper, Prokhorov intends to resign as general director of Norilsk Nickel to concentrate on acquiring electricity assets. Though this means a split from his long-term business partner, Vladimir Potanin - Russia's fourth richest man - it will leave him still nursing his billions.

Viktor Vekselberg

Age 50

Who is he? Putin-friendly oligarch, and Russia's 10th richest chap, with a fortune estimated at $10.7bn. After working in an obscure state lab for many years, Vekselberg made a killing when the aluminium industry was privatised in the 1990s. He became a major player after Boris Yeltsin's re-election in 1996, when he became co-owner and chairman of Tyumen Oil (TNK), one of Russia's largest oil and gas companies. His company later developed a joint venture with BP. Like other oligarchs who have thrived under Putin, Vekselberg realises the importance of patriotic gestures. In 2004 he bought nine of the legendary Faberge eggs from the US Forbes publishing family in New York. The collection was shipped home to mother Russia and triumphantly exhibited at the Kremlin. He also forked out $1m to Harvard University to pay for the return of a set of Russian bells to a Moscow monastery. Like most Russian oligarchs, Vekselberg is of Jewish origin - he has a Jewish father, though he doesn't regard himself as Jewish. He is currently restructuring his assets, which also include aluminium and property.

Relationship with Putin Mixed. Putin invited Vekselberg, together with Oleg Deripaska, on his trip to Austria and Luxembourg in May - a good sign. But he also recently criticised Vekselberg and TNK-BP (his joint venture with BP) for failing to develop a gasfield in eastern Siberia. TNK-BP was forced to sell it to Gazprom.

Place of residence Moscow.

How he made his money You should know the answer to this one. He got rich when Russia's aluminium industry was privatised in the 1990s - together with other state assets sold for a bag of beans. His Siberian and Ural aluminium company (SUAL) has just merged with Deripaska's company RusAl to create the world's biggest aluminium company.

Family He is married to Marina, and has two children, a daughter, Irina, and a son, Sasha.

Hobbies Pass. Although he looks a bit like Father Christmas.

Prospects Good. Vekselberg still enjoys reasonable relations with the man who counts, and heads the influential Russian Union of Industrialists and Entrepreneurs. His preference for building business partnerships with friends and university mates has helped him multiply his billions.

Mikhail Friedman

Age 43

Intelligence Online

July 6, 2007

The Russian **Aluminium War,** Act Two

**SECTION:** POLITICAL INTELLIGENCE

**LENGTH:** 711 words

After the prolonged struggle between the IPOC equity fund and Mikhail Friedman's Alfa conglomerate, business intelligence firms and communications concerns on both sides of the Atlantic have been thrown into another battle between oligarchs Mikhail Chernoy (who now calls himself Michael Cherney) and Oleg Deripaska, the world's 40th richest man with an estimated fortune of USD 13.3 billion. A long-standing stakeholder in Siberian Aluminium, which has since become RusAl, the world's leading aluminium producer, Cherney sold off his stock in the company to Deripaska in 2001. He feels, however, that he only got a fraction of the stock's real value at the time and is now demanding the rest. Cherney's offensive may well thwart RusAl's flotation on the London Stock Exchange, which could take place this year and raise up to GBP 15 billion. Tracking Quarry in U.K. In a bid to force Deripaska to pay him what he believes the true value of his stake in RusAl, Cherney filed suit against his former partner before the commercial court at London's High Court last Nov.

24. His lawyer is John Fordham from the Stephenson & Harwood firm. Since the London court only has jurisdiction if one of the two parties resides in Britain, Cherney had Deripaska under surveillance by several business intelligence outfits to prove that the luxury home he owns in the ultra-posh neighbourhood of Belgravia is his main residence. RISC Management, a firm chaired by retired colonel Timothy Collins and run by former policeman Cliff Knuckey (IOL 536), offered advice in the operation (RISC has worked a lot for London-based oligarch Boris Berezovsky, who recently became friendlier with Cherney). But on May 3 the High Court ruled Deripaska wasn't a British resident and therefore that it was not competent to examine Cherney's complaint. The latter appealed the ruling and is now also poised to enlist the media in his campaign. He hired Bell Pottinger sans Frontieres, a public relations agency founded and run by a former spokesman of Margaret Thatcher, Lord Bell, that is also Berezovsky's mouthpiece. Advised by Alan Hamerman, a Bell Pottinger executive, Cherney recently played host to several financial journalists in Israel, where he has resided since 1996. Bell Pottinger is working on the account with the small business intelligence unit of the private British security concern Aegis Defence Services founded by Tim Spicer. (Peter Inge, chairman of Aegis' board, was once a partner of Graham Barr, CEO of Bell Pottinger sans Frontieres, in a now defunct consultancy ,Global Strategy (IOL 4513). Cherney is similarly represented in Washington by Mark D'Anastasio, a former Wall Street Journal newsman in Moscow who went into public relations. D'Anastasio also works for the IPOC fund. Israeli Investigators Turned. Like Cherney, Deripaska has hired a raft of consultants to fight off the attack of his ex-partner. Defended by the lawyer Paul Hauser from the Bryan Cave firm and by the London PR company Finsbury, he retained several business intelligence concerns, among them Diligence, to investigate Cherney, his investments in East Europe and his troubles with the FBI and Serious Organized Crime Agency: they suspect the businessman, who has never been convicted, of links with organized crime. In Israel, a private intelligence firm, Matara, was assigned to watching Cherney and assessing his influence among Israeli decision-makers. Matara was founded in 2004 by a former head of Tevel, the Mossad's international relations department, Yoram Hessel. Hessel was also Mossad's station chief in Washington. But disagreement over the results of Matara's surveillance prompted the Israeli company to suddenly change sides in May and make contact with Cherney to offer its services and inform him of the various operations carried out against him. Following Matara's defection, Cherney mounted a counter-attack against Deripaska and his advisers in several Russian media outlets, particularly on the stringer.ru web site. But as Deripaska is one of the oligarchs closest to Vladimir Putin, Cherney's campaign in Moscow has little chance of making an impact. In coming months he is expected to focus his efforts on the western press and - again - on the British courts.

The Moscow Times

July 31, 2007 Tuesday

Russneft Chief Blames State for His Ouster

**BYLINE:** Miriam Elder, Staff Writer

**LENGTH:** 1023 words

The head of Russneft said Monday that months of state pressure had prompted him to sell the embattled oil company to rising, Kremlin-friendly oligarch Oleg Deripaska.

"Not everyone has liked Russneft's success," CEO Mikhail Gutseriyev said in a letter published in the company's internal magazine.

"I was invited to leave the oil business 'on good terms.' I refused. Then to make me more compliant, the company was subjected to unprecedented hounding," Gutseriyev wrote.

Russneft's board of directors approved Gutseriyev's resignation late Monday, the company said in a statement. Senior vice president Oleg Gordeyev was appointed acting president.

"Mikhail Gutseriyev is temporarily stopping his entrepreneurial activities, leaving all business projects and intends to undertake scientific activities in Russia," the statement said.

Gutseriyev formed Russneft in 2002, after leaving state-run oil firm Slavneft and subsequently buying its assets on the cheap. He has since grown the company into Russia's seventh-largest oil producer, pumping 300,000 barrels of oil per day.

Then last year, tax and legal authorities began slapping the company and its shareholders with lawsuits as the Kremlin tightened its grip on the country's energy sector by means often criticized as lacking transparency.

Basic Element, Deripaska's holding company, confirmed on Monday that it had asked the Federal Anti-Monopoly Service for approval to buy Russneft.

Neither Russneft nor Basic Element would comment on the details of the sale. Vedomosti on Monday cited a source close to Deripaska as saying the two sides had agreed last week on a $6 billion price tag, while sources close to Russneft told the newspaper that the price had been set at $9.6 billion.

Gutseriyev, worth an estimated $2.9 billion according to Forbes, will receive a payout of $3 billion, Vedomosti said. He is estimated to own 70 percent of the privately held company.

Deripaska, Russia's second-richest man and the Kremlin's favored oligarch of the moment, will pay off the $2.8 billion debt that Russneft owes Glencore, the Swiss-based commodity trader that helped finance the firm's expansion, the newspaper said.

Glencore already has links to Deripaska, having merged its aluminum assets with Deripaska's Russian Aluminum and Viktor Vekselberg's SUAL earlier this year. That merger created United Company RusAl, the world's largest aluminum company.

RusAl plans to carry out an initial public offering this year, as Deripaska seeks to shake off a controversial reputation forged during the **aluminum wars** of the 1990s.

If Basic Element's request is approved, it will merge the firm into its En+ energy unit, Basic Element said in a statement. The holding also manages Deripaska's metals, automobile, construction and property assets.

Deripaska has proven his loyalty to the administration of President Vladimir Putin. "I don't separate myself from the state," he told The Financial Times earlier this month, adding that he would give up RusAl if the Kremlin asked him to.

Analysts said Deripaska could hold Russneft before passing it on to state-controlled oil giant Rosneft, which is heavily in debt. The firm has borrowed more than $25 billion this year alone.

Rosneft spokesman Nikolai Manvelov said the company was not interested in buying Russneft from Deripaska.

Rosneft spent hefty sums scooping up assets that once belonged to Yukos. The purchase of two Yukos production units at forced bankruptcy auctions this year propelled it to the top spot among Russian oil producers.

Yukos was felled by over $30 billion in back tax charges and CEO Mikhail Khodorkovsky was jailed for eight years on charges of fraud and tax evasion.

Gutseriyev hinted in his letter that he hoped to avoid a similar fate.

"I have taken the decision to quit our company. I hand control of the holding to a new owner whose appearance, I am sure, will ensure that all Russneft's problems will be resolved in time," Gutseriyev said.

He accused the country's "financial and power structures," including the Prosecutor General's Office, the Interior Ministry and the Federal Tax Service, of carrying out an unprovoked attack against the company.

"I don't know what I am guilty of and where I made mistakes" in drawing their ire, Gutseriyev said in the letter.

The Kremlin was believed to be unhappy with Gutseriyev for seeking several Yukos assets without its approval, but Russneft said last week that it had dropped its interest after receiving requests from Gazprom.

The Federal Tax Service had brought a total of eight lawsuits against 11 companies that are or have been shareholders in Russneft. In May, Gutseriyev himself was charged with fraud, and in June, tax authorities froze some of the company's shares.

"This whole affair, including Gutseriyev's claim that he was forced out of the company through the combined effort of state agencies ... could cast a shadow over investors' perceived sentiment as to the business environment in the Russian oil and gas industry," UBS warned in a research note.

Gutseriyev's exit comes fresh on the heels of TNK-BP's decision to sell its share in the Kovykta gas project to Gazprom, after months of pressure from the Natural Resources Ministry. Shell, Mitsui and Mitsubishi sold a majority stake in the Sakhalin-2 oil and gas project to Gazprom after a similar campaign late last year.

"The government is moving toward increasing the state share of production," said Julia Nanay, a senior analyst at PFC energy. "Russneft has been high profile, with aggressive goals to grow its output," she said.

Gutseriyev said last year that the company was seeking to raise net income to $1 billion this year by producing 20 million tons of crude. The company was also considering an initial public offering.

Analysts say the state's increased activity in the energy sector shows it hopes to consolidate control over the industry ahead of presidential elections in March.

According to Alfa Bank, the state currently controls 44 percent of the country's oil production, if Russneft is included.

Russneft owns 30 production assets, three refineries and 300 petrol stations, the company's web site said.

Moscow News (Russia)

3, 2004

MAFIA BOSS WINS ELECTION

**BYLINE:** Alexei Tarasov The Moscow News Krasnoyarsk bureau

**SECTION:** SCANDAL; No. 11

**LENGTH:** 1603 words

**HIGHLIGHT:**
Businessman Anatoly Bykov is barred from big-time, federal politics, so he has to engage in small-time, regional politics, but to very good effect

There is, after all, a force that can beat the party of power. This force is Anatoly Bykov, a regional legislator with two criminal convictions. The heavyweight lawmaker who received a six-year suspended sentence for organizing an attempted contract hit and was amnestied after being convicted of covering up yet another killing, formed and headed an election bloc that came out on top in a recent election to the city council, garnering one-third of the vote, almost 8% ahead of the United Russia party that threw its support behind For Krasnoyarsk! - an administrative and economic platform of the city hall, and getting several times as many votes as all the other parties. Neither the finest of cadres that United Russia lent to the city hall nor even the bear it contributed as the platform's symbol were of any avail.

The Bykov Bloc

The Bykov clan won a landslide victory in the party-list vote, but none of its members carried a single-mandate constituency. This shows that voters cast their ballots strictly for the individual named Bykov. The other 22 names on the list were irrelevant.

Bykov himself has been elected to the territory's parliament (the latest election was three months ago) with roughly the same share of the vote that Putin has received as Russia's president. It seems that the electorate has more or less the same affection for both. Could this be because Bykov followers are committed to the "strong arm" idea? On the other hand, these people share Bykov's contempt for Russia's incumbent rulers.

One easy explanation, of course, could be the low political awareness in a region notorious for its labor camps where most everyone is either an ex-convict or doing time or is bound to land a conviction some day. In fact, this explanation is often cited in the capital. Yet Krasnoyarsk's Oktyabrsky district, which has regularly elected Bykov to parliament, is not a slum, nor even a working-class area. It is an Akademgorodok, "Academy estate," with a high concentration of intellectuals, and it is also a Studgorodok, a "student campus." It is theater people, artists, journalists, and so on who translate Bykov's behests into reality at Krasnoyarsk's city hall and in the territorial legislative assembly. When criminal proceedings were started against Bykov, it was school and university teachers who were the first to stand up for him. A group of 183 veteran educators sent to Moscow a letter in support of their hero.

The Bykov List

The Bykov bloc today is a hodge-podge of people from various backgrounds, a cross-section of Russian society - youngsters and senior citizens, members of minority groups and associations, and fringe elements of every description. Bykov welcomed even his former opponents. Take, for instance, Andrei Zberovsky, a teacher who ran in all election campaigns. In the 2002 gubernatorial election, he garnered 0.1% of the vote, playing on the side of Alexander Khloponin, who in fact carried the election at the time. Bykov was Khloponin's principal opponent. In the run-up to the latest election, he accused the incumbent governor of trying to disqualify his bloc from the ballot.

The number two person on the Bykov list is Georgy Kostrykin, the former head of the territory's electoral commission who became famous for canceling Khloponin's victory in the 2002 gubernatorial election and for the subsequent confrontation with the Central Elections Commission. Earlier, Kostrykin had had a hand in barring Bykov from State Duma elections.

Yet another colorful personality is Arkady Volkov, former head of the territory's Young Communist League who left the Communist Party of the Russian Federation because of his friendship with Bykov. The latter is only too happy to be his friend: He is going to create a youth organization under his auspices.

Bykov had to get together such a mixed bunch because his former associates defected (or even betrayed him). During the election campaign, rumor had it that he was also ready to embrace the "democratic front" - the local Union of Right Forces (SPS) and Yabloko chapters, placing it under his wing. Yet they did not dare accept the patronage of an ex-convict. Maybe they should have known better? In the city council election, the liberal spectrum failed to cross the five-percent barrier - just as it had in the latest Duma election. Anyway, Bykov does not really care who is on his list. Victory is assured all the same.

A Veteran Democrat

For seven years now, Krasnoyarsk territory residents have been enthusiastically voting for Bykov. Perhaps the boy from a remote district center, a former high-school PT instructor, one of their own, who mysteriously became a rich man but who still is nothing like the Moscow newly rich, epitomizes the Krasnoyarsk dream. People do not want to know about him what they ought not to know.

This is thanks to state security services that once used Bykov in their crackdown on both the indigenous criminal kingpins and "outsiders" who laid claim to the territory's riches. He was effectively tapped to place Krasnoyarsk's shadow economy under control. Then this "protege" started claiming an independent role for himself, and today his popularity has slipped outside the authorities' control. Indeed, how are they supposed to fight with a folk hero, fight with the myth that the "people's oligarch" has become in popular consciousness?

In the meantime, he continues to assert himself as a prominent public figure on a regional scale - thanks to politicians who need him. A great many political elements have been leeching onto Bykov. Right now the Eurasia party is planning to promote itself at the expense of the "nationally oriented" magnate. True, each time someone has astutely protected Krasnoyarsk people from individuals wishing to take advantage of Bykov and his popularity.

Four years ago, the city council was shaped by the same forces. At the time the Bykov bloc got 41 percent of the vote whereas the mayor's bloc received 34.5 percent. Nonetheless, Gen. Lebed, Krasnoyarsk governor at the time, forced many of Bykov's associates to leave the region. In that particular election, the mayor received control over the city council. His bloc got 19 seats out of 35 - thanks to its victory in 14 single-mandate constituencies out of 18. The Bykovites only had seven, and their leader said that he would not become a city councilor but would stay on in the territory's legislative assembly.

Money Laundering

According to information in MN's possession, last year, the Greek Public Prosecutor's Office asked the territory's Internal Affairs Main Administration for "judicial assistance." Greek authorities discovered large bank accounts leading to suspicions that Bykov was involved in money laundering operations. Then a criminal case on money laundering charges was opened in Novosibirsk. It was investigated by Interior Ministry Siberian Federal District officials with assistance from U.S., British, and Swiss authorities, but was eventually frozen. Another criminal investigation was started by the neighboring Khakasia's Public Prosecutor's Office on charges of illegal money transfers from abroad and legalization of allegedly ill-gotten gains.

Earlier, Bykov faced charges of money laundering, trafficking in arms and precious metals, and complicity in organizing contract hits. All of them were subsequently dropped. There is nothing that can be brought up against the hero now. His declared annual income is 33,000 rubles.

Who, then, is to blame for dozens of bloody episodes in the Great **Aluminum War** that effectively turned Krasnoyarsk into a wartime zone in the 1990s? There is no answer to this question: The organizers and perpetrators of contract killings, those who could have provided evidence about the mastermind behind those hits, went missing, were killed or disappeared without a trace abroad. Back in April 1996, the chief of the territory's Internal Affairs Main Administration set up a "working group to coordinate special operations and covert-agent activities with regard to A.P. Bykov, the leader of an organized crime group, and his entourage." Bykov's entourage was suspected of organizing and perpetrating dozens of contract killings (the relevant documents are in MN's possession). In 1999, a crack team of investigators from across Russia was formed to work in Krasnoyarsk, presumably at a considerable cost to the public treasury. Where are the results of its work?

One result is there for all to see. Today, the territory's former shadow boss who, thanks to the efforts of state security services, has greatly boosted his image as a national hero, has everything that it takes to run for any office in any election.

Imagine the Americans electing Al Capone a senator or voting for his underlings. This is simply inconceivable. Of course, the United States is a democracy, but gangsters there are not allowed to meddle in politics. There are effective laws, courts, and prosecutors to keep them in check. Russia also has mechanisms for keeping "unsuitable elements" out of power. But these mechanisms are rather selective. They were used, in effect, to mark up Bykov's "turf": On two occasions he has been barred from the State Duma by being disqualified or denied registration before elections. All the signs are that the ruling authorities are not particularly keen to have a convict (even with a suspended sentence) write laws for the country. Yet he is welcome to do so for a whole region. Is this really what the people of Krasnoyarsk deserve?

MN

The Oregonian (Portland, Oregon)

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Former associate attacks Evraz actions

**BYLINE:** BRENT HUNSBERGER, The Oregonian

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SUMMARY: Steel | Unresolved lawsuits accuse the Russian company of shady dealings, money laundering and intimidation

Evraz Group, the Russian steel maker that might receive regulatory approval as soon as today to buy Oregon Steel Mills Inc., has gone to great lengths in recent years to woo the Western business world.

It openly courted investors on the London Stock Exchange in 2005. Now, it's vying for assets in the world's cradle of capitalism, the United States.

But a man who claims to have done business with Evraz and its co-founder, Alexander Abramov, paints a far-from- rosy picture of the company's brief history.

In several U.S. lawsuits and an interview with The Oregonian, the former associate, Jalol Khaidarov, accuses Evraz and other prominent Russian businessmen of laundering money through U.S. shell companies, sending armed thugs and a mob figure to threaten his life and manipulating bankruptcy proceedings to wrest control of a mine that Khaidarov co-owned.

An Evraz spokeswoman has denied the allegations, saying the men accused of illegal behavior in the lawsuit "never controlled" Evraz.

Khaidarov's lawsuits, while so far unsuccessful, attempt to link Evraz to the corrupt and sometimes violent industrial business dealings that have besmirched Russia and Eastern bloc nations since the fall of communism.

But it's unclear whether the claims, which garnered news coverage in Russia and Europe, are true or even relevant to U.S. regulators reviewing the deal for national security concerns, a process that could end today.

Some observers argue that the allegations mean little to Oregon Steel shareholders and workers trying to judge the merits of Evraz's offer and ownership, despite the fact that Khaidarov and others suspect the deal could eventually lead to Kremlin control of the Portland company.

"These cases have been going on against many of the oligarchs for many years because there was a lot of very fast dealing," said Daniel Lucich, a former deputy assistant treasury secretary now with the Washington, D.C., law firm of Akin Gump Strauss Hauer & Feld. "It's not clear that all of this was illegal at all. It really takes a case-by-case analysis to really know what's going on."

The suits in Delaware list five companies and four Russian businessmen as defendants, including two well-known oligarchs and one controversial figure in the aluminum industry tied in news reports to organized crime.

"Evraz generally has a horrible reputation in Russia," Khaidarov said in an interview Thursday from his home in Israel. "What they're doing now," he said, speaking through an interpreter, "is they're trying to create a good reputation. That's the reason they went ahead with IPOs. That's why they're going to the United States."

"These guys are people who engage in fraud or criminal conduct," said Bruce Marks, a Philadelphia attorney who practices in Moscow and brought the lawsuits. "They don't belong in the United States, owning sensitive businesses."

But Bruce Bean, a former corporate attorney in Moscow, accused Marks of grandstanding, saying judges will probably never allow Khaidarov's allegations to be heard in the United States, where few of the alleged illegal events occurred.

"It is a well-known story, but I don't think it means anything," said Bean, now a law professor at Michigan State University. Marks' "lawsuit is useless except for generating publicity and negative impact in Washington."

Evraz response

In an e-mailed statement, Irina Kibina, vice president of corporate affairs and investor relations at EvrazHolding, said the cases appear to be mostly about individuals who never owned Evraz.

"Evraz management believes that Evraz (as well as other defendants) have strong position to win the case and get injunction banning similar claims by the plaintiffs in other jurisdictions," Kibina wrote.

The Russian mine at issue in the Delaware lawsuits is the Kachkanarsky Ore Mining and Processing Enterprise, or KGOK, a key holding for Evraz.

The operation, acquired by Evraz in 2004, processes iron ore from three open-pit mines in the Ural Mountains. It supplies raw material to the Nizhny Tagil Iron and Steel Plant, one of Evraz's three Russian mills, which is about 90 miles away.

Evraz's mines and their proximity to its steel mills allow the company to produce some of the world's lowest-priced steel products, some of which already are sent to Oregon Steel's Portland mill.

Marks, the attorney who filed the lawsuits, originally brought Khaidarov's claims six years ago in the U.S. District Court for the Southern District of New York. Brought on behalf of another lead plaintiff, Base Metal Trading, the case alleged the illegal theft not only of the Kachkanarsky mine but also of a large aluminum operation in Western Siberia.

The battle to control Russia's state-owned aluminum smelters was tainted by mob activity and violence that resulted in dozens of deaths and plundered assets, said David Satter, a research fellow at the Hoover Institution. A former journalist based in Russia, Satter devoted an entire chapter of his 2003 book, "Darkness at Dawn: The Rise of the Russian Criminal State" to the country's "**aluminum wars.**"

"The amount of murder and criminality that was involved in the takeover of the Russian aluminum industry is just legendary," said Satter, noting that he was unfamiliar with Khaidarov's case. "Anyone who is involved in it or derived their fortune from it is very likely an undesirable character, to put it mildly."

But a federal judge eventually dismissed Base Metal's case, saying the United States was not the right place to try the claims. A federal appeals court later upheld the ruling.

Marks filed a new lawsuit in a Delaware court in 2003 and an identical complaint in U.S. District Court in Delaware. The lawsuits made similar racketeering claims but focused only on the theft of Kachkanarsky GOK and no longer included Base Metal as a plaintiff.

Both suits were filed on behalf of plaintiffs Davis International LLC, Holdex LLC, Foston Management Ltd. and Omni Trusthouse Ltd.

Businessmen accused

The lawsuits name three prominent Russian businessmen as defendants --Oleg Deripaska, who now controls Russia's largest aluminum manufacturer; Iskander Makhmudov, a Russian copper magnate; and Mikhail Chernoi, a former Russian aluminum operative long suspected of ties to the Izmailovo mafia, a Russian organized crime group.

All three men, the lawsuits claim, operated as an organized crime group.

The lawsuits say the three men also controlled EvrazHolding.

Evraz's spokeswoman specifically denied that claim. "Evraz was never controlled neither by Mr. Deripaska, nor by Mr. Makhmudov, nor by Mr. Chernoi," Kibina wrote.

The suits allege that beginning in the early 1990s, the three "conspirators" set up false companies in Delaware where they wired money, bought and sold millions in U.S. real estate and used the proceeds to reinvest in Russian business ventures.

In April 1999, Khaidarov, who had worked for the three men as a financial adviser, left their group to serve as general director of the KGOK iron ore plant, according to the lawsuits. Around the same time, Khaidarov said in an interview last week, he signed an agreement with Abramov, co-founder of Evraz, to supply material to its steel mill and distribute products.

That same month Khaidarov left Chernoi's group, the lawsuits allege, Chernoi met with Khaidarov and threatened his life unless he sold his interest in the mine. According to the lawsuits, Chernoi listed other notable Russians who had been killed.

"There were a lot of clever people . . . but sometimes they die," Chernoi allegedly told Khaidarov. As a result of the alleged extortion, the plant's controlling shareholders agreed to sell a 20 percent stake to the conspirators as a result, the lawsuits say.

Says transfer demanded

Later that year, according to the lawsuits, Makhmudov met Khaidarov at the Luxor Restaurant in Moscow's Metropole Hotel and summoned Anton Malevsky, a well-known Russian mafia leader, along with Deripaska and "five armed thugs." The men demanded that Khaidarov transfer 51 percent of the mill's shares to Chernoi without payment. Khaidarov told Malevsky he was crazy, according to the lawsuits.

"This is the last time that you will leave here alive," Malevsky allegedly told Khaidarov. Malevsky died two years later during a parachute jump in South Africa.

In January 2000, the lawsuits allege, the conspirators sent armed men to seize control of the plant, physically threatening and bribing board members to remove Khaidarov as manager.

Khaidarov fled Russia later that year, the lawsuits allege, after police planted drugs on him while at the Starlight Diner in Moscow.

U.S. District Judge Gregory Sleet in March dismissed the federal case, though Marks has appealed. The lawsuit filed in Delaware Court of Chancery, a special court that handles mostly business cases, has been stayed pending the federal appeals court decision.

Deripaska later joined forces with Roman Abramovich, now the controlling shareholder in Evraz, to create Russian Aluminum, or Rusal, the nation's largest aluminum producer.

Khaidarov, meanwhile, lives in Israel, afraid to return to Russia. In a declaration filed last year in Delaware, Khaidarov said he believes his mother was murdered in an automobile accident in retaliation for his filing the lawsuit.

He now is writing a book, he said in an interview last week, "to share his experience with Americans."

Brent Hunsberger

PR Newswire US

January 17, 2007 Wednesday 3:42 PM GMT

Russian Information Centre: Exiled Russian Oligarchs Are Staging a Comeback Relying on the Help of Corrupt Western Politicians and Ex-Intelligence Operatives

**LENGTH:** 1171 words

**DATELINE:** MOSCOW Jan. 17

MOSCOW, Jan. 17 /PRNewswire/ -- Russian Information Centre Monitoring -- Exiled Russian oligarchs are staging a comeback in 2008 to get back their "fair share" of the nation's wealth and control over politics. The report by Russian Information Centre, an independent media monitoring service, due for publication in late February, 2007, demonstrates that despite the seeming lack of funds and influence, the notorious oligarchs of the 90s are regrouping, consolidating their resources and scheming a triumphant return after 2008 presidential elections in Russia.

Highlights of the report, based on analysis of open sources such as Western and Russian media, on and off the record statements by experts, businessmen, law enforcement officials and politicians, demonstrate that the exiled oligarchs, who were de-facto rulers of Russia in the 90s, are preparing a revanche, aggressively trying to revamp their image tarnished by plundering the Russian economy and ties with organized crime, and in some cases -- regain physical access to countries like the US, which denied them visas, vying for support of political forces in the West, soliciting former and active law enforcement and intelligence officials in Great Britain, the U.S., Israel, Italy and Eastern European countries with a dual task of using their expertise and connections to soften official scrutiny of their shadowy business practices and getting help in undermining the current government of Russia.

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|   Among the traits highlighted by the media and experts are: |
|  |
|    Attempts by the exiled oligarchs to enlist support of Western political |
|    elite -- mainly the so called new conservatives, legislators in the US, |
|    British Labour Party officials and Israeli "hawks" -- on the pretext of an |
|    opportunity to get a more "predictable and user-friendly" Russia in 2008. |
|  |
|    Building of a financial base in the countries neighboring Russia, such as |
|    the Ukraine, Georgia and the former Baltic republics of the USSR, to |
|    finance opposition to the Kremlin and establishing clandestine routes to |
|    channel funds to Russia. |
|  |
|    Getting western PR, PSYOP and covert operations experts' help in |
|    undermining current Russian government utilizing a wide array of |
|    techniques ranging from smear campaigns in the West against the leaders of |
|    Russian business in energy, aviation, finance and metal sectors to |
|    possible acts of terror in Russia and the West with the use of a dirty |
|    bomb/radioactive materials to implicate Kremlin. |
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The scope of this campaign can be illustrated by the case of Mikhail Chernoy (Michael Cherney) who along with his brother Leo gained almost full control over Russia's aluminum industry in the 90s in what became known as the bloody "**aluminum wars.**" While Leo was in charge of business operations, Mikhail was reported to act as a liaison with organized crime, which provided "protection" from the competitors often leaving numerous human casualties after "business disputes."

Mikhail Chernoy, now living in Israel after the US stripped him of his visa in 1999, appears to be the hub in a tangled web of connections linking the Russian mafia, corrupt politicians, Chechen separatists, Russian opposition and notorious archenemy of the Kremlin -- the exiled oligarch Boris Berezovsky, who found refuge in London.

Chernoy's activity has recently most noticeably spread to the Ukraine, where he controls several companies, the largest being First Ukrainian Development (FUD), which will soon break ground on a $1 billion building project in Kiev. Ukrainian journalists refer to their country's construction business today as "the flush pipe of criminal capital," and indeed, FUD's main office is registered at an offshore location in Cyprus, while its Kiev office is headed by Efim Borodulin, a man with close ties to Berezovsky. Chernoy himself flew to Ukraine three times this year on Berezovsky's personal airplane.

Soon, Chernoy may even be managing the flow of Berezovsky's assets. For years, Georgian businessman Badri Patarkatsishvili has handled this responsibility, but lately he has chosen to distance himself from Berezovsky, and experts predict Mikhail Chernoy may soon take his place. Chernoy began his career as an entrepreneur during the Soviet period and by the 1990s, he and his brother Leo were in control of Russia's biggest metal enterprises. Their company, TWG, was a conglomerate of offshores scattered throughout the world. Any theory as to where the Chernoy brothers got their start-up capital is pure speculation, but the press has circulated a version involving a forged remittance slip.

Journalists described a clear division of labor between the two brothers: Lev answered for the economic and financial state of TWG, while Mikhail struck deals with anyone who had influence over the business, from government officials who set quotas on metal exports to organized crime bosses who sought tribute -- a kind of protection arrangement now known in Russia as "roofing." Chernoy's particular talent in managing this sphere led TWG to dominate Russia's metal industry.

European law enforcement has repeatedly suspected Chernoy of money laundering and mafia connections. He was investigated on charges including money laundering and drug-trafficking in the US, Russia, Switzerland, Bulgaria and Israel.

In recent years his efforts to regain right of entry to the US have significantly increased -- Chernoy has been sponsoring the Intelligence Summit, an annual gathering of former and acting US law enforcement and intelligence officials; a former FBI agent, who has been conducting an investigation of Chernoy's illegal activities in the US, is currently on his payroll, and Chernoy is courting members of the US Congress on their trips to Israel.

As his brother Leo stated in a recent interview to the RBC Russian newswire, which sounded more like an appeal to the Russian opposition groups, "the fate of Russia depends on the right, I stress -- right forms of corporate government; I am confident of this and hope to persuade those understanding that the clock is ticking."

The full text of the report will be available to the media by the end of February 2007 along with the comments by Russian and Western experts, government officials, independent reporters along with the oligarchs mentioned.

Russian Information Centre Monitoring is a non-profit nonpartisan research and media monitoring organization. The report on illegal international activities of exiled Russian oligarchs is due to be presented to the media later this month.

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|   Additional resources on the subject: |
| Scaramella-Berezovsky link to World Trade Center security firm emerges in Italian prosecutors' investigationBy Wayne MadsenOnline Journal Contributing WriterJan 4, 2007, 00:50 | Email this article [Printer friendly page](http://onlinejournal.com/artman/publish/printer_1601.shtml) |

([WMR](http://www.waynemadsenreport.com/)) -- Mario Scaramella, the Italian interlocutor for the poisoned Alexander Litvinenko and Russian-Israeli media/mobster tycoon Boris Berezovsky, is now under investigation by prosecutors in Rome, Naples, and Bologna for international arms smuggling, divulging official judicial secrets, conspiracy, international trafficking in radioactive materials, and the dumping of hazardous waste through unauthorized third parties.Scaramella was arrested last month by Italian police and his offices have been searched by police several times.

The Italian media is reporting on transcripts of phone conversations between Scaramella and two former U.S. intelligence officers. One conversation, reported in *La Repubblica*, is a January 25, 2006, conversation between Scaramella and a **mysterious ex-CIA agent from California who uses the name "Perry." In the** conversation, Scaramella stresses to Perry that his activities are not "just my **activity, but the activity of the organization**.' It is becoming clear that the :organization" to which Scaramella is referring is a private and global intelligence organization involving former members of the KGB and Russian Federal Security Bureau (like Litvinenko), private military and intelligence companies, and ex-CIA and British intelligence officers.

obtained taped testimony against Prodi from Gordievski and that the testimony was given in the presence of "Lou Palumbo," who has now been identified as a 22-year veteran of the CIA. Gordievski, who is under the protection of the British intelligence services, has since denounced Scaramella as a fraud. It is also clear that Scaramella's mission was to seek out prominent Russian exiles and defectors in order to trick them into bringing false charges against leftist politicians like Prodi.

Previously, WMR reported that Scaramella was linked by Italian investigators to **Filippo Marino,** who is involved in the security business and founded the Special Research Monitoring Center (SRMC), and claims he was a member of the elite Italian Army 131st Regiment and member of an Italian law enforcement organized crime task force targeting the mob in Naples. One of Marino's companies, Securitydirector LLC, is registered at P.O. Box 190487, Miami Beach, FL 33119-0487. According to *La Stampa*, a link has now been discovered between Marino and Hallandale, Florida-**based Incident Management Group (IMG). Marino has been a senior consultant for IMG, according to *La Stampa*. IMG's Managing Partner is none other than Louis F.** Palumbo, Scaramella's task master in the reported attempt to tarnish Prodi. Palumbo's bio at the IMG website states that in 1977, he founded the security consulting firm Ackerman & Palumbo. The Association of Former Intelligence Officers (AFIO) lists a Louis F. Palumbo at 7980 N. Biscayne Point Cir., Miami Beach, FL 33141.

**Note that Marino's links to Scaramella's ECPP is also cited above. Also of interest is the listing of a Curtis Perry as an IMG consultant: "CURTIS PERRY, SENIOR CONSULTANT, has 27 years experience in government and private sector security.** He served for ten years in the CIA and was stationed throughout the Far East. Mr. Perry is fluent in several Chinese dialects and has access to numerous government agencies in the Philippines and throughout Southeast Asia. Previously he was employed as a Senior Consultant by the security firm of Ackerman & Palumbo and was a Managing Director for Kroll Associates in Manila from 1992 -1996. Mr. Perry has undertaken numerous investigations for Corporate America -- including those involving kidnappings, extortions and product contaminations -- in the Far East and Australia."

Also of interest is another "environmental" link that ties the various Scaramella-Litvinenko players under the cover of an international environmental network. An SEC EDGAR search revealed a stockholders' agreement between Harrison-Kroll Environmental Services, Inc. of Louisiana and Palumbo Partners, a Delaware corporation dated December 31, 1992, in which Kroll acquires Palumbo Partners. A Google search also revealed that former Secret Service Presidential Protective Division agent Jim Holt served as Training Director for Ackerman & Palumbo and was "one of the original directors and consultant partners with Palumbo Partners, Inc., Miami." An office of Harrison-Kroll Environmental Services is listed at 300 S. Grand Avenue, Suite 1300, Los Angeles, CA 90071.

**Kroll Associates is an enigmatic "security services" company which has close links to the CIA. Not only is Kroll active in private military contracting in Iraq, but it has long been associated with dubious U.S. intelligence activities at home and abroad. According to a knowledgeable source, Jules Kroll, who founded Kroll Associates in 1972, obtained needed funding for his firm from Foothill Capital in the 1980s. Foothill was deeply enmeshed in the savings & loan collapses in the 1980s but salvaged itself to become a part of Wells Fargo Bank.**

Kroll, who helped Curtis Publishing (renamed Cadence Industries after a merger) cut waste in the 1970s (and pilfer the company's pension fund in the process), got his first big break when he helped locate the stolen millions of Philippine ex-President Ferdinand Marcos (he would later go after the off-shore bank accounts of Haiti's Jean-Claude Duvalier and Iraq's Saddam Hussein).

According to our well-placed source, Ray Steffans (aka diStefano of New Jersey), Jewish mobster Gideon Chern, and Eddie Baker of Vanguard Petroleum met in Houston in September 1983 to discuss, among other items, funding for Kroll.

In December 1977, Bernard Taubenfeld, Gideon Chern and Shalom Goldburd, officials of B'nai Torah Institute affiliate, Nutrition for Youth, were convicted of defrauding the government by submitting bills for food that was never served to poor children in the New York City summer lunch program. Chern's other organized crime activity in the 1980s reportedly had an important protector -- former US Attorney for the Southern District of New York Rudolph Giuliani. The former New York Mayor and prospective GOP presidential candidate reportedly suppressed a wealth of evidence against Chern.

The Chern link brings us back to the Russian-Israeli Mafia connections of Scaramella and company. Berezovsky's friend, former Yukos co-owner Leonid Nevzlin, a Russian-Jewish oligarch and former president of the Russian Jewish Congress who now lives in Tel Aviv and is wanted by Russia for tax evasion and corruption. As the Democrats prepare to assume control of Congress, Nevzlin is now in the United States, protected by the FBI from arrest based on Russian and Interpol arrest warrants. This is not Nezvlin's first visit to the United States. In the summer of 2005 he appeared before the US Congress' Helsinki Committee to criticize the government of Vladimir Putin. Nevzlin's sponsors were incoming House International Relations Committee Chairman Tom Lantos (D-CA) and New Jersey Rep. Chris Smith (R). Nevzlin used the hearing to argue for the expulsion of Russia from the G-8. Another Nevzlin supporter is Arizona Republican Senator John McCain, another prospective GOP presidential candidate.

**In a further example of the dubious activities of the Arlington, Virginia-based Fellowship Foundation, dubbed the "Christian Mafia" by many local residents, two of Nevzlin's wanted Yukos fellow shareholders, oligarchs Mikhail Brudno and Vladimir Dubov, who were indicted in Russia on charges similar to those brought against jailed Yukos former chairman Mikhail Khodorkovsky, were invited the have breakfast with President George W. Bush at the February 5, 2005, "National Prayer Breakfast."** The annual Prayer Breakfast contrivance of the Fellowship Foundation is a ruse designed to provide a series of top level intelligence and organized crime meetings under the sanctioning smile of "Jesus." The person who invited Brudno, Dubov, and the jailed **Khodorkovsky to the prayer breakfast was Lantos, whose wife, daughter, and son-in-law are devout Mormons.**

Brudno and Dubov, citizens of Israel, were assured by the FBI that it would ignore the Interpol and Russian arrest warrants, just as the FBI is ignoring the arrest warrant for Nevzlin, who is now in the United States, most likely with the acquiescence of Lantos. Lantos, who has his own connections with mob-run unions operating at San Francisco International Airport, does not seem to mind the fact that Nevzlin has been under investigation by Israeli police for illegally laundering $500 million through a Tel Aviv branch of Bank Hapoalim, Israel's largest bank. Nevzlin also took over assets of Khodorkovsky's collapsed bank, Menatep, which was also linked to money laundering involving the Bank of New York.

**Former Soviet President Mikhail Gorbachev supports Putin's attempt to bring the Russian-Israeli oligarchs to justice. He told Britain's *Sunday Times* that it is believed that the exiled oligarchs have hidden away $1 trillion.**

**Nevzlin's and Berezovsky's activities with Litvinenko are the tip of a huge iceberg of private intelligence intrigue that involves a number of wanted Russian exiles, including Nevzlin, Berezovsky, ex-Russian media magnate Vladimir Gusinsky, Mikhail Chernoy, Roman Abramovitch, and Chechen "Foreign Minister" Akhmed Zakayev. Berezovsky's (and Litvinenko's) spokesman, Russian exile Alex Goldfarb, freely operating out of both London and New York. All are involved in various efforts to destabilize Russia with the help of neocons in the Bush administration and the** government of Israel. However, the Israel Lobby's pressure on the U.S. media, most notably the Associated Press, *New York Times*, and *Washington Post*, ensures that the Russian exiles' links to Israel and organized crime are studiously ignored.

In another full circle between Tel Aviv and Italy, Menatep's former chief for investment management Alexei Globuvich said, after his arrest last Spring in Italy, that Nevzlin may have tried to poison him and his family after mercury was found in his office, home, and car. Globuvich said he was a threat because he knew where Yukos and Menatep assets were located. Shortly thereafter, a Scotland Yard officer handed over to the British security firm ISC Global plans by the British government to extradite a number of Russian-Israeli exiles in Britain to Russia. ISC Global had been part of Menatep and Nevzlin was one of its chief customers.

**The connections now discovered by Italian and Russian investigators between the Russian-Israeli-Italian-British-US private intelligence network of former intelligence agents and billionaire mobsters suggest that the "serious crimes" committed may be more than the poisoning of Litvinenko and others with radioactive materials. The investigators are wise to pursue the links to U.S. security firms and former CIA personnel involved in pre-9/11 protection functions. The FBI cannot or will not** investigate the actual perpetrators of 9/11. However, the Italian and Russian law enforcement professionals are beginning to get very close. It is a shame that American law enforcement is not interested in pursuing real leads in the biggest crime in American history.