

The State Raided Me

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March 08, 2011

The Moscow Times

On Wednesday, a plenary session of the State Duma is to confirm a warrant for my arrest on allegations of embezzlement. The vote is of little consequence since the Investigative Committee placed me on Russian and international wanted lists earlier this year. This was retaliation for my efforts to contest the theft of my stake in the Moskva Hotel through a conspiracy orchestrated by politically connected individuals.

The Duma vote is nothing more than bureaucratic “tidying up.” Since I am a deputy, the Duma should have agreed to the Investigative Committee request before the arrest order was issued by the committee, not after the event. This marks the latest act in a Kafka-esque drama that makes a regular crime thriller seem like dull reading.

Corporate raiding in Russia is no longer based solely on the gangster model of the 1990s. It has become a more sophisticated and insidious form of organized crime that camouflages fraud by using seemingly legitimate legal actions.

Perverting the judicial system to abuse private property rights is, of course, not uncommon in

countries with weak rule of law. But in Russia, it has been raised to an art form through a heavily centralized political system and a fusion of business and state interests clouded within an opaque environment. The loss of a distinction between personal interests and state interests at such a high level makes corporate raiding more efficient and devastating.

In a seminal 2008 article, “Criminal Corporate Raiding in Russia,” Thomas Firestone, legal adviser for the U.S. Justice Department at the U.S. Embassy in Moscow, writes that Russia’s raiding relies on “criminal methods such as fraud, blackmail, obstruction of justice and actual and threatened physical violence.” He notes that the raiders “rely on court orders, resolutions of shareholders and boards of directors, lawsuits, bankruptcy proceedings and other ostensibly ‘legal’ means as a cover for their criminal activity.”

Firestone defines the typical corporate raid in Russia:

- the acquisition by the raiding company of a substantial portion of the target company’s debts;
- the corrupt acquisition of control over the target company by falsifying internal corporate documents;
- the filing of civil suits and “contracted” criminal cases against the target company;
- the use of siloviki, including the police, private security forces, court bailiffs and hired thugs;
- the transfer of illegally seized assets to a “good faith purchaser” using shell companies;
- “black PR” involving the distribution of false information about the target through the media.

These tools will be sharpened and applied with greater vigor if the target tries to resist. After I started to fight back against the scheme to steal my assets, the authorities opened a criminal case against me, heightened physical threats against me and my family and initiated a vicious PR campaign branding me as a criminal.

It is a tragedy that Russia has created a business environment that is so open to abuse, one that has ruined the country’s investment climate.

This model of government-organized crime is doomed, and the efforts to modernize Russia are a sham used to mask the status quo of rampant state corruption. To create a genuine basis for development, Russia urgently needs to separate business from executive power.

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The views expressed in opinion pieces do not necessarily reflect the position of The Moscow Times.

Original url: <https://www.themoscowtimes.com/2011/03/08/the-state-raided-me-a5475>