

When Making a Profit Is a Crime

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Last week, the Moscow City Court upheld a 13-year sentence against former Yukos CEO Mikhail Khodorkovsky and his former business partner Platon Lebedev. I strongly recommend everyone to read the transcript of Khodorkovsky's statement to the court.

The text from the judge's verdict also makes interesting reading. Take, for example, the passage that faults Khodorkovsky for selfishly trying to "increase profits through increased production and raising the value of his shares in Yukos."

A number of other things also happened last week that do an equally good job of illustrating the state of Russia's economy under Prime Minister Vladimir Putin.

Vedomosti published an excellent article about Vitaly Yusufov, son of former Energy Minister Igor Yusufov, who seems to be very interested in taking control of Domodedovo Airport. Domodedovo has become fantastically successful thanks to the talents of its private owners and managers, but for some reason the airport has been subjected to unrelenting pressure from senior officials and even the Twitter-happy champion of modernization, President Dmitry Medvedev.

In his interview with Vedomosti, newly minted millionaire Vitaly Yusufov shed light on how he got so rich so quickly. “It was my own money, and I earned it from the increase in the price of Gazprom stock. ... Even though my father was a member of the company’s board of directors, I don’t see any conflict of interest — only far-sightedness on my part,” he said.

In response to a suggestion in the Vedomosti article that Yusufov would be able to sort out the problems between Domodedovo’s management and the government, whistleblowing blogger Alexei Navalny proposed that “Yusufov is Medvedev’s Abramovich.”

Meanwhile, Hermitage Capital CEO Bill Browder gave a terrific interview to Snob magazine in which he again recounted the story of how Russian officials purportedly embezzled \$230 million in government funds after seizing assets belonging to Hermitage. Recall that Artyom Kuznetsov, a colonel in the Interior Ministry who is implicated in the affair, recently received a promotion.

But the most interesting development was that chief military prosecutor Sergei Fridinsky reported that one out of every five rubles allocated for the military is embezzled.

Meanwhile, Olga Stepanova, former head of the No. 28 tax inspection office, has also been implicated in the Hermitage embezzlement scheme. Stepanova, who reportedly purchased villas in Dubai and Montenegro on her modest government salary, has been named adviser to the head of the federal arms procurement agency, which reports to Defense Minister Anatoly Serdyukov. Stepanova worked for the Federal Tax Service while Serdyukov headed that agency and now works for the military while Serdyukov is defense minister. This might answer the question of who Browder had in mind when he claimed to Snob that “a minister” had organized the \$230 million scam.

Returning to Khodorkovsky, whose alleged crime consisted of increasing the profits of his company, what unites Stepanova, Kuznetsov and the successful businessman Yusufov? Surely, not one of them could be accused of trying to increase profits by conducting business. After all, they make their money through completely different means.

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