

Think Tank Reopens Shuvalov Corruption Scandal

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Close Putin ally Igor Shuvalov has repeatedly denied any wrongdoing since corruption allegations against him first emerged in December. **Sergei Porter**

A London-based think tank is reigniting the row over allegations of corruption against Deputy Prime Minister Igor Shuvalov with the publication of a new report Thursday.

The document, produced by the Henry Jackson Society and obtained in advance of its release by The Moscow Times, contains no new information about Shuvalov's fortune but is in English and aims to raise the profile of the case with British regulatory authorities.

"London is a clearinghouse for Russian finance," the report's author, Michael Weiss, said by telephone Wednesday. "The Shuvalov case merits an investigation, and if the investigation in Russia cannot be credible I think it should take place in the U.K."

The report, titled "The Shuvalov Affair," describes two major 2004 investments by the

minister that yielded very high returns. One was a \$49.5 million loan made to Alisher Usmanov to help buy a stake in Anglo-Dutch steel company Corus, the other a \$17.7 million bet on Gazprom stock via Suleiman Kerimov's Nafta Moskva.

"Only a handful of people know the truth about the Shuvalovs' business practices," the report stated, referring to the official and his wife, Olga Shuvalova. "Most, if not all, benefited greatly from them."

Shuvalov has repeatedly denied that there was anything improper or illegal about his business activities and his relationships with billionaires like Kerimov and Usmanov.

"We were not asked for any information by the author of this so-called report. ... From the first pages we can see a lack of reliable information about Igor Shuvalov," Alexander Machevsky, Shuvalov's spokesman, told The Moscow Times.

"For example, Mr. Shuvalov's father never served as the first secretary of the Communist Party in any of the Soviet regions," Machevsky said. "He was a simple worker. Indeed, the whole report is just an interpretation of old news and gossip."

In particular, the report states that there is insufficient evidence to back up Shuvalov's claim that the \$49.5 million loaned to Usmanov was financed by a 0.5 percent stock option in Sibneft — then one of the country's biggest oil companies and owned by Abramovich — in payment for Shuvalov's legal advice.

"He came up with these alibis," Weiss said. Speculation would die if only Shuvalov or Abramovich were prepared to publish documents to prove the existence of this Sibneft stock option, he added.

But a former employee at Sibneft said that the deal was oral. "It was a verbal agreement between Shuvalov and Abramovich and British law allows this type of agreement," he said.

A lawyer at a top British law firm in Moscow who requested anonymity to speak freely said that oral pacts were not uncommon in such circumstances.

"To a British person it would be unusual to conclude contracts orally, but for Russians it's more common and this type of stock option arrangement could legally be an oral agreement," he said. "Trying to fill in the gaps after a payment has been made is a very Russian thing."

Arguments about how to establish the legality of oral agreements were at the center of a \$5.6 billion legal battle in London between Abramovich and his former business partner Boris Berezovsky earlier this year. Without any physical contracts, the court was forced to rely on witness testimony, accounts of meetings between the two men and payment records.

The claims against Shuvalov were first broken by a Barron's report in December 2011 and were followed by new revelations in March. One of the government's pointmen for foreign investors, Shuvalov is currently overseeing the creation of a unified financial regulator.

The re-emergence of the allegations around Shuvalov follows one of the biggest public corruption scandals in recent years. But, unlike Defense Minister Anatoly Serdyukov, who was sacked by President Vladimir Putin on Tuesday to facilitate a corruption investigation at the

ministry, Shuvalov has remained at the heart of government.

“This dwarfs the defense minister case because Shuvalov is usually portrayed as a liberal and investor-friendly,” Weiss said. “It shows that he is superficially no different from all the others.”

An official who worked in the government in the late 1990s countered that the minister was actually being punished by his own transparency.

“Shuvalov was a pioneer in opening up the structure of his businesses when he went into state service in 1997,” he said.

The other charge highlighted by the report is Shuvalov’s investment in Gazprom shares on the eve of reforms to the state-owned gas giant that saw its share price soar. The restructuring, which opened up Gazprom stock to foreign funds, is believed by some to have been pushed by Shuvalov in his position as an economic aide to Putin.

The finances for buying the Gazprom equity were transferred to Kerimov’s Nafta Moskva via Sevenkey, a Bahamas-registered company under the name of Olga Shuvalova, according to the report. The money also passed through the U.K.-registered Regional Property Developments Limited, a subsidiary of Sevenkey.

Shuvalov has denied that he had any direct relationship with Gazprom during this period or that he was involved in making decisions about Gazprom’s restructuring.

The Henry Jackson Society describes itself as an organization promoting human rights and democracy and the Shuvalov report is the second in a series of three long articles about corruption in Russia. The first one, written in conjunction with opposition leader Alexei Navalny’s Foundation for Fighting Corruption, focused on allegations of corruption at state-owned bank VTB.

Navalny and Vladimir Ashurkov, the chief executive of the foundation, both advised on the report about Shuvalov.

“The corruption endemic in the political and business elite is inevitably exported into Europe and particularly into Britain,” said Ashurkov.

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