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Minister: Arrest of Tycoon Yevtushenkov Hurts Russia's Business Climate

By The Moscow Times

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The logo of Bashneft JSOC, in which Sistema has an effective ownership stake, is seen on its headquarters building in Moscow.

The arrest of Russian billionaire Vladimir Yevtushenkov on money laundering charges has hurt Russia's business climate and could spur capital flight, Economy Minister Alexei Ulyukayev said on Thursday.

In the first critical comments by a Russian official since Yevtushenkov, chairman of the Sistema telecoms-to-oil conglomerate, was placed under house arrest on Tuesday, Ulyukayev said clarification on the situation was needed.

"This is certainly reflected in the investment climate. It is clear that the suspicion that there is some economic motive behind this complicates investors' decision-making," he told reporters, adding that the situation could spur capital flight.

"We have a (growth) forecast for -2.4 percent this year for investment, however this is without a doubt under threat and here we have been waiting for some kind of clarification of the situation."

Analysts say Yevtushenkov's arrest over a 2009 deal in which he acquired a stake in oil producer Bashneft may be aimed at putting pressure on the businessman to sell the shares to state oil major Rosneft, led by an ally of President Vladimir Putin.

Rosneft has denied the allegations.

The arrest prompted fears that the practice of state intervention in business was on the rise in Russia and that even businesses loyal to the Kremlin could be targeted.

Shares plummeted and Yevtushenkov's Sistema lost a third of its value on Wednesday, striking the stock market and investment climate at a time when the already-weak economy is being dragged lower by Western sanctions over Ukraine.

Ulyukayev also said Moscow had not yet prepared retaliatory measures to Western sanctions.

"There are no prepared decisions. In this situation it would not be productive because any action should be based on the interests of our consumers, and I do not see any clear way of doing this."

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