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IKEA Threatens Reduced Investment in Russia After Court Ruling

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Swedish furniture company IKEA has threatened to reduce its investment in Russia after losing a court case worth 500 million rubles ($7.8 million), the BBC Russian Service has reported.

A court in the Russian city of Smolensk ruled Tuesday that IKEA would pay Russian businessman Konstantin Ponomaryev for unpaid services as part of a a long running legal dispute.

The Swedish ⊠company began renting 112 diesel generators from Ponomaryev in 2006 to ⊠serve two of its stores in St. Petersburg. The entrepreneur then went on to claim that IKEA had ⊠continued to use the generators from July 2008 without making any further payments.

The two ⊠parties signed an out of court agreement two years later, with Ponomaryev ⊠receiving a one time payment of 25 billion rubles ($385 million). When a company belonging to the businessman went on to demand a further 33 ⊠billion rubles, IKEA took Ponomaryev to

court in an alleged breach of settlement.

IKEA announced Tuesday that the ruling had forced the company to consider scrapping $1.54 billion of investments in Russia, citing a desire to work in a “fair and transparent business climate.” The company also accused the Russian authorities of “using illegal methods to squeeze money out of IKEA.”

IKEA’s head office in Moscow was raided by the police earlier this month in connection with another long-running legal dispute over property ownership rights. The company’s lawyer claimed that the searches were an attempt to blackmail the retail behemoth.

IKEA began trading in Russia in 2000 and has 14 stores across the country. In its statement Tuesday, it emphasized that the company had paid over $900 million in tax to the Russian government and created over 12,000 new jobs.

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