The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

The U.S. List of Russian Oligarchs Is a Disgrace (Op-ed)

The Treasury list, copied uncritically from a Forbes Russia list, shows the Trump administration isn't serious about sanctions

By Leonid Bershidsky

January 30, 2018

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The U.S. Treasury Department spent six months compiling lists of Russian political leaders and "oligarchs" as required by last year's sanctions legislation. The end result is a bizarre cut-and-paste job where some of the inclusions, and some of the omissions, make little sense.

The individuals on the list aren't subject to any restrictions (except the 22 who are already on previous sanctions lists). But the publication of their names in connection with Russian President Vladimir Putin and U.S. sanctions will serve as a warning to anyone dealing with them that they might have a problem with the U.S. government in the future, at its

convenience.

That, in turn, may make many Western banks reluctant to take their money. Not that Treasury seems concerned about the implications of its list.

To compile the list, the Treasury apparently consulted with experts and apparently withstood fierce lobbying from wealthy Russians who didn't want to be on the list. In the end, though, seven pages of the unclassified part of the Treasury's report are copied directly from the English-language websites of the Kremlin and the Russian government, as well as the Russian edition of Forbes' billionaires list.

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As the first editorial director and publisher of Forbes Russia, I'm flattered that the U.S. government chose it as an unassailably authoritative source on who counts as an oligarch in Russia. I also know that Forbes Russia has never pretended that its rich list was complete or that the wealth estimates were accurate.

In 2004, when we first compiled it — under the capable guidance of Paul Klebnikov, the magazine's first editor-in-chief, who later that year was shot to death not far from the editorial offices — the most common reaction of the people we put on it was to laugh off the estimates, which were often based on a consensus of analysts trying to divine private companies' worth from market shares and other secondary indicators.

With few exceptions, they also wanted off the list. Klebnikov's fate dovetailed with their fears.

The list ends, weirdly, at Forbes's number 96, because Albert Shigabutdinov, a petrochemical magnate from Tatarstan, was the last person on the list with a fortune of $1 billion. If the premise is that anyone who has made a big fortune in Russia is somehow suspect, people with $900 million or $700 million in assets should be included, especially since Forbes's numbers are, in most cases, approximations.

I can't but feel relieved for Telegram messenger founder Pavel Durov's initial coin offering plans: With an estimated fortune of $950 million, he's number 100 on the Forbes list, so escapes Treasury's list.

On the other hand, Grigory Berezkin, whom the Kremlin has trusted with the purchase of some media assets that are important for Putin's domestic propaganda system — including RBC, a media holding that its previous owner was forced to sell after its journalists investigated the business interests of Putin's daughters — didn't make the cut because Forbes put his fortune at $800 million.

There are two other problems with using the Forbes ranking: first, some of the people on it barely do any business in Russia (they just happen to be Russian citizens) and, second, there are others who have had some or even all of their wealth taken away by President Vladimir Putin's repressive apparatus.

The first group includes Yuri Shefler, whose Luxembourg-based company makes Stolichnaya vodka in Latvia and other alcoholic beverages elsewhere outside Russia. Shefler's SPI Group

is embroiled in a decades-long court battle with the Russian government that's trying to take away its rights to produce Stoli and other traditional Russian vodka brands; that hardly makes Shefler a Putin crony.

Nor does that label apply to Yuri Milner, who made his first Silicon Valley investments with money from a well-connected oligarch, Alisher Usmanov, but has since gone his separate way as a venture capitalist, strenuously avoiding any such associations. And Oleg Boyko, an entrepreneur who made his fortune in the 1990s before Putin arrived on the scene, was forced to close his large gambling empire under Putin, who banned casinos. Boyko now owns a large international peer-to-peer lending company that doesn't operate in Russia, as well as gambling establishments in Germany, Italy, Romania and Croatia.

The second group includes the brothers Ananiev, who last year — after the Forbes list was published — had to hand over their bank, one of Russia's largest, to the Central Bank, though they claimed it was financially sound; Danil Khachaturov, who, also last year, lost his insurance business that is now under state control; Yelena Baturina, the wife of a former Moscow mayor and the city's biggest developer during his tenure who was forced to sell her business after he was fired in 2010; Mikhail Shishkhanov, who bought Baturina's business and last year lost his bank to the state.

It's a long list because the Putin system is fluid, and its more predatory parts never stop biting off bits of business empires that don't have the right level of protection.

On the other hand, Anatoly Chubais, former head of state-owned electricity monopoly UES and now chief executive of Rusnano, a state company with the loose mission of investing in cutting edge technology, is not on the Treasury list despite his well-known Kremlin connections. Nor has Treasury listed any judges, despite the corrupt, pliant judiciary's importance as a pillar of the Putin regime.

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The experts who were apparently consulted about the Treasury Department's list — Anders Aslund, Andrei Illarionov and Andrei Piontkovsky, as well as former Treasury sanctions coordinator Daniel Fried — published their vision of criteria for the Countering America's Adversaries Through Sanctions Act (Caatsa) list in November. They argued it should include people genuinely close to Putin and those who have enriched themselves "through corrupt commercial operations with the Putin regime."

Following these criteria would have meant using two other Forbes Russia lists than the billionaire one. The magazine also publishes rankings of the wealthiest officials and legislators and "government contract kings." These provide a far more accurate picture of who has benefited from the regime.

Treasury chose, however, to ignore the Atlantic Council experts' warning that "Russia's wealthy businessmen should not be presumed to warrant listing simply by virtue of their wealth. Many made their fortunes before Putin and, to survive, are forced to pay large tributes to the Kremlin." The hostages are on the list along with those who keep them hostage.

Another piece of advice — to put people on the list "only on the basis of reliable information" — was, obviously, also ignored.

There's the theoretical excuse, now familiar, that the classified part of the Treasury report makes more sense and is somehow based on better expertise than the public one. That excuse is flimsy. Given U.S. policy goals, which include shaming the Putin regime in the eyes of Russians and the whole world, there is no reason to classify information about Putin's cronies and their corrupt doings.

I'm willing to give the U.S. administration the benefit of the doubt, though. President Donald Trump signed the sanctions act only reluctantly, and perhaps Treasury was never serious about compiling the lists. That the administration doesn't recommend any new sanctions appears indirectly to confirm this theory.

It's fine if the Trump administration doesn't believe in sanctions. But if Congress still demands sanctions — and it does — the administration should do a better job of selecting targets.

The alternative is that Russians who bear little or no responsibility for the system Putin has constructed will have deals fall apart and see their credit withdrawn, while Putin himself will remain unscathed.

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