

Berezovsky's Lawsuit Offers Moscow a Lesson

Someone wrote in astonishment that the Russian blogosphere barely discusses the “case of the century” — the lawsuit that self-exiled billionaire Boris Berezovsky filed against fellow tycoon Roman Abramovich with the High Court in London. The “gray cardinal of the Kremlin” — as the Financial Times dubbed Berezovsky in the 1990s — filed charges against Abramovich, one of the richest Russians and a fellow resident of London. Berezovsky claims that Abramovich underpaid him for his shares of companies he acquired during Russia’s wave of privatization in the 1990s. The case consistently makes headlines in the international press but goes virtually unnoticed by Russians.

On the other hand, what is there to discuss? For a really good debate, we need sensational new details or a little drama. So far, the legal proceedings have produced neither. We can thank the Russian press of the late 1990s and early 2000s for the lack of new details. The main heroes of Russian industry have testified under oath — that is, on risk of losing their right to live in London — and recounted in detail all of the same things we read in the Russian papers a decade ago. What is interesting is to learn what close friends the two men were, and it is amazing to consider the extent to which even extremely large and risky transactions were based on nothing more than mutual trust.

In fact, Abramovich has come off looking like a decent fellow whose only goal was to make money. A precondition for doing business in Russia was the need to buy protection from well-placed politicians, so Abramovich greased the right palms. In a “civilized” business environment, an entrepreneur would have to create a new product or service and advertise it well, and no doubt Abramovich would have excelled at both had he lived in a different society. After all, it is that type of drive and energy that produces most of the material advances and comforts that surround us. Of course, it is regrettable that Russian businesspeople had to bribe officials and find ways to eliminate competitors in order to get rich in the 1990s, but then, who knows what was necessary to achieve the same goal in the 1970s.

The only drama in this case is the specter of Abramovich losing billions of dollars. If that were not a real possibility, he would probably never have given such detailed, cautious and candid testimony in a London court. But the truth is that commentators in Russia care little about how the \$5 billion in question will be divvied up between Berezovsky and Abramovich.

Our lack of interest in the details notwithstanding, it is worth examining how the London court operates. The fact that two Russian billionaires turn to a British court to resolve a quarrel over transactions that occurred in this country indicates why Moscow is not yet an international financial center. Nobody suspects the British courts of having a political agenda. That is why businesspeople from many countries prefer putting their assets — and sometimes even their lives and liberty — in the hands of that judicial system. What’s more, the reputation of the British system is so high that plaintiffs can be certain that the courts will thoroughly investigate the dark and murky details of happenings even in far-off Russia. When Russian courts can guarantee the global business community that level of unbiased professionalism, Moscow will become an international financial center without even trying.

01 December 2011

By Konstantin Sonin

Konstantin Sonin is a professor at the New Economic School in Moscow and a columnist for Vedomosti.