

# Deadly Business In Moscow

An American lawyer's experience underscores the lawlessness outsiders operating in Russia can face

By Tom Cahill

Jamison Firestone was at his desk when the commotion began. On the morning of June 4, 2007, the American attorney heard loud voices coming from the reception area of his law firm, Firestone Duncan, on Krasnoproletarskaya Street in Moscow. He went out to investigate and was greeted by two dozen officers from the Russian Interior Ministry.

Over the next seven hours, he says, the security forces corralled Firestone and his staff in a conference room, ransacked the offices, and confiscated computers and documents. When one of Firestone's employees objected, he was beaten so severely he required hospitalization for three weeks.

On the same day, Russian police raided the Moscow headquarters of one of Firestone's clients, the prominent foreign investment firm Hermitage Capital Management. Its founder, the American-born financier William Browder, had become a strong critic of the state-controlled energy conglomerate Gazprom and has been barred from reentering Russia since 2005. The searches of the offices marked a major escalation in Hermitage's conflict with the Russian government. And Firestone, 44, who had spent 18 years helping Western companies navigate the murky waters of Russia's legal system, knew what it could mean. "Corrupt law enforcement is the single biggest risk to business in Russia," he says. He braced for the worst.

His fears came true within months, when records confiscated during the June 2007 raids allegedly were used in an elaborate \$230 million fraud that exploited three Hermitage funds to extract phony tax refunds from the Russian government. In 2008 an attorney from Firestone's firm who helped

represent Hermitage was imprisoned on tax charges; he died behind bars last November after being denied medical treatment, creating a furor in Moscow. Finally, last year two unsuccessful attempts were made to steal \$21 million in taxes paid to the Russian government by a company for which Firestone served as general director, he says. The people behind these attempts used his forged signature to seek rebates, a method similar to that used in the Hermitage case, he adds.

## "STEALING THE COUNTRY"

Now Firestone, a former board member of the American Chamber of Commerce in Russia, has fled for London, fearing that he, too, could end up in jail. "Police [in Russia] have to stop being the Mafia," he says. "These people are stealing the country."

The alleged victimization of Browder and Hermitage is well known. In interviews with Bloomberg News, however, Firestone for the first time is alleging government-sponsored fraud aimed at him personally. His account underscores the arm-twisting and lawlessness that can afflict outsiders doing business in Russia. As widely reported, oil giants British Petroleum and Royal Dutch Shell have suffered politically backed attempts to wrest control of aspects of their Russian operations. The French carmaker Renault likewise has come under government pressure to assist a Russian manufacturer in which it had invested.

The risk of being targeted for abuse by government officials—sometimes operating in league with Rus-



sian businesses—is a central reason the country has attracted less than one-fifth the foreign investment in China and Brazil and half of what's invested in India, according to three years of data compiled by fund tracker EPFR Global.

In the wake of the death of Firestone's colleague, Sergei Magnitsky, the heads of the Moscow police's tax

**CORRUPTION IS A CENTRAL REASON  
RUSSIA HAS ATTRACTED FAR LESS  
INVESTMENT THAN CHINA OR BRAZIL**



Firestone (left) has fled Moscow; Magnitsky's mother holds a photo of him

Bureau of Investigation. He said the officers involved in the raid on the law firm may have been linked

to the Hermitage fraud, according to a transcript of his testimony.

A little more than a month later, on Nov. 24, 2008, five officers arrived at Magnitsky's home at 7 a.m. and took him in for questioning. He was accused of involvement in an alleged tax fraud perpetrated by Hermitage and was pressured to withdraw his complaint and implicate Browder, according to petitions Magnitsky filed with the Interior Ministry's Investigative Committee. "When I repeatedly rejected these propositions by the investigators pushing me to commit such a base act, the conditions of my detention become worse and worse," Magnitsky wrote in a Sept. 11, 2009, filing. Two months later, on Nov. 17, the 37-year-old father of two died from toxic shock and heart failure after being held in pretrial detention for 358 days.

Some of the records taken from Firestone's office in the 2007 raid involved an investing company called OOO Anrider. The documents showed that Anrider had paid \$21.6 million in taxes

in 2006, according to Firestone. A filing with Russian tax authorities dated Apr. 24, 2009, claimed that Anrider overpaid taxes by \$21 million and deserved a refund. Firestone says he learned of the filing after the claim was rejected and copies of the papers were sent to him. The documents included what Firestone alleges were forgeries of his signature and Anrider's corporate seal. Someone, he says, was trying to use his identity to steal tax revenue and, in the process, possibly implicate him.

The lawyer, a native New Yorker who began studying Russian in high school and speaks

it fluently, alerted tax authorities last August that the claim was bogus, documents show. The tax office didn't respond, and the police declined to open an investigation.

The Russian Interior Ministry's Investigative Committee declined to comment about Firestone or Magnitsky; it would only confirm that it is investigating Browder for alleged tax fraud. "He's screaming that they stole his companies, but he's not talking about the tax he didn't pay," spokeswoman Irina Dudukina says. "If he thinks he's innocent, then he should give evidence."

Browder, who has been placed on the Interior Ministry's wanted list, says his companies were all audited and that no tax claims have been filed against them. "They're trying to cover an enormous crime against the budget with fabricated allegations," he says.

Firestone agrees. "When you see corruption on this scale at the same time as the President is demanding investigations and cracking down, it's brazen," he says. He left his apartment in Moscow before Christmas, as if going away for the holiday, and hasn't been back. | BW |

—With Lucian Kim in Moscow

crimes department and the city's prison division were both fired. That's not enough, says Browder, 45, who has been based in London for the past five years. "We've written well-documented complaints to the top law enforcement officers in the country that a number of police officers, judges, organized criminals, and businessmen have been involved in the theft of almost \$500 million from the state and were involved in imprisoning Sergei Magnitsky," he says.

In October 2008, Magnitsky complained about the Hermitage case to Russia's State Investigative Committee, the equivalent of the U.S. Federal