

FORGED IN BATTLE
Michael Cherney
(inset, left) is suing
Oleg Deripaska
(inset, right) for
allegedly cheating him
out of a 13.2% stake in
the Russian aluminium
giant Rusal



First it was Berezovsky vs Abramovich. Next: Cherney vs Deripaska. Feuding oligarchs are seeking justice in Britain, and this time the deep wounds of Russia's bloody aluminium wars are about to be reopened.
Mark Franchetti reports

MELTDOWN IN LONDON

Even by the brutal standards of Russia during the “wild east” years that followed the collapse of communism, Oleg Kantor’s end was savage. On a balmy summer night, the Russian banker’s rivals sent two

professional hit men to his *dacha*, his country house, in a heavily guarded government compound outside Moscow.

Within the grounds, the killers first shot Kantor’s armed bodyguard twice. When their gun, which was fitted with a silencer, jammed, they finished him off with a hunting knife. Then they sought out Kantor inside the house and stabbed him repeatedly in the neck, leaving him to bleed to death in the hallway, where his cleaner found him the next morning.

The murder, which took place in 1995 but remains unsolved, is thought to have been linked to one of the fiercest and murkiest business battles of post-Soviet Russia — the “aluminium wars” that would decide who controlled Siberia’s vast and immensely lucrative aluminium industry, during the privatisation of state commodity assets.

Ruthless organised-crime gangs, future oligarchs, shady plant managers, cut-throat former KGB officers and corrupt bureaucrats were caught up in all-out war in the mid-1990s in which more than 100 people were assassinated. At stake were multi-billion-pound fortunes and control of a large slice of Russia’s economy. When the dust settled, scores of executives, bankers, traders and mob bosses were dead. “It was worse than Chicago in the 1920s,” is how one Russian businessman summed up the period.

Nearly two decades later and more than 4,000 miles from the giant smelters of Siberia, the last ripples of Russia’s aluminium wars have reached the shores of Britain. The setting is London’s High Court, where, long after the war ended, scores are still being settled over the spoils — this time in the more civilised form of a multi-million-pound legal battle, in which £800-an-hour lawyers have replaced hit men.

In one corner is Oleg Deripaska, 44, one of Russia’s richest men, with a fortune estimated at £11 billion, who started out his giddy rise in the world of aluminium as a plant manager aged only 25, and finished as head of Rusal, the world’s largest producer of the metal, which employs some 70,000 people. The tycoon, who owns a £25m mansion in Belgravia and is

friends with the British financier Nat Rothschild, was at the centre of a controversy in 2008, when he hosted Lord Mandelson and George Osborne, now the chancellor, on his 236ft yacht in Corfu.

Suing Deripaska in the High Court is Mikhail Chernoy, or Michael Cherney as he is now more commonly known, a 60-year-old Uzbek-born businessman who, in the early 1990s, was one of the aluminium industry’s biggest players. The case is highly complex and the two sides appear to be in disagreement over almost every detail — but the claim boils down to one main charge.

Cherney asserts that the two men were fully fledged business partners and accuses Deripaska of cheating him out of a 13.2% stake in Rusal. The overall claim is worth more than \$1bn (£650m). Deripaska vehemently denies that the two associates were ever proper partners, and claims he was the victim of an organised-crime racket linked to Cherney, in which he was forced to pay millions in return for protection — or *krysha* (“roof” in Russian slang).

Cherney has described such accusations as “scandalous” and argues that Deripaska would never have become the king of Russia’s aluminium industry without Cherney’s powerful connections at the top of Boris Yeltsin’s government. Each camp has accused the other of smear campaigns.

Parts of the case, which is set to resume this week, are so sensitive that Justice Andrew Smith, who will hear it, has granted witness protection to a Russian due to give evidence. Cherney, who is thought to be worth more than £1 billion, is giving his evidence via video link from Israel, where he lives, as he would be arrested if he travelled to London at the request of Spanish prosecutors who accuse him of money laundering. He denies these charges, too. The High Court ruled that the case could be heard in Britain as Cherney



Left: the funeral of Oleg Kantor in July 1995. The banker (above) was stabbed to death

risked arrest if he returned to Russia.

In a strikingly similar legal battle, last month the London-based Russian oligarch Boris Berezovsky lost a multi-billion-pound case he brought against Roman Abramovich, the owner of Chelsea Football Club.

“More and more foreigners are turning to British courts to settle disputes because our justice system is seen as fair and unbiased,” says Gideon Benaim, a lawyer and partner at Michael Simkins LLP who has represented a number of high-profile individuals and companies from Russia and beyond.

“They feel that a win in Britain is the best possible vindication before the rest of the world, whereas in some other jurisdictions it might be argued by one side that politics

PREVIOUS PAGES: CORBIS; GETTY; CAMERA PRESS. THESE PAGES: CLOCKWISE FROM TOP: CAMERA PRESS; TASS; PA

or other external pressures play a part in the decisions of the courts. Such a win is clearly not the same thing. Here, they feel they have a level playing field.”

Individual murders are unlikely to be discussed in the Cherney-versus-Deripaska proceedings, but the infamous aluminium wars are the backdrop to the London court case. They are also strictly relevant to the most lurid allegations being made in the legal battle — although the two oligarchs are not accusing each other of murder.

“The wars over the aluminium industry are a dark and bloody chapter in Russia’s post-communist history,” says Andrei Kalitin, a Russian journalist and the author of *D-Day*, a book about the period. “Those were wild and dangerous times when there would be a contract hit every few days. Organised crime was all over the industry. The London trial is a unique spectacle, in which we’ll learn much about the so-called Russian mafia. I have no doubts that secret services around the world will be very interested in the names of some of those called to give evidence.”

The roots of the aluminium wars lie in the collapse of the Soviet Union and the economic cataclysm it unleashed. As the empire and its centralised economy crumbled, so did its infrastructure. After years on life-support, ageing and inefficient state industry

‘MY COMMERCIAL DIRECTOR WAS SHOT TWICE IN THE HEAD,’ SAID DERIPASKA. ‘HE SURVIVED’

Left: Oleg Deripaska, now one of the world’s richest men, paid protection money and reportedly slept by the furnaces to defend his first smelter

secured the country’s biggest export contracts.

Deripaska was also entering the murky sector at the same time. He had been brought up in a traditional Cossack village in southern Russia by his grandparents, while his widowed mother went looking for work. Deripaska once told me that he didn’t see his first motor car until he reached the age of 10.

Grasping the scope of opportunities generated by the Soviet collapse, he eventually became a metals trader when a tonne of aluminium could be bought in Russia for \$70 and sold on international exchanges for \$1,600.

In 1994, Deripaska, a man of few words who eats and sleeps very little and never drinks alcohol, bought a stake in the Sayansk aluminium smelter, which was controlled by Cherney’s Trans-World.

Cherney has said that the young metals trader “penetrated my soul” when he first met him. “I liked him. I took him to Paris, showed him expensive hotels and women for the first time. He was young, a dynamic achiever...”

The two formed an alliance and Deripaska, aged only 25, became head of the Sayansk plant. “It was grinding to a halt,” the oligarch has said of the smelter. “We kicked out the old director. I wanted to put in someone else but I found out that he was linked to a local gangster organisation, so I had to take over the plant myself. That’s when I started having problems.”

The ambitious manager would reportedly sleep on the shop floor next to the furnaces to fight off hostile takeovers by rivals backed by criminal gangs. Allegedly, one of the smelter’s former owners would call Deripaska with promises to kill him, and it is claimed that rivals once plotted to attack his car with grenade launchers. His predecessor narrowly survived an assassination attempt.

With various groups of rival entrepreneurs and mob bosses competing for control of the country’s largest smelters, by 1994 the situation had spiralled out of control. “There was a local guy, well known, his nickname was ‘Chinese’, who called me,” Deripaska said earlier this year. “I was surprised when I picked up the phone, because it was the first time I was directly threatened. Two weeks later my commercial director was shot twice in the head. He survived.”

The bloodiest battles were fought over the gigantic aluminium smelter in the Siberian industrial city of Krasnoyarsk. For several years, the plant, the country’s second ➤➤➤

largest, was up for grabs. Trans-World had a 20% stake, but rival trading companies also had a claim on the business, as did local organised-crime gangs. When an oligarch who had shares in the plant sent eight of his representatives to Krasnoyarsk to talk business with the group that controlled the smelter, they were met at the airport by several men in suits.

"They looked pretty civilised," said a source familiar with the meeting. "But on the way to the office the party was made to stop at the local cemetery, in front of eight freshly dug graves, all empty. It made quite an impression."

"In 1993 and 1994 more than 34 people in Krasnoyarsk were shot dead because of this struggle for control," Deripaska told one British newspaper recently.

Kantor, who was stabbed to death at his Moscow dacha in July 1995, was president of the Yugorsky bank, which had invested heavily in the Krasnoyarsk plant. Three months earlier, Vadim Yafyasov, an executive at the same bank, was sprayed with machinegun fire on the same central Moscow road where the Soviet leader Leonid Brezhnev had lived in less crime-plagued times. Also killed, in front of several neighbours walking their dogs, was the executive's bodyguard.

The murder of Felix Lvov, a few weeks after Kantor's, was even more brazen. Armed bodyguards had seen off the prominent aluminium trader at Moscow's international airport, leaving him only after he had passed safely through passport and customs checks to board a flight.

There, as he made his way towards the drab duty free shop, Lvov was approached by two men carrying ID cards from the FSB, the former KGB, who asked him to go with them to answer a few questions. The next morning the businessman's bullet-ridden body was found in a forest some 15 miles from the airport. Several local mob bosses were also killed over the Krasnoyarsk smelter.

A figure widely said to have played a significant role in the aluminium wars — and who is also central to the tangled web of bitter recriminations in the London High Court case — is Anton Malevsky. Dubbed "The Scar" because of an ugly wound on his face from ear to jaw, he was widely described by Russian law enforcement and the Moscow press as a leader of the Izmailovsky organised-crime



Russian oligarchs are increasingly seeking the neutrality of the British courts to settle old scores. Last month the London-based Boris Berezovsky (right) lost a £3.7 billion lawsuit he brought against Roman Abramovich (left), the owner of Chelsea FC

syndicate, one of the country's most notorious, which is said to have been on the front line of the conflict over the Siberian smelters. Malevsky fled Russia after police issued a warrant for his arrest on charges of illegal arms possession in 1993, but did not lose his influence at home.

Malevsky moved to Israel where he escaped an assassination attempt and was granted Israeli citizenship. He bought two penthouses and used some 50 mobile phones to avoid detection. Acting on evidence of Malevsky's crime links presented by the Israeli interior ministry, a court stripped the Russian of his passport and deported him in 1997.

The alleged crime boss survived the aluminium wars but died in a freak parachute accident in 2001. "If I fall then I'll die like a man, not in bed and not from an enemy's bullet," he was fond of telling friends who worried about his love of extreme sports.

In testimony submitted to the High Court, Deripaska claims he was a victim of an organised-crime extortion racket imposed by Cherney and Malevsky. The oligarch says he was up against "a criminal with a network of organised-crime groups and associates."

Hitting back, Cherney, who has rubbished the allegations of *krysha*, or protection money, as "fiction", has reportedly supplied the High Court in London with photos and videos showing Deripaska "engaged in an amiable relationship" with Malevsky, attending birthday parties and a wedding together. Deripaska argues that he had no choice but to interact with them. Asked about Malevsky's death, the Russian oligarch once said "he liked living on the edge."

If much about the aluminium wars remains a mystery there is little doubt about who came out on top when the smoke cleared — eventually becoming the industry's

undisputed king. Outfoxing and buying out his rivals, Deripaska has said that after being forced to pay off organised-crime bosses he sided with Russian law enforcement and the state to push them out of the sector. He also strengthened his ties with the ruling elite, marrying the daughter of Yeltsin's highly influential son-in-law who worked in the Kremlin.

Facing criminal charges and jail, the former bosses of

two of the biggest smelters — including the one in Krasnoyarsk over which so much blood was spilt — soon agreed to sell out to Deripaska and his partner, Roman Abramovich, the owner of Chelsea.

Not long after the sales the charges were either dropped or the sentences suspended. The bosses later filed suits in international courts against Deripaska, claiming they had been coerced into selling, but eventually settled out of court.

Abramovich merged his aluminium holdings with Deripaska to form Rusal and gradually reduced his stake.

Recently asked about the aluminium wars, Deripaska said: "It was a lawless time, with all the institutions of the state... falling apart. Far from being ashamed of my actions during that time," he explained, in reference to having to pay millions in protection money, "I am extremely proud of the role I played in ensuring the safety of my staff and clearing out the criminal gangs from the industry..."

Even by the grand standards of Russia's oligarchs, Deripaska's security detail is nothing short of formidable. His stretch limousine is constantly shadowed by two ominous-looking large black vans ferrying a small army of oversized guards, armed of course. Whenever I have come across his motorcade I have always wondered why he needs such security. The answer must surely lie somewhere in the rubble of the aluminium wars.

"The London case is going to turn the spotlight on a murky and bloody period which, frankly, most would like forgotten," said a survivor of the wars. "The dirt which will be dug up during it doesn't do anyone's image any favours, not least Russia's. But if you want to get a better sense of how wild, dangerous and downright crazy Russia's first forays into capitalism were, then this is the case to watch. It's also a reminder that you can never quite bury the past" ■