

NEWS & UPDATES from The Khodorkovsky & Lebedev Communications Center

1 June

KHODORKOVSKY POLITICAL TRIAL SENDS DAMAGING MESSAGE TO FOREIGN INVESTORS AS RUSSIA RUNS ITS FIRST BUDGET DEFICIT FOR MORE THAN A DECADE

The beginning of June will see business delegates from around the world descending upon St. Petersburg for the [International Economic Forum](#). The three-day event will cover economic and trade cooperation with the West and is a strategic push from the Russian Government to encourage investors back to the country despite the current economic crisis.

However, whilst investors prepare for the economic forum, Russian prosecutors continued their case against ex-Yukos CEO Mikhail Khodorkovsky and his business partner Platon Lebedev blithely and ignorantly labelling ordinary, widespread business practices as criminal. As the trial progresses it has become increasingly clear that the systemic corruption in Russia's legal system is threatening the sustainability of every business in Russia and deterring the foreign investment so desperately needed.

In this context of uncertainty and legal nihilism, the need for Russian economic stability was further illustrated by President Dmitry Medvedev's announcement in May, ordering wide-ranging budget cuts previously put on hold and conceding that Russia was far from out of the economic crisis. Russia expected to see a worse fall in economic production this year than initial forecasts, with the country now preparing for a continuation of the economic crisis long into 2010.

Khodorkovsky Interview with Moscow Times

Responding to reports of Russia's ongoing economic crisis, Khodorkovsky outlined in an [interview with the Moscow Times](#) what he believed was needed to stimulate the Russian economy and bring it out of its current crisis. Commenting on the lack of modernization during good economic times, he said: "There has so far been no desire among the business elite to properly analyze the crisis...the reason for the crisis in Russia is not only

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the collapse of the US derivatives market but the weakness of the Russian commodity-based economy and [business leaders] own irresponsibility for not modernizing the economy".

Khodorkovsky also said that the respect of property rights and international agreements which protect investors is needed if Russia wants to pull itself out of its downward economic spiral. International investment and trust in Russia have been undermined as a result of the frenzied burst of tax terrorism and state-backed raiding of private property, the extent of which has been highlighted by the prosecution's case against Khodorkovsky this month.

Trial's negative impact on investment

Russia's current economic situation shows that the country cannot afford to keep Khodorkovsky in jail. There is no reason why Russian taxpayers and foreign investors should suffer because of an old political vendetta. Commenting on the case, [Anders Aslund](#), a senior associate with the Carnegie Endowment for International Peace and expert on the Russian economy, highlighted the negative impact on investment caused by the trial: "The oil market has been stalemated because of the YUKOS affair...When you're fighting over property rights, you don't do big projects." In March, the head of the Russian Union of Industrialists and Entrepreneurs, [Alexander Shokhin](#), also he was puzzled by the latest developments: "...if people are charged for not paying taxes, how can they be accused of stealing something they haven't paid taxes for?".

It is clear from the trial that the prosecutors do not understand basic principles of law, business management, or the fundamentals of the energy industry. While Khodorkovsky has made every effort to engage through established procedural rules, in contrast, the investigators and prosecutors consistently act outside of the boundaries of the law.

Throughout May, Moscow's Khamovnichesky Court continued to deny all motions put forward by the defence relating to the absurd charges. The prosecution continued to present "evidence" without explaining the relevance of any of the documents they have submitted, and failed to state anything which attributes criminal actions to the defendants. The courtroom video feed for journalists was switched off again during May's proceedings and court bailiffs were seen pushing people from the courtroom, including members of the international press. Khodorkovsky also said in court that Russian Federal Security Service (FSB) are listening in on private telephone conversations of his lawyers.

These developments in the trial make it hard to imagine how Russia's ongoing "legal nihilism" will help build confidence amongst the business community attending the International Economic Forum in June. Commenting on the case, [Igor Yurgens](#), senior adviser to President Medvedev said: "This is a case of selective jurisprudence and of disproportionate brutality that is counterproductive for the state itself". He went on to say

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ABOUT THE CASE

Mikhail Khodorkovsky and Platon Lebedev, two of Russia's leading entrepreneurs, have been unjustly imprisoned since October of 2003. After a year-long trial rife with violations of procedure and due process, the men were convicted and sent thousands of miles away to Siberian prison camps.

After serving half of their sentences, in 2008 Khodorkovsky and Lebedev became eligible for release on parole. Instead of being released, prosecutors filed new charges against them, and their new trial began on 31 March 2009.

In the new trial, Khodorkovsky and Lebedev are charged with the embezzlement of 350 million metric tons of oil or 80% of Russia's entire annual oil production, embezzlement of shares held by a Yukos subsidiary, and money laundering resulting from the sale of the allegedly embezzled oil. Both men are facing up to 22.5 years in prison.

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that the "overcentralised" and "overextended" system in Russia needs widespread reform "...otherwise we will not be ready to catch up with the G8. We will remain on the level of leading emerging nations."

ECHR admits Khodorkovsky appeal

To protect both his human rights and the rights of investors in Russia, Khodorkovsky appealed to the European Court of Human Rights regarding his treatment by the Russian judicial system. The ECHR announced this month that allegations put forward by Khodorkovsky regarding human rights breaches and political motivations behind the criminal prosecution were all admissible. The Court has given the Russian Federation until July 2009 to respond to the Decision after which the Court will then proceed to make a final judgment on the merits of the application. Commenting on the ECHR's decision, Khodorkovsky said that "...the verdict of the Strasbourg court will be important for all in Russia who have become victims of raiders' attacks on contract criminal cases."

Khodorkovsky's release as a signal for change

As delegations from different countries gather in St Petersburg for the Economic Forum, they should be keeping a close eye on developments in the trial of Khodorkovsky, which many see as a symbol of where the country is going and whether President Medvedev will live up to his pledge to end "legal nihilism".

A guilty verdict will send a damaging message to foreign investors, governments and international tribunals that the country is not ready to change, leaving Russia's political and economic stability open to question. Releasing Khodorkovsky would send a clear signal that Russia is changing. Anything less than his release does not meet the demands of a nation needing to break itself out of political and economic crisis.

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For more information on Mikhail Khodorkovsky and Platon Lebedev and updates on the trial, please visit <http://www.khodorkovskycenter.com>

COMMENTS FROM AROUND THE WORLD

"This is a case of selective jurisprudence and of disproportionate brutality that is counterproductive for the state itself"

Igor Yurgens, Senior Adviser to President Medvedev (The Daily Telegraph, May 19, 2009)

"Knowing full well the court will deliver whatever verdict is demanded by the Kremlin, the prosecution must nevertheless read its lines in the play. And it does resemble a scripted drama, as the judge has precluded the defense from challenging documents presented by the prosecution during the trial."

Garry Kasparov, leader of The Other Russia coalition, World Chess Champion (The Wall Street Journal, May 13, 2009)

"It is clear that Russia is a strategic partner for Italy, but when it comes to trials and rights the European Union has to demand transparency"

Franco Frattini, Minister of Foreign Affairs, Italy (Corriere della Sera, May 24, 2009)

"As a lawyer, [President Medvedev] talked of tackling the culture of "legal nihilism" and of the importance of stamping out corruption. One year on, there are few results to show. Indeed, the show trial currently underway of the former Yukos boss, Mikhail Khodorkovsky, is testimony to how little has changed."

Fraser Cameron, Director of the EU-Russia Center (The New York Times, May 4, 2009)

ABOUT the CENTER

The Khodorkovsky & Lebedev Communications Center Web site was developed by the international legal team of Mikhail Khodorkovsky and Platon Lebedev to tell their story and raise awareness of their status in Russia as political prisoners. Platon Lebedev and Mikhail Khodorkovsky remain in jail today because they support the development of free, open and independent political and judicial institutions and increased co-operation with multinational and international global initiatives. **Learn more »**

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