Gaydamak’s Empire and Prison

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What do we know about the business dealings of Arkady Gaydamak, former owner of Moskovskie Novosti?

Arkady Gaydamak has decided to pay his bills and voluntarily gone to jail. The billionaire without a country has wearied of the fate of Ahasuerus after failing to find a homeland in Russia, Israel, France or Angola.

The latest episode in Gaydamak’s story occurred in November 2015, when he gave himself up to the gendarmerie in the Île-de-France, the region in which Paris is located, and was taken into custody. “My client is embarking on a new stage in his life and has decided to pay off what he owes the French justice system. He wants once more to find himself on the right side of the law in France,” his lawyer, Patrick Klugman, told Agence France-Press.

What exactly did he owe? In April 2011, Gaydamak was sentenced in absentia to three years in prison and payment of a 325,000 Euro fine for tax evasion in the “Angolagate” case, involving the illegal supply of arms to Angola. An earlier verdict, passed in Paris in late October 2009, sentenced Gaydamak and another key figure, Pierre Falcone, to six years each for illegal arms trafficking, corruption and tax evasion. According to the investigation, between 1993 and 1998, during the Angolan civil war, Gaydamak and Falcone, acting through a Slovak-based company called ZTS Osos, sold the Angolan government 420 tanks, 12 helicopters, six warships, and hundreds of thousands of shells and anti-personnel landmines. This was all hardware left behind in Warsaw Pact countries after the withdrawal of Soviet military units. The total value of the contracts was 791 million dollars, of which, according to the investigation, 185 million accrued to Gaydamak.

Gaydamak earlier denied he had ever participated in supplying military equipment and claimed that only state-owned Russian companies had been involved. He described the Angolagate scandal as “pure politics”, and linked it to efforts to discredit Senator Charles Pasqua, former French Interior Minister, who was seen as a strong candidate for the 2002 presidential election. Pasqua was sentenced to one year’s imprisonment.

The career and personality of Arkady Gaydamak provide considerable food for thought. On the one hand, he fits long-established preconceptions about Russian oligarchs almost to a T: a man with a huge fortune of uncertain origin and a string of scandals and investigations behind him. To put it more bluntly, an international chancer and speculator. On the other hand, there are circumstances which mean that to write about him in only these terms would be an injustice.
The Promising Young Philatelist

Arkady Gaydamak was born in Moscow on 8 April 1952 in the family of, as people said at the time, rank-and-file Soviet office workers. By the time he was 18 he was, as he put it, already beginning to think of moving abroad. At the age of 19, he emigrated to Israel and for six months lived on a kibbutz. He was a manual labourer on a chicken farm and, as he would later tell friends, “caught chickens with these very hands”.

In search of something better, he took a job as a deckhand on a Liberian oil tanker scheduled to call at his most desired destination, France. “I was fascinated by Paris and French history,” Gaydamak related in an interview with Vedomosti in 2009. “I already had a good grasp of French when I was in Moscow, because I collected stamps and all the literature on philately was published in French.”

When the ship arrived in Marseille, Gaydamak asked the bosun’s permission to go ashore, made for the railway station, and there met up with a group of French soldiers. He joined their throng and took a train to Paris without need of a ticket. There he worked as a house painter with a group of immigrants from the Soviet Union, and went into business selling refurbished apartments. When he had saved enough to pay for studies, he enrolled at an engineering college, graduating with a diploma in telecommunications.

Gaydamak then began earning a living as a technical translator for Renault. He worked rapidly and, evidently, very competently, receiving US$ 100 per page. He soon had many customers, began recruiting other translators and, in 1974, set up a translation agency in Paris. Among other things, this provided services for visiting foreign delegations.

“Talk of links between Gaydamak’s translation agency and the intelligence services is, in my opinion, nonsense. In reality everything was much simpler.”

- Alexander Dobrovinsky

Gaydamak’s main customers were big West European companies exporting industrial equipment to the USSR, and also representatives of Soviet state and other organizations. Major orders were beginning to be placed by the USSR, and French companies needed translators in order to cope with them. One of these commissions, involving delivery to the Soviet Union of single-weld pipes and equipment for gas pipelines, brought Gaydamak’s agency into the limelight.

1982, his agency opened a branch in Canada and the company’s turnover rose to tens of millions of francs. “Acting modestly in his first 15 years of residence, he suddenly began, for no apparent reason, to live lavishly,” a French police report on Gaydamak observes. “This individual’s activities in France provide no explanation for the wealth he displays. All the companies in which he was involved have been declared insolvent by a court ruling.”

In 1987, Gaydamak switched from his translation business to commercial operations in the USSR. He became a trader, buying metal, coal and oil in the Soviet Union and selling them in the West. During this time he was living not in Moscow but in London and Paris, where he had no businesses but owned property. His annual turnover was by now in the tens of millions, and no longer of francs but of dollars. His commission on each transaction was 20 per cent.

Gaydamak’s improbably rapid rise is often attributed to close connections with the KGB and the Directorate of Territorial Security (DST), the French counter-intelligence service. Charles Pasqua stated in an interview with *Le Figaro* that a number of secret documents confirm that the entrepreneur was an agent of the DST.7

Alexander Dobrovinsky disagrees: “Talk of links between Gaydamak’s translation agency and the intelligence services is, in my opinion, nonsense. In reality everything was much simpler. Large companies preferred to work with his agency for purely practical reasons: it was easier for them to sign a contract with him for 200 translations rather than hire and manage 200 freelancers. The contracts with Gaydamak were invariably signed by someone in the companies’ top management, because substantial sums of money were involved. Accordingly, Arkady was very soon acquainted with the directors of French companies operating in the Soviet Union. There is no doubt he made good use of these contacts as soon as the opportunity arose to do business there himself.”8

**The Benefactor of Angola**

Gaydamak’s trading with the Soviet Union continued until 1992, when a new partner appeared on the horizon: Angola. This country, richly endowed with oil, diamonds and Soviet military advisers, bought a large consignment of equipment for the petrochemical industry from Gaydamak. This was paid for in “black gold”. A number of similar deals brought him contact with the country’s leaders, the position of consultant to the Angolan Ministry of Foreign Affairs, and local citizenship. As Gaydamak himself put it, he was awarded an Angolan passport after granting the government a US$ 70 million commercial credit.9

It has been remarked in the press that Gaydamak helped the Angolan leaders to solve two major problems: regulating their debt to Russia, and circumventing an arms embargo imposed by the United Nations at just this time, in 1992.

Angola was mired in a civil war which had begun in 1975, but which broke out with renewed force after elections held in 1992. One of the warring factions, UNITA, lost out to the other, the MPLA (People’s Movement for the Liberation of Angola). Although the elections were held under

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international supervision, the leader of US-backed UNITA, Jonas Savimbi, claimed the results had been rigged, and continued the civil war. Despite their victory, the MPLA and its leader, Eduardo dos Santos, President of Angola, were feeling insecure. During the earlier years of civil war, they had been receiving a great deal of support from the Soviet Union, but by 1992 that entity had ceased to exist. In March 1993, dos Santos sent a personal letter to French President Mitterrand asking for help; Mitterrand decided to support the former Soviet puppet. (France needed access to Angolan oil.)

Pierre Falcone, who directed a holding company called Brenco International, offered his services to François Mitterrand through the president’s son, Jean-Christophe Mitterrand, who was also the president’s adviser on African affairs. The idea was that French loans to enable the Angolan government to purchase arms would be repaid through deliveries of Angolan oil and oil concessions. Gaydamak’s connections in Russian circles evidently proved crucial to the success of Falcone’s mission. This was all happening in the late autumn of 1993. Russia was reeling from the shelling by President Yeltsin of the Russian parliament in the White House in Moscow, and Defence Minister Pavel Grachev, together with Commander of the Western Group of Forces Matvey Burlakov, was preparing a massive sell-off of up-to-date military hardware in the wake of the withdrawal of Russian forces from Eastern Europe.

Years later, in the 2009 interview with Vedomosti, Gaydamak claimed he had bought only trucks and transport planes in Russia for Angola, and that there had been no question of any kind of military hardware. “My role was purely selling oil warranties and paying Russian state corporations for deliveries of equipment. Financial flows were directed through Banque Nationale de Paris Paribas which, in the course of 1993-5, observed no irregularities. Oil was sold exclusively through Glencore / Global Energy Commodity Resources (a Swiss company - E.G.) on long-term contracts. Glencore provided me with funding through French banks.”

A scandal erupted in 2000, and in January 2001 Arrest Warrant No. 0019292016 was issued for Gaydamak, but he managed to move to Israel before it could be executed.

At the same time, Angola’s top officials were being plagued by Daniel Devaud, an investigating magistrate in the Canton of Geneva. He was investigating a related issue: the sale, for a pittance, of Angola’s debt to Russia. Part of the revenue from this sale found its way to the Swiss bank accounts of members of the Angolan government. Devaud estimated that in the course of the settlement some 614 million dollars were embezzled.

The pre-history is that, in October 1996, the Russian government decreed that an agreement should be concluded with Angola “on the restructuring of state-funded and commercial loans granted by the former USSR to Angola”. Although Russia was not yet a member of the Paris Club of creditor nations, Angola was conceded a discount of 70 per cent on its debts, in accordance with current international norms, and with a grace period until mid-2001. After that, Angola was to begin paying off the remaining 30 per cent of the debt by 2016.

The fact that Angola’s obligations were formalized as bills of exchange, i.e. marketable securities, strongly suggests that from the outset those behind the deal were planning to buy them up from the Russian government, not just before 2016 but even before the end of the period of grace. A buyer promptly appeared, in the shape of Abalone Investment Ltd, an offshore company registered on the Isle of Man. Its founders were Gaydamak and Falcone. In response to an offer to buy up all the Angolan paper without delay, the Russian government granted a further discount of 50 per cent, anticipating that, for its US$ 5.5 billion worth of loans, it would recover just US$ 750 million. A proportion of the bills of exchange were indeed bought and paid for, but then Gaydamak began asking for new postponements while retaining the same discounts.

In 2004, Gaydamak sent the government of dos Santos a letter certifying that all outstanding funds had been received and that, accordingly, Luanda’s debt to Moscow was considered repaid. As noted in the report of Corruption Watch, a non-governmental organization based in the UK, Russia did not, in fact, receive payment for the last eight bills of exchange.

**The World’s Most Devout Jew**

In Israel, Gaydamak tried not just to start a new life, but to make himself a household name in the Promised Land. He was, however, regarded as an outsider, despite having obtained Israeli citizenship back in 1972. “Moneybags” who appear out of nowhere are traditionally mistrusted in Israel and tend to attract the attention of the law enforcement agencies.

During the 2006 Lebanon war, Gaydamak organized a vast camp on the coast for refugees from the north of Israel; when Palestinians began shelling the town of Sderot in the south, he paid for its residents to stay in Eilat resorts. Gaydamak paid for a huge hospital extension; he became president of the Hapoel Jerusalem Basketball Club, and he rubbed the authorities up the wrong way. Officials were saying darkly that he was trying to dominate the state, but Gaydamak replied humbly that he was only doing the best he could.

He positioned himself as a devout Jew and defender of religion, and on one occasion promised to buy a majority stake in Israel’s largest network of non-kosher stores and remove from its shelves all products that did not conform to kashrut standards.

The culmination of Gaydamak’s campaign to win popularity with the Israeli public was his acquisition of Jerusalem’s Beitar football club, whose supporters are renowned for their rabid fanaticism. The day after the deal was announced, the club’s new owner was on the front page of every newspaper, and was followed through the streets of Jerusalem by a crowd of Beitar fans wearing the club’s scarves and chanting in Russian, “Arkady, brother, you are our father!”

Gaydamak was hoping ultimately to convert this public relations triumph into a political victory. His Social Justice party fielded candidates in the parliamentary elections, and he himself, adopting the name of Aryeh Bar-Lev in 1998, ran for mayor of Jerusalem. The vote in December 2008 was a humiliation, only 3.6 per cent of the electorate voting for him. Bitterly disappointed, he left his villa in Caesarea shortly after the election and moved to Moscow.
The Connoisseur of Russian *Empire*

The number of projects in which Gaydamak was involved, mostly in the post-Soviet territories, is enough to make anyone dizzy. By the mid-2000s he was a billionaire. His portfolio included *Agrosoyuz* (six poultry farms in Russia), Meleuz Mineral Fertilizers Ltd in Bashkortostan, a plant mining uranium in Kazakhstan, the *Kazfosfat* chemical factory, the agricultural conglomerate *Terra Verde*, and numerous other companies.

From May 2005 to May 2009 he was president of the Congress of Jewish Religious Organizations and Associations in Russia.

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- Arkady Gaydamak in an interview with *Kommersant*

In the period from 2007 to April 2009, Gaydamak was the proprietor of United Media Group, which included the radio stations *FM Kino* and Business FM, the newspaper *Business and Financial Markets*, and the *Lenta.ru* Internet portal.

Gaydamak was also prominent in banking. At one time he was chairman of the Board of Directors of Russian Credit bank, and was on the board of directors of Moscow Bank. At the end of 2007, the Israeli newspaper *Maariv* reported that Gaydamak was building a 13-storey Russian Embassy in Tel Aviv. His main bid for nationwide celebrity had come in 2005, however, when he bought the newspaper *Moskovskiy Novosti*.

> “What mattered to me was not whether to buy a well-known newspaper, a sports club or a brand. What mattered was to gain the status of a person whose opinion was listened to,” Gaydamak confided in an interview with *Kommersant* in 2005. “... to have a kind of platform, and a newspaper is a tool for attracting the public’s attention. Whether it is an elephant from the zoo which I drive through the streets, or an airship permanently hovering above Moscow bearing the slogan ‘Gaydamak is a jolly good fellow’, or the newspaper *Moskovskiy Novosti* is all the same to me.” Things did not go well with *Moskovskiy Novosti*: the newspaper lost its readers, its reputation and its profitability, and ceased publication on 1 January 2008. “This is part of our Russian heritage,” Gaydamak declared. He promised to relaunch it, but then shut it down.

Gaydamak’s children followed in their father’s commercial footsteps. Since 2009, his daughters Katya and Sonya, born in Paris, have been developing their own jewellery brand, Gaydamak (formerly Privé), represented in 22 sales outlets in Europe, USA, Hong Kong and the Middle East. His son, Alexander, bought Portsmouth Football Club in 2005 and now lives in London, having been obliged to move in 2010. Back in 2003, entrepreneur Yosef Troyan had filed a lawsuit against Arkady Gaydamak and, according to *Maariv*, it was at Troyan’s request that the Tel Aviv District Court in 2009 seized properties which Alexander Gaydamak claimed belonged to him. The

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*http://www.kommersant.ru/doc/617366*

*http://www.kommersant.ru/doc/1252603*
properties at issue were a villa in Herzliya and an apartment in an elite district of Tel Aviv, together valued at a total of 57 million shekels ($15 million).

The Gaydamak family has always steered clear of the television cameras. This is particularly true of his wife, Irina, who has been at Arkady's side since the mid-1970s. “I made Gaydamak’s acquaintance in 1976 when I emigrated from the Soviet Union,” Alexander Dobrovinsky recalls. “Before I left, friends introduced me to Irina’s parents, who asked me to give her a dinner service from the Lomonosov Porcelain Factory. As soon as I arrived in Paris, I delivered it to her. The service is still in a good state and in Ira’s possession, but with just one cup missing, which I, unfortunately, smashed en route. Irina still jokingly reminds me about that.”

Dobrovinsky also mentions the “wonderful collection of Russian Empire” which Gaydamak has assembled in France. In 2000, its owner published a book titled “Russian Empire”. As he himself puts it, “It seems to me that Empire is the most natural style for a human being. In no other style will you find such close attention to the everyday items among which human life is lived.”

Needless to say, Gaydamak’s own life has been lived in a very different milieu, of oil, armaments, uranium, mineral fertilizers, chicken carcases and, finally, priceless secret information. In The Lion’s Share (“Bol’shaya dol’ya”), Yuliy Dubov’s revealing novel about Russian business, there is the suggestion that the sheer dynamism of big money and large-scale opportunities dictates its own rules and inevitably alters people. All that counts is what can bring in more capital. This generates strategy and tactics where morality comes second and is likely to be exterminated as a weed in the magic garden. The rules of big business prevail over the principles of ethics and erode the boundaries of what is permissible.

Pursuit of money for its own sake? That is not what Arkady Gaydamak is about. For him, what matters has always been the journey, for things to be happening, moving, spinning, being created. His problem has been that, the more he has striven towards new horizons, the more manifestly he has come into conflict with society and the state. The interests of the state are a law unto themselves; the interests of the entrepreneur Arkady Gaydamak are also a law unto themselves. And they have inexorably diverged in France, Israel and Russia.

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http://www.rus-empire.ru/gaidamak.html
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