



The Kings of State Procurement

By Yevgeny Gusev

Translated by Arch Tait

May 2017

This article is published in English by The Henry Jackson Society by arrangement with Radio Free Europe / Radio Liberty. The article reflects the views of the author and not necessarily those of The Henry Jackson Society or its staff.



¹ That summer day in 2005 completely changed the life of Pavel Yakshis, an ordinary St Petersburg motorist moonlighting as a deliveryman. He was driving his Gazelle van along Tikhoretsky Prospekt in the northern capital when a concrete mixer in front of him braked unexpectedly.

To avoid a crash, Yakshis swerved to the right and immediately heard a loud, exasperated hooting. He had inadvertently carved up a black Toyota Land Cruiser and Mitsubishi Pajero. The jeeps overtook him and stopped, hemming him in. Two athletic-looking men in garish Hawaiian shirts and with gold chains round their necks emerged from the Land Cruiser and, with a sporty gait, advanced on Yakshis. One came to the door of his Gazelle and tried to haul Yakshis out. Failing to do so, he punched the driver in the face. Yakshis took out a Wasp rubber bullet handgun and warned him, 'I will fire this.' That provoked a contemptuous smirk from his assailant, who punched him again. The driver then fired a rubber bullet, which hit the attacker in the chest. He lifted his shirt, looked at the mark, and hissed through clenched teeth, 'That's it. My people are going to bury you.'

Yakshis later wrote in his evidence to the investigation that his attackers looked like 'gangsters', but they were not. The motorist had had the misfortune to fall foul of Boris Rotenberg, one of the most influential people in the country, co-owner of the Northern Sea Route Bank, practitioner of judo, and friend of President Vladimir Putin.

Two months later, Pavel Yakshis found himself on trial at the Vyborg Court of St Petersburg. Initially, the Prosecutor's Office accused Pavel, who had himself reported to the police, of attempted murder, but this was subsequently reduced to 'breach of the peace'. Yakshis pleaded not guilty and said the gun had gone off accidentally when he was trying to avoid being punched by his assailant. In the end, the judge re-formulated the charge as 'intentionally causing minor bodily harm' and ordered the defendant to pay a fine of 20,000 rubles.

Boris Rotenberg, the plaintiff, did not appear in court. Yakshis told journalists that he would file a complaint with the St Petersburg municipal court, but subsequently changed his mind. According to *Forbes* magazine, shortly after the trial he ceased undertaking deliveries and retired to a monastery.

In the summer of 2005, Pavel Yakshis, like 99.9 percent of the citizens of Russia, had no idea who Boris Rotenberg was. The Rotenberg family is, however, now nationally renowned after a road battle, one that took place on a vastly greater scale than that incident in St Petersburg 10 years ago.

The Part-Time Student Billionaire

The senior figure in the Rotenberg family is considered to be Arkady. Born in Leningrad in 1951, he has a doctorate in education and is a qualified judo coach. In the *Forbes* list of Russia's richest, he occupies the No. 60 slot, with a fortune of \$1.4 billion. He also figures in the list of individuals subjected to US and EU economic sanctions. He is divorced and has 4 children. His ex-wife Natalia Rotenberg lives in the UK with 2 of their children, Varvara and Arkady.

¹ This paper was written for the Russian Service of Radio Free Europe / Radio Liberty. It can be accessed at, Gusev, Y. 'Koroli goszakaza', *Svoboda.org*, 5 September 2016, available at: <http://www.svoboda.org/a/27966253.html>

In September 1964, Anatoly Rakhlin, a young unarmed combat coach, went round several Leningrad schools, brought together a group of boys, and began training them in a small gym. Among those who enrolled was 12-year-old Arkady Rotenberg, who until then had been practicing gymnastics. Agile, as surefooted as a cat, quick on the uptake, and stubborn, he immediately attracted Rakhlin's attention. 'They did a lot of fighting in the streets,' Rakhlin recalled. 'In Petersburg you had to be able to defend yourself. Arkady was very aggressive. He liked to land a punch.'

Six months later, another boy joined Rakhlin's section: Volodya Putin, who lived nearby on Baskov Lane. 'I don't know what prompted him to take up unarmed combat,' says Rakhlin. 'He evidently wanted to be strong and brave. I thought Volodya was steady, but it later turned out he had a short fuse. I feel he has kept that attacking style all his life.'

'His wise coach was right,' comments Russian political analyst, Andrey Piontkovsky. 'In order to survive in his environment, the weak little boy had to be nimble and cruel, to be able to take on stronger boys, and never experience moral doubt or remorse. As a result, the courtyard scrapper grew up into a strong, merciless wolf that remembered those blows, and always desperately wanted to leap higher in order to get over the humiliating wall of inequality he had confronted ever since childhood.'

Sport brought Arkady Rotenberg and Vladimir Putin very close. Arkady, his brother Boris, who also began training with Rakhlin, and Vladimir Putin spent almost all their spare time with each other. They were brought together by training sessions, tidying up the gym, visiting friends and travelling to contests. 'To this day I am friends with the people I trained with then,' Putin admitted in 'First Person', a biographical interview in 2000.

Other people who knew the Rotenbergs at the time have, however, given them far from flattering descriptions. Here is what Nikolai Vashchilin, a Master of Sport in unarmed combat and former KGB officer who trained with Rakhlin, has to say of Arkady: 'I remember Arkady as a poor little Jewish boy, and then, suddenly, he is not just a millionaire but a billionaire! He can't even count to numbers like that! He was a part-time student at the physical education institute. In our time, if you were an extension student at the Lesgaft Institute, you were regarded as a moron. And now he's a billionaire!'

Today, Nikolai Vashchilin is a pensioner living on 10,000 rubles a month. After giving several interviews about Vladimir Putin and members of his inner circle, Vashchilin tries not to leave the house and no longer meets up with old friends.

Between Organised Crime and the International Relations Committee

The sporting ties between Rotenberg and Putin continued even after Putin became chairman of the International Relations Committee at St Petersburg's City Hall. In the early 1990s, Arkady helped him keep up his judo. At training sessions, he served as Putin's sparring partner, as they were in the same weight category. Rotenberg came to be referred to as 'Putin's coach.' In 1998, he became CEO of the Yawara-Neva Sports Club, of which Vladimir Putin was elected honorary president.

Can sporting success confer advantages? Yes, if you engage in sport with Vladimir Putin, according to *Forbes* magazine. Arkady Rotenberg himself has never shied away from emphasising his bond with the president. He was asked one time whether he had benefited personally from the fact that the head of state had become the patron of Yawara-Neva. Arkady replied, ‘What do you think? We draw strength from our moral duty to Russia and the president. Putin is a real judoka.’ Then he added, ‘Of course, I have no direct link to Putin, but I know the right person to pass on information about our successes.’ Rotenberg was being disingenuous. Putin has never refused to meet him, no matter how busy he is.

In the early 1990s, journalist Alexander Kostin published an article online on compromat.ru titled, ‘The president tightens the screws on out-of-control St Petersburg gangland bosses.’ The article claims that in the 1990s, judo expert Arkady Rotenberg engaged in racketeering, ‘protecting’ trading stalls, and had extensive contact with members of the Tambov organised crime group, which at that time was the most powerful gang in St Petersburg. The article claims that he was doing business with Oleg Shuster, one of the Tambov leaders and co-owner of the Fei Mun Club of professional Wushu, who was also one of the sponsors of a cult television series, ‘Streets with Broken Street Lamps.’

Shuster was in the upper echelon of the Tambov gang, along with the former boxing trainer (and later Liberal Democratic Party State Duma deputy), Mikhail Glushchenko (nickname Khokhol), the gangland bosses Vasya of Bryansk, Stepa of Ulyanovsk, and Bob of Kemerovo. Through his links with Putin, Rotenberg was later able to get Shuster installed as deputy to Alexey Gordeyev, vice-premier of Russia and minister of agriculture.

According to Yevgeny Vyshenkov, formerly a member of the Criminal Investigation Department and head of the Petersburg Journalistic Investigations Agency, the Rotenbergs did manage to steer clear of the overtly criminal milieu. Vyshenkov tells the tale of how, while working in the CID, he once observed negotiations in one of St Petersburg’s restaurants. The conversation was between several burly men and a 2-metre-tall Chechen nicknamed Orbi. Vyshenkov later learned that one of the men had been Arkady Rotenberg and that they had been discussing the case of a friend of his whom the Chechens had roughed up. Rotenberg was alert to every threat, although, according to the former detective, he could not sustain a conversation in thieves’ cant.

At this time Arkady was probably acting as a middleman between the City and representatives of the gangs, with whom Deputy Mayor Putin could not be seen consorting because of his position. There was a need for this contact, however, because Vladimir Putin’s brief included the development of gambling in the city, and all the main Petersburg casinos were controlled by the Tambov gang.

‘It was a time when everyone was doing everything,’ says Levan Pirveli, one of Arkady Rotenberg’s first business partners. Pirveli was the head of an Austro-Russian joint venture that built the 5-star Metekhi hotel in Tbilisi. The businessman was planning to build a similar hotel in St Petersburg, jointly with Rotenberg. Nothing came of it, but Rotenberg made ‘a very favourable impression’ on his partner thanks to his contacts and entrepreneurial flair. Arkady’s business interests began to develop more vigorously after his younger brother, Boris, returned from Finland.

Boris Rotenberg was born on 3 January 1957 in Leningrad. In 1978 he graduated from the Lefgaf Institute of Physical Culture and Sport. He represented the city in unarmed combat competitions and won prizes in Soviet championships and cups at junior and young adult levels. From 1992, he was a professional coach at the Chikara judo club in Helsinki. He became a Master of Sport in judo in 1974, and in unarmed combat in 1980. He entered the *Forbes* list of Russia's richest, ranking 100th with a fortune of \$700 million. He is divorced and has two children.

Moscow Spiritual Uplift

By the millennium, the Yawara-Neva Club was one of the most successful sports organisations in the Russian Federation, and in 2000, with the election of Vladimir Putin as president of Russia, the Rotenbergs' horizons were immeasurably widened.

Rotenberg passed his first test as a federal-level entrepreneur in the autumn of 1999, while Putin was still prime minister. He met Sergey Zivenko, a little-known businessman trading in alcohol and sports goods. They became friends, and in February 2000, Rotenberg introduced Zivenko to the head of the presidential security service, Viktor Zolotov. According to the German magazine, *Spiegel*, Zolotov facilitated Zivenko's appointment to the post of CEO of Rosspirtprom, to which around 100 state spirit and liqueur distilleries were subsequently transferred. Rotenberg and Zivenko formalised their commercial partnership by registering Zirot, a wholesaler, which acquired offices on one of Moscow's most prestigious streets, New Arbat.

In 2000, Zivenko lost this position. More precisely, he was kicked out by people loyal to FSB Director Nikolay Patrushev who were eager to take control of one of the most profitable areas of Russian business. Zivenko bounced back, however, creating the powerful Cristall group, which included two major vodka distilleries. The Rotenberg brothers invested the billions of rubles earned from sales of vodka in the Northern Sea Route Bank, which they founded in 2001.

Rosspirtprom is not the only state organisation to end up under Rotenberg influence. In 2008, Alexander Grigoriev, a KGB colleague and friend of Putin, died suddenly. He had headed Rosreserv, a mammoth procurement organisation whose activities are largely classified. After Grigoriev's death, Dmitry Gogin, a manager of one of the companies controlled by the Rotenbergs, became the deputy of Rosreserv's new CEO.

The largest state enterprise with which the brothers developed a business association was, however, Gazprom.

'There is in Russia a layer of businessmen who need fear no bureaucratic barriers and who disdain political risks,' writes *Novaya Gazeta*. 'Their property is totally safe, and their interests are on par with those of the state. They are untouchable. The doors of state companies are open to them, and almost any entrepreneur on the *Forbes* Russia list would gladly offer them a stake in their company.'

In 2002, Rem Vyakhirev's managers in Gazprom were supplanted by members of Vladimir Putin's team under the leadership of Alexey Miller. The new management set about reorganizing the commercial and financial flows relating to procurement. At stake was \$4.5 billion, the amount Gazprom spent annually on a huge variety of products, from pipes to pumps and a great deal of other equipment.

In 2006, Maxim Mironov, a young economist from Russia who had emigrated to the United States, published a curious study. Using a pirated database of the financial transactions of Russian banks, Mironov identified several companies nobody had heard of, through whose accounts huge sums of money were passing, despite a total absence of productive activity on their part. Leading the field was Gaztaged, which belonged to the Rotenberg brothers. In 2003-04, it digested around \$1 billion.

In 2005, Vadim Kleiner, the director of corporate research at the British investment company, Hermitage Capital Management (which advised Hermitage Investment Trust, a minority shareholder of Gazprom), was claiming a seat on the Gazprom board. In his report, he named several intermediaries who were being granted inexplicable preferences by Gazprom. One such was a company called Gaztaged.

His criticism cost foreign investors dear. In November 2005, William Browder, the Executive Director of Hermitage, was denied entry to Russia. Vladimir Putin, responding to journalists' questions, shrugged and said he did not know why. He came out with a remark to the effect that anyone who violated the law would be banned from entering Russia, and investors could expect assistance.

William Browder

Hermitage Capital Management had been operating in Russia for about 10 years, and William Browder had attracted some 4 billion dollars' worth of Western investment to Russia, but that did not save him. Not allowing Browder into Russia was only the first step. This was followed in 2007 by searches at Hermitage's offices in Russia. In 2008, the Russian Interior Ministry opened a criminal case against Mr Browder, and Hermitage closed its Russian office. William Browder later headed campaigns to investigate the theft of tax on profit which the fund had paid into the Russian budget in 2006 as well as the murder of Sergey Magnitsky, one of the fund's lawyers who had uncovered the theft.

In July 2013, a Russian court sentenced Browder in absentia to 9 years in a standard regime penal colony. The Magnitsky Case escalated into a major international scandal, but this had no effect at all on the business activities of the Rotenberg brothers. Quite the contrary. In the absence of Western competitors, who were cut out by decisive action on the part of President Putin, their business prospered. In the spring of 2008, Gazprom sold off 5 of its companies to Rotenberg organizations. The companies were Krasnodargazstroy, Volgogaz, Lengazspetsstroy, Spetsgazremstroy, and Volgogradneftemash.

Gazprom later announced that 'non-core assets' had been sold off at the starting price of 8.4 billion rubles. A controlling stake in these construction companies was acquired by offshore companies registered in Cyprus. For a time, the new owners were completely invisible but then, simultaneously, all the companies called extraordinary shareholders' meetings at which a majority of seats on the boards of directors passed to representatives of NPV Engineering, a company owned by Arkady Rotenberg which had his son Igor as chairman of the Board of Directors. And so Stroygazmontazh was born. Its corporate prospectus reveals that in 2008, turnover amounted to 54 billion rubles and it had 11,000 employees. The Rotenbergs, seeing off all competition, had become the main supplier of pipes and other equipment to mighty Gazprom.

The activities of Arkady and Boris Rotenberg are not, however, limited to working with state-owned companies. In 2008, businessman Alexander Ponomarev and Alexander Skorobogatko took the Rotenbergs into their business, handing over 10 per cent of Novorossiysk Commercial Sea Port to them. State Duma deputy Ashot Yeghiazaryan brought in Arkady Rotenberg as a partner when reconstructing the Moskva hotel. Their links with Vladimir Putin continued to function with total reliability on all fronts, and the Rotenbergs piled in to anything that would bring them substantial revenues: trading in gas pipes, administering maritime transport, manufacturing vodka, building residential accommodation, and trading in real estate.

Large construction companies queued up to partner with the Rotenbergs. MCM-5, for example, decided to collaborate with a little-known company called Paritet. The company had no actual workers or building equipment and its authorised capital was a very modest 15,000 rubles. Its founders, however, were Arkady and Boris Rotenberg. Why would a large construction company embark on such a collaboration? 'We all have our particular strengths. One person knows how to build, another has financial resources, someone else again has administrative resources,' muses Andrey Pankovsky, deputy CEO and co-owner of DSK-1, one of the largest construction companies in Moscow.

'The Rotenbergs' business is trading in the right connections,' the late political analyst, Vladimir Pribylovsky, summarised. He was the author of several books about the St Petersburg acquaintances of Vladimir Putin. Vladimir Shestakov, a businessman and former president of the Russian Judo Federation who emigrated to Latvia, agrees. 'They could resolve with a single phone call issues I had been struggling with for months,' he said of the Rotenbergs.

It is not always the case, however, that the Rotenbergs' activities are greeted with acclaim by other 'sharks' of the Russian business world. One autumn day in 2011, the offices of their company, North European Pipe Project, on Michurin Prospekt in Moscow, was raided by inspectors from the Federal Anti-monopoly Service. Why, in 2011, would the Anti-monopoly Service suddenly take an interest in the Rotenbergs when their company, the main supplier of pipes to Gazprom, had been operating since 2005? The inspection, as *Vedomosti* revealed, had been undertaken on the instructions of Igor Sechin, deputy prime minister at the time and also, like the Rotenbergs, a member of Putin's inner circle. Sechin was obliged to retreat.

Unfazed by the Black Spot

'If I didn't get all this media coverage about being a friend of Putin, business would be worse,' Arkady Rotenberg admitted in an interview.

Rotenberg's companies do not only make gas pipelines. The Mostotrest Group, of which Arkady Rotenberg and his son own a roughly 26 per cent share, is now the front runner in terms of state orders for road construction and other infrastructure facilities. Mostotrest built the relief road for Kurortny Prospekt in Sochi, and the advance section of the Moscow-St Petersburg motorway. Dmitry Medvedev, in one of the last acts of his presidency, presented Rotenberg's company with its largest contract, for 34.7 billion rubles, to improve the roads around Skolkovo. Another contract, for a further section of the Moscow-St Petersburg motorway, was won by Mostotrest in a

competition organised by the Moscow City Council after a bitter struggle with ARKS, co-owned by Gennadiy Timchenko, after it lowered its quotation from an initial 29 billion to 23 billion rubles.

Finally, in 2015, the Rotenbergs took on a particularly important project, which even Timchenko, another close friend of Putin, declined to bid for. In January 2015, the Russian government issued a decree appointing Arkady Rotenberg's Stroygazmontazh contractor for the construction of a bridge across the Kerch Strait to Crimea. It is planned that 228 billion rubles will be allocated to construct it. Arkady Rotenberg himself has undertaken to meet the completion date demanded by the head of state: the bridge is to be in place by 2018.

Arkady Rotenberg admitted in an interview to recognising that for him the Crimean project meant much the same as the Black Spot meant for Long John Silver: complete ostracism by the West. 'But I am not overmuch bothered about that,' he said.

In 2014, the Rotenberg brothers were on America's sanctions list, and Arkady Rotenberg was also on the EU's sanctions list. The US Visa and MasterCard payment systems no longer service SMP (Northern Sea Route) Bank customers. Almost simultaneously, in Italy, property owned by Arkady Rotenberg was sequestered. *Corriere della Sera*, reporting the news and referring to sources in the Guardia di finanza, estimated the value of the property at over 30 million euros. 'I have been under sanctions for several months now and nothing surprises me,' Rotenberg remarked. 'What is surprising is that it involves real estate, which is not supposed to be included in sanctions. The announcement said sanctions would apply only to accounts and assets, and I have neither in Italy. It goes to show once again that the measures are illegitimate and the situation is absurd.'

As a result of the sanctions, the Rotenberg family, four of whose members are on the *Forbes* list - Arkady Rotenberg, his son Igor, his brother Boris, and his nephew Roman - have in one year lost their pre-eminence in the ranking of the richest Russian family groupings. *Forbes* data suggests that the combined wealth of Arkady, Boris, and Igor Rotenberg fell over the year from an estimated \$5.55 billion to \$2.95 billion.

These sportsmen, accustomed to rough and tumble, are not inclined to over-dramatise the situation. They have set about offloading assets at risk and, in early May 2015, among other measures, sold off their shares in the Latvian subsidiary SMP Bank to local businessmen.

In addition, Arkady and Boris have begun transferring their assets to their sons, who are not on the Western sanctions lists. Thus, Igor Rotenberg received from his father shares in Mostotrest, Gazprombureniye and TPS Real Estate, and today formally owns the largest number of shares in the family portfolio.

Igor Rotenberg

Igor Rotenberg was born on 9 May 1973. In 2002, he graduated from the Higher School of Privatisation and Entrepreneurship. In 2002-03, he was deputy head of the Property Department of the fuel and energy complex of the Ministry of Property and Land Relations. In 2003-04, he was the head of property management of transport and communications at the Ministry of State Property. In 2004-05, he was vice-president of JSC Russian Railways. Since 2006, he has been

chairman of the Board of Directors of JSC NPV Engineering. His fortune is about half a billion dollars. He is married and has 3 children.

Don't Forget to Pay the Toll!

Despite Western sanctions, the Rotenbergs remain the Kings of State Procurement in Russia, and if in 2013, their companies enjoyed contracts from the state amounting to 102.8 billion rubles, in 2014, this had increased to 184 billion.

In addition to the megaproject of a bridge to Crimea, the Rotenbergs have other large-scale contracts in prospect. In June 2015, it was reported that Gazprom was planning to build a gas pipeline from Kuban to Crimea at a cost of 14.3 billion rubles. It seems probable that, without any tendering process, the contract will be awarded to Arkady Rotenberg's Stroygazmontazh. The building of a main gas pipeline to supply the peninsula is estimated to come in at 20 billion rubles.

Already, in 2010, the Rotenberg family had their eye on the tempting prospect of budgetary appropriations for the construction of toll roads.

'I was amazed how decisively President Vladimir Putin removed the obstacles we encountered,' Yves-Thibault de Silguy, the president of Vinci, France's largest construction group, told the French press. The European Bank for Reconstruction and Development announced it would not be financing construction of the Moscow-St Petersburg toll motorway because it would involve cutting down 14 oak trees in the Khimki Forest. Putin intervened personally, and rapidly found replacements for the foreign lender: Russia's Sberbank and Vnesheconombank agreed to provide loans on highly favourable terms.

The French companies remain involved, but it is, of course, not they but private Russian investors who are in control. The Minsk lateral was awarded to Russia Bank, which is owned by another old friend of Putin's, Yury Kovalchuk; the Moscow-St. Petersburg motorway was given to the Rotenbergs' companies to tax farm.

Whistleblower Alexey Navalny recently published online a photograph of giant twin palaces, built in Barvikha in Moscow province, for Arkady Rotenberg and his nephew Roman. 'Arkady and Boris Rotenberg graduated from a sports college,' Navalny writes. 'They have created nothing, they have invented nothing. They have not given us iPhones or social networks or successful investment projects, and, in return, have received everything they could ask for, practically free of charge.'

Recently, the Rotenbergs have taken an interest in the levying of a transport tax on federal toll highways.

Back in 2010, Transport Minister Igor Levitin, whose name in recent years has also been linked with the Rotenberg brothers, proposed restoring the charges, abolished in 2001, to fund road improvements. The funds had been abolished for political reasons: embezzlement in road construction in the provinces was flourishing, independently elected governors needed to be done away with, and their office embedded in Putin's 'power vertical.' Abolishing the tax would starve them of opportunities for corrupt patronage. By 2010, the vertical was firmly established, the local election of governors had long been scrapped, and there was a realisation that recovery from the

economic crisis could be facilitated by stimulating road building. The only snag was that there was insufficient money in the budget.

All that was needed was a lobbyist to push the measure through, and he was soon found in the person of Sergey Chemezov, head of Russian Technologies. Chemezov persuaded the government that his state-owned corporation was capable, within the fashionable framework of import substitution, of establishing a system of charging tolls that would be based on Russian technology. Chemezov chose not to undertake the task himself, and instead recommended transferring all rights to a company headed by Igor Rotenberg. Putin agreed. The upshot was that Rotenberg's company would collect tolls on federal highways. The revenue would be around 50 billion rubles a year, 10 billion of which the company would get to keep each year in return for its services.

A loan of 25 billion rubles for the project was obtained from Gazprombank, where the adviser to the chairman of the board was yet another member of the family, Roman Rotenberg.

Roman Rotenberg was born in 1981 in Leningrad. He is an entrepreneur, manager, sports official, member of the staff of the foreign communications service of Gazprom Export, adviser to the chairman of Gazprombank, first vice-president of the Russian Ice Hockey Federation, chairman of the board of the Doctor Sport sports nutrition manufacturing company, and majority owner of the Telesport marketing agency and of the Finnish Hartwall Arena stadium. He is ranked No. 186 on the list of Russia's richest.

In 1991, his parents took 10-year-old Roman to Finland. 'It was not easy at first,' he recalls. 'The attitude in Finland towards Russian immigrants was not very good at the time and I had to fight. They got the message.' As well they might, since Roman's father, Master of Sport and judo coach Boris Rotenberg, had coached his son from the age of 5 and took him with him to sports competitions.

Later, at his mother's insistence, Roman was sent to study in London at the European Business School's Faculty of International Business. After finishing his higher education in London, he decided to return to Russia. This was not surprising: it was 2005 and Putin was in his second term as president. Roman's father and uncle had scaled dizzy heights in the Russian economy. Roman chose to work as a consultant to Gazprom Export. In 2009, he received an even more attractive offer and became adviser to the chairman of the board of Gazprom. In his own words, his job was to 'attract major customers.' The chain was complete, and the Rotenberg family took over construction of Russia's greatest infrastructure projects.

God Is Dead, But the Rotenbergs Are Still There

In November and December 2015, with the introduction of tolls, mass protests by long-distance truck drivers swept many regions of Russia. From 15 November, vehicles weighing over 12 tons were charged 1 ruble 50 for every kilometre travelled on a federal highway. From March 2016, the fee was raised to 3 rubles 73. Given the vastness of the distances involved in Russia, that meant that on an average trip, a heavy truck would have to pay 10,000-15,000 rubles. The system was called Plato.

Almost half of the heavy trucks in Russia belong to individual entrepreneurs who earn from a single trip, give or take, 50,000 rubles. This additional cost could leave them on the verge of bankruptcy. The drivers were so obdurate that the authorities were forced to make concessions. In December 2015, President Putin signed a law reducing 90-fold the penalties for non-payment of Plato charges by heavy goods vehicle drivers: from 450,000 to 5,000 rubles. Drivers were already calling the tolls ‘Rotenberg’s noose’ and the protest became personal. For the first time in the history of Putin’s Russia, the protest was directed against a close associate of the president.

‘The name Rotenberg is currently very popular in Dagestan,’ *Novaya Gazeta* reported. ‘All the federal highways are decorated with it: “Rotenberg is worse than ISIL” (the so-called “Islamic State”); “A Russia without Rotenbergs.” Now every long-distance truck driver knows that the billionaire Arkady Rotenberg is a friend and ally of the president, that he has a son called Igor Rotenberg, and that Igor has a little business to which, for some mysterious reason, a contract was awarded, farming out to the private sector a new federal road tax.’

Independent political analysts speculated, in connection with the conflict between the truck drivers and the Rotenbergs, how the regime would respond to these protests and, more broadly, how relations had developed in recent years within the Putin clique. They concluded that, in the case of the Rotenbergs, what was at stake was not just the personal financial interests of the president. Putin had, for example, had no qualms about removing his old friend, Vladimir Yakunin, from his post as head of Russian Rail. In 2008, there had even been rumours that Yakunin might be offered the Kremlin throne. Why was he removed? Yakunin belonged to the intimate KGB circle of President Putin’s dining buddies, but he had gotten out of hand. He had built himself a luxurious estate with a separate building to house winter fur coats, and he had undermined the social contract: thanks to his failings, citizens of many Russian towns found themselves left with no train service.

The Rotenbergs were a different matter. Their bond with Putin was not through the KGB, nor through membership of the exclusive ‘Ozero’ (‘Lake’) residential coterie. Theirs was a strong emotional bond going back all the way to the president’s childhood.

In 2013, Putin and the Rotenbergs’ former judo coach, Anatoly Rakhlin, died at the age of 76. Shortly afterwards, a rare image went round the world: Putin, alone, without any security, is walking past a long wall in St Petersburg. Konstantin Zavrazhin, the photographer who took the photo, gives this background: ‘After the funeral service, the president wanted some time away from other people. He walked in the direction of Vatutin Street, then, gesturing to his security to stay behind, he walked on alone past the walls of the mechanical engineering factory.’

‘Putin has undergone miraculous transformations on more than one occasion,’ Andrey Piontkovsky wrote on this occasion, ‘but none was so personally significant for the second and fourth president-for-life of the Russian Federation as his salvation when he was 12. From a kid in a courtyard, he was set on the path to becoming the lord of creation. Anatoly Rakhlin, his former coach, remained for Putin an unquestioned authority, almost his God.’

Now God was dead, and among the very closest old friends, in whom Putin could repose unqualified trust, there remained, perhaps, only Arkady and Boris Rotenberg.



About The Henry Jackson Society

The Henry Jackson Society is a think tank and policy-shaping force that fights for the principles and alliances which keep societies free - working across borders and party lines to combat extremism, advance democracy and real human rights, and make a stand in an increasingly uncertain world.



About the Russia Studies Centre

The Russia Studies Centre is a research and advocacy unit operating within The Henry Jackson Society dedicated to analysing contemporary political developments and promoting human rights and political liberty in the Russian Federation.



About Radio Free Europe / Radio Liberty

RFE/RL's mission is to promote democratic values and institutions by reporting the news in countries where a free press is banned by the government or not fully established. Our journalists provide what many people cannot get locally: uncensored news, responsible discussion, and open debate.



The Henry Jackson Society
Millbank Tower
21-24 Millbank, London, SW1P 4QP
Tel: 020 7340 4520

www.henryjacksonsociety.org
Charity Registration No. 1140489

