

In 2006, Igor Shuvalov, then one of Vladimir Putin's economic aides and now Russia's first deputy prime minister, used offshore companies to purchase close to \$2 million in building materials from a Belgian contractor in order to outfit a lavish greenhouse for his 18.5-acre estate just outside Moscow. The company, Glas & Metaal Engineering, which filed for bankruptcy in June 2011 and no longer exists, was based in the municipality of Menen, Belgium. It was contracted in February 2006 to sell "glass-panels and the support-structures in stainless steel, and aluminium outside cleaning-gantry" for the glazed dome and walls for the "Wintergarden" on Shuvalov's sprawling estate in Zarechye village in the Odintsovo district of Moscow, the buildings of which were designed by Italian architect Giuliano Moretti. The land of Zarechye-4, Shuvalov's property, formerly belonged to members of the Soviet Politburo, including hard-line communist ideologist Mikhail Suslov, for the purpose of hosting VIPs. Shuvalov's neighbors include billionaire oligarchs Roman Abramovich and Suleyman Kerimov, with whom Shuvalov has profited enormously in financial dealings uncovered in 2011 and 2012.

Shuvalov, who was first appointed first deputy prime minister in 2008 under then-President Dmitry Medvedev and retains the role currently, is Russia's 14th-richest federal official, according to independent newspaper Novaya Gazeta. That ranking certainly jibes with the initial price tag for the refurbishment of the estate: \$140 million, according to a source, "Lucas," who previously worked for Shuvalov on the Zarechye-4 project and provided relevant documents to Foreign Policy. Other sources familiar with Shuvalov's fortune and his investment portfolio concur. The total cost of building up what had once been a modest retreat for the nomenklatura has likely only increased, Lucas said.

The price Shuvalov paid for Zarechye-4 is unknown; his ownership was only revealed in 2003, when Putin dissolved the state corporation Gosinkor -- established in 1993 to drum up development in post-Soviet Russia -- and ordered an inquiry into its assets, including those it had sold off in the 10 years of its existence. Russian Forbes, which profiled Shuvalov in 2012, quoted an unnamed party who had seen the estate up close: "The house is huge and construction took quite some time." Few ordinary Russians have access to the well-guarded property, in keeping with the inscrutable nature of other colossal piles bought and built up by government employees. However, "dacha-ing" -- the touring of these estates -- has become a popular pastime among oppositionists eager to see what suspected stolen money has bought their elected and unelected elites. One practitioner of this hobby took off in a powered paraglider and recorded an overflight of the huge Zarechye-4 estate on video.

It's commonplace to find Russian officials, even those who thunder on about patriotism and the depravities of the West, parking their riches offshore. Perhaps the most embarrassing disclosure in the months-long sanctions regime imposed on various institutions and public servants over the Ukraine situation was the U.S. Treasury Department's allegation that Putin himself has investments in the Swiss commodities trading firm Gunvor, which was founded and formerly owned by his friend Gennady Timchenko, and that he "may have access to Gunvor funds." (Timchenko sold his stake in Gunvor after he, too, was sanctioned back in March after the taking of Crimea.)

But Shuvalov was meant to be different. A reputed liberal in the Kremlin, once considered Russia's business-friendly "sherpa" to the G-8, Davos, and the World Trade Organization, Shuvalov has long been thought of as an agreeable counterpoint to the hard-line siloviki, or strongmen, a faction that now seems dominant in the Kremlin. In congratulating the formation of the new Russian government after Putin's return to the presidency in May 2012, the influential U.S.-Russia Business Council named Shuvalov first as an "[advocate] for improving the business climate and strengthening the U.S.-Russia bilateral commercial relationship."

"He represents a certain part of the Russian leadership -- international money -- which has had to pull in their horns since Putin's return to the presidency," said Donald Jensen, a Kremlinologist and resident fellow at the Johns Hopkins Center for Transatlantic Relations. "His relationship with Putin is supposedly good, however, which allows him to oppose even the Great Sechin from time to time," Jensen added, referring to Igor Sechin, the silovik executive chairman of state-owned oil giant -- and the world's largest oil company -- Rosneft.

Shuvalov's role has been to put a more respectable face on international Russian commerce, a face never more urgently needed than it is now. Putin has tried to dismiss U.S. and EU sanctions on Russia as "utter foolishness" that will only galvanize domestic growth and shrink Russia's dependency on foreign imports -- rosy projections that don't match up to the reality of expected growth of just 0.5 percent in the next year. Last week, at his annual Valdai Club discussion panel (the Kremlin's answer to the German Marshall Fund Forum), Putin assailed the United States as a sham democracy behaving as a "nouveau riche" global power -- Freudian projection being one of his favorite means of rhetorical combat. But his first deputy prime minister's Zarechye-4 certainly has the trappings of new money eager to impress the great and the good of Russia.

Moving the money

Glas & Metaal Engineering folded a few years ago, apparently as a result of the global economic crash, but one of its former employees went on to found a separate construction company, BC-E glassconcepts, also based in Menen. The active website for BC-E glassconcepts actually exhibits the now-completed greenhouse -- which boasts "four climate zones" -- under its "references" section, albeit without disclosing the famous owner of the magnificent structure. The designer, a man who would only identify himself as Mark, said he had no idea he was building a greenhouse for Putin's then-economic advisor and now Russia's first deputy premier. "I knew it was a big shot in Russia, but I was the technical guy on the project, so I didn't know anything about the finances," he said. The person who handled all the contracts with clients was the former CEO of Glas & Metaal Engineering, Luc Blondel, who "disappeared," Mark claimed, after shuttering the firm. "I think he's now somewhere in the south of France."

Shuvalov, Lucas said, "used many companies to cover and hide the importation of European building materials into Russia to avoid importation duty tax. Money entered the Russian Federation via several offshore accounts and always appeared as cash once onshore to pay contractors." One of these companies was the Cyprus-registered Comtex Holdings Limited, through which Shuvalov's nominee director Voronin N.V. inked the original contract with Glas & Metaal Engineering. According to the supplier's contract, a copy of which Foreign Policy has obtained, the bank used by Comtex Holdings Limited to transfer the initial down payment on the Wintergarden project -- €888,744.52 -- was AsiaUniversalBank (AUB), a financial institution that was known for its opaque transactions, especially those involving Russians, and which no longer exists.

Once Kyrgyzstan's largest bank, and a source of rampant allegations of money-laundering and book-cooking, AUB was taken over by the Kyrgyz National Bank following the Kyrgyz revolution of 2010, once it was discovered that the bank had invented for itself assets that had already gone missing and was therefore insolvent. Russia's Central Bank, for instance, discovered that in the first half of 2005, around \$6 billion in suspect transactions had been processed through AUB's correspondent accounts in Russian banks. That sum was then more than double Kyrgyzstan's GDP. The Central Bank alleged that the size and frequency of these "dubious transactions" indicated that the money was going toward various "gray import" schemes to allow clients in the former Soviet Union to skirt customs tax -- exactly what Lucas claims Shuvalov did in the construction of the Zarechye-4 Wintergarden. Many millions more, the London-based graft watchdog Global Witness found in a 2012 study titled "Grave Secrecy," were also transferred from AUB to other banks in the United States and Europe, a process facilitated by shell companies registered in foreign jurisdictions such as Belize, Britain, and Bulgaria -- all with unknown ultimate legal beneficiaries. "It was clear that there were some highly suspicious transactions going on with AUB," Tom Mayne, the senior oil campaigner of Global Witness, said upon being apprised of how Shuvalov's renovation was paid for, "and this new case appears to confirm that."

Mark Galeotti, an expert on Russian crime at New York University, agrees. "The kind of financial maneuvers in which the Shuvalovs have been alleged to be engaged are problematic precisely because they are the norm, not the exception. The Russian elite habitually hides, understates, and launders its money, not least to protect it from predatory rivals and the state."

Russian oligarchs often move their offshore assets around multiple jurisdictions, either for the convenience of dipping into bank accounts registered in a particular company's name, or to hide activity or diversify costs for recondite investments. Further documents shared with Foreign Policy disclose that Shuvalov's commissioning agent for the Wintergarden project was altered twice since the original contract was inked with Comtex Holdings Limited, which then transferred its control to a British Virgin Islands-registered entity named Garners Universal S.A., of which Voronin N.V. was also the director. Then Garners Universal S.A. moved the contract to J. Taylor Property Management Ltd., a Bahamas-registered company that had its corporate address in

Cyprus. As the documents also show, SpecStroy Consulting, a Moscow-based company run by Shuvalov's onetime chauffeur, Vitaly Tikhachev, was what one former insider called the "foreman company" responsible for overseeing the entire construction project.

The family fortune

Shuvalov's ownership of Zarechye-4 has been well known for years; more recently illuminated was his penchant for using offshore companies to manage and invest his family's outside fortune. In May 2012, Nadezhda Ivanitskaya wrote about the Moscow dacha in a lengthy profile of Shuvalov in Russian Forbes, noting that he "told friends that he was always keen on the idea of improvement of the site since the time of purchase" and even wanted to build a private park on the estate. All of Zarechye-4, Ivanitskaya noted, was controlled by a holding company called Sova, which, as of 2012, was legally owned by Shuvalov's stay-at-home wife, Olga. Like her husband, she has a law degree; like him, she is an on-paper millionaire many times over. In 2012, the Wall Street Journal documented properties the two owned in Austria, Britain, and Dubai.

Together, the Shuvalovs maintain a vast family fortune estimated by the international press to be around \$220 million.

He is currently the highest-earning government official in Russia. Evidently, he does not try to hide his seven-figure salary from the national authorities.

He is currently the highest-earning government official in Russia. Evidently, he does not try to hide his seven-figure salary from the national authorities. In 2013, for instance, Shuvalov made \$6.3 million and Olga Shuvalova made \$6.2 million, according to official disclosures by the Russian government, which mandates that public servants account their own and their spouse's incomes. As of September 2014, Shuvalov's official government salary is 97,000 rubles per month, or about \$27,000 per year.*

The source of much of this wealth was intensely scrutinized three years ago following an expose published in December 2011 by Barron's on one of Shuvalov's earlier, and most remunerative, investments.

The Barron's investigation showed how in 2004, when Shuvalov was still an economic advisor to Putin, nearly \$50 million was transferred from a Bahamas-registered company called Sevenkey Limited to Gallagher Holdings, a Cyprus-registered company owned by the Uzbek-born industrialist Alisher Usmanov, who was then a minor oligarch in Russia.

Usmanov was looking to purchase a 13 percent stake in the flagging Anglo-Dutch company Corus Steel and claimed -- despite subsequent evidence to the contrary -- that he was having difficulties obtaining loans from Russian banks to finance the investment. One willing lender was apparently Sevenkey Limited. Although its own ownership structure changed during the 2000s, Sevenkey Limited's ultimate legal beneficiary was either the Shuvalov family trust or Olga Shuvalova; the company had been used primarily to manage the family's real estate holdings overseas. Although this seeming loan by a

Kremlin official to a budding industrialist had a stated 5 percent rate of interest, documents obtained by Barron's showed how the Shuvalovs' Sevenkey Limited made \$119 million between 2005 and 2007, tantamount to more than a 40 percent annualized rate of return on the original \$50 million.

In 2007, Corus Steel was acquired by Indian multinational conglomerate Tata Group, which then became the fifth-largest steel manufacturer in the world, putting Usmanov well on his way to becoming what he is today. According to Forbes, he is the richest man in Russia, known for his high-profile investments in Facebook, Twitter, Groupon, and Apple, as well as his partial ownership of Britain's Arsenal Football Club. He owns several grand properties in the United Kingdom.

How the Shuvalovs first gained \$50 million to lend Usmanov is the source of enduring controversy.

Shortly before the transfer to Gallagher Holdings was made, three wire transfers that added up to \$50 million were made from a Latvian bank account to Sevenkey accounts in the Amsterdam Trade Bank, the Dutch affiliate of Russia's Alfa Banking Group, which is owned by pro-Putin oligarch Mikhail Fridman. A source with "first-hand knowledge" of the transactions cited by Barron's claimed that the person responsible for the wire transfers was the Russian oligarch Eugene Shvidler, the joined-at-the-hip business partner of yet another oligarch, Roman Abramovich. Shvidler and Abramovich are major shareholders in the Evraz Group, a steel and mining company traded on the London Stock Exchange. Abramovich, who is worth \$9.5 billion, according to Forbes, also owns residences in the United Kingdom, is the owner of the Chelsea Football Club, and is an intimate friend of his rival club owner Usmanov. Shvidler, to whom Abramovich once "gifted" a mega-yacht, is often referred to as the latter's "representative on Earth."

After the Barron's story appeared, suggesting financial dealings between two rising oligarchs and a government official, Shuvalov and his defenders told the Financial Times that the \$50 million came from a cashed-in stock option for 0.5 percent of Sibneft, a Russian oil company partly owned by Abramovich in the 1990s and run by Shvidler. (Although when the option was cashed in and for how much was never disclosed.) While it's true that Shuvalov had done legal work for Sibneft when he was an attorney at Russian law firm ALM, there was and is no documentary evidence of any stock option. (A Sibneft insider later told the Moscow Times that this may not have been unusual, as there was a "verbal agreement" between Shuvalov and Abramovich about the option.) It didn't help Shuvalov's claim of impartiality, however, that he held a press conference in 2006 endorsing Shvidler's plan to place the Evraz Group in charge of Russia's entire metals industry. Although that consolidation ultimately failed, as Barron's noted,

"Moscow's \$13 billion 'de-privatization' of Sibneft in 2005 made Shvidler, a 47-year-old U.S. citizen, one of the wealthiest men in Russia."

"Moscow's \$13 billion 'de-privatization' of Sibneft in 2005 made Shvidler, a 47-year-old U.S. citizen, one of the wealthiest men in Russia."

"What's the reason for giving an option to Shuvalov in that period of time when he was not an official [of Sibneft]?" asked anti-corruption crusader Alexey Navalny on his popular LiveJournal blog after the Barron's and Financial Times stories appeared. Evidence of such an option never emerged, Navalny added, until the origins of his finances were queried. Nor was Shuvalov's putative Sibneft interest disclosed in the heavily scrutinized \$5 billion London High Court litigation between Abramovich and the now-deceased oligarch Boris Berezovsky, when a substantial portion of that case was devoted to ferreting out the true ownership structure of the oil company. In her Forbes profile of Shuvalov, Nadezhda Ivanitskaya asked spokesmen for both Abramovich and Shuvalov to proffer any hard evidence of the Sibneft stock option. Neither responded.

Navalny, who is now under house arrest after being found guilty of politicized embezzlement charges, also derisively called attention to the humble-origins story the Shuvalov clan trumpeted before the Corus deal revelations -- particularly the claim that, at the start of Igor's public service career, Olga apparently still had to work to help support their three children. "We are 0.5 percent Sibneft stockholders," Navalny wrote, sarcastically, "but still [have] problems raising three children. :)" Navalny believes the \$119 million return constituted a "bribe" of a Kremlin economic advisor by Abramovich and Usmanov to gain the favor of a well-connected advisor to the Russian president. In 2009, when he was head of a state commission tasked with finding ways to stabilize Russia's faltering economy following the credit implosion, Shuvalov supported issuing almost \$1 billion in "state guarantees" -- bailouts, essentially -- to Usmanov's Metalloinvest, Russia's largest iron ore company.

But Usmanov is not the only industrialist who's made a windfall from market liberalization.

Access politics, at a price

Shuvalov's personal profits were further increased by a lucrative investment he made in Russia's state-owned gas giant Gazprom, on whose board he had sat until 2000, this time alongside Suleyman Kerimov, then a "little-known 'mini-garch,'" as the Financial Times described him in March 2012.

According to Forbes, in 2004, Regional Property Developments Ltd., a U.K.-registered subsidiary of Sevenkey Limited, transferred \$17.7 million into an account in the Amsterdam Trade Bank. The money was then loaned to Kerimov's investment vehicle, Nafta Moskva, which used it to buy up Gazprom stocks. Kerimov also became a significant stakeholder in the gas giant using margin loans issued by Russian state-owned banks, including the country's largest, Sberbank, which both the United States and European Union have lately sanctioned over Russia's invasion of Ukraine. (Kerimov also invested heavily in Sberbank.) The oligarch figured that Gazprom was seriously undervalued in comparison with other energy majors such as Exxon. He was right. Owing to the gas giant's liberalization, a policy inaugurated by Putin in 2003, its share prices skyrocketed from \$1.90, when Shuvalov's Sevenkey bought its \$17.7 million stake

in 2004, to \$14.57 in 2007. By the time Shuvalov divested from Gazprom in 2008, he had turned a profit somewhere between \$80 million and more than \$100 million. By 2008, Kerimov's stake in Gazprom was worth \$15 billion.

And though Shuvalov ceased to have any corporate involvement in Gazprom when he left the board in 2000, he arguably had everything to do with Kremlin policymaking on the Russian economy, which rests disproportionately on the country's hydrocarbon resources. When he became Putin's "economics czar" in 2004, Shuvalov was technically at the center of any and all debate about which state-owned enterprises were worthy of privatization. And while his defenders, such as German Gref, now the chief executive at Sberbank, have argued that Shuvalov had no "insider" function in Gazprom's liberalization, accusations of stock manipulation and conflicts of interests persisted.

One senior Russian official serving in the Kremlin at the time recounted to the Financial Times that Shuvalov was part of a select cabal of Putin advisors on matters pertaining to Gazprom, including on how to ratchet up the price of state-owned gas. During his ministerial tenure, Shuvalov also made comments on raising state-regulated gas prices. He also backed then-Prime Minister Dmitry Medvedev's prescription, albeit never agreed upon, to merge Gazprom with Rosneft, which no doubt would have increased Gazprom's market valuation considerably.

Following revelations of the Shuvalov family's enormous wealth, the Russian General Prosecutor's Office opened what it called an investigation in April 2012. It later claimed to have uncovered no evidence of impropriety or corruption in Shuvalov's business practices; the Corus deal was legitimate, it found, and both Shuvalov and his wife satisfied their tax requirements through 2007, encompassing all the profits that deal engendered. Natalia Pelevine, the Russian opposition figure who filed the request for an investigation into Shuvalov's wealth, told Foreign Policy, "The Shuvalov camp publicly announced that the Prosecutor's Office conducted its investigation, which included questioning Shuvalov himself, and concluded that nothing was found -- a week before the office itself had issued its findings." Pelevine filed a subsequent appeal at Tverskoy Court in Moscow; the court upheld the opinion of Prosecutor's Office. A further appeal filed with Moscow City Court found the same.

Living large

Shuvalov's political career is hardly in jeopardy. He has amassed a fleet of defenders abroad who have insisted that he's one of the few clean operators in Russia. At home, those who would be responsible for his downfall are guilty of the same questionable self-enrichment, and probably on a much larger scale. And if he has evaded import tax -- well, as one of his critics put it, "everyone does."

Shuvalov has kept a relatively low profile since reports of cronyistic financial dealings emerged a few years ago, although he and his money have still been subject to public scrutiny. On Dec. 23, 2013, he told the Rossiya24 television channel that he had transferred all of his foreign assets to Russia following the adoption of a new law that

prohibits public officials from keeping their investments offshore. Shuvalov defended his prior stashing of cash and property abroad (and it's impossible to tell if all of it has indeed returned to the motherland) by claiming, somewhat strangely, that he and his wife did not want their children to inherit all of their wealth. Novaya Gazeta noted that "Shuvalov is convinced that children must be able to earn a living independently." No stock options for the kids, then. He's also now a big proponent of increasing the salaries of government officials, lest they quit to find work elsewhere.

It's a clever anti-corruption measure, even if it comes from the (officially) richest man in government. Few specialists on Russia interviewed for this article believe that the foregoing disclosures will do anything to hurt Shuvalov's reputation at home. He's done nothing that any other Russian official hasn't done.

But the sources of Shuvalov's vast fortune and the sinuous route that his money took to buy him a Gatsby-style manor in Moscow -- from a Mediterranean island via a dodgy Kyrgyz bank into a European manufacturer's bank account -- may undercut the deputy premier's international reputation for transparency and honest dealing. "For those to whom Shuvalov is in some way a great white hope," said NYU's Mark Galeotti, "it simply emphasizes the extent to which he is just one more member of an elite addicted to questionable practices and flush with assets of even more questionable provenance."

*Correction, Oct. 30, 2014: Igor Shuvalov's official government salary is 97,000 rubles per month. An earlier version of this article incorrectly stated that his salary was 97,000 rubles per year. (Return to reading.)