

From Russia, With Dread



Mike Matthews is trying to stop the bid for the factory he owns in Russia. It produces vacuum tubes for use in guitar amplifiers. Michael Falco for The New York Times

By Andrew E. Kramer

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SARATOV, Russia — Mike Matthews, a sound-effects designer and one-time promoter of Jimi Hendrix, bought an unusual Russian factory making vacuum tubes for guitar amplifiers. Now he has encountered a problem increasingly common here: someone is trying to steal his company.

Sharp-elbowed personalities in Russia's business world are threatening this factory in a case that features accusations of bribery and dark hints of involvement by the agency that used to be the K.G.B.

Though similar to hundreds of such disputes across Russia, this one is resonating around the world, particularly in circles of musicians and fans of high-end audio equipment.

Russia is one of only three countries still making vacuum tubes for use in reproducing music, an aging technology that nonetheless "warms up" the sound of electronic music in audio equipment.

"It's rock 'n' roll versus the mob," Mr. Matthews, 64, said in a telephone interview from New York, where he manages his business distributing the Russian vacuum tubes. "I will not give in to racketeers."

Yet the hostile takeover under way here is not strictly mob-related. It is a dispute peculiar to a country where property rights — whether for large oil companies, car dealerships or this midsize factory — seem always open to renegotiation. It provides a view of the wobbly understanding of ownership that still prevails.

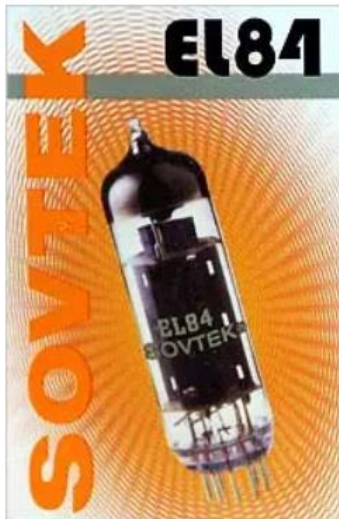
In Russia's early transition days, amid the collapse of authority and resulting lawlessness, organized crime groups wielded great influence. Teams of armed thugs used to carry out takeovers,

arriving at a businessman's door with little to back them up but the threat of violence, even murder. Indeed, contract murders reached a frequency of more than one a day in the mid-1990's.

Later, law enforcement, from the tax police to special forces units, played a role in forcing transfers of property in the scramble for assets of the former Soviet state.

In what became known as "masky shows," police officers, their faces often hidden behind ski masks, swarmed into a business to intimidate employees and force concessions from owners. The headquarters of the Yukos oil company, for example, were the scene of a series of high-profile masky shows. .

Now, the trend in business crime in Russia is decidedly white-collar — with the faking of documents, hiring of lawyers or payoff of judges — but no less insidious, Mr. Matthews and other business owners say.



A vacuum tubes for use in guitar amplifiers.
Michael Falco for the New York Times

In a puzzling case in Moscow in April, for example, thieves stole a shipping container with thousands of files on company registrations from the yard of a tax inspectorate office, using a crane and a flatbed truck.

"It cannot be excluded that so-called independent raiders, those who seize others' businesses, showed an interest in the tax documents," an article in Gazeta reported.

The article suggested the theft was a coup by corporate raiders who intended to use the papers much as identity thieves in the United States turn documents rifled from trash cans into profits through fraudulent credit card operations. In this type of crime, however, entire companies are at stake.

The problem has become so pervasive among small and medium-size businesses that it has been discussed in the Parliament, where a committee on state security addressed the issue and cited more than 1,400 cases of fraudulent takeovers in 2005.

Across Russia, the Interior Ministry has opened investigations into the theft of 346 enterprises.

"Dozens of major deals for the purchase and sale of companies take place in Russia every month," Yuri Alekseyev, a chief ministry investigator, was quoted as saying by the Interfax news agency. "The process is ever more frequently accompanied by gross violations of the law."

"Those seizing enterprises are usually not interested in production, and just steal or sell the most liquid assets, in the first place real estate," he added.

Foreigners are not immune. Recently, the Canadian owners of the Aerostar Hotel and the French owners of an auto dealership in Moscow were maneuvered out of their businesses.

Here in Saratov, a river town on the rolling southern steppe, the battle began last autumn when Mr. Matthews received a letter with an offer. For \$400,000, a company called Russian Business Estates, or R.B.E., would buy Mr. Matthews's 930-employee factory, called ExpoPul, with a turnover of \$600,000 or so a month. Mr. Matthews quickly refused.

Next, a letter arrived warning that the factory would have troubles with its electricity; in March, the power went off. Intruders then came and used jackhammers to raise dust that entered the factory's clean rooms. Strange young men in leather jackets loitered outside the factory gate.

Mr. Matthews, a legend among guitarists as the inventor of the Big Muff guitar pedal, rallied makers of musical equipment who rely on tubes from Russia and promised a fight.



An employee at the American-owned Expo-Pul factory in Saratov, Russia, works on a vacuum tube.

Luke Tchalenko for The New York Times

"We have instructions of the F.S.B, where it is written in black and white that a military factory cannot exist beside a company with foreign capital," he said, referring to the Federal Security Service, a successor to the K.G.B. Just near ExpoPul is a factory that makes electronic components for military hardware.

"The F.S.B. hasn't gotten involved only because we haven't gotten them involved," he said. Writing a letter to Moscow would be all he needed to shut the factory, Mr. Borin said, as he pretended to write a letter on a napkin.

For Mr. Matthews, more is at stake than property.

In the hulking pile of brick wrapped in pipes and smokestacks that is the building, most of the employees are women. Dressed in blue robes and hair nets, they join together delicate bundles of wire, wafers of rare metal and glass bulbs with fingers trained by years of work.