

PM, Putin to defuse oil firm hijacking

MIKE TRICKEY
CALGARY HERALD
OTTAWA

The violent takeover of a Canadian oil company last week in Siberia is threatening to cast a shadow over Prime Minister Jean Chretien's goodwill trip to Russia next week.

Chretien is travelling to Moscow in support of Toronto's bid for the 2008 Olympic Games, but the armed attack on the offices of a Calgary-based firm is moving to the top of his agenda when he meets President Vladimir Putin on Friday.

Between 10 and 20 men armed with machine guns and claiming to be police burst into the offices of Yugraneft, an oil company 98 per cent owned by Calgary-based NoreX Petroleum, and installed new management.

Canadian officials describe the episode as a "major negative signal" to foreign investors. Ambassador

Rodney Irwin immediately sent a letter of complaint to Russian Deputy Prime Minister Viktor Krishtenko, who with Canadian International Trade Minister Pierre Pettigrew co-chairs the bilateral International Economic Commission. Pettigrew followed up with a similar letter Wednesday, but so far Canadian officials have received no response.

"We're obviously following this issue very closely," said Chretien's spokesman Duncan Fulton. "We're hoping for some kind of resolution and hoping to see that some basic standards of corporate governance are observed."

Alex Rotzang, chairman of NoreX Petroleum, says he has been fighting a losing battle against the powerful Tyumen Oil Company for years. He has been embroiled in a lawsuit seeking compensation for 70,000 tonnes of oil borrowed from Yugraneft in the early 1990s but never repaid.

SEE HIJACKING, PAGE A2

FROM AI

HIJACKING: Conflict

He says Yugraneft has won court judgments previously, but they are either overruled by another court or compensation is set at about 10 per cent of real value.

"I would like the prime minister to tell Mr. Putin that the Canadian government doesn't take it lightly when Canadian companies are getting robbed in Russia — that we're looking for their legal system to work," said Kotzang.

Tyumen Oil is controlled by the powerful Alfa Group of Moscow, a rich conglomerate that owns vast tracts of valuable real estate, controls one of Russia's biggest banks, operates a chain of supermarkets, Internet and cellphone providers and is said to have close ties to the Kremlin.

Two other Canadian oil companies, Fracmaster of Calgary and Ivanhoe Energy of Vancouver, have lost costly battles with Tyumen in the past three years, as has the global giant British Petroleum.

Putin shrugged off complaints about Russian business practices in a press conference during his visit to Canada in December, saying Russian laws provided a level playing field for all in-

vestors, both domestic and foreign.

However, the chief executive officer of Vancouver-based Archangel Diamond Corp., which is currently embroiled in a \$500-million legal dispute with its Russian partner, disagrees.

"I hear all the right things about the need to change laws, to protect foreign investment and things like that, but there are still some very, very significant problems," said Tim Haddon.

"It's not a level playing field for foreign investors despite him saying that's what he wants."

The Stockholm International Arbitration Tribunal ruled last week that it had no jurisdiction over the Archangel dispute, which revolves around a diamond deposit estimated to be worth more than \$5 billion.

That decision sent a chill through the international investor community, as the Stockholm tribunal has often found in favour of foreign investors, including a Canadian case in 1998 that resulted in an Aeroflot aircraft being grounded in Montreal to force former president Boris Yeltsin's son-in-law to pay \$5 million awarded to a Halifax company in a dispute over control of a Moscow hotel.