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## Russia

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# Machine-tool plant seized by bank clique

by Rachel Douglas

The Ordzhonikidze Moscow Machine-Tool Factory (ZiO) has been taken over by commercial banking interests, who acted in circumvention of the law to oust industrial expert and scientist Anatoli Panov as general director of the company. In a recent interview with *EIR* (see July 29, 1994, p. 20), Panov warned that if ZiO fell into the hands of finance companies and commercial banks, it would "cease to exist as a machine-tool company." He predicted that in the short term, such new management would strip the production shops and rent the floor space to be used for warehousing cheap imported goods.

ZiO, which formerly employed 4,000 people, was a flagship of the Soviet machine-tool industry. Its products were used throughout the Soviet Union and were successfully marketed abroad, while the Moscow plant also served as a training center for workers and managers in machine-tool production.

The maneuver by Orgbank and its subsidiary Keibank to take over ZiO exemplifies how organizations in Russia's burgeoning financial sphere, often overlapping organized crime and backed by corrupt officials, exploit the process of privatization of state-owned industry in order to grab its assets for short-term financial gain. The productive capacities are destroyed.

During privatization, a state-owned firm is transformed into a joint-share society. Some 51% of the shares are available for subscription by the company's "collective," its workforce, while 49% are auctioned to the public—to that thin layer of the Russian public with money to spend. In the case of ZiO, the Keibank interests acquired a large block of shares at auction, then set out to obtain majority control by pressuring its employees.

As general director, Panov fought to maintain the integrity of the plant as a machine-tool producer during privatization. One year ago, in August 1993, he was attacked and badly beaten outside his apartment. Russian newspapers, including *Izvestia*, linked the assault to Panov's attitude toward the privatization of ZiO, since he was not robbed of a large sum of money he had on his person at the time.

In early August 1994, Panov began to receive threatening phone calls and notes at home. On Aug. 4, he was served with a summons to appear the next morning at 9 a.m. for questioning by Moscow district investigators concerning re-

lations between the factory and Orgbank, which rents offices at ZiO.

On the morning of Aug. 5, while Panov was responding to the summons, staff members from Orgbank and Keibank rushed past the factory entrance checkpoint accompanied by armed guards and Interior Ministry officers. According to eyewitnesses, the group was led by Yuri Rekun, head of Keibank's legal and financial directorate. The men intimidated Panov's secretary into handing over the official seal of the factory, although ZiO's chief of security refused to unlock the general director's office.

The armed band proclaimed that a general meeting of shareholders (although there was no notification to shareholders one month before convocation of such a meeting, as required by law) had relieved Panov of his duties and replaced him with Deputy General Director G. Lunachov. The latter proceeded to issue decrees, starting with the dismissal of Panov, his closest aides, and other key ZiO officials, including those in charge of the production and dispatch section and the personnel department.

By the time Panov returned to the factory around noon, he was denied entrance and then removed from the premises under guard.

## Letters remain unanswered

Panov immediately sent statements to Russian President Boris Yeltsin (who toured ZiO as Panov's guest in 1989, when Panov received 87% of factory employees' votes to become the first elected general director of the famous factory), Acting Prosecutor General of the Russian Federation V. Ilyushenko, and Minister of Internal Affairs V. Yerin, in which he demanded action to stop the "illegal seizure of the leadership of the factory and of documents concerning its privatization." On Aug. 5, Rekun's group forcibly seized safe keys from a member of ZiO's Workers Commission on Privatization, in whose safe were documents on the closed subscription to ZiO shares by factory workers. Panov's appeals went unanswered.

Sources at ZiO report that for two weeks prior to the takeover, Keibank's Rekun had been badgering Panov to relinquish to Keibank control over ZiO's register of shareholders. Meanwhile, Keibank was refusing to disburse funds for payroll. Taking advantage of the financial desperation bred by prolonged non-payment of wages, Keibank bought up shares from factory workers at cheap prices, intending to obtain majority ownership.

The subsequent behavior of Keibank officials underscores the shady character of the people involved in such maneuvers around major production facilities in Russia. According to a source who was present at a mid-August hearing to which the Prosecutor's Office of the Russian Federation did summon Keibank representatives, they stated that if there were any attempt to remove them from the premises of ZiO, they would open fire. The Prosecutor's Office has taken no measure.