

MTS Fights to Save \$1 Bln Uzbek Business

By [The Moscow Times](#)

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MTS describes its treatment in Uzbekistan, where it has invested roughly \$1 billion, as a “classic shakedown.” **Maxim Stulov**

MTS said it has fallen prey to a “classic shakedown” in Uzbekistan but still hopes to save its \$1 billion business after losing its operating license in the Central Asian state.

First, however, the authorities should release four local managers that have been detained and cease a campaign of intimidation against other staff of its Uzbek subsidiary, a senior MTS executive said.

A three-month crackdown by Uzbekistan on MTS has reinforced the country’s reputation as one of the most hostile environments for foreign investors in the former Soviet Union and exposed the lack of clout wielded by former colonial master Moscow.

“We absolutely want to save the business,” Michael Hecker, MTS’ vice president for

strategy, told Reuters in an interview at the company's Moscow headquarters.

“Any way forward, as an integral part, needs to include the release of our people and the stopping of the intimidation and harassment campaign against our other employees.”

Since June, MTS has gone from market leader in Central Asia's most populous state, with 9.5 million clients, to being shut down and hit with \$900 million in fines.

New York-listed MTS, controlled by Vladimir Yevtushenkov's AFK Sistema conglomerate, says it faces a state crackdown of the type that has forced out investors such as London-listed Oxus Gold, U.S. company Newmont Mining Corp and Russia's Wimm-Bill-Dann, now part of PepsiCo.

“We were presented with the agenda of a classic shakedown,” said Hecker, who added that MTS had been hit with claims fabricated by “experienced raiders.”

A source close to MTS said that the company may write off the \$1 billion value of its Uzbek business

when it reports second-quarter results Tuesday. MTS has a market value of \$18.5 billion.

UralSib brokerage expects MTS to take an \$800 million hit, forcing it to a net loss of more than \$600 million.

Meanwhile, the four local MTS managers who remain in custody are being pressured, Hecker said,

into signing false confessions and have been denied access to lawyers during their interrogations.

“We are most worried about those four people in prison,” said Hecker, adding that other staff had been interrogated “in a completely unlawful way, under severe intimidation, physical threats and the threat of imprisonment.”

He said that MTS' competitors would not be able to fill the gap any time soon, leaving customers cut off from communications and, as a result, access to emergency services.

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