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## Russia/Eurasia Committee

### КОМИТЕТ ПО РОССИИ/ЕВРАЗИИ



Moldova



Russia



Kazakhstan



Turkmenistan



Armenia



Uzbekistan



Ukraine



Azerbaijan



Belarus



Georgia



Tajikistan



Kyrgyzstan

#### Committee Members:

This issue of our newsletter brings you four very interesting articles which cover not just Russia, but two other nations currently in the news, Uzbekistan and Moldova.

We look forward to seeing you at the Fall Meeting in Miami/Coral Gables beginning on November 8. Vice Chair Katya Gill will be participating in a panel entitled "Around the World in 90 Minutes" where she will attempt to update us on all that is happening in Russia and Eurasia! Let her know if you have any news to add.

Frank Gill is supervising the preparation of our contribution to the Year in Review number of the International Lawyer. Please let him know if you have anything you would like mentioned.

Your Steering Committee is currently working on program proposals for the Spring Meeting to be held in Washington beginning next May 1. Please let us know if you would like to join this Committee.

Congratulations to Aaron Schildhaus, long a moving force behind our Committee. He is now the Vice Chair of the Section and in line to become Chair of the Section in two years. Well done, Aaron, but stick with us too!

Enjoy the fall!

Holly Nielsen  
Bruce W. Bean  
Committee Co-Chairs

## Uzbekistan, The Coca-Cola Export Corporation, And Zeromax, Inc. Sued for Unlawful Expropriation and Other Illegal Conduct

*Stuart H. Newberger and Peter J. Eyre*

In order to recover valuable stolen property, New Jersey-based ROZ Trading, Ltd., which is represented by the authors of this article, initiated simultaneous proceedings in federal court in Washington, D.C. and before the International Arbitral Centre of the Federal Economic Chamber in Vienna, Austria. The proceedings seek more than \$150 million in damages from the Republic of Uzbekistan, The Coca-Cola Export Corporation, and Zeromax Group, Inc. for unlawful conspiracy and expropriation of the property of its former business partner, ROZ Trading.

In 1993, ROZ Trading formed a joint venture with the Republic of Uzbekistan and The Coca-Cola Export Corporation, a wholly-owned subsidiary of The Coca-Cola Company. The endeavor, known as Coca-Cola Bottlers Uzbekistan (“CCBU”), prepared, packaged, distributed, and sold a wide variety of Coca-Cola products in Uzbekistan. CCBU quickly became one of the most successful Coca-Cola bottlers in the world.

During the early years of CCBU, Mansur Maqsudi, the Managing Director of ROZ Trading, was married to Gulnora Karimova, the daughter of Islam Abduganievich Karimov, the President of Uzbekistan. Mr. Maqsudi and Ms. Karimova had two children, and the family settled in New Jersey. In 2001, Mr. Maqsudi informed his wife that he desired a separation. Ms. Karimova’s response included kidnapping their two young children from their home, fleeing to Uzbekistan, attempting to extort millions of dollars from Mr. Maqsudi, and threatening the personal safety of Mr. Maqsudi and his relatives.

Within days of the separation, agents from Uzbekistan’s National Security Service raided the offices of both ROZ Trading and CCBU in Uzbekistan, seized company documents, threatened employees, stole money and other assets, and imprisoned members of Mr. Maqsudi’s family. Several of Mr. Maqsudi’s relatives have not been heard from since they were imprisoned many years ago. Ms. Karimova has refused to comply with New Jersey court orders regarding child custody and visitation and, as a result, Mr. Maqsudi has had no contact with his children – by phone, in person, or otherwise – since 2001.

The Republic of Uzbekistan falsely claimed that ROZ Trading had failed to comply with tax and anti-monopoly regulations. Through a series of sham judicial proceedings in Uzbek courts, Uzbekistan extinguished ROZ Trading’s substantial ownership interest in CCBU – ultimately depriving ROZ Trading of its investment and its contributions to the joint venture.

In the first of these proceedings, the Anti-Monopoly Committee brought an action in the Economic Court of Tashkent against CCBU, insisting that many of the share reallocations among the joint venture partners were null

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*Uzbekistan, continued*

and void because it had not approved these reallocations. The Anti-Monopoly Committee argued that without its approval, the Uzbek Ministry of Justice should not have approved the share reallocations. This assertion is demonstrably false for a number of reasons. First, only six months earlier, the Anti-Monopoly Committee had expressly approved the final adjustment in share allocation that it was now challenging. Second, the Anti-Monopoly Committee publicly acknowledged that the internal reallocations of shares among the joint venture partners could not have an effect on whether or not CCBU – as the actual entity engaged in bottling – had a monopolistic effect on the beverage industry. Finally, the relevant anti-monopoly law at issue only came into existence on December 27, 1996, well after CCBU had been established and had been operating. It is clear that this law should not have been applied retroactively to companies formed prior to the law's existence.

A second set of sham proceedings was initiated by Uzbekistan to completely purge ROZ Trading from any further participation in the joint venture. To obtain the remainder of ROZ Trading's ownership interest, the Ministry of Justice claimed that in forming an Uzbek subsidiary, ROZ Trading had failed to comply with its charter funding requirements. The Ministry of Justice notified ROZ Trading of this alleged deficiency on November 26, 2001, a mere eight months after Uzbekistan's own tax committee had acknowledged that the charter funds had, in fact, been properly paid. Nonetheless, on December 4, 2001, the Ministry of Justice ordered ROZ Trading's subsidiary to self-liquidate or face liquidation proceedings unilaterally initiated and enforced by the Ministry of Justice. Under a July 3, 1999 directive of the Cabinet of Ministers of Uzbekistan, the ROZ Trading subsidiary should have had two weeks to decide whether to liquidate voluntarily or to face liquidation proceedings. Prior to the expiration of the two-week period, however, the Ministry of Justice petitioned the Tashkent Economic Court to liquidate the entity. Without further consultation with, or notification to, ROZ Trading or the subsidiary, the Tashkent Economic Court approved the liquidation of the subsidiary on December 26, 2001. In violation of Uzbek law, during the liquidation proceeding the court denied ROZ Trading's counsel an opportunity to participate in the proceedings. Indeed, Uzbekistan denied visa requests submitted by lawyers for ROZ Trading. The United States Department of State then requested visas on behalf of these lawyers, and these requests were repeatedly denied. The timing of these proceedings – simultaneous with the expropriation action described above and the divorce proceedings in the United States – and the speed at which they went forward demonstrate that Uzbekistan was simply seeking retribution against ROZ Trading and Mr. Maqsudi for the dissolution of his marriage.

On June 3, 2002, the Economical Court of Tashkent ordered that ROZ Trading's remaining ownership in CCBU be liquidated and used to pay the "debts" of its subsidiary. Apart from the fact that Uzbekistan's own tax committee had acknowledged that the charter funding had indeed been adequate, the sham nature of these proceedings is demonstrated by the court's reliance on false and inaccurate financial calculations to show a "debt," when, in fact, ROZ Trading's subsidiary had in excess of \$50 million in cash and unencumbered net assets on hand, including land, automobiles, warehouses, offices, and rental property.

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*Uzbekistan, continued*

Through these sham proceedings, Uzbekistan not only stole the remainder of ROZ Trading's interest in CCBU and other assets, but also eliminated the debt that CCBU owed to ROZ Trading, thereby benefiting Uzbekistan and The Coca-Cola Export Corporation as the remaining owners in CCBU.

ROZ Trading alleges that The Coca-Cola Export Corporation was more than a mere bystander; instead, it joined with Uzbekistan in a conspiracy to exclude ROZ Trading from CCBU. Despite ROZ Trading's repeated requests for assistance, The Coca-Cola Export Corporation, disregarding its obligations under the joint venture agreement, refused to aid ROZ Trading or its employees.

By September 2002 – only a year after Mr. Maqsudi announced his separation from Ms. Karimova – ROZ Trading's majority ownership interest in CCBU had been reduced to nothing. In contrast, Uzbekistan had increased its interest from 2 percent to 57 percent through illegal expropriation and liquidation.

In 2004, Uzbekistan sold its 57 percent interest in CCBU to Zeromax, a Washington, D.C. company, widely reported to have had an extensive business relationship with Ms. Karimova. ROZ Trading asserts that Zeromax was well aware that it was purchasing an interest in CCBU that rightfully belonged to ROZ. ROZ Trading now seeks to recover its substantial losses through the proceedings before the federal court in Washington, D.C. and the International Arbitral Centre of the Federal Economic Chamber in Austria.

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## About the Russia/Eurasia Committee

The geographic scope of this committee encompasses Russia, Ukraine, Belarus, Moldova, Georgia, Azerbaijan, Armenia, Kazakhstan, Turkmenistan, Uzbekistan, Kyrgyzstan and Tajikistan. The committee considers various current, substantive issues related to this area including among others, business regulations, tax, customs and trade law, intellectual property rights, and nuclear nonproliferation. The Russia/Eurasia Committee Newsletter endeavors to provide relevant information pertaining to current developments in Russia and Eurasian States law and practice, as well as other information of professional interest to its members and other readers

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### Not a Member of the Section of International Law?

If you're not a member of the Section of International Law, visit <https://www.abanet.org/members/join/> to join today.

### Mark Your Calendars!

ABA International will host its 2006 Fall Meeting in Miami from November 8-11. The Russia/Eurasia Committee is co-sponsoring a program *The Complete Lawyer: Around the World in Ninety Minutes* on Wednesday November 8 at 11:15 a.m. as well as a Committee Breakfast on at 8:00 a.m. on Thursday November 9. We encourage you to visit <http://www.abanet.org/intlaw/fall06/home.html> for more information about the Fall Meeting. We hope to see you in Miami!