

# Russia opens fraud case over Mercedes purchases



(Reuters) - Russian prosecutors said on Friday they had opened a criminal case into suspected fraud connected to purchases by state agencies of Mercedes-Benz cars from the Russian subsidiary of Germany's Daimler AG.

Daimler paid \$185 million in April to settle allegations it had violated U.S. anti-bribery laws by giving state officials in countries including Russia money and gifts to win contracts.

The Daimler investigation is seen by anti-graft campaigners as a test case for President Dmitry Medvedev, who has repeatedly vowed to crank up the fight against rampant corruption, but analysts say there have been few results.

"A criminal case has been opened on suspicion of... fraud in the conclusion of contracts to deliver Mercedes-Benz vehicles to state authorities," the main investigative unit of the Prosecutor-General said in a statement.

"The investigation is ongoing," it added, without saying whom it was investigating.

Both Medvedev and Prime Minister Vladimir Putin are driven around in heavily armoured Mercedes, the car of choice for senior Russian officials.

An official in the Prosecutor-General's main investigations unit who agreed to talk to a Reuters reporter on condition of anonymity said that the case had been opened after Daimler admitted it had paid bribes in several countries.

The U.S. Justice Department said in April that the Russian subsidiary of Daimler, DaimlerChrysler Automotive Russia, which is now known as Mercedes-Benz Russia, agreed to pay a fine for breaching the Foreign Corrupt Practices Act.

#### "SILVER PLATTER"

The unit admitted it had made improper payments to Russian federal and municipal officials to secure contracts to sell vehicles, according to the U.S. Justice Ministry.

"The U.S. Justice Ministry brings you the entire investigation about Daimler on a silver platter and yet nothing is done," Yelena Panfilova, head of the Russian branch of watchdog Transparency International told reporters in Moscow last month.

When asked about the probe, spokesman for Mercedes-Benz Russia Andrei Ronionov said: "We admitted our guilt. Our company is always ready to cooperate with an investigation."

Russian state news agency RIA in April quoted an unidentified official in the Federal Guards Service, which provides security to Russia's top officials, as saying that an internal investigation was underway focusing on its transport arm, which provides cars for Russia's most powerful officials.

No results of that probe have been released.

Investors say corruption is one of the most serious barriers to doing business in Russia, which Transparency International rates as joint 154th out of 178 nations in its corruption perceptions index, along with Cambodia, Kenya and Laos.