

**From Russia With Chutzpah; The U.S. government says Alexandre P. Konanykhine stole millions from a Moscow bank. But he says he is an honest businessman who ran afoul of Russian mobsters and corrupt government officials. And that sending him home means certain death. It's our call. Does he stay or go?**

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## **Body**

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This tale is **going** to get complicated. We will begin as simply as possible.

In a drab immigration courtroom in Arlington, a lanky young man is sitting serenely at the defense table. He is 29 but looks a decade younger. He manages to appear collegiate even in an olive prison jumpsuit. His ankles are held apart by leg irons, yet he appears relaxed and confident, sipping Evian water and scribbling notes as if he were studying for midterms.

His name is **Alexandre P. Konanykhine** (pronounced Koh-nen-EE-kin), and he is a **Russian** national who had been living for the last three years in a \$ 300,000 co-op at the Watergate with his wife, Elena, their exotic black cat, and puzzlingly little furniture. Each morning he shuffles into court between two guards, flashes an impish grin at his lawyer and leans over to kiss Elena, a pale, nervous and Pringle-thin woman of 34 who arrives each day in a different chic business suit.

Usually this room is the scene of far more mundane matters, the sort that involve illegal dishwashers from Mexico or engineering students who have neglected to return to Pakistan. But the **Konanykhine** case is truly exotic, and for nearly two weeks it transformed Judge John Bryant's court into a spellbinding seminar on international intrigue.

According to the **U.S. government**, the defendant is a brilliant international wheeler-dealer who embezzled \$ 8 **million** from the **Moscow bank** he **runs** and has concocted a sinister plot to escape justice. His principal accuser is a slightly mysterious prosecutor from **Moscow** who has been stalking him relentlessly for three years, from Athens to Antigua to Arlington -- his personal Inspector Javert.

According to the defense, **Konanykhine** is a shrewd but **honest businessman** who **ran afoul** of greedy **Russian mobsters** backed by **corrupt government officials**. Having already **stolen** his business empire, they are now intent on murdering him.

In this country, the defendant is charged with a rather plebeian crime: fibbing about the details of his employment on an application to extend his American visa. Ostensibly, this is what federal immigration agents were concerned about when they knocked on his door at the Watergate on June 27 and took him off to jail. A case of white-collar visa fraud, nothing more.

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Yet the stakes in this extended deportation hearing seem suspiciously elevated. Konanykhine, a millionaire with offices two blocks from the White House, has been held without bond for six weeks as a "flight risk." FBI agents have testified by speaker phone from Moscow. Prosecutors from the U.S. Immigration and Nationalization Service have obtained and translated thousands of pages of Russian documents aimed at incriminating the defendant for everything from draft dodging to tax evasion.

Testimony has ranged wildly far afield, exploring such matters as whether the corrupt secret police have taken over the Russian banking industry, whether a business executive was kidnapped from his hotel in Budapest, whether the United States has become a dupe of international thugs, and whether Rudakov or Uryvaev lied about Menchukov to Volevodz.

There has been hair-raising expert testimony about economic anarchy in modern-day Russia, evidence of mafia threats and sham marriages and Swiss bank accounts, exhibits including phony birth certificates and forged contracts and doctored tax forms, questions about whether the CIA got the FBI to get the INS to do the KGB's bidding.

Complicated, as we said.

Wealthy white-collar criminals often throw up smoke screens alleging diabolical cabals. That could be the case here. Then again, it might not be. Konanykhine has more than boyish elan and an expensive lawyer in his camp. He has produced some interesting, if not definitive, corroborating evidence. He even has secured testimony from FBI agents saying that the Russian mob took out a contract on his life.

The hearing began July 19 and ended Aug. 2. Now it is up to Judge Bryant to sort out the frankly unbelievable from the merely fantastic, and his decision could take weeks. If Konanykhine wins his case, he can return to the Watergate. If he loses, he will be deported back to Moscow where, he contends, he will be immediately assassinated.

### One Man's Word

Ultimately, this case rests on the credibility of one man, a very persuasive man with a very impressive resume. By the end of this article, the reader may or may not have decided whether Alexandre Konanykhine is a pawn or a puppeteer in this twisted tale -- whether, as his lawyer puts it, he is the Bill Gates or the Michael Milken of the new Russia.

At this moment, he is a prisoner in a baggy jumpsuit, seated across a scarred table in the Prince William County adult detention center, explaining in near-perfect English why he is being railroaded and why he should be allowed to remain in the United States:

"Look, aside from trying to convince you I am a decent guy, a man of principles, I simply had no need to be corrupt," he begins with a disarming smile. "I was more powerful than the gangs or the government. I left Russia because the rules of the game were becoming too dangerous. I like it much better here, because the rules are fair. The FBI didn't use tricks against me, and they won't try to kill me. The judge who decides my case will almost certainly not be bribed or corrupt. Here I have a chance."

He has pale but penetrating blue eyes. His gaze is frank. Or is it frankly calculating? He apologizes repeatedly for the inhospitable surroundings and tries to offer you his chair. It is extremely tempting to believe him. That is the thing about charmingly earnest people, and con men. It is often very, very hard to tell them apart.

### The Story So Far

Let's untangle what we can.

All parties will stipulate to a few facts. From 1983 to 1986, Konanykhine was a top student at the prestigious Moscow Physics and Technical Institute. ("I was supposed to become a rocket scientist," he explained on the

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stand.) But when the Gorbachev era dawned and new forms of private enterprise were permitted, Konanykhine abandoned his formal studies and became a young entrepreneur. First he formed a student construction cooperative but soon branched into other businesses, including banking, stocks and real estate.

According to his court affidavits and news articles from Moscow, Konanykhine became phenomenally successful in the uncharted new world of post-Soviet capitalism, using his head for numbers and an instinct for new markets. At the age of 25, the high-tech whiz kid had built an empire of more than 100 firms, including some of the first currency and commodity exchanges in Russia, anchored by the All-Russian Exchange Bank. By 1992, Konanykhine claims, his companies were worth about \$ 300 million.

He had a country estate built in a secluded forest, complete with a private gymnasium and 12-car garage. He traveled with multiple official passports and a convoy of escorts from the Russian secret service. He hobnobbed with high society and donated to cultural charities. He joined President Boris Yeltsin's first delegation to Washington in the summer of 1992.

But the business climate in post-Soviet Russia was dirty and dangerous, and organized crime groups emerged in the political and legal chaos. As Konanykhine describes it -- and hereafter the facts are in heated dispute -- some of his corporate aides at the bank, including three former KGB officers he had hired to keep mobsters at bay, pressured him for more money and made ominous threats. Uneasy about his safety, he moved to Hungary and continued to run his businesses from there.

Then, on Sept. 2, 1992, while he and Elena were dining in their hotel in Budapest, a group of armed men approached, identified themselves as Hungarian security agents and took Konanykhine to an apartment building. There he was confronted by several of his bank's senior employees, who demanded he sign over most of his assets, and by thugs who threatened to burn him with an electric iron unless he complied.

Remember, this is still Konanykhine's version.

Reminding his captors that banking hours were over in Moscow, Konanykhine said he persuaded them to allow him to return to his hotel until morning. But once there, he claimed, he retrieved hidden passports and money, then sneaked outside with his wife to a friend's waiting car. They drove several hours to the Czech Republic, crossed the border, and the next morning the couple flew to New York.

Within days of settling in a Manhattan hotel, Konanykhine began firing off protests about the bank takeover and kidnapping to the press and senior officials in Moscow. "I am addressing this letter to warn you of a serious political danger -- the seizure of large commercial organizations by mafia-opposition circles that will stop at nothing to achieve their ends," he wrote to the minister of security on Sept. 6.

But there was no official response, so in 1993 Konanykhine sent a personal appeal to Yeltsin. Within days, he received a notice from the military prosecutor's office in Moscow, asking for more information. He responded in a long memo that laid out his complex financial affairs, explained how he wired bank funds to private accounts to prevent their being stolen, and portrayed his former employees as part of a criminal conspiracy to oust him.

Partway through that official inquiry, however, everything suddenly changed. The prosecutor stopped investigating Konanykhine's charges and started investigating Konanykhine instead. In a series of formal requests to the U.S. attorney's office in Washington in 1994, the prosecutor charged that the banker had illegally wired \$ 8.1 million from the All-Russian Exchange Bank to his personal accounts overseas.

The prosecutor said members of the bank board had flown to Budapest for a "peaceful" meeting with Konanykhine, but that he had slipped away. Konanykhine's account of the kidnapping was "most likely invented," the prosecutor wrote, and his "slander" of former employees was an effort to avoid prosecution for his own crimes of theft for "personal enrichment." The official requested that U.S. authorities assist in arresting and extraditing Konanykhine as a fugitive.

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American prosecutors and FBI officials, who had just opened an office in Moscow and were eager to build a relationship with law enforcement authorities there, wrote back that they would do their best to assist. While noting that they could not extradite Konanykhine, since there was no relevant treaty with Russia, Justice Department officials added that perhaps he could be deported for violating U.S. immigration laws. And that is precisely what the government is now trying to do.

The Inspector

At this point we should introduce the other major actor in this transatlantic drama, a man who declined to appear in Judge Bryant's courtroom but whose motives, methods and character dominated the proceedings as much as Konanykhine's. He is a slight, somewhat severe-looking Russian lawyer and army colonel named Alexandre Volevodz. It remains unclear why a military prosecutor would be pursuing a case of bank embezzlement, but for the past two years, this one has spent most of his time and energy hunting down Konanykhine.

We know what Volevodz looks like because he made a cameo appearance in Washington in late June, at the paid invitation of the FBI. He collaborated with U.S. authorities in arresting Konanykhine and appeared briefly in the Arlington INS office the next day, accompanied by a Russian-speaking U.S. Border Patrol agent. Volevodz described Konanykhine as a "prominent leech," and said he had been chasing him across the globe for many months.

Then the colonel vanished from public view until July, when he suddenly emerged as the pivotal character, in absentia, in both Konanykhine's prosecution and defense. If one believes the U.S. government, Volevodz is a strait-laced professional policeman determined to bring a fugitive to justice. If one believes Konanykhine, Volevodz is a corrupt bureaucrat who was paid off by the mafia and KGB to discredit, hound and deliver him into their clutches.

"Incredibly, the victim became the accused," Konanykhine's lawyer, Michael Maggio, wrote in a petition for political asylum submitted to Judge Bryant. The explanation, he added, was simple: "Volevodz, like too many others, is a corrupt prosecutor under the influence of Russian organized crime."

In many ways, keeping track of this court proceeding was like peering into a kaleidoscope from both ends at once. First the team of prosecutors laid out a dizzying array of documents, painting a portrait of a man with a history of evading the law and swathing his business operations in secrecy.

There were statements from an ex-wife showing he never paid child support and married her to avoid being drafted. There were business contracts with allegedly forged signatures and supposedly falsified tax returns. There were letters from Russian bankers saying Konanykhine had been fired for passing himself off as their U.S. agent, and memos from his purported top aide saying he had never worked for the firm he said he founded in Washington.

"He is a fugitive from justice, a draft dodger, a tax evader and a deadbeat dad," charged prosecutor Eloise Rosas, who sat among towering stacks of technical and legal papers, marked Exhibit A through Exhibit XXX. It would be a "travesty of justice," she argued coolly, to allow Konanykhine to remain here, safe from either Russian government prosecution or the extrajudicial welcome of "his own criminal cohorts."

But here was the catch: In virtually every case, the information was provided to U.S. authorities by Col. Volevodz, often translated and interpreted by him, and generally accepted at face value. And in each instance, the defense argued that Volevodz had fabricated or doctored the evidence, intimidated witnesses into lying, or dissuaded U.S. officials from trying to verify his data.

In court testimony and affidavits, Konanykhine described himself as the victim of a dark conspiracy: a wealthy man forced to take precautions that might appear suspicious to foreigners. He said he had hired 150 former and part-time KGB agents to protect his businesses from mob pressure, and had concealed company information in order to outsmart mobsters and "the powerful conservative communist wing in the U.S.S.R. leadership."

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As for the role of U.S. officials, Konanykhine argued that they were so eager to build a "quid pro quo" relationship with law enforcement agents in Moscow -- who had recently supplied U.S. authorities with witnesses for the trial of a Russian mobster in New York -- that it was easy for Volevodz to dupe them into believing they were delivering an important criminal to their new allies in Moscow.

Judge Bryant was clearly intrigued by the tale being spun before him, even though the lawyers kept stumbling over tricky Russian patronymics and a confusing multitude of players. He often allowed witnesses to wander into colloquies on organized crime, corruption and high-level law enforcement "trades." But finally, he threw up his hands.

"These are hypotheticals within hypotheticals," he complained. "This is such a stretch that it might be a novel by Tom Clancy. We've gone so far afield that I've gotta say no."

'It's the Mafia'

Hypothetically, it was all quite plausible. According to experts, press accounts and statements by U.S. and Russian officials, organized crime and former KGB officers have taken over large portions of Russian private enterprise, especially banks, and official corruption is so widespread that some experts call it the most serious threat to Russian democracy.

In January a senior FBI official, James E. Moody, testified on Capitol Hill that Russia's wide-open capitalism has created a "breeding ground for organized crime," which has focused on banking as "the most vulnerable and lucrative target." Since 1991, Moody said, 46 bankers had been murdered, and there was such "rampant corruption" in law enforcement agencies that U.S. officials "must take calculated risks in seeking assistance" from them in pursuing international financial crimes.

Authorities in Moscow have also acknowledged the problem. Just last month the minister of internal affairs -- Volevodz's highest superior -- told reporters that more than 500 of his own officers had been brought up on charges of bribery or "complicity in crime groups."

Indeed, even as INS prosecutors were pooh-poohing Konanykhine's novelistic version of events, their own evidence at times supported him. One FBI agent testified from Moscow that Volevodz seemed like a regular gumshoe and that reports of corruption in Russia were exaggerated. Yet another FBI agent, flown from Miami, testified that Russian mobsters in New York had taken out a "contract" on Konanykhine's life, possibly on behalf of the same mafia group that had threatened him in Budapest.

One key witness, a business associate of Konanykhine's named Nikolai Menchukov, was so nervous on the stand that he forgot his own telephone number and made basic business transactions appear suspiciously convoluted. On the other hand, his stress was understandable. During the court proceeding, he said, he learned that Volevodz had called on his mother-in-law at home, his office was in ruins and his employees had become too afraid to report to work.

"In Russia today, it is the same terror system of the old days, just with different people," said Menchukov, a disheveled, chain-smoking advertising executive. "My grandfather was a general who was discredited and killed by Stalin in 1937, so I know. Now it's not the communists, it's the mafia. But everyone in Russia is extremely afraid of them, and they have all the power. They don't even have to say they will kill you. You just know it."

INS and Outs

When seven U.S. immigration agents and D.C. police officers burst into the Watergate and packed the young Russian couple off to jail (releasing Elena soon afterward on bond), they were presumably not interested in corruption, mafia plots, or even bank embezzlement. Their stated concern was a mundane technical violation of U.S. visa laws. But what was extraordinary was the length to which INS prosecutors went to prove their charges.

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In essence, they set out to show that Konanykhine lied on his original business visa applications when he claimed he was the U.S. representative for Menchukov's firm, an ad agency called Greatis Russia (i.e., Great Is Russia). They produced Russian government documents showing that Greatis had no foreign affiliates and no fixed address. They presented evidence that Konanykhine's company here, Greatis USA, had not employed him until after he claimed it had. They showed that he had used numerous Washington addresses and phone numbers at the same time.

There were also indications that Konanykhine was doing more here than seeking advertising clients. In 1994, his efforts to establish an offshore bank in the Bahamas led to an investigation by the Federal Reserve, and he launched a separate scheme to purchase quantities of Uruguayan passports for Russian investors. According to sources, several U.S. government agencies had been keeping a suspicious eye on the jet-setting businessman for some time.

But Konanykhine, in turn, presented evidence that Greatis USA had been duly incorporated in Delaware in 1992, with himself as president. His documents showed he had been listed on the payroll, paid his U.S. income taxes and hired prominent corporate lawyers. He repeatedly stated that he had broken no laws and had nothing to hide from American authorities.

And for every apparent smoking gun, he had a convenient explanation. When prosecutors produced a memo from one Mr. Rudakov, a purported deputy to Menchukov, stating that Konanykhine had not worked for Greatis, Konanykhine asserted that Rudakov was one of the conspirators against him. When the INS failed to locate one Mr. Uryvaev, whom Menchukov swore was his real deputy, the defense claimed Uryvaev was too terrified of the mob to come forward.

It is hard to believe the worst about this polite, somewhat nerdy young man who appears so eager to explain himself. Konanykhine's colleagues at Greatis USA, a small office two blocks from the White House, are smart, friendly young professionals who appear to personify the new Russian yuppie.

His wife, Elena Gratcheva, is a gracious, talkative woman who eagerly welcomed a reporter, unannounced, into their co-op. The walls were bare and the refrigerator empty except for a few bottles of Evian water. Absently playing with their black, longhaired kitten Dina, Elena fretted about whether her husband was eating enough in prison and why authorities had not allowed him to shave before testifying.

"I think they wanted him to look like a criminal," she said. "I brought him nice clothes every day, but they wouldn't let him put them on. Do you think he looked all right?"

Konanykhine himself is a more complex character, somewhat arrogant about his youthful success and contemptuous of the case against him. He describes himself as a workaholic who loved taking risks, finding new markets, living at the cutting edge of a crazy new capitalist world. Yet he dismisses Volevodz's case against him as a "clumsy" fabrication, and brushes off the charges of embezzlement with a bemused shrug, as if it were all part of a game he knows how to play and fully intends to win.

Sitting in that barren interview cubicle in Manassas, his long limbs sticking out from rumpled blue overalls, he seems strangely calm and cocky, a man accustomed to wild swings of fortune who at the moment happens to find himself in a cinderblock cell instead of an opulent dacha. "I was trained to take pressure and work with a knife at my back. My surroundings never affect me," he explains.

Konanykhine expresses no resentment against the American authorities, and even says he is grateful to the FBI for warning him that his life was in danger. And no matter what the conditions, he says, as long as he can remain a guest of the United States, at least he feels safe.

"I realize this is hard for average Americans to believe, or even an experienced immigration judge. But this case is much bigger and more complicated than just me," he says. "If they can successfully pursue and eliminate me, it will be a major victory for the mafia. Then they will have a chance to secure real control of Russia."

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**It's** time to **go**. You don't know what to think. You wonder who might be listening to the conversation through that little round grille in the wall. You wonder if six months from now someone will **send** you a news clip about a lanky banker being shot dead at the **Moscow** airport. Mostly, you wonder if things can get much weirder than this.

But **Konanykhine** isn't quite done.

"Let me tell you about my cellmate," he offers with a broad grin. "He's an elderly Eastern Orthodox bishop from the Bronx who was born in Romania. He **says** he used to work for the CIA and the DEA and they're trying to deport him for political reasons . . . ."

## Graphic

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Photo, juana arias, "I left **Russia** because the rules of the game were becoming too dangerous," **says Konanykhine**. "I like it much better here, because the rules are fair. The FBI didn't use tricks against me, and they won't try to kill me. The judge who decides my case will almost certainly not be bribed or **corrupt**. Here I have a chance. "Look, aside from trying to convince you I am a decent guy, a man of principles, I simply had no need to be **corrupt**," syas **Konanykhine** from a room at the Prince William County adult detention center. "I was more powerful than the gangs or the **government**." Elena Gratcheva, sitting in the couple's sparsely furnished \$300,000 Watergate co-op, visits her husband in court every day.

## Classification

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Language: ENGLISH

**Subject:** IMMIGRATION (89%); PUBLIC PROSECUTORS (89%); TESTIMONY (89%); **CORRUPTION** (87%); US FEDERAL **GOVERNMENT** (78%); JUDGES (78%); SPECIAL INVESTIGATIVE FORCES (78%); PRISONS (77%); LAWYERS (74%); DEPORTATION (73%); ORGANIZED CRIME (73%); EXECUTIVES (72%); BAIL (72%); NATIONALIZATION (72%); TAX FRAUD (72%); LAW ENFORCEMENT (71%); CRIMINAL OFFENSES (71%); POLITICAL **CORRUPTION** (70%); LARCENY & THEFT (69%); EMBEZZLEMENT (69%); TAX LAW (68%); WEALTHY PEOPLE (64%)

**Company:** **MOSCOW BANK** FOR RECONSTRUCTION & DEVELOPMENT (84%); FBI; KGB **MOSCOW BANK** FOR RECONSTRUCTION & DEVELOPMENT (84%); KGB **MOSCOW BANK** FOR RECONSTRUCTION & DEVELOPMENT (84%); FEDERAL BUREAU OF INVESTIGATION (84%); FEDERAL BUREAU OF INVESTIGATION (84%)

**Organization:** FEDERAL BUREAU OF INVESTIGATION (84%); FEDERAL BUREAU OF INVESTIGATION (84%); FBI; KGB FEDERAL BUREAU OF INVESTIGATION (84%); KGB FEDERAL BUREAU OF INVESTIGATION (84%); FEDERAL BUREAU OF INVESTIGATION (84%)

**Industry:** LAWYERS (74%); **BANKING** & FINANCE (69%)

**Geographic:** **MOSCOW**, **RUSSIAN** FEDERATION (88%); UNITED STATES (93%); **RUSSIAN** FEDERATION (90%); PAKISTAN (79%); ANTIGUA & BARBUDA (79%)

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