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Entrepreneurs face global challenges

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By Daniel Sandford
Moscow correspondent, BBC News



Refusing to sell his dairy firm ended in legal action and jail for its owner

Doing business in Russia is notoriously difficult.

A combination of excessive bureaucracy and corrupt officials makes it a hazardous enterprise.

For example, producing milk is fairly straightforward in most parts of the world.

But it landed Dmitry Malov in jail.

Mr Malov owns a dairy business called Agromol in Kostroma, some 300km (190 miles) from Moscow.

He started out by buying a milk-packaging facility. Then he bought two old Soviet dairy farms. He poured his life savings into them, and took out a bank loan to modernise them. He soon had a thriving business.

Persuasive visitors

By 2009 it was delivering high-quality milk, butter, and other dairy produce across the region, even as far as Moscow.

The first sign that his investment was going to



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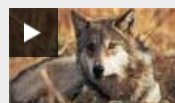
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turn sour was when he had a visit from some men who turned out to be officers from the FSB, Russia's interior security service.

They tried to persuade him to sell his business at a knock-down price to an unknown buyer.

Mr Malov refused.

The FSB officers threatened that if he did not sell he would end up in prison.

Mr Malov's wife, Tatiana, believes the officers were paid, perhaps by someone involved in property development, as the company's small factory is on a prime city-centre plot.

Mr Malov went on refusing to sell the company. Then, soon afterwards, he was charged with fraud.

He was accused of not using his bank loan for the purpose given in the application.

Mr Malov fought the charge, believing right up until the day of the verdict that he would be cleared.

But he was found guilty and sentenced to five years in prison, just as the FSB officers had threatened.

'Fighting wrong people'

"I knew that there was a criminal investigation and that he was having to attend court," says Mrs Malov.

"But I never believed it would get to this stage. They called me from the court. They handed him the phone and he said, 'I am being sent to prison'."

Business Solidarity, an organisation that works to protect small businessmen, estimates that one in six Russian entrepreneurs is in jail, and that one in three prisoners in Russia is a businessman.

Two of Dmitry Malov's employees were also given prison sentences, but theirs were suspended.

His finance director, Diana Grishina, is one of them.

She is trying to keep the business going in his absence.

Ms Grishina is recovering from brain surgery for a problem that she believes was made worse by the stress.

"If law enforcement didn't keep getting in the way of small business, things would be much better," she says.

Bribery alternative

"They should be fighting terrorism, not us. We are in the business of creating things, not destroying them. And we are not harming anyone."

Of course, not all businessmen end up in jail, but there is a reason for that, according to Alexander Brechalov, of the Organisation of Small and Medium Businesses.

He is not happy about it, but he is realistic.

"Most entrepreneurs - between 60% and 80% - are quite relaxed about the situation," he says.

"They share their profits with the police and people from the tax authorities. They don't complain about the difficulties of doing business. They just pay bribes to everybody."

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Agromol is still trading and still employs 300 people, but the future of the company is in jeopardy without its owner and driving force.

Mr Malov is being kept in the local jail in Kostroma pending the outcome of his appeal.

Only a few hundred metres away at their small flat, Mrs Malov has not told their two children where their father is.

They think that he is on a business trip.

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