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Hungary: detentions linked to the sale of property in Moscow

Following the order of the Hungarian General Prosecutor's Office the former manager of the the national asset management company MNV Miklós Tátrai, the state secretary in the Ministry of Foreign Affairs in 2005-2009 Márta Horváthné Fekszi and the former Hungarian ambassador to Moscow Árpád Székely were detained on 8 February. There were all charged with several irregularities in the sale of a building owned by the Hungarian trade representative office in Moscow in 2008. The deal that later enabled the Russian Ministry of Regional Development to take over the property is also a matter of interest to Russian Transparency International and the media.

On 6 March 2008 Ambassador Székely on the instructions of the state secretary Fekszi signed a contract which sold the Hungarian trade representative office's building in Moscow owned by the Hungarian treasury office to Diamond Air – an offshore company registered in Luxembourg and linked with the Russian financial magnate Viktor Vekselberg (who is now seeking to extend the nuclear power plant in Paks). This transaction, worth US$ 23.6 million, was not preceded by a bidding process whereas the property's real value then is estimated at approximately US$ 52 million.

After Diamond Air paid US$ 21.3 million in November 2008 the Hungarian treasury office announced a retroactive “restricted bid” that legalised the already sealed deal with Diamond Air, with the due amount of money settled at the level of the bank transfer already made. In 2009 the property was bought from another company (connected with Vekselberg) by the Russian treasury office for the requirements of the Ministry of Regional Development. The price of the transaction then was seven times higher (3.5 billion rubles) but it also included the price of the land.

The Russian government declared its willingness to buy the property already in 2007 and then allocated 3 billion rubles for this purpose. Now the Russian information portal close to the Kremlin, Regnum, deemed the investigation into this question a blow to Hungarian-Russian relations. It accused the Hungarian government of attempts to use the scandal in order to influence the outcome of talks on thorny issues with regard to Russian shares in MOL and the debt of the Malév airline.

Following the conclusions of the Hungarian audit office, at least two ministers in the cabinet of Ferenc Gyurcsány knew about the disadvantageous transaction. Ambassador Székely ended his diplomatic career at the end of 2008 and became the manager of the Russian subsidiary of the international developer TriGranit, present also on the Polish market (Silesia Center in Katowice, Zlote Tarasy in Warsaw). The date of commencement of the trial is not yet known. The accused will probably be released pending trial. <szyl>