

## **Analyst Lauren Goodrich examines the reasons behind Moscow's plan to privatise strategic Russian firms.**

THE Russian government has submitted its revised list for Russian privatisation to President Dmitri Medvedev. It's one of the world's largest privatisation programmes in years, as well as a controversial one inside of Russia.

Originally, the Russian privatisation programme was supposed to privatise 5,000 non-strategic assets, pretty much things the Kremlin wanted off their book, along with stakes inside of 10 to 12 of Russia's national champions.

The new plan is also going to privatise the 5,000 non-strategic assets, but, instead of 10 to 12 companies, it's now going to be 20 to 22.

These are not small companies; these are the national champions of Russia's most strategic sectors, including oil giant Rosneft, the banking twins Sberbank and VTB, Russian Railways, Russian Technologies (the military-industrial umbrella).

This may seem like a complete reversal in the Kremlin's previous activities. Over the past decade Russia has nationalised and seized assets within its strategic sectors, ousting any non-criminal and friendly or foreign influence within the sectors.

But this was about Russian gaining control over its country after the fall of the Soviet Union. This was about security; this was about rebuilding Russia. Now that Russia is strong and the Kremlin is confident in its power and control over its own country, it feels confident and comfortable with allowing these non-Kremlin and foreign influences back into Russia and its strategic sectors.

So now that the Kremlin feels secure and confident, it can stop thinking just about its national security and rebuilding Russia and start thinking actually about the future of Russia. The Russian economy is hollow and lags not just years but decades behind in technology.

Russia needs foreign technology and foreign cash to expand and modernise its strategic sectors and economy, but the Kremlin just can't ask foreign countries and foreign firms to just come in and dump hundreds of billions of dollars and bring in its modern technology for nothing.

Russia has to give something in return. This is where the privatisations come in. This is where giving strategic stakes in very attractive companies becomes the trade for foreign groups to come in and invest and bring in their technology.

But there is one other reason why the Russian government is doing this and it's a pretty peculiar one. The Kremlin knows that if it is these foreign countries and the firms that are tied heavily into

these foreign countries and their governments come in and invest hundreds of billions of dollars as well as tie themselves to the Russian strategic firms, the Kremlin knows that this creates a bond between the Russian government and the foreign governments.

This can create a cooperative relationship between Russia and these foreign countries, countries like Germany, France, South Korea, China, Finland and even the United States, but it also creates a lever, a lever which Russia can use against these countries, should relations go sour.

**\*\*This article was taken from STRATFOR.com\*\***