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Putin Pushes Bill for Foreign Investment

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Putin attending a concert in honor of President Boris Yeltsin late Tuesday. **Mikhail Klimentyev**

NOVO-OGARYOVO, Moscow Region — Prime Minister Vladimir Putin urged the Federal Anti-Monopoly Service on Wednesday to speed up work on a second batch of amendments to a law that regulates foreign investment into strategic sectors, signaling that the government is eager for Western cash.

"Our goal is to stimulate activity among investors to the maximum, to make it an important factor in the recovery of the national economy," Putin said at a government session attended by top officials including Federal Anti-Monopoly Service chief Igor Artemyev.

A bill softening the law on foreign direct investment into industries deemed by the government as strategically important to national security has been submitted in the State Duma. But some investors say it does not go far enough, and Putin appeared to agree with them at Wednesday's session at his Novo-Ogaryovo residence outside Moscow.

Putin told Artemyev to draft amendments to the bill before it comes up for a second reading.

Artemyev indicated that the current list of 43 strategic industries would shrink before the second reading.

The government is reaching out to foreign investors to fill a spending shortfall. Finance Minister Alexei Kudrin told a Troika Dialog investment conference earlier in the day that the years of oil- and gas-driven economic growth are over.

With Russia hoping to join the World Trade Organization this year, foreign companies are beginning to look into opportunities to invest in strategic industries. But the current length of the list of sectors precludes many potential investors from coming to Russia.

Investors largely consider the current law as inconsistent at best and draconian in some of its interpretations.

“The weakest spot of this law is that it covers purely Russian companies that have foreign subsidiaries,” said Denis Spirin, corporate governance director at Prosperity Capital Management.

“According to the law, these companies should agree to these strategic deals. Because if they don’t, the deals are essentially worthless,” he said.

Spirin called for changes to the law to be made as soon as possible, “or a whole bunch of transactions from companies like Gazprom, Rosneft, AFK Sistema will be void because all of them have foreign subsidiaries."

The first batch of amendments did nothing to fix this loophole, but Artemyev hinted at the briefing following the government session that the inconsistency might be fixed as part of the second draft, which will come after more consultations with Russian companies and foreign investors.

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