

Belousov Updates Cabinet on Privatization

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Officials spelled out more specifics of the planned sales of government assets and said Rosneft's planned \$61 billion acquisition of TNK-BP won't halt the privatization of the state oil giant.

Up to 6 percent of Rosneft could be sold off next year, Economic Development Minister Andrei Belousov said Thursday during a Cabinet meeting with Prime Minister Dmitry Medvedev.

In Rosneft's megadeals with the owners of joint venture TNK-BP, Rosneft agreed earlier this week to pay \$28 billion to the AAR consortium of Russian billionaires and \$17.1 billion to British oil giant BP, which will also buy Rosneft shares. After the deal is completed, BP will own 19.75 percent of Rosneft.

Belousov also elaborated on strategies for privatizing other state corporations.

"In 2013, we plan to carry out at least eight other privatization deals for the shares of major companies," the minister said, according to a [transcript](#) on the government's website.

Besides Rosneft, his list includes Sovkomflot, VTB Bank, Alrosa, the Arkhangelsk Trawler Fleet, Mosenergostroi, airline S-7 and power generator TGK-5.

Belousov said the government expects to reap 260 billion to 270 billion rubles (\$8.3 billion to \$8.6 billion) from those sales alone.

Officials are discussing the privatization processes for Rosagroleasing, United Grain Co. and Russian Railways.

Up to 5 percent of Russian Railways' shares could be sold as early as 2013.

"That is important for making the company public, in essence, and for carrying out a market appraisal of its price," Belousov said.

Moreover, the Economic Development Ministry has drafted a resolution calling for a limit on the amount of state corporation assets that can be bought by the divisions of other state corporations during the privatization process. The resolution has been distributed to other government officials.

"Of course, we can't completely rule out the possibility of divisions and affiliated companies participating in the purchase of equity stakes during the privatization," Belousov said. "But we think that such participation is unadvisable, first of all, and second, it has to be perfectly transparent and supervised in every case."

He said his ministry's proposal was fulfilling a presidential decree from early May that called for such limitations to be added to regulations and laws by Nov. 1.

Such measures are needed, either in the form of a special law or changes to existing law, said Pavel Kudyukin, an associate professor in the government management department at the Higher School of Economics.

There is a very undefined line between state and private companies, he said by telephone, adding that this is a "very serious problem."

At the Cabinet meeting, Medvedev issued a warning to management of state companies that try to oppose privatization in court.

"If these situations take place, then the management teams at state corporations should understand all the consequences, including those for their relationships with the government," the prime minister said.

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