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KREMLIN RULES

In Hard Times, Russia Moves In to Reclaim Private Industries



Igor Katayev/Itar-Tass

A sinkhole from a mine collapse in 2006 at the operations of Uralkali in Berezniki, Russia.

By CLIFFORD J. LEVY

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BEREZNIKI, Russia — In late October, one of [Vladimir V. Putin's](#) top lieutenants abruptly summoned a billionaire mining oligarch to a private meeting. The official, Igor I. Sechin, had taken a sudden interest in a two-year-old accident at the oligarch's highly lucrative mining operations here in Russia's industrial heartland.

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James Hill for The New York Times

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new inquiry into the mishap, according to minutes of the meeting. With a deputy interior minister who investigates financial crime at his side, Mr. Sechin threatened crippling fines against the company, Uralkali.

Startled, the oligarch, Dmitri E. Rybolovlev, pointed out that the government had already examined the incident thoroughly and had cleared the company of responsibility.

He further sought to fend off the inquiry by saying he would pay for some of the damage to infrastructure from the accident, a mine collapse that injured no one but left a gaping sinkhole.

His offer was rebuffed, and it seemed clear why: the Kremlin was maneuvering to seize Uralkali outright.

Mr. Putin, the former president and current prime minister, has long maintained that Russia made a colossal error in the 1990s by allowing its enormous reserves of oil, gas and other natural resources to fall into private hands.

He has acted uncompromisingly — most notably in the case of the [Yukos](#) Oil Company in 2003 — to get them back.

Now, the Kremlin seems to be capitalizing on the economic crisis, exploiting the opportunity to establish more control over financially weakened industries that it has long coveted, particularly those in natural resources.

Last month, for example, the government assumed greater influence over Norilsk Nickel, the world's biggest nickel producer, whose large shareholders, two billionaire oligarchs, have ailing finances. And Mr. Putin said Thursday that he was considering other such interventions.

Yet the Uralkali affair stands out for illustrating with rare clarity the willingness of the authorities to use whatever means necessary to obtain these assets, including subjecting companies to questionable investigations that

they have little chance of resisting, financial analysts here say.

At the forefront of these efforts is Mr. Sechin, 48, a deputy prime minister who has been a Putin confidant since the two served in the St. Petersburg city government in the early 1990s. Mr. Sechin almost never gives interviews or speaks publicly, but he is believed to spearhead the use of the secret services and other government arms to capture companies.

“He is the state’s main raider,” said Olga Kryshtanovskaya, a prominent Kremlin expert at the Center for the Study of Elites in Moscow. “He organizes these raider seizures, sometimes to the benefit of the state, or sometimes to the benefit of companies that are friendly to him.”

Mr. Sechin’s role in the Uralkali inquiry immediately caused analysts and investors to presume that the company was in peril. Uralkali’s stock, once highly prized by fund managers, has plunged more than 60 percent since the inquiry began, far more than the broader Russian stock market.

That has caused steep losses for Mr. Rybolovlev, 42, a former medical student who is known as Russia’s fertilizer king because of his dominance of the business of mining potash, a principal fertilizer component. Last June, when Uralkali was soaring, the

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The Kremlin has not said when there will be a decision on Uralkali, and the company is hoping to negotiate a settlement that would include a fine of a few hundred million dollars. Analysts emphasized that there was still a chance that Mr. Sechin might pull back after seeing the stock market react so hostilely to the inquiry.

Developments in the overall economy might also give the Kremlin pause. A growing recognition of its outsize influence over business appears to have helped sour the investment climate here, and suggests in part why the Russian stock market has been among the worst performers in the world this year.

Widespread corruption has deepened this mistrust. So it is perhaps not surprising that the Uralkali affair has been marked by what appears to be insider trading.

Around the time of the meeting called by Mr. Sechin on Oct. 29 in Moscow, there was a sharp spike in short selling in Uralkali's stock on the [London Stock Exchange](#) — that is, bets that the stock would fall, according to Data Explorers, an analytical firm that studied the securities data at the request of The New York Times. The meeting itself was not made public until Nov. 7, at which point the stock plummeted.

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