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# Russia: the influential media receive another major blow

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On 26 September the State Duma in the second and third readings immediately adopted a new law to limit the number of shares which foreign shareholders can hold in Russian media companies (both traditional and Internet-based). The new upper level is 20% and applies both to foreign legal entities and individuals and also to Russian citizens with dual citizenship; it applies to both direct and indirect (i.e. via Russian subsidiaries of foreign companies) ownership. The law enters into force on 1 January 2016; the transitional period will last until 1 January 2017. At present, shares held by foreign companies or individuals may not exceed 50%. This however applies only to the electronic media and the press with a circulation in excess of a million.

**Commentary**

- One of the main purposes of the law is to "neutralise" the two most influential titles which are aimed at the economic elite and expert circles and which pursue an independent editorial policy: the *Vedomosti* daily (100% foreign capital based: the Finnish fund Sanoma, Dow Jones/Wall Street Journal and FT Group/Financial Times) and the Russian edition of the *Forbes* monthly magazine (Axel Springer). These two titles have been publishing articles critical of the Kremlin's economic policy for years and in recent months (following the annexation of Crimea) their criticism has intensified. The most likely scenario would see the control interests in these media outlets being taken over by Russian entities in the transitional period; the new owners are likely to tone down the editorial policy or even close down the newspapers (several popular media titles have undergone similar changes over the last two years). The way in which the law was immediately passed in the State Duma (nine days passed from the moment the draft law was submitted to its adoption) emphasises the political rationale for this move.
- Apart from neutralising the "defiant" media this law will serve the economic interests of the Russian companies which are interested in taking over lucrative foreign publishing houses. The law applies to all the media with foreign shareholders, including large publishing houses which publish glossy magazines with high circulations (e.g. the total circulation of all titles published by Bauer Media Group is 20 million and those published by Sanoma sell nearly 12 million copies). If these companies decide to stay on the Russian market, 80% of their shares will have to be bought by Russian companies. Political objectives and economic interests have been combined in a manner similar to that in the law passed in July this year that banned any advertisements in paid television

stations (which affects the independent Internet-based TV station Dozhd) but restored beer advertisements on TV and in stadiums (which in turn serves the interests of Video International, the monopoly selling advertisements to the main TV stations, controlled by people from a narrow circle of the ruling elite.

- Formally, the law applies to almost half the Russian media – many of them are registered in tax havens (e.g. Alexander Mamut's web-portals, Rambler, Gazeta.ru, Lenta.ru, or the popular publishing house *Kommersant,* owned by Russia's richest businessman Alisher Usmanov). The transfer of these companies to Russian jurisdiction would be in line with the process of "nationalising the elite" initiated by Vladimir Putin, i.e. limiting their economic contacts with the West for fear that such links weaken their loyalty to Russia.