



Russian President Putin Signs New Law in Retaliation for U.S. Sanctions

Retaliatory Sanctions

On June 4, 2018, Russian President Putin signed the Federal Law "On Measures to Counter Unfriendly Actions of the United States of America and/or Other Foreign States" after it was overwhelmingly passed by both chambers of the Russian parliament.

Following its first "reading," the draft law discussed in our previous Alert underwent significant amendments in response to strong criticism from the Russian business community and other stakeholders for its potentially significant adverse impact on Russian businesses and consumers. As a result, the new law, which came into effect on June 4, is a significantly watered-down version of the initial draft. It no longer refers to restrictions on specific goods, services, or industries, and it specifically exempts from sanctions "vitaly essential" items that are not produced domestically.

The new law gives the executive branch broad authority to introduce restrictions on activities of companies and individuals from jurisdictions that have imposed sanctions on Russia, including:

- termination or suspension of cooperation with Russian parties;
- prohibition or restrictions on import of goods into Russia;
- prohibition or restrictions on export of goods and raw materials from Russia;
- prohibition or restrictions on procurement of goods and services by Russian governmental entities and state-owned companies; and
- prohibition or restrictions on foreign participation in privatization and sale of Russian state property.

Nothing had prevented the executive branch from imposing such restrictions prior to adoption of this new law, and, in fact, it previously imposed wide-ranging restrictions on imports of food and agricultural products from the United States and European Union in retaliation for Ukraine-related sanctions on Russian companies and individuals. Therefore, it appears to send a political message with no immediate legal implications.

Draft Blocking Legislation

As noted in our previous Commentary, the Russian Duma (the lower chamber of the Russian parliament) is considering a draft law, "On Amendments to the Russian Federation Criminal Code," which imposes criminal liability for compliance with U.S. and other foreign sanctions against Russian parties ("Blocking Legislation"). Following its approval by the Duma during the first "reading," the draft Blocking Legislation triggered an avalanche of criticism from the Russian business community and Western companies operating in Russia. Many major Russian companies and financial institutions broadly comply with U.S. and EU sanctions and are concerned that the Blocking Law would put them at risk of secondary sanctions. The current draft of the Blocking Legislation would effectively put U.S. and EU companies operating in Russia in an untenable position where compliance with the laws of their home jurisdictions would expose their personnel in Russia to the risk of criminal liability. This would push many Western companies operating in Russia to consider scaling back their presence in Russia or exit.

As a result of significant pushback on the part of the Russian and international business community, the Duma delayed the second "reading" and is working on amendments aimed at mitigating the negative impact of the Blocking Legislation on Russian interests. No date has been set for the second "reading."

We continue to closely monitor these developments and will provide further updates.



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