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Russian Counter-Sanctions Bill

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KEY POINTS:

- On May 22 the Russian Duma **passed a counter-sanctions bill giving the Kremlin authority to ban selected exports to the US and imports from “unfriendly states.”**
- The bill was **watered down from its original version, removing language targeting specific goods and sectors** after an outcry regarding potential negative impacts on Russian consumers and industries.
- The bill will now go to the upper house for approval, and then to the president to be signed into law.

RECENT DEVELOPMENTS

On May 22, Russia’s lower house of parliament, the Duma, approved a revised version of [Bill No. 441399-7](#) – *On Measures (Countermeasures) in Response to Unfriendly Actions of the USA and (or) other Foreign States* – in the third and final reading. After passing the second reading on May 17, the bill was further revised to **authorize the president to impose sanctions on any “organizations that are under the jurisdiction of... unfriendly foreign states, directly or indirectly controlled... or affiliated with them,” as well as these states' officials and private citizens “if these organizations, officials or citizens are involved in committing unfriendly acts” against Russia.** The version approved in the second reading had limited sanctions to entities that are more than 25% owned by organizations, officials, or citizens of "unfriendly foreign states."

The sanctions include bans or restrictions on the import and export of products or raw materials, and participation in state procurement and privatization, as well as “other measures.” The bill **does not specify which goods or sectors the measures would apply to, instead allowing the president to make these determinations on a case-by-case basis.** However, it does provide **exemptions for any “vital” goods without domestic analogues and goods imported for personal use.**

The original version of the bill had explicitly [mentioned](#) banning imports of pharmaceuticals, agricultural products, alcohol, and tobacco products. Following an

outcry from the Russian business sector and concerns that it would hurt Russian consumers and industries, **the counter-sanctions bill was substantially diluted to its current version.**

The Duma is also in the process of considering a separate bill which would criminalize compliance with Western sanctions. The second reading was scheduled for May 17, **though it was postponed** in order to hold talks between lawmakers, concerned business leaders and civil society representatives. If passed, this bill would introduce criminal punishment for Russia-based individuals who comply with foreign sanctions as well as for Russian citizens who give advice to foreign governments that can help sanction Russians. Duma Speaker Volodin said the decision to postpone the sanctions compliance bill was due to “a lot of appeals from the business community.” Following talks on May 23, lawmakers signaled they could soften the bill. Another round of talks will be held with the private sector before a second reading in the Duma is re-scheduled.

IMPLICATIONS

The Duma’s Economic Policy Committee First Deputy Chairman described the counter-sanctions bill as “harmless,” since it “does not allow or prohibit anything.” According to the United Russia party’s First Deputy Head Isaev, **“no measures will be taken behind the scenes, but only in discussions with the business and expert communities.”**

Generally, there seems to be a consensus both inside and outside of Russia that **the bill does not change much, as the government (i.e. President Putin) already had the power to unilaterally impose these kinds of sanctions.** The legislation would merely formalize the existing status quo. Western companies operating in Russia will presumably be able to continue their operations relatively unaffected as long as they maintain positive relations with the Russian executive branch.

The watering-down of the counter-sanctions bill and the postponement of the bill to criminalize sanctions compliance is evidence of a strong backlash within Russia against any Russian-imposed sanctions that could harm Russian industry or consumers. The Duma is not known for dragging its feet on Kremlin-backed legislation, and these delays and revisions could be evidence of uncertain and evolving policy objectives from the Kremlin itself.

NEXT STEPS

The bill now needs to be approved by the upper house, the Federation Council, and then will be submitted to President Putin for his signature. Federation Council member Dzhubarov and others have said that they are confident the bill will pass easily.

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