

Russia's internet legislation: an existential compliance question for foreign platforms

Blog post by Practice Lead Alexander Smotrov, 12 July 2021

This is the second part in Global Counsel's series on the Russian parliamentary elections this September. Each part discusses how government policy and decision-making is being impacted by the election build-up and what this means for businesses and companies whose operations are linked to Russia. Sign up [here](#) to hear more about our future events, podcasts and blogs on Russia, CEE and Central Asia.

In early July, Russian president Vladimir Putin gave his assent to several important pieces of internet legislation, adopted by the State Duma just before its dissolution for the election campaign. The most significant of these documents - the so called "grounding law" - is set to be a game changer and a crucial test for foreign internet companies operating in Russia.

The law - conceived with the Kremlin's blessing - would oblige international tech giants with a significant user and commercial footprint in Russia to open fully-fledged representative offices in Russia by January next year, which would bear full responsibility for Russia operations. This will affect the companies whose daily audience in Russia exceeds 500K+, who place advertising aimed directly at Russians, or process Russians' data, or receive money from legal entities or individuals in the country. The legislation has been largely modelled on similar requirements introduced by Turkey in 2020. The penalties for non-compliance range from "naming and shaming" to restrictions on advertising and eventual throttling of data or full blocking.

Despite the reassurances about creating a level playing field, the industry unequivocally sees it as yet another attempt by the state to obtain greater control over the content and revenues of foreign digital businesses in Russia. They are already facing stringent requirements to localise data and on content moderation that diverge from the international standards, especially when it comes to political and social content.

The new law puts the platforms between a rock and a hard place. Many of them - especially the US ones - would find it difficult to comply without compromising the integrity and consistency of their global decision-making and community standards. And the potential penalties for non-compliance, if enforced successfully, could seriously disrupt their operations and undermine their business models in Russia. For some platforms it may present an existential choice about their presence in the Russian market.

Fig 1. An initial list of services to be affected by the “grounding law”

AliExpress	Amazon	Bing	Cloudflare	Digital Ocean
Facebook	Gmail	GoDaddy	Google	Iherb.com
Ikea.com	Instagram	Telegram	TikTok	Twitch
Twitter	Viber	WhatsApp	Wikipedia	YouTube

Source: The State Duma committee on information policy

But as often happens in Russia, the application and interpretation of the law is more important than the law itself. Just before signing the “grounding law”, President Putin publicly reassured that the Russian authorities do not plan to block foreign internet services in Russia but “will work with them” to make them play by the local rules. It is a sign that there is still room for manoeuvre for those willing to cooperate and negotiate.

Between now and January, the companies affected by the new law will need to review the many different risks that they face and make some difficult choices about their compliance strategies. This will necessarily involve weighing the risks against each other and an element of second-guessing the exact intentions of the Russian authorities. Invariably in Russia, the best strategy is to do just enough to avoid outright conflict with the authorities. But how much is enough? And will all the companies being targeted conclude that the Russian market is still worth it?