

POLICY ALERT

RUSSIA'S NEW LAW ON FOREIGN INVESTMENT IN STRATEGIC SECTORS AND THE ROLE OF STATE CORPORATIONS IN THE RUSSIAN ECONOMY

Akin Gump Strauss Hauer & Feld LLP senior international advisor Toby T. Gati has drafted a white paper ([available on our firm's Web site](#)) that briefly reviews Russia's existing laws governing foreign investment in the Russian economy and provides background on the new federal law №57 "On Procedures for Foreign Investments in Companies of Strategic Importance for National Defense and Security" (the "Law"). The paper also discusses relevant amendments to federal law №2395-I "On Subsoil" and addresses recent developments in the policy debate over the role of state corporations in the economy.

The new law placing limitations on foreign investment in Russian strategic industries or sectors had been discussed for several years, with many ministries and governmental institutions contributing to the legislation that finally came into force on May 7, 2008. In addition to the defense, energy, aircraft and aerospace industries, and critical infrastructure—which have long been deemed strategic—the new law adds certain natural resource deposits, radio, television, publishing, printing and telecommunications to the list of strategic sectors and seeks to clarify the rules for foreign investors interested in acquiring control over strategic entities or access to strategic natural resource deposits. Under the new law, foreign investors must report to a government agency each time they acquire a five percent or greater interest in Russian strategic companies.

Foreign investors are now waiting for signals from the Russian leadership to see whether or not additional restrictions might be placed on foreign participation in the Russian economy or on the ability of Russian private businesses to sell their assets, including placements on foreign stock exchanges, to foreigners.

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