

# Sanctions: an unprecedented moment for doing business in Russia

YUST's Evgeny Zhilin outlines the benefits

2014 has brought many challenges to the Russian economy. The already modest growth rates that were demonstrated in the previous year were targeted even more by various sanctions imposed against Russia by the US, EU and some other jurisdictions. As a reaction to these, Russia has installed counter-sanctions in the food sector, hitting some of the European food producers hard.

The wave of sanctions, together with the weakening oil prices have made investments into Russia extremely attractive. Firstly, since January 2014, the national currency has lost its weight against the US dollar and euro by an average of 20%, which means that Russian assets have become cheaper. Secondly, the current limitations provided by the sanctions regulations on both sides do not actually limit investments. When reading the sanctions list, one notes that it is almost exclusively state finances, shelf drilling and food supply that have been put on hold. On the contrary, Russian counter-sanctions actually encourage foreign investors to establish production facilities in Russia. Those international firms that have already established local production frankly admit that they are benefiting from the sanctions and seem to be quite happy about it.

Thirdly, there will be no better chance to step into Russia as the investments have reduced and literally every investor counts. Locals will be doing their best to attract investors these days.

The toughest sanctions are those that are not written – those sitting in minds rather than the ones seen in practice. And the greatest of all is fear, for which there can hardly be any objective reason. A lady who is a member of the Lithuanian Bar approached me at the IBA 2014 in Tokyo and, seemingly afraid, begged me not to occupy Lithuania. Nonsense. Russia is a peaceful country and is not going to occupy anyone.

In 2013 and 2014 Russia has done quite well in terms of promoting its legislation for doing business. There had previously been a lot of discussions about weak courts – we now have a unified Supreme Court that is in a better position to strengthen the rule of law. Important changes have been made to the Civil Code, allowing a much wider application of shareholder agreements, multiple directors, irrevocable power of attorneys and lots of other useful tools and concepts. Russia's legal market is strong, with more than 70 international law firms present and at least 30 well-established national law firms, many of whom have tied up with independent



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Evgeny Zhilin, YUST

European firms. Regional law offices in the Urals, Siberia, Volga region and the south of Russia have gained weight and are already handling complex disputes and protecting foreign investors. Not a single foreign investor has lost his assets due to the acts of the Russian state in many years.

So why not invest into Russia? Just think about it.

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