

Bill to Cut Foreign Stakes in Russian Media Sends Ripples Through Business World

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Duma Speaker Sergei Naryshkin

A draft bill limiting foreign ownership of Russian media assets to 20 percent will reshape the market and damage both media freedom and the business climate in the country, industry leaders said Thursday.

The bill was submitted by three lawmakers Wednesday and is due to be considered by the State Duma in a first reading Tuesday. Duma Speaker Sergei Naryshkin has already expressed his support for the bill.

"It is an internationally accepted norm that national legislation protects the market," Naryshkin told journalists on Thursday, TASS reported.

The bill, which would put the international ownership of many major publishing houses

in Russia into question, is supported by the Kremlin and was initiated by it, according to anonymous sources in the Duma cited by Vedomosti business daily Thursday.

President Vladimir Putin's spokesman Dmitry Peskov refused to confirm to The Moscow Times that the bill had been discussed by the Kremlin.

Current media law prohibits foreigners from having a majority stake in Russian TV and radio stations, but makes no mention of newspapers and magazines.

Pure Politics?

The bill is targeted against two political media outlets: Vedomosti newspaper and Forbes magazine, said Yury Saprykin, a prominent media figure and former editor of Afisha magazine.

"I think this is the only reason, and nobody is thinking about the collateral damage," Saprykin told The Moscow Times.

"Against the current backdrop of rampant conservatism and isolationism, the closure of Vogue magazine looks like a margin of error," he said.

Forbes and Vedomosti are leading Russian news outlets that specialize in investigations of power structures and financial flows between high-profile government officials and businessmen.

Leveling the Media Landscape

More than half of Russian media outlets are partially owned by foreigners, according to Vedomosti, with many of them controlled by offshore companies.

Foreigners own most of the main Russian publishing houses: Conde Nast, Sanoma Independent Media, Hearst Shkulev Media, Burda and Axel Springer Russia.

Vedomosti is currently split between The Financial Times, Wall Street Journal and Finnish Sanoma. Forbes is published under license by Axel Springer Russia. Neither Vedomosti nor Forbes had returned requests for comment by the time of publication.

The Moscow Times is 100 percent owned by Sanoma, which plans to sell its Russian assets within the next few months.

As well as the publishing houses, the measures will affect TV and radio stations, including the assets of Swedish MTG group, which broadcasts cable TV channels and also co-owns CTC Media, which owns three TV channels in Russia: CTC, Domashny and Peretz.

"This is a bad lot," an editor-in-chief at one of the media organizations that would be subject to the bill said.

"But if we sink, we will do so together," he said, requesting that his name be withheld in keeping with corporate policy.

Market Redistribution

Under the bill, media outlets would have to make their ownership structures conform to the new legislation by Feb. 1, 2017. In the meantime they could be sold to Russian owners, according to industry insiders.

"Some magazines will formally change their status to advertising bulletins and thus circumvent the bill's provisions, while others could be purchased by Kremlin-friendly structures," said Nikolai Uskov, director of Snob magazine and former editor of Russian GQ from 2003 to 2012.

"Due to costs to their reputation, I doubt that some publishing houses will sell their Russian offices," meaning they would simply close their Russian operations, he told The Moscow Times in a phone interview.

According to Uskov, glossy magazines such as Vogue, GQ and Cosmopolitan could also be considered politically unfashionable in today's Russia, as they represent a system of values that is inherently Western-oriented.

Both Esquire and GQ have started to include more political stories and interviews in their pages in recent years.

"This is also a large-scale industry that was growing fast. Russian GQ was one of the most profitable worldwide," Uskov said.

The new law will make present owners sell their media assets at a significant discount, according to Vasily Gatov, an independent media analyst.

"I believe this is a logical initiative within the 'sealing off' of the social system and the country overall," he told The Moscow Times in e-mailed comments.

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