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Putin Goes After Bloggers, Not Profits

By Kevin Rothrock

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At a highly anticipated meeting last week, President Vladimir Putin spoke to Yandex's Arkady Volozh and Mail.Ru's Dmitry Grishin, both Internet industry leaders who stand to lose huge sums of money if the Kremlin's Internet crackdown causes Russian consumers to take their business to foreign competitors like Google.

Many had hoped tough questions would be asked of Putin. Instead, the president used the event to convey to investors that curbs on online political freedom, no matter how onerous, will not harm the country's homegrown Web giants.

Putin's third presidential term, which began in 2012, has seen a steady stream of new regulations and laws curtailing online freedoms. In August this year, a set of "anti-terrorist" statutes will go into force, saddling bloggers and websites with a host of new obligations and restrictions.

Even more ominous developments may be on the horizon. In mid-May, the deputy director of Russia's chief censorship agency stated that his office could shut off access to Twitter or Facebook in a matter of minutes. In late April, rumors circulated that a Kremlin working

group was drafting plans to seize greater control over Russia's DNS servers and domain coordination center, instituting a "tiered data-transfer system" that would limit access to foreign content.

This has made things tough for the Russian online business. After Putin stated publicly in late April that the CIA controls the Web, for instance, Yandex dropped 16 percent on the Nasdaq.

In the wake of these developments, and considering the fact that Putin has not met with Internet industry heads in over a decade, the meeting promised something provocative. What happened, however, was anything but.

The only person who came close to broaching the sensitive issue of online political freedom was Mail.Ru's Dmitry Grishin, who gently suggested that the government consult more closely with Internet companies before passing new regulations.

"It is very often that the ideas in these regulations are very sound," he began, "but unfortunately it sometimes occurs that the implementation, generally speaking, scares some people." To avoid this, Grishin proposed a "system process" to ensure better feedback.

In response, Putin explained that regulations are unavoidable in a "normal society," telling the audience that Internet commerce is now too big in Russia to escape state supervision. "Every day, a third of our citizens go online," Putin said, "and of course this is subject to some kind of regulation."

The president then claimed that the government has consulted with Internet industry heads before introducing blacklists of websites that allegedly host child pornography and information promoting suicide, illegal drugs, and terrorism.

But despite the political crackdown, the main takeaway for traders was that the market was safe.

"Nothing can be instituted that would contradict the interests of the free market," Putin explained, "bearing in mind the great volume of business."

In other words, persecuting bloggers and meddling in the news media is not aimed at uprooting the Internet business. Yandex stock rallied to a three-month high, erasing losses from April. Shares in Mail.Ru, too, reached their highest level since April 1 on the London Stock Exchange.

Internet freedom is a wonderful thing, but nothing apparently soothes investors like photographs of a smiling Vladimir Putin in a room full of nodding executives.

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