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Russia's Arms Maker Rostec Bypasses Western Sanctions by Selling Plant

By The Moscow Times

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Russia's Rostec unites more than 600 companies that make products including weapons.

Russia's Rostec, a state-owned conglomerate hit by Western sanctions over Ukraine, will sell a small arms factory to a businessman who is not blacklisted to allow further sales to Europe and the United States, officials and sources said.

The European Union and the United States targeted Rostec and its head Sergei Chemezov in sanctions over Russia's role in Ukraine where the West accuses Moscow of fanning separatist unrest and arming rebels.

Moscow denies the accusations and has hit back with its own trade curbs.

Rostec, which has stakes in some of Russia's largest industries and partnerships with foreign companies, unites more than 600 companies that make products including weapons and automobiles and employ close to a million Russians.

Created in 2007 by President Vladimir Putin, it owns Kalashnikov, the maker of the Ak-47 assault rifle used in conflicts around the world.

Parties to the deal said businessman Andrei Bokarev will buy 75 percent of Rostec's Izhmekh plant, whose products include hunting rifles and sporting guns.

"The deal with take place in two stages, the first one in the first quarter of 2015, the second one a bit later," said a spokesman for Bokarev, declining to state the value of the deal.

Russia is the world's second-largest arms exporter after the United States. Izhmekh says its guns are shipped to more than 70 countries, including Germany, Cyprus and the United States.

"As a result of the sanctions, we were forced to review the strategy for a number of our holdings," Rostec said in emailed comments.

A source close to the company said the deal was aimed at "ensuring sales market for Izhmekh in Europe and the United States."

U.S. Treasury Department sanctions on Rostec include a ban on U.S. individuals or companies dealing with Rostec in debt transactions of more than 30 days maturity. The EU sanctions include a visa ban and asset freeze on Chemezov, a Putin ally.

Rostec has said its 2013 revenues stood at 1.04 trillion rubles ($27 billion) with net profit at 40 billion rubles ($1 billion).

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