

Data Law Will Cost Russia \$6 Billion – Report

By [The Moscow Times](#)

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The data localization law and earlier Russian data privacy regulations could bring investment in Russia down 1.41 percent.

A new law requiring companies to store Russian users' data domestically could shave \$5.7 billion, or 0.27 percent, off Russia's gross domestic product this year and jeopardize productivity in the long term, a study by the European Center for International Political Economy (ECIPE) found.

"Such a mandate disrupts data flows and economic production by forcing businesses to choose less efficient local suppliers to handle data within Russia," ECIPE, a Brussels-based think tank, said in a report given to The Moscow Times on Tuesday.

Set to come into force on Sept. 1, the law requires domestic and foreign companies to hold Russians' personal data on servers located within Russia from Sept. 1 this year.

Russia is not the only country with a law of this kind — Vietnam, China, Indonesia and India have similar legislation — but Russia is the first fully modern economy to take such action, the study said.

It's not only the Internet and information technology industries that are affected by requirements to localize data. Essentially all businesses are impacted, and particularly those in the service industries, which make up about half of Russia's GDP, the report said.

The law strikes economic productivity on a number of levels, the researchers found: it increases costs for foreign and domestic companies, who must now switch to new providers and build data centers in Russia; it creates an added cost for foreign firms that export to Russia; and it decreases investment returns by lowering productivity in a number of industries.

The data localization law and earlier Russian data privacy regulations could bring investment in Russia down 1.41 percent, a drop of 187 billion rubles (\$2.9 billion), the study said.

In the long term, the law's negative impact on "technological progress, competitive behavior and Russian firms' innovative capacities" could be even higher than these estimates, the report said.

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