

‘Foreign Companies Are Being Taken Hostage’: Kremlin Escalates Campaign on Western Corporates

Russia unlikely to stop with the seizure of Russian assets of Carlsberg and Danone, experts say.

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The Danone dairy plant in Chekhov, Russia. **Maxim Shipenkov / EPA / TACC**

The Kremlin’s move to seize the Russian assets of Carlsberg and Danone is Moscow’s most brazen attack yet on foreign firms operating in Russia, and is likely to trigger fresh concern among businesses that have continued operating in the country, experts said.

President Vladimir Putin is handing control of the Russian subsidiaries of French food maker Danone and Danish brewer Carlsberg to regime loyalists, according to local media reports and government corporate registries, in a move that amounts to an expropriation of assets valued at well over \$1 billion.

Both companies have huge operations in Russia and had publicly said they were preparing to exit the country, though had not yet closed down operations or finalized a sale.

Danone, the largest producer of dairy products in Russia, took in \$3 billion in revenues in Russia last year, according to the Kyiv School of Economics (KSE). Its Russian subsidiary will be taken over by longtime Putin friend Taimuraz Bolloev, who has connections to Kremlin-favored tycoons Yuri and Mikhail Kovalchuk as well as Arkady Rotenburg.

Beer-maker Carlsberg — whose Russian subsidy Baltika chalked up \$1.6 billion in sales in 2022, according to KSE analysis — is to be handed to Yakub Zakriev, the nephew of Chechen leader Ramzan Kadyrov, a key Putin ally in the restive North Caucasus region.

“It shows that Russia is prepared to take countermeasures against Western companies in order to curry favor with the new elites. The redistribution of wealth is reminiscent of the 1990s, when the oligarchs emerged,” said Maria Shagina, a senior research fellow for economic sanctions at the International Institute for Strategic Studies (IISS).

Since it invaded Ukraine, Russia has repeatedly threatened to seize control of Western businesses in the country, though the most drastic moves to date — taking over the Russian assets of Finland’s Fortum and Germany’s Uniper earlier this year — seemed to be limited to energy companies and were justified by the Kremlin in terms of national security or retaliation for Germany nationalizing a local subsidiary of Russian gas giant Gazprom in 2022.

Now that the Kremlin has crossed another threshold by expropriating the Russian operations of two major food-and-drink manufacturers and handing them to Kremlin loyalists, it is unlikely to stop there, experts said.

“The second time you do something suggests it wasn’t a one-off, so everybody has to be worried now,” said Nigel Gould-Davies, a senior fellow for Russia & Eurasia at the International Institute for Strategic Studies.

“The writing is on the line for remaining Western businesses in Russia. Russia will appropriate most of these as Putin looks to reward allies, and shore up his regime,” said Timothy Ash, an expert in the world of Russian investment and economist at RBC BlueBay Asset Management.

Gould-Davies said the timing and nature of the Kremlin’s swoop could also be a response to last month’s Wagner mercenary mutiny, with Putin now “prepared to engage in flagrant violation of investor property rights in order to keep friends.”

While likely to trigger a fresh round of concern among Western companies that have stayed in Russia, an immediate mass exodus is unlikely given the obstacles the Kremlin has placed in front of companies trying to exit.

Related article: [Kremlin Loyalists Handed Seized Carlsberg, Danone Assets – Reports](#)

“It should incentivize other companies to leave,” said Shagina. “But any new divestment will face challenges, ranging from the Kremlin’s approval to paying an exit tax.”

Companies from so-called “unfriendly” countries need to secure approval from a government commission to sell their assets — with those operating in strategically important sectors, like energy, requiring Putin’s personal approval.

Firms can only sell for a maximum 50% of the market value and must continue paying taxes to the Russian state for two years or make a one-off “contribution” to the Russian government worth 10% of the sale value. Upon striking a deal, companies then face difficulties getting hold of the proceeds because of Russian capital controls and a highly-volatile foreign exchange market.

Russia’s frozen assets

In the West, the expropriation is set to reinvigorate the stalled debates about what to do with the \$300 billion of Russia’s Central Bank assets frozen by the G7 at the start of the war.

Campaigners have long pushed for the funds to be used to support the Ukrainian war effort or pay for reconstruction, but have faced resistance from officials.

“One of the arguments against this has been that if we do it, it risks Russian retaliation. Well it is happening anyway, so why hold back?” said BlueBay’s Ash.

“If Russia is going to seize Western corporate assets anyway, or put them under permanent threat, then that undermines the argument that some kind of bargain can be reached between Western assets in Russia and the immobilized central bank assets held in Western financial jurisdictions,” added Gould-Davies.

Among campaigners, there is little sympathy for the fate of companies who have dragged their heels over leaving and are now facing the prospect of nationalization.

“It was not waiting and pretending that one can still make good money in Russia,” said Elina Ribakova, a senior fellow at the Peterson Institute.

“The risk-reward is no longer there, the more one waits, the more likely they are to lose everything. Foreign companies are being taken hostage,” she added.

Jeffrey Sonnenfeld, a professor at the Yale School of Management who has been campaigning for Western firms to disengage from Russia from the start of the war said Danone and Carlsberg were paying the price for being too slow and indecisive over their plans to leave.

“Both firms could have written off these assets five, 10, or 15 months ago — and enjoyed the surge of stock value where financial markets rewarded 1,050 other multinationals for their courage in doing the right thing,” he told The Moscow Times.

“Instead, they vacillated, perhaps due to greed or cowardice ... Putin seized upon this management weakness.”

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