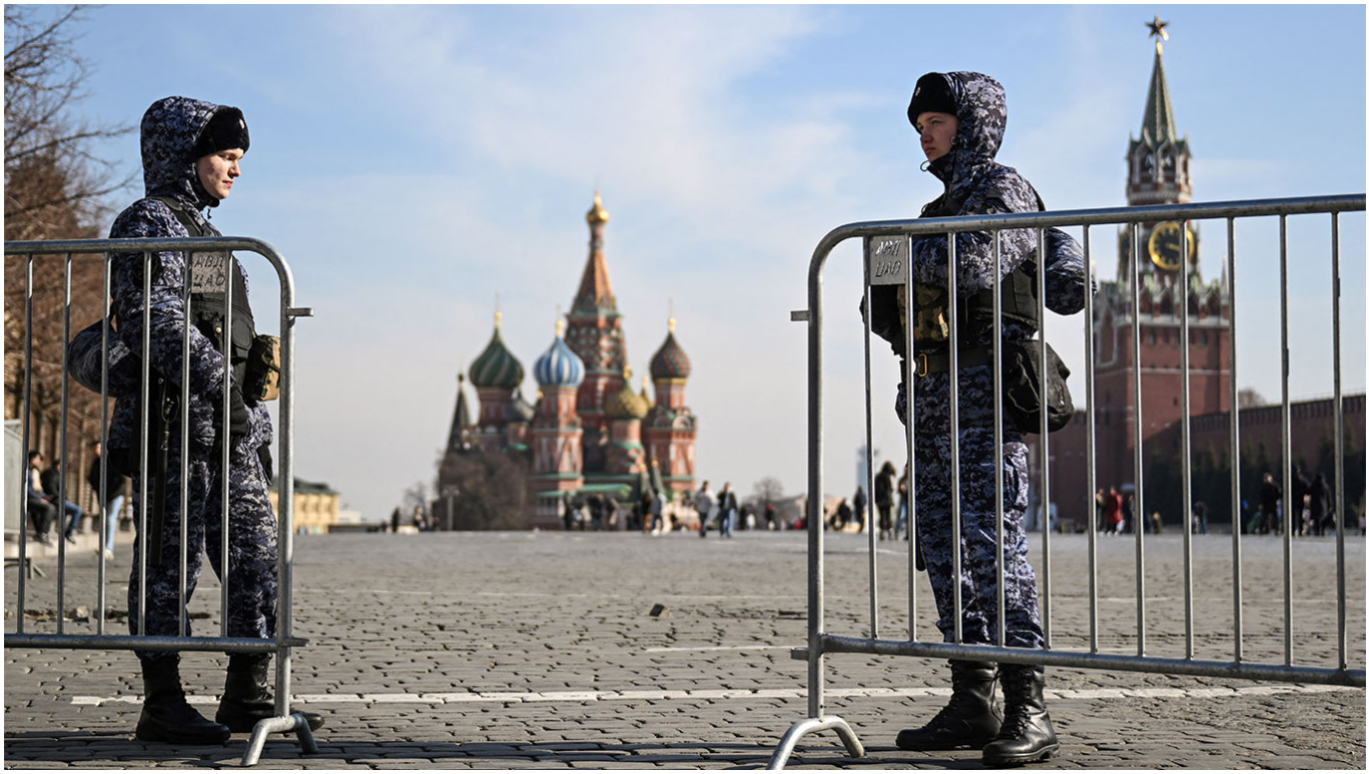
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Kremlin Has Nationalized $50Bln in Assets Since Ukraine Invasion – Report

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Natalia Kolesnikova / AFP

Russia has nationalized $50 billion worth of private assets since the full-scale invasion of Ukraine, according to a new report by the Moscow-based law firm Nektorov, Saveliev and Partners (NSP).

The sum is roughly equivalent to the country's annual budget deficit or one-third of its annual military expenditures.

NSP documented 102 cases of asset seizure from private owners since the invasion in February 2022, spanning a broad range of industries but are concentrated in strategic sectors seen as vital to sustaining Russia's war effort.

"The Kremlin is solving two problems at once," Andrei Yakovlev, a fellow at Harvard University's Davis Center for Russian and Eurasian Studies, told Bloomberg. Reselling these nationalized businesses both brings in revenue and "reshapes the business elite so their fate is tied to the regime's survival."

Russia's Constitutional Court in 2024 abolished the statute of limitations for privatization deals, effectively opening the door for authorities to reexamine, and in many cases reverse, transactions dating back to the 1990s.

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Foreign-owned enterprises are sometimes shielded by international investment treaties, but Russian officials have sidestepped these protections by invoking presidential decrees to transfer ownership to the Federal Property Management Agency under so-called "temporary" state control.

According to NSP, the number of foreign businesses seized through such decrees rose from nine in 2023 to 16 this year.

Asset seizures are most frequently carried out under the law on strategic enterprises, which allows the government to regulate firms deemed strategically important to national interests.

Since the invasion, this law has been used to confiscate 1.539 trillion rubles' ($19.7 billion) worth of assets, according to NSP's calculations.

The report also attributes 1.07 trillion rubles ($13.7 billion) in seizures to alleged corruption, 385.4 billion rubles ($4.9 billion) to irregularities during privatization, 621.5 billion rubles ($7.9 billion) to "ineffective management" and 181.8 billion rubles ($2.3 billion) to anti-extremism measures.

While state authorities present the seizures as necessary for protecting national interests, critics argue the moves have eroded legal norms and undermined investor confidence.

The seizures have become "chaotic" and "out of control," Alexandra Prokopenko, a fellow at the Carnegie Russia Eurasia Center in Berlin, told The New York Times in February.

Replacing private owners with managerial experience "with those who owe their success to the state will inevitably reduce overall economic efficiency," Yakovlev said.

NSP lawyers now advise Russian business owners to preemptively divest from anything that could be interpreted as a liability: foreign citizenships, overseas properties and ties to companies in so-called "unfriendly" countries. They also recommend transferring shares to partners with stronger ties to the Russian state.

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