

# FDI CONTROL IN RUSSIA'S STRATEGIC SECTORS: FROM NATIONAL SECURITY TO ASSET CONSOLIDATION

*by Evgeny Roshkov, Philippe Pegorier, Partners,  
& Evgeny Korchevoy, Senior Counsel,  
Kesarev*



*Evgeny Roshkov*



*Philippe Pegorier*



*Evgeny Korchevoy*

In recent years, Russia has dramatically transformed its regulatory approach toward foreign direct investment (FDI) in strategic sectors. What began as a protective mechanism rooted in national security has evolved into a far-reaching instrument for reshaping corporate ownership, accelerating de-offshorization, and enabling selective nationalization. This article outlines key changes, enforcement trends, and political motivations behind this transformation, with a focus on the last 3 years (2022-2025).

## I. The Shifting Logic Behind FDI Control

Russia's tightening FDI screening regime reflects a broader shift in the state's priorities - from protecting sovereignty to actively redefining ownership structures. Since 2022, the legislative framework has grown increasingly complex, targeting not only traditional foreign investors but also domestic actors with "foreign elements" (such as residency permits or dual citizenship).

At the heart of this shift lies the updated FDI control legislation -the Federal Law No. 57-FZ setting the procedure of approval for Foreign Investments in the Business Entities of Strategic Importance for Russian National Defence and State Security". Amendments introduced between 2022 and 2025 broadened the list of strategic sectors and introduced new screening criteria. Notably, the law now applies retroactively, requiring post-facto clearance even after changes in citizenship or residency status. These developments reflect a deeply securitized logic: protecting strategic assets not just from foreign control, but from any perceived vulnerability linked to global affiliations.

## II. Institutional Dynamics: How the System Works

The enforcement of FDI rules is increasingly opaque. The Government Commission on Monitoring Foreign Investments - Russia's key review body - has held all its meetings online since 2022, with no publicly available case data. While the Federal Antimonopoly Service (FAS) officially coordinates the process, real decision-making power lies with security organs and key political stakeholders, including the Security Council and Presidential Administration.

According to FAS comments from April 2025, only two Commission meetings had occurred in 2025 by mid-year - down from eight in 2024. This suggests increased selec-

tivity and possible behind-the-scenes handling of key transactions.

Despite the lack of transparency, available data indicates that out of 24 transactions considered in 2024, only 15 were approved. The range of deals under scrutiny now includes foreign exits, cross-border mergers and acquisitions, and redomiciliation of Russian companies with foreign links.

## III. Legal Innovation in Asset Control

With direct nationalization through challenging the 1990s privatization decisions proving politically costly and legally risky - particularly after 2024 rulings from the Supreme and Constitutional Courts - Russian authorities have embraced FDI control legislation as a new pathway to challenge ownership rights.

To date, key mechanisms for challenging ownership rights include:

- Asset seizures based on the Asset seizures based on corruption charges: Used selectively for owners without foreign connections, particularly where legal narratives can be framed around anti-corruption.
- FDI violations: Growing in prominence, with strategic justifications linked to national security. These cases are often hard to contest and have become the preferred route for reasserting state control.

### A series of high-profile cases illustrate this shift:

Asset	Date	Nature of Violation	Outcome	Estimated Value (€)
Chelyabinsk Electrometallurgical Plant (ChEMK)	February 2024	Indirect foreign control over strategic metallurgical enterprises	Nationalized via court	~600–750 million
Rodnye Polya (agricultural trader)	January 2025	Foreign control over a key agricultural company	Seized by the state	~100–150 million
Raven Russia (logistics warehouses)	January 2025	Strategic assets under foreign ownership without approval	Transferred to state control	~500–700 million
Domodedovo Airport	February 2025	Foreign control of strategic infrastructure without permission	Nationalized	~800–1,000 million
St. Petersburg Oil Terminal	April 2025	Foreign ownership without government commission approval	Shares transferred to the state	~150–200 million

These cases underscore how FDI law is being weaponized not only for compliance but for the redistribution of control over strategic assets.

## Key observations:

**1. Legal formalism with geopolitical undertones:** Most cases cite procedural violations (e.g., lack of approval for foreign shares), but enforcement is selective and often politically or economically motivated.

**2. Almost any asset can be designated as strategic if there is a goal to nationalize it.** Neither a non-standard or harmless line of business nor a small scale serve as protection against potential designation as strategic.

**3. A signal to foreign investors:** Even old deals can be revisited if current political or strategic priorities demand it.

## IV. The Power Map: Who Is Driving the Process?

The evolution of FDI control in Russia is the result of coordinated efforts by a constellation of political, security, and economic actors:

■ **Political and Security Institutions:** The Security Council (chaired by ex-Minister of Defence), the Presidential Administration, and the Federal Security Service (FSB) define the national security agenda and can initiate legislative changes.

■ **Regulatory Executors:** The FAS and sector-specific regulators (e.g., the Ministries of Industry, Agriculture, Energy, Transport etc.) translate strategic priorities into actionable rules.

■ **Enforcement Enablers:** The Prosecutor General's Office plays a key role in retroactive legal challenges. Courts have also shown a growing willingness to side with the state, particularly when national security arguments are involved.

■ **Economic Actors:** State-aligned businesses benefit from and influence enforcement practices. They often

emerge as direct or indirect beneficiaries of asset reallocation, reinforcing their dominance in strategic sectors.

## V. Outlook: Control, Consolidation, and the Future of FDI

Russia's evolving FDI control regime signals a departure from traditional investment principles. The trend is not just about minimizing foreign influence - it is about re-centering state control, restructuring economic sovereignty, and redefining the boundaries between public and private ownership.

For foreign investors, this means navigating a highly politicized environment with shifting goalposts. Legal compliance is no longer sufficient; alignment with national security and industrial policy priorities and political tolerance levels are equally critical.

For Russian stakeholders, the legislation creates both opportunity and risk. On one hand, it enables asset consolidation under national champions. On the other, it risks deterring future capital inflows and undermining long-term economic diversification.

Russia currently stands out as one of the few countries using FDI control not only to limit foreign access and influence, but also as a mechanism for fiscal extraction and domestic redistribution of ownership. However, given the growing exchange of policy practices among BRICS officials, this trend may soon expand beyond Russia's borders. As intergovernmental cooperation within BRICS deepens, similar approaches to FDI screening and enforcement could emerge in other member states, particularly where state-led development models are gaining momentum.

In short, FDI control in Russia is no longer just about foreign investments. It has become a central pillar of the country's economic policy - one that blends legal precision, strategic intent, and selective enforcement in pursuit of a tightly managed economic order.