

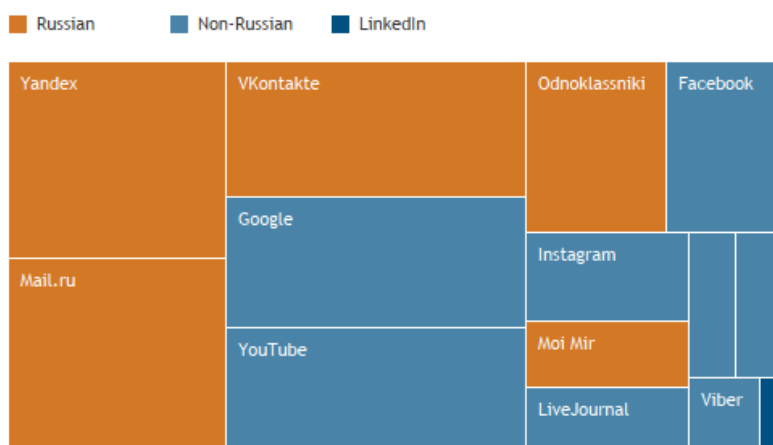
# Will the LinkedIn case start a chain reaction for US tech businesses in Russia?

Blog post by Adviser Alexander Smotrov, 11 November 2016

This week the Americans elected a new president who is portrayed by some as an agent of change for US-Russian relations and a potential advocate of large US businesses operating in Russia. Donald Trump was quickly congratulated by President Putin, who publicly sought to restore severed links with Washington. What happened within the next 36 hours to two large US tech companies working in Russia could be a pure coincidence however, it sends a clear warning signal to American businesses.

First, on Thursday the powerful Russian competition watchdog - the Federal Antimonopoly Service, FAS (ironically, in Russian “fas!” means “attack!”) - opened an anti-trust probe into Microsoft for alleged abuse of its dominance in the antivirus software market. This was done in response to a complaint filed by the Moscow-based internet security giant Kaspersky Lab who accused Microsoft of unreasonable reduction in the time allowed for third party software producers to adapt their antivirus packages to Windows 10. This investigation put Microsoft on a list of the FAS targets together with Apple and Google who are both respondents in unrelated anti-monopoly cases in Russia with hefty fines hanging over them.

Top internet services in Russia



Source: TNS, Brand Analytics, Mail.Ru Group

Second, the Moscow City Court on the same day rejected LinkedIn's appeal against an earlier district court decision to block the service at the request of the Russian media and internet regulator Roskomnadzor. The 2014 data localisation law requires companies to store Russian citizens' data in the Russian Federation. Many foreign tech businesses - from Booking.com and AliExpress to Viber and eBay - have since moved their data storage to Russia. However, the law has not been implemented either strictly or evenly, as often happens in Russia, with major US players such as Facebook and Twitter having been spared penalties for non-compliance.

LinkedIn - which is now in the process of being acquired by Microsoft - has become the first major target of Roskomnadzor's "risk-oriented approach", apparently because of its historic problems with personal data security. LinkedIn may have also been chosen because of its relatively small footprint in Russia, with only 5 million registered users - mostly 'white-collar' professionals - and no local office. Far from being a near-utility for ordinary Russian users, it was seen as the weakest link among its bigger peers, but important enough to become a showcase. Yet, LinkedIn does not have local competitors in Russia - unlike Google, Microsoft or Facebook - who could benefit from LinkedIn's shutdown. The only similar service called Moi Krug ("My Circle") was sold off by Yandex in 2015 and effectively wound down.

Unless a last-minute solution is negotiated by LinkedIn's lawyers, Roskomnadzor will order internet service providers to block LinkedIn in Russia from as early as next week. The ruling, if enforced, will set a precedent for larger US internet giants giving the regulator additional leverage against Facebook, Twitter, WhatsApp and their likes. They would now need to urgently review their compliance strategies and negotiating tactics with the increasingly unpredictable Russian authorities. And Mr Putin might not be able to see a LinkedIn request sent to him by Mr Trump for quite a while.