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Comment: Brian Zimbler

The Crimean crisis – is it still business as usual for Russia?

As the EU and US threaten tougher sanctions and Russia remains defiant, trading conditions are still secure – for now

Wikipedia/Yuriy V Dzyadyk

For international lawyers involved with Russia and Ukraine, recent weeks have been challenging. Emotions have been running high on all sides, markets have gyrated, and clients have asked for urgent guidance. New developments occur daily, and the situation remains fluid.

The European Union (EU) and United States (US) have imposed asset freezes and visa bans against selected individuals in Russia and Crimea, primarily political and military figures. The US list includes several prominent tycoons and a Russian bank. The sanctions generally prohibit transactions with listed persons and their subsidiaries. Compliance managers have been sent scrambling for their databases of clients, trading partners and suppliers. Careful analysis may be required to determine when the sanctions apply, potentially affecting even some non-EU or non-US activities.

Extended sanctions?

The big question is whether the sanctions will be extended. This may depend on geopolitical events, and whether the crisis can be "de-escalated." Western leaders have declared their readiness to toughen sanctions. Numerous analysts have warned of the potential damaging effects of broader sanctions for Russia, the EU and other countries, and this remains a topic of active debate.

The Russian authorities have responded to the EU/US sanctions with defiant statements, and imposed visa bans on certain foreign officials. The Russian parliament has reportedly discussed possible sanctions against the EU and US, but has taken no action so far.

The situation in Ukraine is complex, and a number of Kyiv lawyers have circulated eloquent statements which make essential reading. Companies operating in Crimea — now fully under Russian control but still claimed by Ukraine — are in legal limbo.

Crisis leaving its mark

So is it still "business as usual" in Russia? For now, yes. Except for the small number of sanctioned parties, companies are free to trade. Credit lines remain open and Russian borrowers continue to attract international financing. However, the economic picture is uncertain. The crisis has left its mark on Russian equities: the dollar-denominated RTS Index is 14% lower than a year ago. The Russian ruble has fallen about 10% this year, and even pre-crisis was at a five-year low. These sobering indicators have dealt a serious blow to business confidence.

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Brian Zimbler, Morgan Lewis & Bockius

The long-term outlook is less clear. Major multinationals in Russia are doing their best to carry on. Potential new investors have been caught unawares, and some are putting their plans on hold. Russian companies are deeply concerned about possible further sanctions. Some Russian investors have pulled assets out of Western jurisdictions, while up to $70 billion may have left Russia in the first quarter of 2014.

Overall, the picture remains mixed. Here in Moscow, our fingers are firmly crossed in hopes of a swift and peaceful resolution of the crisis.

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