

## RUSSIA: Mobilizing economic resources to sustain the war

Urgent consideration of legislative amendments aimed at mobilizing economic resources to support the country's armed forces is indicative of significant losses incurred in Ukraine and Moscow's plans to sustain its military operations in the longer run. Meanwhile, a bill proposing external management of foreign companies that have suspended operations in Russia is unlikely to be adopted at least until the autumn.

Earlier today, 5 July, the State Duma (lower chamber of parliament) adopted in the first reading a package of amendments aimed at supporting the country's armed forces during military operations outside Russia. The amendments were proposed by the cabinet citing increased demand for "weapons repair, military equipment, and the provision of other material and technical means" amid the ongoing military activity in Donbas and sanctions imposed on Russia. According to the proposed bill, the country's president would be able to invoke special economic measures, which would allow authorities to:

- activate state mobilization capacities and facilities
- unblock material assets of the state reserves
- in certain industries, regulate labor relations and working arrangements, including extended working time, work during state holidays, overtime, etc.
- procure goods and services from a single supplier
- oblige legal entities – regardless of their type or ownership – to implement government orders aimed at supporting the military
- revise the scope of work and pricing in the existing government contracts.

To come into force, the amendments still need to be adopted by the State Duma in two more readings, approved by the Federation Council (the upper chamber of parliament), signed by the president, and published in the official registry of laws. However, the legislative procedures are moving swiftly and the second (and potentially third) reading vote is expected to be held on 6 July, the last scheduled plenary sitting in the State Duma during the spring session. Given the urgency expressed by the government, the bill is likely to be prioritized.

The mobilization of the country's economic and industrial potential to support the military is a tacit acknowledgment of significant losses incurred since the start of the invasion and approaching shortages of certain types of equipment. At the same time, Moscow could be seen as preparing to sustain its military operations in the longer run.

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## Nationalization bill stalls

Meanwhile, the consideration of a draft bill concerning the [external administration of foreign-owned companies](#) that have left or suspended operations in Russia after the start of the so-called “special military operation” has largely stalled after passing through the first reading in the State Duma on 24 May. The bill has faced considerable backlash from domestic business organizations over various legal details. There is also limited economic rationale for advancing this controversial legislation as the country has not seen a surge in unemployment associated with the mass departure of foreign businesses, many of which are divesting from Russia with a focus on preserving employment and operations. The bill will likely be kept in the freezer until the autumn parliamentary session, which usually starts in September.

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