
The Key Player in Russia's Cybersphere

What the West Needs to Know about VK Company



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This paper analyzes the rise of VK Company and the creation of its super app to increase state surveillance and the dissemination of propaganda in Russia. The app is on its way to combining social networking and services related to healthcare, education, and e-government under one roof. Western policymakers need to be aware of why and how the Russian state is pushing its citizens to use such domestic services. Only then can they counter the use of data generated by such services in facilitating the state supervision and control of society.

- VK Company is arguably Russia's most prominent internet services conglomerate and, through it, the state controls vast parts of the Russian online sphere, including social networks, payment services, and educational tools.
 - Through VKontakte, VK Company's biggest asset, the company is creating a super app that aims to control major parts of Russians' everyday life, generating more user data for the state and locking people into a domestic, controllable network.
 - Western policymakers should counter the aim of the Russian state to create accessible user profiles that will likely be used for surveillance and propaganda dissemination. They should focus on keeping communication channels open through Western companies and hamper business with VK Company.
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EXECUTIVE SUMMARY

This paper discusses the growing control and surveillance of the internet in Russia – where online freedom has been declining since 2011 – by VK Company, a Russian IT services firm. Since the early 2000s, many Western internet companies have been able to develop and build up a significant user base in Russia. However, the fact that these companies do not host their servers within Russia, which results in the data of Russian citizens being stored abroad, is a challenge for state authorities. This situation makes it difficult for the Russian Secret Service to access the data of Russian citizens who use these services. Although data inspection and wiretapping remain feasible, modern encryption and secure internet protocols make these processes highly expensive and complicated.

To overcome this obstacle, the Russian government is actively pursuing a strategy to encourage Russian users to adopt domestic services. VKontakte, the largest social network in Russia, possesses a vast amount of data that authorities can exploit to their advantage. By effectively monitoring this social network, valuable information about citizens can be obtained. The Russian state predominantly owns VK Company, the developer of this app, and the government strives to promote the popularity of domestic services, ultimately leading a significant portion of the Russian population to rely solely on an all-Russian ecosystem.

This paper draws parallels to China's WeChat, which has established itself as a comprehensive super app extensively relied upon by Chinese society. WeChat provides the Chinese government with a complete citizen profile of all its users, encompassing personal information, private messages, and health and financial details. Further, the paper argues that VK is attempting to emulate various aspects of WeChat's strategies, potentially granting the Russian authorities greater control over Russian society in the long run.

Germany and Europe only have limited abilities to counter this trend. Russia will further segregate its internet and social networks from the rest of the world and incentivize its citizens to use domestic services. Democratic states like Germany must understand the importance of internet services, especially if their raw power and data are combined into one super app. Since these apps are designed to be very convenient, they might appeal to many users. At the same time, such apps also appeal to autocratic states because they enable them to gather an unprecedented amount of data centralized in one interface. Germany and the EU must protect the user data of their citizens at all costs and closely monitor the

activities and policies of internet companies. Because untransparent ties between states and internet service companies, as well as untransparent policies of the latter, can be used to secure the political agenda of a country's elite, they must be avoided.

In German political circles, people were astounded by how little Russian civil society spoke out against Russia's war against Ukraine. And even though the reasons for this are manifold, successful Russian propaganda is key to the regime's popularity. With total control over VK and diminishing Western presence in the Russian internet service sector, Russian propaganda risks becoming even more effective.

This paper gives **four recommendations** to enable Western policymakers to respond to developments in Russia's IT sector spearheaded by VK Company:

The first recommendation emphasizes the **importance of keeping Western social media services and search engines accessible in Russia**. This would slow down the state's increasing power in the online sphere because users are unlikely to switch to domestic alternatives if accustomed services continue to work. German policymakers should encourage internet service companies to keep communication channels open and support such actions financially.

The second recommendation suggests that **removing the VK app from Apple's App Store could encourage Russian citizens to move away from the service**. This step may, however, lead to retaliation from Russia. Western IT companies should develop protocols to circumvent the potential blocking of their services in Russia, and governments should offer support to make these endeavors a reality.

The third recommendation focuses on **imposing sanctions on VK Company** to hamper its growth and limit its access to software and hardware. Western countries should explore measures to make it difficult for Russian authorities to maintain and expand infrastructure for propaganda dissemination and population monitoring.

The final recommendation highlights the **need for Western countries to prioritize data protection and educate the population about its importance in a functioning democracy**, taking inspiration from the EU's approach. Strengthening civilian awareness is necessary to counter the control of state-owned social media giants in countries disregarding civil rights.

INTRODUCTION

Modern technologies allow states to process and analyze more of their citizens' data. This fact plays into the hands of authoritarian regimes, which are constantly seeking new technologies to monitor and control their citizens. The combination of the global nature of the internet, a diverse array of data anonymization tools, and internationally operating internet companies with servers abroad, however, renders data monitoring and supervision more challenging for authoritarian systems.

In this context, Russia is a particularly interesting case. Over the years, internet freedom in Russia has been systematically declining. But until the major demonstrations against the government in larger Russian cities from 2011 to 2012, many Western internet companies were active in Russia. Moreover, in contrast to China with a negligible presence of Western internet firms, many of them still are. WhatsApp, Instagram, and YouTube remain among the country's most popular social networks – although the state has now blocked Instagram.

Russian authorities are increasingly looking for ways to control and monitor the data streams of Russian citizens. For authorities to really know what is happening within the country, data analysis and wiretapping are needed. Here, Western internet firms present a problem because they do not operate any servers on Russian soil, meaning the data of Russian citizens are stored abroad. For the Russian Secret Service, it is thus very hard to access the data of Russian citizens using these services. Data inspection and wiretapping are possible, but modern encryption and secured internet protocols make this process costly and complicated.

This is where the Russian social media giant VK Company and its app VKontakte come in. Being the most popular social network in Russia, VKontakte comes with an incredible wealth of data that authorities can use to their advantage. If the state manages to monitor this social network in the best possible way, much valuable information about Russian citizens can be obtained. Further, if those authorities could drive even more Russian citizens to use services that operate on domestic servers, they could also monitor them much more easily.

In this paper, I argue that the state is actively pursuing a strategy of pushing Russian users toward domestic services. Through the social media giant VK Company and several other measures, the state is trying to make domestic services as popular as possible so that many Russian citizens get locked into an all-Russian ecosystem. To better understand what Russian authorities and VK are likely trying to achieve, I will draw parallels to the Chinese app WeChat. In China, WeChat achieved years ago what every authoritarian government dreams of: it created a super app on which almost every citizen heavily relies – one that gives the state a complete profile of every user, including personal information, private messages, and health and financial details.

First, I will explain what VK Company is – starting from the role of Yandex, the leading Russian company in internet services – and why it is largely owned by the Russian state, even if this may not initially seem obvious. After I have assessed the impact of Russia's war of aggression against Ukraine on VK Company, I will explain the risks that a super app like China's WeChat can have for freedom of speech within a society, making the connection to how VK is striving to mimic strategies that could assure Russian authorities more control over Russian society in the long run. Finally, I will give German and EU policymakers four recommendations on how to react to these developments in Russia.

YANDEX DECLINES WHILE VK COMPANY RISES

Yandex was once considered the flagship company of the Russian tech scene. Founded in 1997 with a name that is an acronym for "Yet Another Index," it quickly established itself on the Russian IT market with its search engine. As this market grew, more companies began offering services there. Google recognized the potential of Yandex early on and even attempted to acquire the company in 2003. Despite a challenging battle, Yandex managed to remain independent. Today, Yandex still ranks among the largest internet companies in Russia, alongside Google and VK Company (formerly Mail.ru Group). Like Amazon, Yandex has expanded beyond its search engine to provide various services, including maps, taxis, food delivery, and music streaming.¹

1 Gideon Lichfield, "Podcast: How Russia's Everything Company Works with the Kremlin," *MIT Technology Review* (September 30, 2020): <https://www.technologyreview.com/2020/09/30/1009174/podcast-russia-yandex-kremlin/> (accessed August 28, 2023).

Russia's war of aggression on Ukraine has put Yandex under pressure. While the company makes most of its turnover in Russia, its shares are traded internationally. Thus, its market capitalization has collapsed from more than \$31 billion at the end of 2021 to roughly \$7 billion in mid-2022.² In addition, the West has sanctioned top Yandex executives, and hundreds of employees have quit.³

In the past, Yandex has repeatedly tried to diversify its business model and establish a client base in other countries outside of Russia and the Commonwealth of Independent States (CIS), which is comprised of eleven former Soviet Socialist Republics. Initially, the company attempted to expand its core business internationally by launching its search engine in Turkey. Despite its efforts, the market share of Yandex's search engine there remained low, reaching only 4.2 percent and never exceeding 7 percent. Although Yandex has over 60 percent market share in the search engine market in Russia,⁴ its share of the market worldwide in 2021 was less than one percent.⁵ Yandex's management has acknowledged the challenges that the language barrier presents to developing its search engine in non-Russian-speaking countries.⁶

Over the years, Yandex pursued further activities. These include, for example, a project on self-driving cars and courier robots that was mainly driven from the United States, data centers in Finland, or taxi services abroad. While Yandex's taxi business is one of the company's largest divisions, the lion's share of its revenue is still made within Russia. Moreover, many of these projects have been halted since the onset of the war.

Yandex is now following a new strategy that encompasses creating spin-offs that are essentially operated by the parent company, although under a different

name to possibly bypass sanctions.⁷ Yandex might even have plans to completely pull its high-tech subsidiaries (self-driving cars, cloud computing, education technology, data labeling) out of Russia to stay in private hands and keep its international divisions.⁸

After it came under financial pressure due to the war and faced criticism for its possible collaboration with the Russian government, Yandex divested two of its most controversial subsidiaries. Now, anyone accessing Yandex.ru, formerly the most visited website in Russia,⁹ is redirected to Dzen.ru. Dzen is the former content recommendation¹⁰ service of Yandex. In summer 2022, it – along with the news aggregator service Yandex News – changed hands. Both services now belong to VK Company.

Yandex search is now fully integrated within Dzen, a VK Company service. Yandex News and Yandex Dzen were always visible on the homepage of Yandex search (Yandex.ru), and they received the lion's share of their traffic from the main page. Yandex.ru was thus part of the sale, as without it the new VK services Dzen and News would not have received much traffic.

THE HISTORY AND CURRENT POSITIONING OF VK COMPANY

VK Company, first called Mail.ru Group, was founded in 1998 by Eugene Goland, Michael Zaitsev, and Alexey Krivenkov. Initially focused on email services, it expanded to become a leading online player in Russia, offering a wide range of internet products and services. In 2005, Yuri Milner (then CEO of Mail.ru) formed DST Global, an investment firm that acquired stakes in prominent internet companies, including Facebook and Wish.com, and later merged it with Mail.ru Group in 2010. Dmitry Grishin, another

2 MacroTrends, "Yandex Market Cap 2011–2022|YNDX": <https://www.macrotrends.net/stocks/charts/YNDX/yandex/market-cap> (accessed February 17, 2023).

3 Alena Popova, "Russian Search Giant Yandex Struggles to Survive," CEPA (November 14, 2022): <https://cepa.org/article/russian-search-giant-yandex-struggles-to-survive/> (accessed August 28, 2023).

4 Statcounter GlobalStats, "Search Engine Market Share Russian Federation" (May 27, 2021): <https://gs.statcounter.com/search-engine-market-share/all/russian-federation> (accessed August 28, 2023).

5 Statista, "Yandex Search Engine Market Share Worldwide 2021" (March 24, 2022): <https://www.statista.com/statistics/1220433/market-share-held-by-yandex-worldwide/> (accessed August 28, 2023).

6 Российская газета "Яндекс Потеснил Google и Стал Основным Поисковиком в Турции" [Yandex Has Squeezed out Google and Become the Main Search Engine in Turkey] (March 25, 2015): <https://rg.ru/2015/03/25/poiskovik-site-anons.html> (accessed August 28, 2023).

7 Мария Коломыченко, "Не Хотим Делать Beyond ML Сколь-Нибудь Заметным." RTVI Обнаружил у 'Яндекса' Новый Международный Бизнес с Десятком Стартапов" ["Don't Want to Make Beyond ML Any More Visible." RTVI Finds Yandex Has a New International Business with a Dozen Start-Ups], Главные события в России и мире|RTVI (December 22, 2022): <https://rtvi.com/stories/ne-hotim-delat-beyond-ml-skol-nibud-zametnym-kak-arkadij-volozh-i-ego-komanda-delayut-novyj-mezhdunarodnyj-biznes-vmesto-yandeksa/> (accessed August 28, 2023).

8 Max Seddon, "Yandex Seeks Putin Approval for Restructuring Plan," *Financial Times* (November 24, 2022).

9 Similarweb, "Top Websites Ranking: Most Visited Websites in Russia in October 2022": <https://www.similarweb.com/top-websites/russian-federation/> (accessed November 17, 2022).

10 A content recommendation system aggregates content from news sources and social media. The algorithm adapts to the user's needs with the help of artificial intelligence and sends them content that it assumes the user will like. These services are often criticized, mainly because they run based on commercial incentives and present users with a limited spectrum of news.



Company Structure



VK SUPERAPP

- All VKontakte services
- Games and delivery services
- Gosuslugi (state services portal)



SOCIAL NETWORKS

VKONTAKTE

(most popular social network, around 50 million daily users)

- VK Messenger and Calls
- VK Pay
- VK Music (music streaming service)
- VK Video (video sharing platform)
- VK Combo (subscription system with discounts)

ODNOKLASSNIKI (OK)

(around 21 million users daily)

- OK Messenger
- OK Payment System
- OK Music (music streaming service)
- OK Video (video sharing platform)

MESSENGERS

- ICQ
- TamTam



EDUCATION

- VK "My School" (education management tool for pupils)
- Geekbrains (educational websites for programmers)



PRODUCTIVITY

- Mail.ru (free mail service)
- Dzen (content recommendation)
- Mail.ru News (news aggregator)
- Mail.ru Cloud
- VK Teams (like MS Teams)



GOODS/SERVICES

- AliExpress Russia



DEVICES

- VK Capsula (smart speaker with Marusja, the VK equivalent of Siri/Alexa)



SOFTWARE

- RuStore (Russian app store)
- Aurora (mobile OS in development)

Source: Author's compilation based on data from VK Company

co-founder of Mail.ru, served as the CEO until 2014, overseeing the company's growth and expansion. Alisher Usmanov, a Russian oligarch with close ties to Vladimir Putin, became one of the largest shareholders of Mail.ru Group through his investment company USM Holdings. Today, the company is a major player in the Russian internet industry, providing services like email, social networking, gaming, and e-commerce.

In October 2021, Mail.ru Group changed its name to VK Company, which it got from its largest and most famous subsidiary, the social network VKontakte. Pavel Durov, a Russian entrepreneur and programmer, founded the service in 2006.

At first, VKontakte was created for Russian-speaking users to connect and share music, videos, photos, and messages. It is now the most utilized social network in Russia. The Mail.ru Group acquired all shares of VKontakte in 2014 for around \$1.5 billion, which was a controversial move since Durov was likely compelled to sell his stake in the company due to pressure from the Russian government. After disputes with the Mail.ru Group about censorship and privacy concerns, Durov departed VKontakte in 2014 and established the messaging app Telegram.

According to data from Mediascope, nearly 50 million people in Russia use VKontakte daily.¹¹ The company has over 11,000 employees. Like Yandex, VK Company has a diversified portfolio. It owns the messenger services VK Messenger, ICQ, and TamTam as well as the second-biggest Russian social network, Odnoklassniki. Besides the social media and emailing platforms, VK Company provides cloud services and owns over 15 percent of the e-commerce platform AliExpress Russia,¹² a music streaming service, a video streaming platform, the Russian Play Store equivalent "Ru Store," and smart-home devices paired with the voice assistant "Marusia," which are comparable to Google Nest or Amazon Echo. VK Company also created the payment system VK Pay, which can be used to transfer money between people or to purchase

goods in selected stores. At the end of 2021, over 20 million people used this payment service.¹³

With the purchase of Yandex News and Yandex Dzen, VK Company sold its food delivery service, Delivery Club, to Yandex. VK Company also sold its stakes in the taxi service Citimobil.¹⁴ VK Company plans to create a dating app similar to Tinder.¹⁵ These are all indications that VK Company has changed its strategy and is now focusing more and more on social networks and content-based services, leaving sectors such as ride-hailing or delivery services to the competition. The implications of Russia's war on Ukraine have accelerated this trend, as I will explain later.

VK COMPANY'S OWNERSHIP STRUCTURE

The shareholder structure of VK Company underwent a significant change in December 2021. Then, 11,500,100 Class A shares held by USM Holdings, a company with shares in mining, telecoms, and other technology companies that is owned by Alisher Usmanov, and Megafon, a telecommunication company, were transferred to the following three companies:

- **45 percent** to Sogaz, an insurance company
- **45 percent** to Gazprom Media Holding, Russia's largest media holding
- **10 percent** to Rostec, a state-owned tech-conglomerate

These three companies – listed as "MF Technologies" on VK Company's website – collectively own 57.3 percent of the voting rights of VK Company. Previously, MF Technologies was a subsidiary of Megafon, which was, in turn, a subsidiary of USM Holdings. Interestingly, MF Technologies currently has only two employees, and the relationships among these companies are complex. The Russian state owns more than 50 percent of Gazprom and more than 60 percent of VTB, Russia's second-largest bank. Gazprom owns 23.7 percent of Sogaz and 49.9 percent of

11 "Как Изменялась Аудитория Соцсетей После Блокировок. Инфографика" [How Social Media Audiences Have Changed since the Blockades. Infographic], РБК (March 20, 2022): https://www.rbc.ru/technology_and_media/20/03/2022/62349dae9a7947e973d5b666 (accessed August 28, 2023).

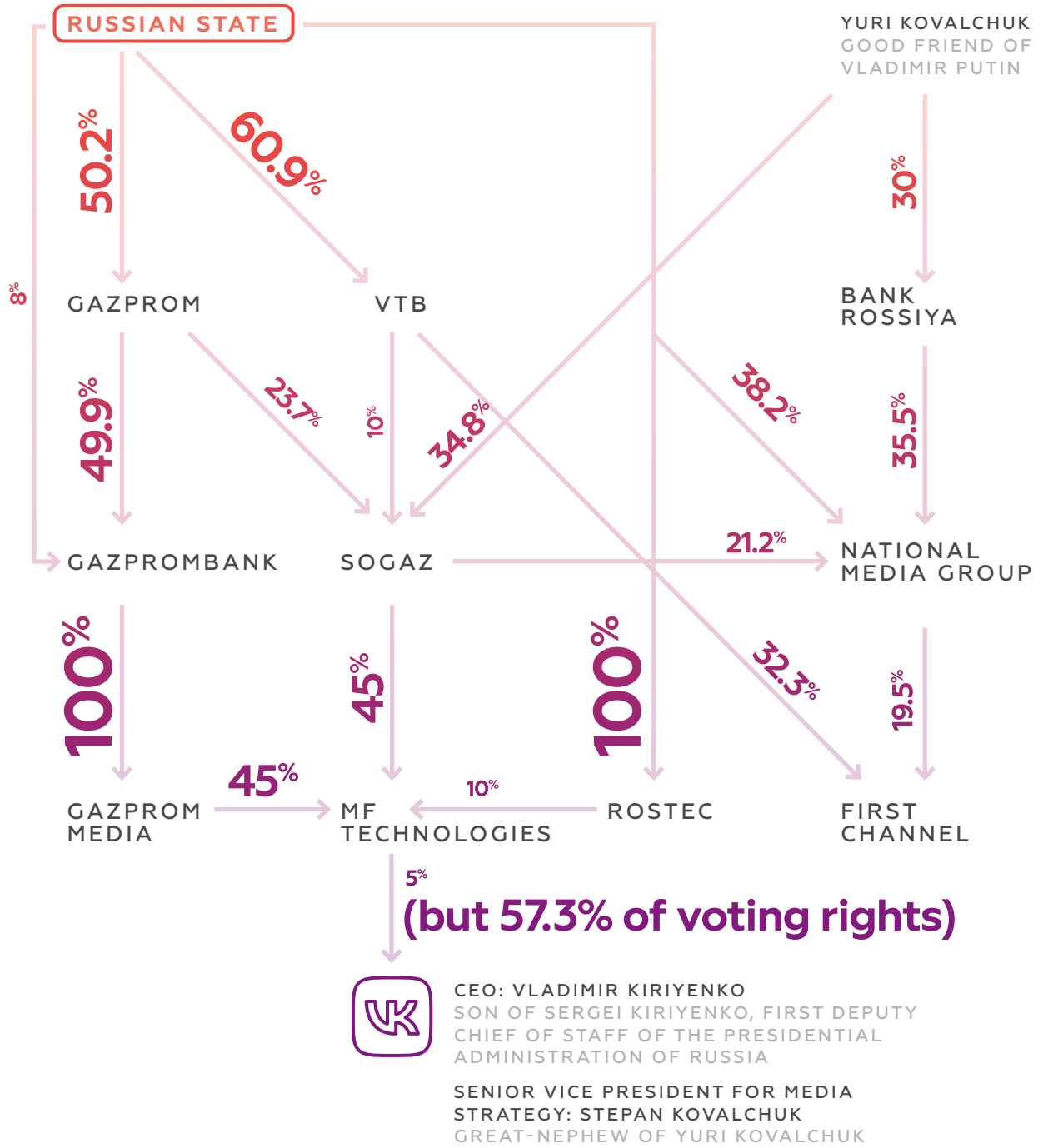
12 "VK Списала Р9,9 Млрд Из-За Обесценивания Доли 'AliExpress Россия'" [VK Writes off Р9.9bn Due to Depreciation of AliExpress Russia Stake], РБК (December 7, 2022): https://www.rbc.ru/technology_and_media/28/04/2022/626a59019a7947613354bb44 (accessed August 28, 2023).

13 "Назван Самый Популярный Сервис Года Среди Россиян" [The Most Popular Service of the Year among Russians Is Named], Lenta.RU (December 21, 2021): https://lenta.ru/news/2021/12/21/vk_itogi/ (accessed August 28, 2023).

14 "VK и Сбербанк Продадут Активы 'Ситимобила' Владельцу 'Таксовичкоф'" [VK and Sberbank Will Sell the Assets of Citimobile to the Owner of Takovichkof], РБК (April 15, 2022): <https://www.rbc.ru/business/15/04/2022/6259c28c9a794754d5b22482> (accessed August 28, 2023).

15 "VK Разрабатывает Свой Аналог Tinder" [VK Is Developing Its Own Equivalent of Tinder], Какими Медиа Владеют, Ведомости (May 5, 2023): <https://www.vedomosti.ru/technology/articles/2023/05/05/973853-vk-razrabativaet-svoi-analog-tinder> (accessed August 28, 2023).

Who Has the Say at VK Company



Source: Author's own compilation with updates from "Mail.ru выступила против уголовных дел за лайки и репосты в соцсетях" [Mail.ru speaks out against criminal cases for likes and reposts on social media], РБК (December 4, 2021): https://www.rbc.ru/technology_and_media/04/12/2021/61aa4d7a9a7947ead936d92a

Gazprombank, which, in turn, owns Gazprom Media Holding.¹⁶ Since Gazprom Media is fully owned by Gazprombank and the state effectively owns both Gazprombank and Rostec, the Russian state therefore owns a massive share of MF Technologies. Moreover, VTB's 10 percent ownership of Sogaz increases the state's stake further.

Notably, Yuri Kovalchuk, who is a significant shareholder of Sogaz through Aquila LLC, was labeled a "close advisor" of Russian President Vladimir Putin by the US Department of the Treasury's Office of Foreign Assets Control (OFAC) in its first round of sanctions that followed the annexation of Crimea in 2014.¹⁷ According to insiders, Kovalchuk and Putin have been in close contact for a long time and share a similar ideology.¹⁸ Kovalchuk also owns significant shares in the National Media Group, which owns, among other brands, the First Russian TV Channel, one of Russia's main propaganda tools.¹⁹ Experts assume he actively supports and fuels Putin's war rhetoric, especially with his television channels.²⁰

Since 2021, the CEO of VK Company is Vladimir Kiriienko. While Kiriienko had no ties with the company before being appointed, he was previously a senior executive at Rostelecom, the state-owned telecommunications company. His father, Sergei, was prime minister under Russian President Boris Yeltsin and is currently first deputy chief of staff in the administration of Vladimir Putin. Among other things, Sergei Kiriienko is responsible for policies instated in the occupied territories in Ukraine and can thus be considered one of the administration's key people. Both father and son were sanctioned after Russia's large-scale invasion of Ukraine in February 2022.²¹

Also following the invasion, firms such as Dutch Prosus have taken significant write-offs on their VK Company shares. Bloomberg reports that Prosus held 27 percent of VK Company's shares. Subsequently, VK Company sold these shares to its management team.²²

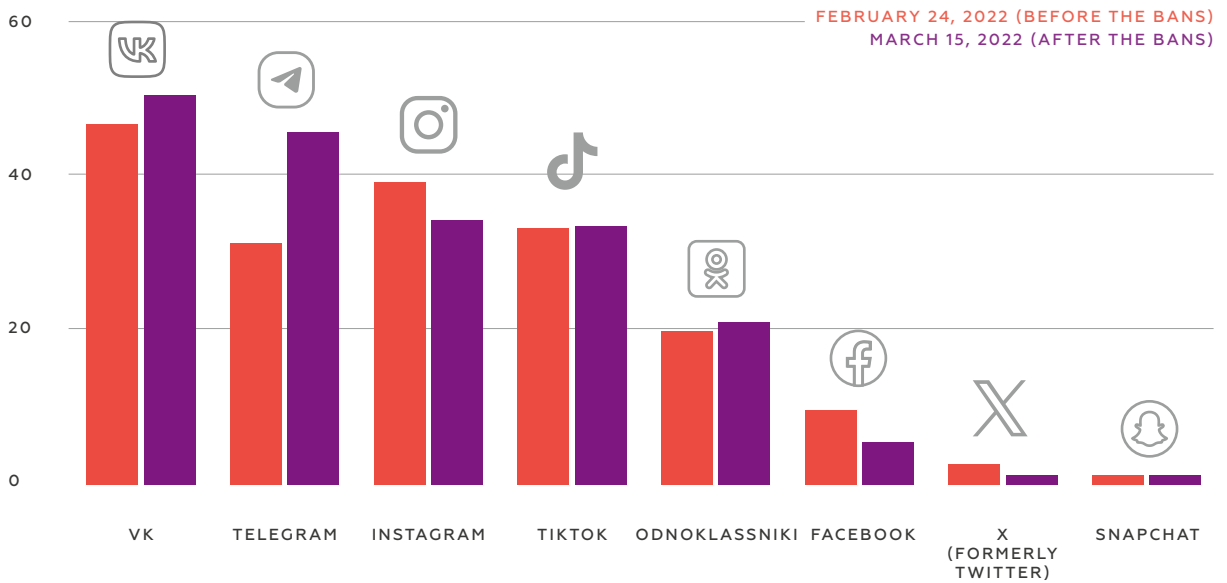
In early August 2023, VK Company announced that it would move all its operations from the British Virgin Islands back to Russia "as an international public joint stock company in line with Russian legislation."²³ They will move to Oktyabrsky Island, a special tax zone, with the aim of attracting FDI at appealing conditions.

In early September 2023, VK announced that the company would be restructured into two business units. The first is called "Social Platforms and Media Content." It includes VKontakte, Odnoklassniki, Dzen, VK Video, VK Music, VK Clips, and VK Messenger and is headed by Stepan Kovalchuk, VK's Senior Vice President for Media Strategy. The second is called "Ecosystem and Integrated Services" and includes Mail.ru, the RuStore app store, VK ID, VK Pay, and educational products. It is led by VK's Senior Vice President for Business Development and Investment Alexander Aivazov.²⁴ Interestingly, Stepan Kovalchuk is the great-nephew of the aforementioned Yuri Kovalchuk (Putin ally and shareholder of Sogaz and the National Media Group), which shows that people with very close ties to the Russian president are taking more and more control over the company.

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- 16 TAdviser, "Gazprom Media Became a Co-Owner": https://tadviser.com/index.php/Company:MF_Technology_%28ITF%29 (accessed November 23, 2022); VK Company, "Shareholder capital – VK": <https://vk.com/en/investors/shares/> (accessed October 23, 2022); rbs.ru, "Какими Медиа Владеют Новые Собственники VK. Инфографика – РБК": https://www.rbc.ru/technology_and_media/04/12/2021/61aa4d7a9a7947ead936d92a (accessed March 23, 2022).
- 17 US Department of the Treasury, "Treasury Sanctions Russian Officials, Members Of The Russian Leadership's Inner Circle, And An Entity For Involvement In The Situation In Ukraine" (March 20, 2014): <https://home.treasury.gov/news/press-releases/jl23331> (accessed August 28, 2023).
- 18 Mikhail Zagar, "Opinion|How Vladimir Putin Lost Interest in the Present," *New York Times* (March 10, 2022): <http://web.archive.org/web/20220311165346/https%3A%2F%2Fwww.nytimes.com%2F2022%2F03%2F10%2Fopinion%2Fputin-russia-ukraine.html> (accessed August 28, 2023).
- 19 TAdviser, "The National Media Group Is Preparing for Rebranding": [https://tadviser.com/index.php/Company:National_Media_Group_\(NMG\)](https://tadviser.com/index.php/Company:National_Media_Group_(NMG)) (accessed March 23, 2022).
- 20 John Hyatt, "Meet The Man Who Whispers In Putin's Ear," *Forbes* (March 18, 2022): <https://www.forbes.com/sites/johnhyatt/2022/03/18/meet-the-man-who-whispers-in-putins-ear/> (accessed August 28, 2023).
- 21 Corin Faife, "The US Has Sanctioned the Head of Russia's Largest Social Network," *The Verge* (February 26, 2022): <https://www.theverge.com/2022/2/26/22951307/us-sanctions-russia-vk-ceo-vladimir-kiriienko> (accessed August 28, 2023).
- 22 Bloomberg News, "Prosus Gives Up \$403 Million Stake in Russia's VK Social Network" (November 10, 2022): <https://www.bloomberg.com/news/articles/2022-11-10/prosus-gives-up-403-million-stake-in-russia-s-vk-social-network> (accessed August 28, 2023).
- 23 Barron's, "Tech Giant VK Returns To Russia From Abroad" (August 11, 2023): <https://www.barrons.com/news/tech-giant-vk-returns-to-russia-from-abroad-4909b92f> (accessed August 29, 2023).
- 24 VK, "VK announces appointments and changes in the organizational structure" (September 4, 2023): https://vk.com/ru/press/releases/11581/?utm_source=The+Bell+%28Eng%29&utm_campaign=add0d5c0a7-EMAIL_CAMPAIGN_2018_06_01_10_28_COPY_01&utm_medium=email&utm_term=0_cc8c2d1cde-add0d5c0a7-75366150 (accessed September 12, 2023).

The Impact of the Bans of Meta Services on Social Media in Russia

Daily users of social media before and after the bans of Facebook and Instagram in Russia by selected platform (in millions)



Source: Mediascope 2022

THE IMPACT OF THE WAR ON VK

According to experts, VK Company has undergone a restructuring process because it expects the economic outlook to further deteriorate as Russia's war against Ukraine continues. For example, VK Company has sold the gaming service MY.GAMES and is now focusing only on the domestic service VK Play.²⁵ In late 2022, it announced that it would rid itself of the eSports organization Virtus.pro, which was barred from competing in European tournaments.²⁶

The war has benefited VK Company in that it resulted in a ban on US-based social media platforms. In March 2022, in the aftermath of the large-scale invasion of Ukraine, Meta's social networks (Facebook and

Instagram) were classified as extremist organizations and blocked in Russia. Consequently, the number of VKontakte users increased. Daily users increased by almost 4 million within three weeks.²⁷ According to user figures from Statista, VK had a market penetration rate of 75.3 percent in February 2023 and was the most used social network in Russia followed by WhatsApp (71.5 percent) and Telegram (64.4 percent).²⁸ In April 2022, the site had over 73 million monthly users.²⁹

In May 2023, VK announced its results for the first quarter of that year. Revenue experienced an increase of nearly 40 percent, reaching RUB 27.3 billion. Online advertising revenue saw a remarkable growth of 67 percent compared to the previous year,

25 Iwan Morris, "Russian Tech Group VK Sells off Gaming Division," *pocketgamer.biz* (October 4, 2022): <https://www.pocketgamer.biz/news/79817/russian-tech-group-vk-sells-off-gaming-division/> (accessed August 28, 2023).
 26 Luis Mira, "VK Confirms Sale of Esports Org Virtus.pro in Seven-Figure Deal," *Dexerto* (March 17, 2023): <https://www.dexerto.com/esports/vk-confirms-sale-of-esports-org-virtus-pro-in-seven-figure-deal-2089269/> (accessed August 28, 2023).
 27 Statista, "Social Media Users before & after Bans Russia 2022": <https://www.statista.com/statistics/1297985/social-media-users-before-and-after-bans-russia/> (accessed January 23, 2023); "Как Изменялась Аудитория Соцсетей После Блокировок. Инфографика" [How Social Media Audiences Have Changed since the Blockades. Infographic].
 28 Statista, "Russia: Most Used Social Media Platforms 2022": <https://www.statista.com/statistics/867549/top-active-social-media-platforms-in-russia/> (accessed April 3, 2023).
 29 VK Blog, "ВКонтакте подвела итоги первого квартала 2022 года: количество российских пользователей в месяц — 73,4 млн, ежедневных просмотров VK Видео — 2,45 млрд" [VKontakte has summed up the first quarter of 2022: 73.4 million Russian users per month, 2.45 billion daily views VK Video]: <https://vk.com/blog/q1-2022-results> (accessed April 3, 2023).

doubling revenue (up 107 percent) in the medium and small business segments.³⁰ Furthermore, revenue in VK's social networks and content services grew by 46.7 percent. The growth in video content is significant. Users collectively watched 3 billion videos daily on VK Videos and VK Clips, and the number of views of Clips increased twofold. Even though growth was partly driven by the acquisition of Dzen from Yandex as described above, Russia's ongoing war most certainly amplified the positive developments for VK.

That war, however, also forced VK to face the reality of its strong dependence on US companies. In September 2022, Apple announced that it would remove the VKontakte app from its App Store and took immediate action.³¹ The reason given was that Apple could not determine whether part of the company was owned by an entity subject to British sanctions – if so, that would have rendered its availability in Apple's App Store a breach of those sanctions. In October 2022, after VK Company provided proof that entities owning it would not fall under British sanctions, Apple reinstated VKontakte in its App Store.³²

This episode – which made it clear that Apple is ultimately in the driver's seat – led to a rethink among the ranks of both VK Company and the Russian state. In the past, President Putin has talked about the risk of the United States shutting down internet services in Russia to harm the country's interests.³³ If Apple blocks the software, millions of users who update their phones will no longer have access to VK Company's services. The situation is the same for Apple's competitor Android. Both companies control the Russian smartphone market, including mobile operating systems.³⁴ Moreover, both are US companies,

and Russia has little influence on them. It is, therefore, not surprising that VK, together with other Russian tech companies (including Yandex), wants to create its own Russian mobile operating system.³⁵ But because of the complexity of the task, the state refused to allocate more funds to the project. Its realization will take years – if it ever becomes reality.³⁶

In May 2022, with the support of the Russian Ministry of Digital Development, VK Company announced the development of its proprietary RuStore for Android devices. Here, the primary aim is to become independent and circumvent sanctions, as payments via Google's native Play Store no longer work in Russia. The RuStore, in which almost 2,500 applications are available, is now online.³⁷ This, however, is not the first attempt by a Russian entity to develop a domestic app store. The company ANO Digital Platforms created one – Nash Store, which means “our store” – but this endeavor is not officially supported by the government.³⁸ Still, because Android devices allow apps to be installed from third-party app stores or the web (known as “sideloading”), both Russian stores work on Android devices without issue. Apple reportedly plans to allow for the installation of third-party apps due to pressure from the EU, but sideloading and third-party app stores do not work there yet.³⁹

After Russia's invasion of Ukraine in February 2022, VK changed its policy toward international copyright conventions. Traditionally, VK Company made it easy for users to distribute copyrighted films and series on its platform. In recent years, however, the company had tried to counteract this and even launched a subscription service for music.⁴⁰ Yet this policy ended with the war. Now, even the latest albums by

30 “VK Company Limited (LSE, MOEX: VKCO, Hereinafter Referred to as ‘VK’ or ‘the Company’) Releases Operating Results and Segment Information for Q1 2023” (March 15, 2023): <https://corp.vkcdn.ru/media/files/vk-company-limited-results-for-q1-2023.pdf> (accessed August 28, 2023).

31 Alex Hern, “Apple Removes Russian Facebook Competitor VK from App Store,” *The Guardian* (September 28, 2022): <https://www.theguardian.com/media/2022/sep/28/vk-apple-removes-app-store-russian-social-media> (accessed August 28, 2023).

32 Emma Roth, “Apple Restored Russian Social Network VKontakte to the App Store,” *The Verge* (October 18, 2022): <https://www.theverge.com/2022/10/18/23410518/apple-vkontakte-russian-apps-sanction-ban-restore-app-store> (accessed August 28, 2023).

33 Ewen MacAskill, “Putin Calls Internet a ‘CIA Project’ Renewing Fears of Web Breakup,” *The Guardian* (April 24, 2014): <https://www.theguardian.com/world/2014/apr/24/vladimir-putin-web-breakup-internet-cia> (accessed August 28, 2023).

34 StatCounter Global Stats, “Mobile Operating System Market Share Russian Federation”: <https://gs.statcounter.com/os-market-share/mobile/russian-federation> (accessed February 18, 2023).

35 Коммерсантъ, “Ничто Человеческое Android Не Чуждо” [Nothing Human Is Alien to Android] (December 30, 2022): <https://www.kommersant.ru/doc/5756977> (accessed August 28, 2023).

36 SNews.ru, “Власти Отказались Выделить 22 Миллиарда Для Российской ОС ‘Аврора’” [Authorities Refuse to Allocate 22 Billion for Russia's Aurora OS]: https://www.cnews.ru/news/top/2023-01-13_otechestvennoj_os_avrore (accessed April 6, 2023).

37 Тинькофф Журнал, “Российский Google Play? От VK – Что Он Собой Представляет” [“VK's Russian Google Play – What It Is”] (May 9, 2022): <https://journal.tinkoff.ru/news/rustore-review/> (accessed August 28, 2023).

38 Nik Martin, “Russland startet Google-Ersatz NashStore,” DW.COM (May 9, 2022): <https://www.dw.com/de/russland-startet-google-ersatz-nashstore/a-61737764> (accessed February 18, 2023).

39 Mitchell Clark, “Apple Is Reportedly Preparing to Allow Third-Party App Stores on the iPhone,” *The Verge* (December 13, 2022): <https://www.theverge.com/2022/12/13/23507766/apple-app-store-eu-dma-third-party-sideloading> (accessed August 28, 2023).

40 This subscription service has now turned into a more complete subscription model. It not only offers music streaming, but also other services and discounts (VK Combo).

well-known stars are available on the platform without copyright.⁴¹ VK presumably supports the government's position that endorses gray imports. What cannot be legally imported because it is sanctioned is offered via third parties. Since the musicians are based abroad, the Russian authorities probably do not care about their financial losses.

CENSORSHIP, PROPAGANDA, AND DATA COLLECTION: VK'S COOPERATION WITH THE RUSSIAN GOVERNMENT

Data protection on the web has become an important political topic worldwide. As the discoveries by whistleblower Edward Snowden and the mass surveillance by the National Security Agency (NSA) via its PRISM program have shown, abuse occurs when institutions are not supervised. In a well-functioning democratic order, institutions create strong laws and rules that companies and states that handle user data must follow. To protect the sensitive data of users, the EU, for example, has introduced the General Data Protection Regulation (GDPR), one of the most comprehensive regulations in this field.

Despite evolving rules and laws, warrantless wiretapping is still a thorn in the side of digital freedom fighters in both the United States and European Union. State authorities are often caught between protecting user data on the one hand and protecting citizens from online abuse and crimes on the other. Due to the flood of data on the internet, manual searching on a larger scale is impossible and getting a warrant for every search is difficult. Therefore, state authorities use algorithms that automatically search data and flag conspicuous content. The fundamental process ensures that the civil rights and private sphere of users are protected, and the state or the companies operating the platforms being searched

only intervene if a crime has been or is about to be committed. In an authoritarian system, however, the algorithm can be trained to detect political crimes and find political dissidents.

Over the years, both the Russian government and the Russian internet have become ever more authoritarian.⁴² Consequently, it is worrying when a company that also belongs to the Russian state gets hold of an ever increasing amount of data and can thus create more accurate profiles of the country's citizens. As I will explain later, it can be assumed that the Russian state is pursuing a strategy through which users are increasingly being pushed onto domestic Russian systems. Contrary to Russian propaganda, this is most likely not about protecting user data from the evil West, but rather about having citizens' data on Russian servers that can be searched by the FSB.⁴³ Meta, Microsoft, and Google do not operate servers in Russia.

Even when VK Company was still largely owned by Alisher Usmanov, the social network was loyal to the Kremlin. With the sale to the Russian state and the appointment of Vladimir Kiriienko as CEO, experts assume that the state also increasingly wants to use VKontakte as a propaganda platform.⁴⁴ The state already used VK's platform to disseminate propaganda during the 2018 presidential elections, for example.⁴⁵ Responding to pressure from the Kremlin, VKontakte has also started marking certain texts with LGBTQ-related content.⁴⁶ Furthermore, the platform is being used as a propaganda machine to generate domestic support for the invasion of Ukraine.⁴⁷ This applies not only to VKontakte but also to Facebook, for example. Yet because VKontakte is in state hands – i.e., regulation and mechanisms against state propaganda are nonexistent – and especially because the platform is so popular among Russians, it is particularly appealing to authorities. A study shows that blockages of content on the platform by authorities have surged

41 Vladimir Kozlov, "Russian Music Streamer VK Offering Pirated Music From Taylor Swift and Red Hot Chili Peppers," *Billboard* (blog) (December 9, 2022): <https://www.billboard.com/pro/russian-streaming-vk-taylor-swift-pirated-music/> (accessed August 28, 2023).

42 Freedom House, "Russia: Freedom on the Net 2022 Country Report" (February 26, 2023): <https://freedomhouse.org/country/russia/freedom-net/2022> (accessed August 28, 2023).

43 The FSB (Federal Security Service) is the primary security agency of the Russian Federation.

44 Игорь Севрюгин, "VKontakte' Становится Частью Кремлевской Пропаганды. Как Российская Соцсеть Перешла Под Контроль Друга Путина и Сына Кириенко" [VKontakte Becomes Part of Kremlin Propaganda. How Russia's Social Network Came under the Control of Putin's Friend and Kiriienko's Son], *Настоящее Время* (December 3, 2021): <https://www.currenttime.tv/a/vkontakte-stanovitsya-chastyu-kremlevskoy-propagandy-kak-glavnaya-rossiyskaya-sotsset-pereshla-pod-kontrol-druga-putina-i-syna-kiriienko/31592555.html> (accessed August 28, 2023).

45 "Творческий Конкурс: Зачем Кремлю Стратегия Интернет-Продвижения Выборов" [Creative Competition: Why the Kremlin Needs an Online Election Promotion Strategy], *РБК* (August 9, 2017): <https://www.rbc.ru/politics/09/08/2017/5983410f9a79472cdd85ff2a> (accessed August 28, 2023).

46 Radio Free Europe, "Popular Russian Social Network VK Starts Marking Materials Containing LGBT Text" (December 9, 2022): <https://www.rferl.org/a/russia-vk-lgbt-materials-marked/32169225.html> (accessed August 28, 2023).

47 Максим Алюков, Мария Куниловская, and Андрей Семенов, "Гидрант Лжи: Кремлевская Пропаганда и Ее Отражение в Социальных Медиа" [A Hydrant of Lies: Kremlin Propaganda and Its Reflection in Social Media] (October 7, 2022): <https://ridl.io/wp-content/uploads/pdf/15326/laquo-gidrant-lzhi-raquo-kremlevskaya-propaganda-i-nbsp-ee-nbsp-otrazhenie-v-nbsp-sotsialnyh-media.pdf> (accessed August 28, 2023).

since the outset of the war,⁴⁸ and it will likely continue to play a vital role in the future.

In contrast to other social networks, VKontakte has attracted attention for passing on information to the Ministry of the Interior of the Russian Federation. As a result, many VKontakte users have been convicted for illegal posts. In 2015, 119 people were prosecuted for posts and reposts on VKontakte, but only one on Facebook and three on Odnoklassniki.⁴⁹

VKontakte has also come under criticism because private pictures stored on the platform have fallen into the hands of the authorities, resulting in the prosecution of users.⁵⁰ Although the company subsequently issued a statement criticizing the Russian legislation that was ostensibly responsible,⁵¹ and even promised to issue a transparency report, it never did so. Due to the non-transparent privacy policies of VK Company and its social network VK, for which both have been criticized, the exact extent of VK Company's data disclosure to the Russian state is unknown.⁵²

THE RISKS OF SUPER APPS

Super apps⁵³ are a particular risk in terms of data security. If an app with narrow scope gets hacked or data flows get tapped (even by governments), only a limited amount of data or information is leaked. A super app, however, could store complete profiles of users, including sensitive personal data such as financial records and official documents as well as personal messages and information about personal interests. If a data breach occurs there, this entire store of personal data can be leaked. Even though people willingly disclose much information about themselves on the web, super apps take the problem of data leaks to the extreme.⁵⁴

What sounds like a disaster for data protectionists and app users might be the optimal solution for authoritarian regimes that want to know as much as possible about their citizens. Therefore, it is beneficial for such regimes to have as many citizens as possible use services that their authorities can easily monitor. The Chinese app WeChat is widely considered the most sophisticated super app available. Many experts describe it as the ultimate data leech, making it a shining example for other autocratic governments.

THE CAUTIONARY TALE OF WECHAT

WeChat was developed and launched in 2011 as an instant messaging app by Chinese software giant Tencent. Over the years it has evolved into a super app. WeChat stores and records important personal data that users can use to identify themselves, for example to state authorities or their banks or to check their creditworthiness. The app is also an online bank through which payments can be made, money can be sent to friends and family, and loans can be taken out. Many things can be booked via WeChat, such as doctor's appointments, flights, train tickets, and reservations for taxis and restaurants. Furthermore, WeChat serves as a job exchange – ideal for networking as the app can connect people who find themselves in the same vicinity – and an online marketplace. Since 2018, users have been able to file for divorce using WeChat. Recently, WeChat added a feature that enables the app to be used for visa application processes.

Today, millions of people in China are completely dependent on WeChat, and daily life would be impossible without it. Due to Chinese legislation, the state can access WeChat data upon request. Since Tencent, the app's developer, must comply with all Chinese

48 Jeffrey Knockel et al., "Not OK on VK: An Analysis of In-Platform Censorship on Russia's VKontakte," Citizen Lab, University of Toronto (July 26, 2023): <https://citizenlab.ca/2023/07/an-analysis-of-in-platform-censorship-on-russias-vkontakte/> (accessed August 28, 2023).

49 "VKontakte' Со Следователями Почему Дела Об Экстремизме Возбуждают Только За Посты в Этой Соцсети" ["VKontakte' with Investigators Why Extremism Cases Are Only Prosecuted for Posts on the Social Network], Meduza: <https://meduza.io/feature/2016/07/05/vkontakte-so-sledovatelyami> (accessed May 22, 2023).

50 "Как в России Судят За Картинки в 'VKontakte' и Что Об Этом Говорят" [How Pictures on VKontakte Are Being Prosecuted in Russia and What Is Being Said about It], Афиша: <https://daily.afisha.ru/brain/9698-kak-v-rossii-sudyat-za-kartinki-i-chto-ob-etom-govoryat/> (accessed May 22, 2023).

51 "Mail.Ru Выступила Против Уголовных Дел За Лайки и Репосты в Соцсетях" [Mail.Ru Speaks out against Criminal Cases for Likes and Reposts on Social Media], Meduza: <https://meduza.io/news/2018/08/06/mail-ru-vystupila-protiv-ugolovnyh-del-za-layki-i-reposty-s-sotssetyah> (accessed May 22, 2023).

52 Ranking Digital Rights, "The 2022 Ranking Digital Rights Big Tech Scorecard": <https://rankingdigitalrights.org/bts22/companies/VK> (accessed February 27, 2023).

53 A super app is a mobile application that combines multiple features and services into a single platform, allowing users to accomplish various tasks without switching between multiple apps. A super app typically provides a wide range of functions, such as messaging, social networking, e-commerce, ride-hailing, food delivery, mobile payments, and various administrative services. Super apps are common in Asian countries such as China and those in Southeast Asia, where they have become a dominant force in the tech industry.

54 Alex Heath, "Rise of the Super App," *The Verge* (November 1, 2021): <https://www.theverge.com/22738395/social-media-super-app-facebook-wechat-shopping>; Varsha Bansal, "Tata Neu, India's New Super App, Has a Privacy Problem," *Wired UK* (May 4, 2022): <https://www.wired.co.uk/article/india-tata-super-app-privacy> (both accessed August 28, 2023).

laws and censorship, this naturally gives the state enormous power.

WeChat is a prime example of what most people already know: that the Chinese state controls the Chinese internet and that censorship is omnipresent. The app's AI directly deletes private messages that contain politically sensitive content.⁵⁵ This also applies to images.⁵⁶ This feature does not exist on messenger services such as WhatsApp or Signal, as these companies cannot access texts due to end-to-end encryption. When demonstrations against the Chinese regime broke out in autumn 2022, and users complained publicly about the government's anti-Covid measures on social media networks, the authorities simply blocked the protesters on WeChat. This tactic had disastrous consequences for these people. Since a large part of everyday life in China takes place on the app, being blocked is almost like being excluded from society. While users can still access basic information and make payments, they can no longer reply to messages and interact with people. As a result, people who were banned for sharing politically sensitive content during the Covid protests on WeChat begged the developer, Tencent, via posts on Weibo (the Chinese equivalent of Twitter/X) to be unbanned.⁵⁷

For the ruling Communist Party of China and its leadership, the super app offers two advantages. First, WeChat enables the state to access the precise profile created by every citizen who uses it. This includes, as previously mentioned, personal data such as photos and messages (from which political leanings can be deduced), financial insights, medical records, etc. Second, by blocking or suggesting the threat of being blocked, the state can spoil its

citizens' appetite for protests and an anti-government line because the stakes of getting banned on WeChat are so high.

HOW VK IS BECOMING A NEW SUPER APP

VK Company wants its VK app to become a new super app. The company itself announced these plans.⁵⁸ Just like WeChat, the app will not only be a pure social network but will bring many services together under one roof. In addition to its messenger, call, and payment features, other mini apps will be added. Within the VK app, users can play games, order taxis and food, receive and send money, or buy concert tickets.⁵⁹ But the similarities to WeChat do not stop there. In September 2022, developers announced that parts of Gosuslugi – which means “state services” – would start to be integrated into the VK app, making it possible to accomplish administrative tasks there.

Gosuslugi, which is used by almost 100 million Russians,⁶⁰ is a portal of the Russian state where citizens can access information about various administrative tasks and obligations such as applying for passports and visas, registering vehicles, filing tax declarations, or paying fines. It is also used for military call-ups. Its “Health” and “Car” sections are completely integrated into VKontakte. Doctor's appointments, for example, can now be booked directly via the app,⁶¹ and electronic driver's licenses stored on Gosuslugi can be shown there as well.⁶² It is also possible to view and pay police fines and retrieve information about one's pensions via VKontakte.⁶³ In January 2023, developers announced that the app will receive additional Gosuslugi features.

- 55 Lotus Ruan, Jeffrey Knockel, and Masashi Crete-Nishihata, “We (Can't) Chat: '709 Crackdown' Discussions Blocked on Weibo and WeChat,” Citizen Lab, University of Toronto (April 13, 2017): <https://citizenlab.ca/2017/04/we-cant-chat-709-crackdown-discussions-blocked-on-weibo-and-wechat/> (accessed August 28, 2023).
- 56 Patrick Howell O'Neill, “How WeChat Censors Private Conversations, Automatically in Real Time,” *MIT Technology Review* (July 15, 2019): <https://www.technologyreview.com/2019/07/15/134178/how-wechat-censors-private-conversations-automatically-in-real-time/> (accessed August 28, 2023).
- 57 Zeyi Yang, “WeChat Users Are Begging Tencent to Give Their Accounts Back after Talking about a Beijing Protest,” *MIT Technology Review* (October 16, 2022): <https://www.technologyreview.com/2022/10/16/1061713/wechat-accounts-begging-tencent-beijing-protest/> (accessed August 28, 2023).
- 58 VK, “Приложение ВКонтакте” [VKontakte App]: <https://vk.com/club27902394> (accessed February 22, 2023); Дзен|Блогерская платформа “Давно Не Заходили ВКонтакте? Теперь Это Огромный Суперapp, Где Можно Найти Скидки На Любые Сервисы” [Been Away from VKontakte for a While? Now It's a Huge Super App Where You Can Find Discounts on All Sorts of Services]: <https://dzen.ru/a/YcWuSz-YPRJOY1t5> (accessed January 21, 2023).
- 59 “Давно Не Заходили ВКонтакте?”
- 60 “Количество учетных записей на портале госуслуг в 2022 году достигло 99 млн – Национальные проекты России” [Number of accounts on public services portal reaches 99 million in 2022 – Russia's National Projects] (May 16, 2023): <https://национальныепроекты.рф/news/kolichestvo-uchetnykh-zapisey-na-portale-gosuslug-v-2022-godu-dostiglo-99-mln> (accessed August 28, 2023).
- 61 “ВКонтакте’ Интегрируют с ‘Госуслугами’” [VKontakte to Be Integrated with State Services] (September 22, 2022): <https://www.kommersant.ru/doc/5572519> (accessed August 28, 2023).
- 62 РТЛабс, “Госуслуги Через ВКонтакте: Как, Зачем и Что Получилось – РТЛабс На vc.ru” [State Services via VKontakte: How, Why, and What Happened – RTLabs on vc.Ru], vc.ru (April 7, 2023): <https://vc.ru/rtlabs/658583-gosuslugi-cherez-vkontakte-kak-zachem-i-cto-poluchilos> (accessed on August 28, 2023).
- 63 “Уведомления ‘Госуслуг’ и оплата штрафов ГИБДД стали доступны во ‘ВКонтакте’” [Gosuslugi notifications and payment of traffic police fines now available on VKontakte], *Ведомости* (January 22, 2023): <https://www.vedomosti.ru/technology/news/2023/01/18/959531-uedomleniya-stali-dostupni> (accessed August 28, 2023).

Since February 2023, the Gosuslugi app can be used to verify a VK account. Allegedly, the advantage of this process is that it makes it easier to determine whether a person behind a VK profile is real or not. (After completing the process, a special nameplate appears next to the profile indicating that it has been verified.⁶⁴) It is, however, possible to imagine that profile verification through Gosuslugi could become mandatory in the future to use certain features of the VK app, ensuring that the Russian state has even more access to the personal data of its citizens. In March 2023, it was announced that notifications from Gosuslugi can now be directly received in the VK app and via VK messenger.⁶⁵

THE STATE SEEMS TO BE PUSHING USERS TOWARD VK'S SERVICES

At the end of 2021, VKontakte was included in Russia's register of "socially significant internet resources." This means that users can access the social network even if they no longer have any credit on their mobile phone contract.⁶⁶ To date, only Gosuslugi and VKontakte are in this register.⁶⁷

In August 2022, Russia's Prime Minister Mikhail Mishustin signed a bylaw that requires VKontakte, along with a few other apps, to be preinstalled on new mobile devices sold in the country.⁶⁸ Since August 2023, the aforementioned RuStore is also part of that list, and it must be preinstalled as of the beginning of 2024. In the same month that Mishustin

signed the bylaw, a draft amendment was presented to the government that imposes a moratorium on the penalty for the sale of electronic devices without Russian software.⁶⁹ So far, however, this amendment has not come into force.⁷⁰ Whether the original law is still enforced is not only questionable but also unlikely due to the inability – and perhaps unwillingness – of the state to control gray imports.

As of December 1, 2023, it will be obligatory for internet services that require user registration to only allow this registration from a Russian email. Russia's largest email provider, Mail.ru, is part of VKontakte. This means that there will be even more user data on VK Company's and Russian servers that is easily accessible to Russian authorities.⁷¹

VK is extremely active in the educational sector and continues to expand its influence there – endeavors that seem to be supported, or perhaps even initiated, by the Russian state. In September 2022, VK Company signed an agreement with the Russian Ministry of Education and the Russian Ministry of Digital Development to create an interface for communication among teachers, parents, and students. VK Company's services – namely, VK Messenger and VK Calls – are to be used for this purpose. In March 2023, VK also bought the last remaining stakes of educational software firm Sferum from the state-owned Russian telecommunications company Rostelecom.⁷² Via a portal called "My School," which is being developed by VK Company, it will apparently be possible for students to access their class schedules

64 "Вычислят Каждого. 'Госуслуги' Подготовили Сюрприз Для Всех Пользователей" [Everyone Will Be Counted. State Services Have Prepared a Surprise for All Users], AKKet (blog) (February 15, 2023): <https://akket.com/raznoe/280031-vychislyat-kazhdogo-gosuslugi-podgotovili-syurpriz-dlya-vseh-polzovatelej.html> (accessed August 28, 2023).

65 "Уведомления От Госуслуг Можно Получать в Соцсети ВКонтакте" [Notifications from State Services Can Be Received on VKontakte] (March 15, 2023): <https://kubnews.ru/obshchestvo/2023/03/15/uvedomleniya-ot-gosuslug-mozhno-poluchat-v-sotsseti-vkontakte/> (accessed August 28, 2023).

66 SNews.ru, "'ВКонтакте' и 'Госуслуги' Стали Первыми Социально Значимыми Сайтами, Куда Можно Попсть При Нулевом Балансе" [VKontakte and Gosuslugi Became the First Socially Important Sites to Be Accessible with a Zero Balance] (January 18, 2023): https://www.cnews.ru/news/top/2022-01-27_gosuslugi_i_vkontakte (accessed August 28, 2023).

67 Роскомнадзор, "Перечень Отечественных Социально Значимых Информационных Ресурсов, При Доступе к Которым Услуги Связи По Передаче Данных и По Предоставлению Доступа к Информационно-Телекоммуникационной Сети" [List of Domestic Socially Important Information Resources, for Access to Which Data Communication Services and Information and Telecommunication Network Access]: <https://rkn.gov.ru/communication/registerSocResources/> (accessed February 18, 2023).

68 iXBT.com, "На Ввозимые в РФ Телефоны Обязали Устанавливать Сервисы 'Яндекса,' 'ВКонтакте,' 'Одноклассники,' 'Mir Pay,' 'Госуслуги'" [Yandex, VKontakte, Odnoklassniki, Mir Pay, and Gosuslugi Services Must Be Installed on Phones Imported into Russia] (January 22, 2023): <https://www.ixbt.com/news/2023/01/01/na-vvozimye-v-rf-telefony-objazali-ustanavlivat-servisy-jandeksa-vkontakte-odnoklassniki-mir-pay-gosuslugi.html> (accessed August 28, 2023).

69 Ведомости, "Минцифры Предложило До Конца Года Отменить Штрафы За Продажу Устройств Без Российских Приложений" [Ministry of Digital Economy Proposes to Abolish Fines for Selling Devices without Russian Apps by the End of the Year] (August 8, 2022): <https://www.vedomosti.ru/technology/articles/2022/08/07/934905-mintsifri-otmenit-shtrafi-ustroystv> (accessed August 28, 2023).

70 "КоАП РФ Статья 14.8. Нарушение Иных Прав Потребителей/КонсультантПлюс" [CAO RF Article 14.8 Violation of Other Consumer Rights/ConsultantPlus] (February 19, 2023): http://www.consultant.ru/document/cons_doc_LAW_34661/59f86440655bf2aec393fd031c5a4bc13cfdc17/ (accessed August 28, 2023).

71 Роскомсвобода "На российских сервисах запретят регистрацию с иностранной электронной почты" [Russian services will ban registration from foreign e-mail] (July 26, 2023): <https://roskomsvoboda.org/post/trebvaniya-k-vladelcam-novostnyh-agregatorov/> (accessed August 29, 2023).

72 "VK/VK Консолидирует 100% Образовательного Сервиса Для Школьников Сферум" [VK/VK Consolidates 100% of Education Service for Pupils Sphereum] (April 3, 2023): <https://vk.com/ru/press/releases/11439/> (accessed August 28, 2023).

and homework as well as take tests to check their level of knowledge.⁷³ In addition, VK owns several other platforms that are used by millions of students, schoolchildren, and teachers. These include GeekBrains, an online platform for learning programming, and Skillbox, a platform for marketing and design courses. In February 2023, VK bought the platform Uchi.ru, which alone is used by more than 12 million schoolchildren.⁷⁴

VK IS LIKELY BECOMING RUSSIA'S WECHAT

Russian authorities are constantly looking to develop new tools and technologies to better control the flow of information on the Russian part of the web. Because VKontakte can be used to gather user data and disseminate pro-governmental information, the app could play a key role here.

As shown by the analysis of VK Company's shareholder structure above, most of the company is now effectively owned by the Russian state – to which its leadership also has close ties. The reorientation of the company that I have detailed makes it clear that VK Company's primary focus is now on acquiring user data, and it likely also wants to influence users' consumption patterns.

Amazon and Google have been widely criticized for their monopoly position and have often been fined by the EU. With its incredible wealth of user data, VK Company has a similarly strong position in Russia. Yet especially after its acquisition by the state, VK Company is likely not only pursuing a commercial mission but also an ideological one. Its acquisition of Yandex News is particularly suspicious in this regard.

Yandex News (similar to Google News) had more than 33 million unique visitors between May 2020 and May 2022.⁷⁵ Because Yandex is a privately owned company and has always tried to distance itself from the state, there has long been tension between the two.⁷⁶ Given that so many Russian citizens were using Yandex's

news aggregator service, the state could no longer afford not to bring it under its control. First, the service was made compliant, and news outlets unfavorable to the government were removed from its portfolio.⁷⁷ The fact that its news aggregator had thus become biased became an image problem for Yandex. Consequently, it was sold to VK Company. As previously explained, the service is now in the hands of the Russian state and, with it, a huge information machine that can be used to push favorable news to users. Moreover, by adding VK Company's social media networks to the equation, algorithms could be used to optimize the analysis of users' interests and consumption patterns and thus influence their news consumption and opinions. Parallels to the Chinese system – in which social media channels are strictly controlled by the state and owned by companies that must comply and be aligned with the ruling party's rules and points of view – quickly emerge.

For the state to know as much as possible about its users, it is crucial that a particularly large number of people use the services that make their data easily accessible to the state. VKontakte and Gosuslugi do exactly that: by combining the two services in one app, the Russian state can effectively trap the user in a "state ecosystem." Gosuslugi gives the state precise insights into a user's profile: it knows where a certain person lives, has information about the user's financial situation, and knows, for example, whether a citizen has committed a crime. When this profile is linked to one on VKontakte, it allows the state to discover even more about a citizen's interests. What music does the person listen to? What videos are watched? What websites are followed? What messages are sent? In this way, accurate political profiles can be created. Furthermore, as a super app with services that control a major part of everyday life, VKontakte generates more user data for the state. In the long run, it can put people under pressure like that applied by WeChat in China, where rebellion can come at the price of being banned from the platform.

The Russian state pushes people to use VKontakte, and one can assume that its main objective for doing

73 Ministry of Digital Development, Communications, and Mass Media of the Russian Federation, "The Ministry of Education, the Ministry of Digital Development, and VK Signed an Agreement on the Development of Online Communications in Education" (January 22, 2023): <https://digital.gov.ru/ru/events/41986/> (accessed August 28, 2023).

74 "VK Купила 'Учи.Ру' За 8,7 Миллиарда" [VK Buys Uchi.Ru for 8.7 Billion] (February 26, 2023): https://www.cnews.ru/news/top/2023-02-20_vk_kupila_uchiru_za_87_milliarda (accessed August 28, 2023).

75 "Global internet analytics – Yandex.Radar": <https://radaryandex.com/about#section-top-yandex> (accessed November 19, 2022).

76 Svetlana Reiter, "Мы Замучились Борьтсья Как Россйское Вторжение в Украину Раскололо 'Яндекс'". [We're Tired of Fighting. How Russia's Invasion of Ukraine Has Split Yandex], *Meduza* (May 5, 2022): <https://meduza.io/feature/2022/05/05/my-zamuchilis-borotsya> (accessed August 28, 2023).

77 "Яндекс.Новости' Сыграли в Ящик Как Крупнейший в Рунете Новостной Агрегатор Превратился Во Второй Телевизор" [Yandex.Novosti Played in a Box How Russia's Biggest News Aggregator Turned into a Second TV], *Новая газета. Европа* (May 17, 2022): <https://novayagazeta.eu/articles/2022/05/17/iandeks-novosti-sygrali-v-iaschchik> (accessed August 28, 2023).

so is to lock people into one domestic, controllable social network. With the ban of Facebook and Instagram, more people have switched to VKontakte. For the state, this means more traffic on servers that can be controlled and less traffic on foreign ones that are unreachable.⁷⁸ By collecting data about somebody's watch history on VK Video, for example, the FSB can likely determine the political leaning of that person. This would be significantly harder for it to do through YouTube because YouTube's servers are not on Russian soil and the secret service has no direct access to them.

In addition, as noted above, VKontakte was classified as a "socially significant internet resource." As a result, low-income users and those with financial difficulties are more likely to choose VKontakte over alternatives. The pre-installation of the app on smartphones sold in Russia is also likely intended to encourage people to use VKontakte rather than other apps. Because VKontakte is now active in schools, children are becoming familiar with it from an early age. And, once they are familiar with it, switching might be perceived as tedious and could thus become less likely.

WHY GERMANY SHOULD CARE

The onset of Russia's war of aggression on Ukraine in late February 2022 has admittedly limited Germany's possibilities to hamper or counteract domestic Russian developments in IT. Diplomatic ties have broken down, and shared ideologies on which potential common goals could be based are almost nonexistent. Russian-German cooperation seems very unlikely. Yet, due to the wider geopolitical conflicts that are only deepening, it is important that Western policymakers are aware of the current developments within Russia.

The Russian state effectively owns the largest social network in the country and is increasingly developing it into a monopoly. Better knowledge of the dynamics related to this situation will enable German policymakers to more accurately assess the behavior of Russia's civil society and understand the government's strategy vis-à-vis the population and power preservation. Even if the situation in Russia currently seems hopeless and many bridges with the West

have been burned, it is important to maintain existing channels to civil society and enable the country's population to use Western social networks. On the one hand, such networks may allow for communication that is freer than that which gets increasingly monitored and restricted in Russia. On the other, they can limit and even counteract Russian propaganda and narratives.

Germany should play a leading role in keeping these channels open. Even though Germany has a less dominant position in internet services than the United States, its market size is considerable. This fact can be used to leverage companies into supporting its foreign policy goals. This is especially true since these goals are well aligned with those of the EU and the United States.

CONCLUSION AND RECOMMENDATIONS

As previously explained, the strategy of the Russian state is clear: the more people use domestic services, the easier their user profiles can be supervised by the state. Whether this tactic is being ordered and pursued from the highest political level cannot be conclusively determined. However, the indications detailed in this paper suggest that surveillance and the dissemination of propaganda are most likely the main motivations behind the state's endeavors. If these trends continue, the state will control almost all areas of the Russian internet. This includes its infrastructure, which is in the hands of Rostelecom; surveillance technology, which is controlled by Roskomnadzor; and now, social networks and educational platforms, which are an increasingly large part of the online sphere. The developments around VK Company – all very reminiscent of China – prompt four recommendations for Western policymakers:

- 1 From a Western perspective, the trend that the Russian state – under the guise of VK Company – is acquiring more and more power in the online sphere by gaining access to detailed personal profiles and disseminating propaganda will be hard to stop. But there are ways to slow this trend down. Social media services such as Instagram, WhatsApp,

⁷⁸ Two laws should be mentioned here that significantly enhance threats to privacy and civil liberties. The first is the 2015 "Data Localization" law, which requires that personal data be stored in databases located on servers physically located within the territory of the Russian Federation. The second is the 2016 "Amendments to the Federal Law 'On Countering Terrorism' and to Certain Legislative Acts of the Russian Federation Regarding the Establishment of Additional Measures to Counter Terrorism and Ensure Public Safety" – known as "Yarovaya law" (2016) – which requires telecommunications companies and internet service providers to not only store metadata about their users' communications (such as phone calls and text messages) for up to three years, but also to provide the Federal Security Service (FSB) with access to that data upon request without a court order.

and YouTube still have very high user numbers in Russia. Millions of Russians still use Google's search engine, which has a market share of over 40 percent.⁷⁹ It is essential to keep these channels open. As long as Western services continue to run comfortably, it will take a long time for Russians to fully switch to domestic equivalents. It is, of course, essential that the information disseminated by Western internet services companies does not largely consist of Russian propaganda. Western policymakers should therefore keep a close eye on these companies and ensure they are not abused by the Russian elite for their own political gains.

2 As described above, the VK app was once removed from Apple's App Store. Apple has also already removed apps that spread propaganda.⁸⁰ If repeated, this step could be a way to make Russian citizens move away from VK's service. One can now assume that, if this step is taken, there will be some form of retaliation from the Russian side, for example Russian authorities blocking many services of Western IT companies. But as a previous analysis has shown, many services cannot easily be replaced.⁸¹ In addition, Russia does not have its own widespread operating system (neither mobile nor desktop) that could be used as a fallback. While domestic Russian app stores for Android would be an alternative – as this operating system allows side-loading and the VK app could be installed that way – they are not widespread. Further, this solution is not applicable to iOS devices. Thus, if Russia were to block the Western equivalents of VK Company's services (such as WhatsApp, YouTube, or Google services), these companies would have to develop protocols and mechanisms to circumvent the blocking. Companies like Google and Apple would, however, likely argue that developing such tools is not part of their business model. Yet such protocols already exist and, from a technical perspective and with enough political will, they could certainly be implemented. Therefore, Western governments should seek dialogue with these companies and offer their support.

It is important to note, however, that blocking the VK app is likely to be difficult to accomplish legally. It is also questionable whether it is desirable, as the app is still widely used for everyday communication and keeps certain communication channels open.

3 VK is no ordinary Russian IT company; it is state-controlled and pursues ideological and intelligence goals. Western countries should ensure that their IT companies do not do business with VK. As explained in an earlier analysis, Russia does not have the capacity to build a complete server infrastructure with its own technical solutions.⁸² If Western business with the companies of the VK Company is stopped, it will be harder for them to acquire software and hardware. How much these kinds of sanctions will hamper VK Company's growth is hard to say. Still, the possibility should be explored, especially since VK has already experienced a shortage of new hardware.⁸³

There is still a high influx of IT products to Russia, including gray imports. While VK's use of technology to monitor the Russian population and disseminate propaganda is not directly a military application, many scholars agree on the importance of propaganda and the control of society for waging war.⁸⁴ Hampering business with VK Company could help make it as difficult as possible for the Russian authorities to maintain and even expand the infrastructure for disseminating propaganda and monitoring the population. A task force could be created, for example, to analyze the exports of Western companies and determine whether the Russian state apparatus is also using them for widespread propaganda dissemination or surveillance of the civilian population.

4 VK Company is a blueprint for Western countries for how the relationship between companies and the state should *not* be. Whether user data is in better hands with a private company or a well-regulated state is debatable and goes beyond the scope of this paper. However, a state-owned social media giant becomes a tool for more control in a state that

79 "Search Engine Market Share Russian Federation"

80 "iPhone-Propaganda: Apple wirft Intifada-App raus" [iPhone propaganda: Apple kicks out Intifada app], *Der Spiegel* (June 23, 2011): <https://www.spiegel.de/netzwelt/web/iphone-propaganda-apple-wirft-intifada-app-raus-a-769993.html> (accessed August 28, 2023).

81 Alena Epifanova and Philipp Dietrich, "Russia's Quest for Digital Sovereignty," DGAP Analysis (February 2022): https://dgap.org/sites/default/files/article_pdfs/DGAP-Analyse-2022-01-EN_0.pdf (accessed August 28, 2023).

82 Ibid.

83 CNews.ru, "VK не может купить серверы, потому что на рынке их просто нет" [VK can't buy servers because there simply aren't any on the market] (May 25, 2023): https://www.cnews.ru/news/top/2022-04-25_vk_ne_mozhet_zakupit_na_rossijskom (accessed August 28, 2023).

84 Wendell P. Holbrook, "British Propaganda and the Mobilization of the Gold Coast War Effort, 1939–1945," *The Journal of African History* 26, no. 4 (October 1985): <https://doi.org/10.1017/S0021853700028784>; "Motherland in Danger: Soviet Propaganda during World War II," *Choice Reviews Online* 50, no. 03 (November 1, 2012): <https://doi.org/10.5860/CHOICE.50-1630>; Paul Dixon, "Victory by Spin? Britain, the US, and the Propaganda War over Kosovo," *Civil Wars* 6, no. 4 (December 2003), pp. 83–106: <https://doi.org/10.1080/13698240308402556> (all accessed August 28, 2023).

disregards civil rights. As seen in China and Russia, it can take a dominant role in all aspects of civilian life. Consequently, more Western countries should put data protection in the foreground and educate the civilian population about how important it is for a functioning democracy – just as the EU is already doing in many areas.⁸⁵ Because many people still do not understand the importance of the topic, civilian awareness should be strengthened.

⁸⁵ Rahul Kumar, "Data Protection from the Lens of the World: A Comparative Analysis of World Laws," *SSRN Electronic Journal* (2020): <https://doi.org/10.2139/ssrn.3691115> (accessed August 28, 2023).



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