

Recession and Reflections on Speech of President Putin

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Within the EU analysts are usually ready to bemoan something. Nowadays the risks of deflation, stagnation and a general lack of performance if compared to the world's upcoming markets or the US. Adversaries of the Euro are sure to blame the single currency. Adversaries of the whole European Union happily blame the whole cooperation set up as such. Except perhaps the trade opportunities of the single market. Outsiders like Switzerland, Iceland and Norway are all after all doing singularly well. So why bother about EU-membership?

Russia in this context certainly does not. Although in its creation of the Eurasian Economic Union it has followed every step of the EEC (later EU) it pretends some difficulty identifying the proper discussion partner, preferring to consider US as the ultimate boss and happily blaming it correspondingly.

Indeed 3 or even 2 years ago many projected the Euro, if not the EU to disappear or break up. It did not. Maintaining it, though, brought austerity. In government spending first of all and often severe. Particularly in areas where discipline was perhaps most needed. It is what the President Putin announced for the Russian economy in his yesterday State of the Union.

In the Euro zone trust in the currency has returned and with it some consumer confidence. Even the media are a bit more upbeat than before (any reminiscences of their past role in generating crisis-reflexes in the first place?). And so at last, home-consumption starts to complement export earnings, welcome in case growth of the latter should falter. We'll have to see the effects of the plans of the new EU-Commission to raise spending power. Biggest injection so far comes from OPEC's oil prices. With Season's Greetings, I suppose.

In the relations with Russia, where the situation is the reverse, export earnings falter indeed! Even the enviously flourishing German economy started to feel some of the pinch, machine exports to the RF being



projected to go down. Same as ING-analysis for the just finished FME technology week (MFS participated) predicted for equipment for agriculture and food industry (worldwide exports would maintain position).

If for the food-sector “end-products”, as far as not indispensable, already suffered from the boycott that Russia imposed, inputs that support the self-sufficiency drive should logically benefit. So would most FDRL-members’ activities (although Europe’s measures following the Crimea-annexation may complicate modalities for payment and credit). President Putin’s policy speech however contains a “patriotic” element that may dim the good prospect. “We must lessen the dependence on foreign technology; only buy distinctly unique equipment and technology abroad.also cooperate with domestic producers when upgrading ...(a.o)...agriculture...”

Not really new, but for FDRL-members a new challenge to show their uniqueness. And if I read the message well, in future and in case of large projects also to convince a new “special governmental coordination center”. It sounds a little like the old state committee for science and industry.

No doubt at the background is the most formidable obstacle of the moment: the loss of oil/gas revenue for the Federal budget and the corresponding fall of the currency. By a third since January! As in the EU unbalance between income/expenditure means austerity. And also in Russia much needed discipline (enlighten are the President’s words on embezzlement of defense funds).

But, even if financial reserves are plenty, it may also come to hurt pensioners, new and old ones, faithful tycoons depending on subsidies, even the armed forces if they are to be kept on alert longer than expected. The Ukraine adventure put an end to short term prospects for foreign investment. Capital flees the country (miraculously managing to do so). An announced amnesty may stem some of the tide. But the President expects most from the ongoing EU/US-sanctions: “I expect that after the well-known events in Cyprus,, our business has finally realized that....abroad ... it can be ...fleeced like a sheep”.

Winter and early spring normally see shortages occur on the Russian market for foodstuff. Imports normally make up for them. Most efforts to boost home production however, have not have had the time to bear fruit. So Russian consumers are in for a pinch. Their capacity to deal with it is far greater than ours. Their capacity to question policies may have grown as well, even if news media hardly allow any but government inspired in and output.

Having read it diagonally and truth apart, I find the President’s speech a lot less aggressive than might have been. It is quite patriotic of course, and may mind potential home criticism. But it says to allow every nation its sovereign rights. The sanctity of the Crimea is compared to Jerusalem’s Temple Mountain. Blame for the

crisis is put on EU and US who refused dialogue on the intended Association Agreement. (Then) President Yanukovich, the text reasons, only sought to postpone signature not to cancel. The Maiden coup gave the RF no option but unilateral protection of its interests (the fleet in Sevastopol and industry in Donetsk region). Regrets over the bloodshed and damage that followed. Ukraine needs to be helped. Russia/ Gazprom did their share, now time for the West to chip in.

Less talk on NATO-encirclement than might have been expected. No fascism in sight. But for a change the age-old suspicion that the West hates to see Russia prosper and get strong; containment policy in short. So if the Ukraine had not happened another excuse for sanctions would have come by, the President reasons. The Russian attitude to consider the former western adversaries as allies, has been rewarded with separatism. Still the pledge: “we will never enter the path of self-isolation,, suspicion and the search for enemies. All this is evidence of weakness while we are strong and confident” For the while the chosen tone strikes me as more marked by disappointment (clever probably), than by confrontation which would strengthen EU and Atlantic solidarity and, perhaps make also Russians feel uncomfortable in the long run. Cynical optimist that I am, and a seasoned one at that, I try to detect some silver lining.

The expressed references to dialogue, concrete interests, and on the other hand sovereignty, needed aid and the sorry sight of shotup separatist sites in the Ukraine may provide potential building-blocs. A bridge (“passerelle” in Europeak) might be offered by the Eurasian Economic Union becoming operational next January. It is obvious that Ukraine as such will not be part of it, but would free(er) trade relations between the bloc and the EU provide a chance to rebuild some trust?

Negotiations, or even a mandate for it, are sure to take time. TTIP-efforts with the US have shown as much. They will involve non-Russian members of the new bloc, allowing the RF some way of retreat, if really wanted. Did anyone notice that past jurisprudence of the bloc’s Court did not automatically put Russia in the right, but could also condemn it? And the “passerelle” would bring back precious elements of legality, to which the RF President (after all a law-graduate) if selectively always shows a degree of attachment.

The Russian State of the Union, in passing, mentions the disintegration of Yugoslavia. Which made me think of Kosovo, so often invoked by Russia as an example of separatism induced by the West. The night Pristina called itself independent I happened to be on assignment in Belgrade. Street riots broke out. Said sadly one of the commenting students: “if we are all going to be member of a same community, in the end it will matters a lot less”.