

European Investors Say Pleas Against Sanctions on Russia Ignored

By [Cristina Giuliano](#)

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EU envoy to Russia Vygaudas Usackas, pictured in 2009, frustrated some European investors at a closed-door meeting Thursday.

Under a cloud of tensions over Crimea, a group of European business leaders gathered for private talks late last week with Vygaudas Usackas, a Lithuanian diplomat who serves as the European Union's top official in Russia.

The executives pleaded with Usackas to help find alternatives to EU plans to impose sanctions on Russia, which could lead to a tit-for-tat response from the Kremlin and, they argued, punish them more than Russia.

"It is like a husband who castrates himself to spite his unfaithful wife," a businessman told the meeting.

Another businessman, from Finland, said bluntly, "Europe is dead."

The scene of business leaders trying to talk with Usackas was akin to "a shooting," said an Italian businessman who was present at the meeting and recounted it to a reporter.

"There wasn't even a Russian among the business representatives, and that says it all," said the businessman, who like many businesspeople interviewed for this article only agreed to speak on condition of anonymity, citing the sensitivity of the situation.

One entrepreneur, growing frustrated at what he perceived as Usackas' unresponsiveness, started crying out to him, "Go away!"

When the tone took a sharply aggressive turn, Usackas was forced to end the meeting.

The talks, conducted Thursday at the EU delegation's Moscow office on Kadashevskaya Naberezhnaya, came as foreign investors sought to prevent an escalation of a standoff between Russia and Western governments over Crimea, which voted Sunday in a referendum on whether to secede from Ukraine and become part of Russia.

The EU and the U.S. have threatened to impose harsh sanctions in response to what they see as Moscow overreaching its hand in the turmoil that has beset Ukraine since the collapse of President Viktor Yanukovich's government less than a month ago. The EU has already suspended talks with Russia on visa liberalization and trade and a second stage of sanctions, visa bans and asset seizures, could come as early as Monday. Far-reaching financial and trade restrictions could follow.

Moscow says it is protecting the rights of a dominant community of Russian citizens and Russian speakers in Crimea, where it leases a naval base from Ukraine. It has made clear that any sanctions would not be left unchecked, and Federation Council senators have drafted legislation that would allow the government to confiscate the assets of foreign companies.

Foreign business leaders have appealed for cool heads to prevail.

The Canada Eurasia Russia Business Association, which represents more than 150 companies that engage in bilateral trade worth more than \$3 billion annually, has called for the governments of Canada and Russia to use "balance, restraint, discretion and care."

"We ... urge both governments to bear in mind the damage that would be inflicted on the excellent and growing economic relations between the two countries by punitive measures taken by either side," the association said in an e-mailed statement. "It is our strong hope that an acceptable resolution be achieved in short order to restore good relations necessary for the mutual prosperity to which the people of our two countries aspire."

Alexis Rodzianko, head of the Russian branch of the American Chamber of Commerce, which represents more than 700 companies, said by phone Sunday that he was monitoring the situation closely and working with the U.S. Embassy in Moscow as well as the U.S.-Russia Business Council and his organization's headquarters, both in Washington, in hope of finding "a good diplomatic solution."

A delegation from the Association of European Businesses, which represents more than 600 companies in Russia, will urge EU leaders to pursue diplomacy during a trip to Brussels on Tuesday and Wednesday. The trip was planned before the crisis broke out.

Usackas — who has led the EU delegation to Russia since September and whose country has long had strained ties with its former Soviet master — was not available for immediate comment on Thursday's meeting with Moscow-based businesspeople.

But people who attended the meeting said they were perplexed with how quickly events were unfolding and with how the EU leadership appeared deaf to their needs.

"Sending a Lithuanian envoy to Moscow is like sending an Israeli envoy to Iran," said one participant.

Another said: "What is striking is the speed with which Europe is making decisions this time. ... While the process took years in the face of the Syrian massacre, everything in this case has already been solved in Brussels in a few weeks."

The EU and U.S. remain at odds over how to react to a civil war in Syria that erupted three years ago on Saturday and has killed more than 140,000 people.

Perhaps the EU has more at stake than the U.S. in the Crimea crisis because Russia is its biggest commercial partner, with trade totaling 336 billion euros (\$467 billion) in 2012. In comparison, Russia's trade with the U.S. reached \$40 billion that year.

Germany, which gets a third of its oil and gas from Russia and accounts for nearly a third of the EU's exports to Russia, could lose the most among European countries if economic ties are disrupted, but Chancellor Angela Merkel was among the first to condemn the Crimea referendum as "illegitimate."

Other countries also have reason to be worried, including Italy, whose exports are worth about 10 billion euros (\$14 billion) a year, of which 70 percent is through business-to-business contracts in machinery and technology.

The problem with these contracts is that technology, unlike T-shirts, cannot be diverted to a third country if sanctions are imposed, said a second Italian businessman.

"Italy would be one of the countries that is most affected by sanctions," he said.

Last week, Ernesto Ferlenghi, the president of Confindustria Russia, the Association of Italian Companies in Russia, sent a letter to Giorgio Squinzi, the president of Italy's biggest association of entrepreneurs, asking for support in raising the awareness of the Italian government to the interests of Italian companies in Russia. Confindustria Russia officials said that EU sanctions would only end up hurting European businesses, noting that Europe offers finished goods while, Russia, a major exporter of raw materials, could easily sell its goods to China and other Asian countries.

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div.Section1 {page:Section1;} --> Russia does not have a large Italian community, with only 2,355 citizens registered at the Italian Embassy here compared to 691,000 Italians in Argentina, nearly 210,000 in Britain and more than 23,000 in Central and Eastern Europe. But major Italian companies have interests in Russia, including Eni, Enel, Finmeccanica and the banks Unicredit and Intesa. Furthermore, about one in three Italians, or 29 percent, is an entrepreneur or otherwise self-employed worker in Russia, according to 2013 data from an organization called Italians in the World. This is higher than in China (19 percent) and India (22 percent) and is second only to Brazil (38 percent) among the BRIC countries.

Interestingly, the number of registered Italians living in Russia has grown by 27 percent over the past year, from 1,849 in 2012.

But even Italians who have never set foot in Russia are worried about possible sanctions. Just ask shopkeepers in central and northern Italy, where many stores have one or two salespeople hired for their ability to speak in Russian to Russian tourists. Asked about sanctions, one store owner in Rome said by phone: "The U.S. will get fat selling energy. Russia will find new customers. We are the ones who are the fools."

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