

For Some Russians, Crimea Elation Fades

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Cases containing T-shirts, which display images of Russia's President Vladimir Putin.

When she was asked to give up a day's pay to help Crimea, Russian hospital therapist Tatyana could not hide her anger — why should she subsidize others when struggling to make ends meet herself?

Living in southern Russia close to the border with Ukraine, Tatyana was caught up in the euphoria that gripped the nation when Russia annexed Crimea in March and still welcomes “our” people back in the fold.

But more than three months on, she is worried that her wage of 9,000 rubles (\$260) a month is not stretching as far as it used to, and fears she will be forced to take on extra work to cover the rising cost of food and utilities.

Patriotism spurred by President Vladimir Putin's annexation of Ukraine's Crimea still runs deep in Russia, but the cold reality of paying for the Black Sea region is setting in and threatens to test an economy brought low by Western sanctions.

In Tatyana's hometown of Taganrog, the request for hospital workers to sacrifice a day's pay was taken up by only a few — by those people, she says, who wanted to impress their employers.

“The bosses informed us of this in June in a tone that made clear they recommended it. ... They distributed and asked us to fill out a form for the donation. People started complaining — why should they donate to Crimea?” said Tatyana, 52, who declined to give her surname for fear of retribution.

“In our department, not one of us made the donation and our boss understood because she was of the same opinion,” she said by telephone.

Early Support

Initially people across Russia were keen to help Crimea, convinced by Russian media that the Russian-speaking region was under threat from fascists in the Ukrainian capital Kiev who, they were told, were behind the overthrow of a president sympathetic to Moscow in February.

Similar collections were set up in state enterprises and people were pressed to give “humanitarian aid.”

Russians were also encouraged to visit Crimea — once the playground of the Soviet elite — and some state-controlled companies said they would ship their workers to the region's spas for group summer holidays.

Russia even started a new low-cost airline to Crimea, Dobrolyot, which made its maiden flight to the region's capital, Simferopol, last month.

But with the first wave of tourists back in Russia and complaining about bad service and amenities, the champagne effect of feeling that Russia had outwitted the West over Crimea may have started to wear off.

Rising prices and stagnating wages may make hundreds more Russians think twice about the government's price tag of between 800 billion and 1 trillion rubles (\$23 billion to 30 billion) for Crimea, and may come to pose the first real threat to Putin.

Wages Fall

The Russian leader for now looks unassailable, with popularity ratings running at more than 80 percent and his critics reluctant to speak out against him for fear of being labeled a traitor against the popular cause of building a Greater Russia.

Russian markets have bounced back, recovering all their losses since the start of the year to trade slightly higher, and some bankers are encouraging their clients to dive back into a market they say is undervalued.

But Russia's economy, riddled with corruption and nepotism, is still weak and, increasingly isolated by Western sanctions, is for now teetering on the edge of recession.

Fighting in eastern Ukraine, an influx of Ukrainian refugees and the threat of further

sanctions all hang over an economy that the International Monetary Fund sees growing by just 0.2 percent this year. The Central Bank hopes for 0.4 percent and the Economic Development Ministry 0.5 percent growth.

After weeks of saying visa bans and asset freezes imposed by the European Union and the U.S. against a number of firms and officials close to Putin could not harm the economy, Russian leaders are increasingly testy over the damage wrought if not by the current sanctions, then by the threat of more.

“In fact, we are dealing with a new offensive type of weapon,” Deputy Foreign Minister Sergei Ryabkov said of the U.S. sanctions in an interview with Kommersant.

Investment has all but dried up, forcing the government to dip into reserves meant for pensions to finance projects, and the government says it will sell a stake in Russia’s state-controlled oil company, Rosneft, to cover some of the costs of developing Crimea.

Finance Minister Anton Siluanov had to backtrack after coming under fire for saying that all the funds accumulated in Russia’s personal pension plans in 2014 had been spent on “anti-crisis measures” and on Crimea.

The next day, he said Russians “would lose nothing,” but stopped short of saying whether the sum of \$8 billion would be returned to the personal pension plans.

Stagnation

While such measures may take a while to hurt the population, Karen Vartapetov, an analyst at Standard & Poor’s rating agency, said a more immediate danger was the stagnation of real disposable incomes, which show only 0.2 percent real growth [adjusted for inflation] this year.

“Zero growth of real disposable incomes against continuing growth of public sector pay indicates that salaries in the private sector and nonsalary incomes are shrinking,” he said.

“The economy outside the public sector has been stagnating.”

On top of this, the Finance Ministry’s efforts to try to meet Putin’s demands to increase public sector pay, including proposing a new regional sales tax, mean that prices could rise further, putting pressure on stretched salaries.

In the major cities such as the capital Moscow and second city St. Petersburg — where Putin faced street protests in the winter of 2011 to 2012 that at times drew tens of thousands — core inflation running at an annual rate of more than 7 percent has had little impact on a population largely wealthy enough to cover higher prices.

But in Taganrog, Tatyana has little to fall back on out of her 9,000 ruble salary. “Prices are continually rising, for utilities, and for food,” she said.

“I also rely on private consultations. ... I give consultations outside work hours at people’s homes. Plus some patients also give tips, or bring presents to consultations at the hospital, but there are fewer and fewer of them.”

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