

Putin's Food Ban Splits EU on Wisdom of Russia Sanctions

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August 17, 2014



Finland's biggest dairy producer, Valio, had shipped almost half of all its exports to Russia before the ban.

The European Union's united front on Russia sanctions seems to be buckling, as Eastern European countries hit hardest by Moscow's retaliatory food import bans begin to question the wisdom of wrecking their economies in the name of a strategy that has seen the crisis in Ukraine only escalate.

Hungarian Prime Minister Viktor Orban summed up the sentiment: Europe, which, according to figures released last week, is once again on the verge of a recession, is "shooting itself in the foot," he said.

Experts in Russia, however, were doubtful that even the combined efforts of Europe's eastern member states would be able to outweigh the politically and economically more influential West and swing the pendulum toward milder sanctions and de-escalation.

Pity Finland

On Friday, Finnish President Sauli Niinisto became the first EU leader to meet President Vladimir Putin on Russian soil since the annexation of Crimea from Ukraine in March, which began a crisis of relations between Moscow and the West that shows no sign of cooling.

The sanctions tit-for-tat between Russia and the West were damaging relations previously seen to be on the rise, Niinisto told Putin in Sochi, and said he wanted to seek ways to end the crisis in Ukraine, where fighting between pro-Russian rebels and the Ukrainian army has forced tens of thousands of people from their homes.

"The catastrophe that happened in Ukraine is ... affecting us all, and it has much broader implications than [just] local consequences," he told Putin, according to a transcript on Kremlin's official website.

Putin said trade turnover between Russia and Finland fell by 8 percent in the first half of this year to \$8.3 billion. The food embargo Russia introduced earlier this month has sunk trade relations with Finland and other Russia's close neighbors to an even greater extent.

According to customs data and official reports on trade turnover, before the food import bans — which embargoed meat, fish, fruit, vegetables and dairy from the U.S., the EU, Canada, Norway and Australia — almost a third of Finland's and Lithuania's food exports went to Russia. Latvia exported a quarter of its food to Russia. For Estonia the figure stood at 20 percent. Ten percent of Norway's food exports went east.

Directly hit by the bans was Finland's biggest dairy producer Valio, which had shipped almost half of all its exports to Russia. The embargo forced the company to stop all production lines directed toward Russia. According to local media reports, Finnish supermarkets began stocking Russian-labeled products as Valio struggled to sell off the surplus.

"Half the country supplies Valio. As a result of a chain reaction, every second farmer in Finland was hit by the food embargo," said Dmitry Urvankov, owner of Invest Consult, a company based in Finland that helps organize Russian and Ukrainian investment in the country.

Most of the Russian investment projects in Finland that Urvankov had been working on are either canceled or on hold, he said.

"Russians are selling their property in Finland, fearing possible problems they may face in the future," Urvankov said, adding that if Russia's sanctions were to last the whole year, Finland's economy would be badly hurt.

Growing Doubts

Dissent against the logic of sanctions and the continuing standoff with Russia is also growing in other Eastern European countries.

"The sanctions policy pursued by the West, that is, ourselves, a necessary consequence of which has been what the Russians are doing, causes more harm to us than to Russia," Hungarian Prime Minister Viktor Orban said in a radio interview on Friday.

Though food exports to Russia from Hungary are insignificant, Hungary has plenty to lose from a rupture with Moscow.

Earlier this year, Budapest agreed a 10 billion euros (\$13 billion) deal with Russia's state-owned Rosatom to expand Hungary's only nuclear plant.

Also, Hungary's state energy company MVM has a 50 percent stake in the as-yet unbuilt Hungarian part of Russia's 16.5 billion euro (\$22 billion) South Stream gas pipeline.

Orban's remarks came a day after his Slovak counterpart, Robert Fico, criticized Western sanctions as "meaningless," saying they would threaten economic growth in the EU.

Europe is in no shape to absorb economic trouble. After growing 0.2 percent in the first quarter, the euro-zone economies recorded zero growth between April and June, the European statistics agency Eurostat said Thursday.

Earlier last week, Andrejus Stancikas, the head of Lithuanian Chamber of Agriculture said Russia's retaliatory measures against EU and U.S. sanctions will hammer dairy, meat and vegetable producers and hit even those who had not supplied products to the Russia.

"The situation is quite dangerous ... because the blockade not only targets Lithuania but the whole EU. It would be difficult for producers to re-direct their exports toward the West because markets there are already awash with their own local goods that are now not going to Russia," Stancikas was quoted by Russian news agency RIA Novosti as saying.

Alarm came from Latvia as well. Riga Mayor Nil Ushakov said EU sanctions against Russia were a bad idea from the start and it was only logical that retaliatory measures would follow.

"The whole idea of sanctions, no matter how [politicians] in Europe regard the situation in Ukraine and Russia's role in it, was a failure from the start," ITAR-Tass quoted Ushakov as saying on Friday.

Greece, meanwhile, is estimating its losses. According to Greek media, 3,000 trucks crammed with fresh fruit have returned to the country from Russia as the result of Moscow's embargo. Some 9,000 peaches are reportedly stockpiled in warehouses and are being sold at two to three times below cost.

The West Calls the Shots

Putin has sought to capitalize on the emerging discord.

"Many in Europe, including the politicians, my colleagues ... [want] to get out as soon as possible of a situation that is damaging our cooperation," he said Thursday during a visit to Crimea.

But Sergei Afontsev, professor at the Department of Global Political Processes at the Moscow State Institute of International Relations was doubtful that even the joint efforts of Eastern European countries would result in a united EU decision to ease the tensions, as things have already gone too far.

In the punching match with Russia, the West has vilified Russia's encroachment on Ukraine's territorial integrity, its sovereignty and its desire to join Europe, and presented itself as the defender of these principles. By framing the clash in these terms, the EU has left itself with little wiggle room to change course, Afontsev said.

"The damage dealt to businesses is considered irrelevant to the larger values at stake: the concept of a united Europe with Ukraine attached to it. Those who say their economies are being hit in the process are made to feel ashamed — they are undermining this bigger global issue."

See also:

[EU Food Traders Seeking Ways Around Russian Ban](#)

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Original url:

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