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McDonald's Inspections Unsettle Western Businesses

By The Moscow Times

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A man unsuccessfully trying to get into the McDonald's restaurant on Manezh Square in the center of Moscow.

Russia said Thursday it was investigating dozens of McDonald's restaurants, in what many businessmen said was retaliation for Western sanctions over Ukraine they fear could spread to other symbols of Western capitalism.

Russia's food safety watchdog said it was looking at possible breaches of sanitary rules at McDonald's, but many in the business community said it was a reflection of the deterioration in relations between Russia and the West over Ukraine, where pro-Russian separatists in the east of the country are fighting against government forces.

"Obviously, it is driven by the political issues surrounding Ukraine," said Alexis Rodzianko, president and CEO of the American Chamber of Commerce in Russia.

"The question on my mind is: Is this going to be a knock on the door, or is this going to be the beginning of a campaign?"

Russia earlier this month slapped bans on Western food imports after Washington and Brussels imposed economic sanctions in response to Moscow's annexation of Ukraine's Crimea region and its backing of the separatists.

In a sign of growing frustration at the threat to trade, several mid-tier Russian businessmen signed off on a letter by British entrepreneur Richard Branson calling on politicians to stop the conflict.

"We, as business leaders from Russia, Ukraine and the rest of the world, urge our governments to work together to ensure we do not regress into the Cold War misery of the past," the letter said.

McDonald's, which opened its first store in Russia in the dying days of the Soviet Union in 1990, is a very visible symbol of American capitalism in Russia, where it now has 438 branches.

The food safety watchdog ordered the closure of four of its restaurants in Moscow on Wednesday, including that first Russian branch, which is the busiest in the firm's global network.

The watchdog said on Thursday it was starting unscheduled checks in several Russian regions, including Sverdlovsk and Tatarstan in the Urals, the central Voronezh region and the region around the capital.

"We are aware of what is going on. We have always been and are now open to any checks," a McDonald's Russia spokeswoman said.

Vulnerable Businesses

So far no other prominent Western brand has reported coming under extra scrutiny from the Russian authorities, though there were Russian media reports that Jack Daniel's was being investigated. The whiskey producer said it would challenge any accusations about its quality.

Amrest, the Warsaw-listed holder of the Russian franchises for several other iconic U.S. brands — Starbucks, KFC, Pizza Hut and Burger King — said last week it had experienced no problems and was doing well.

"We are monitoring closely recent geopolitical developments, to make sure we can adapt to changing conditions and minimize business risks," said AmRest's chairman Henry McGovern during a teleconference with investors last week.

Nevertheless, big foreign brands are viewed as vulnerable.

French bank Societe Generale on Thursday published a research note saying companies generating most revenues in Russia and therefore most exposed to political risks were BP, British American Tobacco, BASF, Carlsberg, Coca-Cola, Alstom and E.ON.

Even some of McDonald's rivals came to its defense.

"This is a major blow to relations between the two countries," Mikhail Goncharov, owner of Russian fast-food chain Teremok, told newspaper RBC Daily.

"Even the Soviet Union was maintaining those relations because the first McDonald's opened during Soviet times, and PepsiCo factories continued to function regardless of political crises," he added.

Since McDonald's first broke into Russia, it has for many Russian consumers been overshadowed by hundreds of swanky French and Japanese restaurants in the Russian capital, but it remains a powerful symbol, and therefore a prominent target.

On Thursday, outside the shuttered restaurant on Moscow's Pushkin Square, the closure stirred patriotic sentiment among some people.

"They occasionally kick us with different sanctions. Why can't we do something in return? Moreover, McDonald's is such a symbol of everything Western, I think it is a good symbolic step that shows that we have some teeth," said Ivan.

See also:

McDonald's Raided By Russia's Food Watchdog Over 'Hygiene Complaints'

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