

U.S. Business in Russia Willing to Weather Sanctions

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Globally renowned for their go-getter attitude and entrepreneurial spirit, U.S. businessmen were mostly positive when discussing sanctions at an international investment conference on Tuesday. Still, some did note that the business climate was anything but balmy.

Speaking at the 14th annual business and investment conference organized by the American Chamber of Commerce in Russia, U.S. businessmen tossed off the new round of sanctions leveled against Russia as an exercise in bureaucratic procedure. The sanctions were slapped on Russia last week, just days after the government forces and pro-Russian rebels established a shaky cease-fire. The EU and the U.S. cited Russia's reticence in working actively to solve the conflict as the reason for the additional sanction.

But despite the storm cloud of added sanctions, the businessmen were generally inclined to look on the bright side.

"I was always an optimist and I will remain one ... and what I want to believe in is that this too shall pass. In a couple of months, if not a couple of weeks, the sanctions over Ukraine will be gradually or quickly removed and the markets will reopen," said Bob Foresman, the head of Barclays Group Russia.

According to Reuters, a senior U.S. official stated that the latest round of sanctions, which target Russia's energy, defense, and financial sectors, could be lifted if Moscow withdraws its soldiers from eastern Ukraine. Russia denies, however, that its armed forces are present in the separatist held territories.

But even if sanctions were rolled back, Foresman, who has lived in Russia for 15 years, noted that a lot of work would have to be done to reestablish trust between the West and Russia.

AmCham president Alexis Rodzianko cautioned that the conflict between Russia and the West over the situation in Ukraine will likely last for several years. At the same time he said none of the members of the chamber have plans to pack their suitcases and leave the country.

"On the contrary, they will consider making the necessary changes and reorganize themselves to adjust to the current conditions. Many of these internationally known companies have localized production and established Russian subsidiaries," Rodzianko said.

As for the investment climate in general, "the weather is now spoilt for quite a long time to come" he said, adding that one of the main reasons for this is the uncertainty over whether the sanctions list will grow and how long they will stay in effect.

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These figures are relatively small if compared with more than \$400 billion trade turnover Russia has with the EU. But the U.S. is Russia's key partner in terms of real direct foreign investment, which measures the money that goes into production facilities or infrastructure projects, said Dan Russell, president of the U.S.-Russia Business Council.

"The U.S. is Russia's largest single direct investor by that venture and if combined with the whole of North America, you get 70 to 80 percent of all direct investment here," Russell said.

According to the U.S. Chamber of Commerce, U.S. businesses have currently about \$10 billion invested in Russia, mostly in mining, manufacturing and banking.

Some of the biggest projects launched in Russia by American businesses in recent years include U.S. car manufacturer Ford's joint venture with Russian Sollers and General Motors localizing production near St. Petersburg. Agricultural machinery producer John Deere also recently established a factory near Moscow.

Bigger still is the joint project between U.S. oil giant ExxonMobil and state oil producer

Rosneft to tap into the vast hydrocarbon treasury trapped under Russia's Arctic territory.

ExxonMobil executives earlier said that the initial amount of investment could be as high as tens of billions of dollars, while President Vladimir Putin estimated overall scale of investment at \$500 billion.

After more than two years of planning, at the beginning of August Rosneft and Exxon started drilling on a \$700 million Universitetskaya oil platform in the Kara Sea to test for oil reserves.

The project is likely to be put on hold due to the new round of sanctions imposed on Russia, which specifically ban U.S. companies from associating with Russian oil development projects in the Arctic. The deadline to wind down operations is set for Sept. 26.

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