

SPIEF: talk business, think sanctions

Blog post by Adviser Alexander Smotrov, 17 June 2016

When the guests of the St Petersburg International Economic Forum (SPIEF) land at Pulkovo airport the first thing they see are the huge advertising posters of the US-sanctioned Bank Rossiya alongside with numerous adverts of familiar Western brands - from Total and Mercedes to Coca Cola and Pepsi. Indeed this year's 'Russian Davos' was largely a question of talk business, think sanctions.

The word 'sanctions' is hardly mentioned at all in the official SPIEF programme. However, discussions about sanctions are unavoidable. Despite the moves from some of its member states, the EU is now determined to fully roll over its sanctions against Russia for at least another six months next week. On one hand, sanctions continue to affect the Russian economy and financial sector in particular. But on the other, they are increasingly prompting Russian business to adapt and seek alternative markets or ways of doing business. The longer they stay, the less the pain of adaptation lingers to some degree.

In this context, the visit by the EU Commission President Jean-Claude Juncker to St Petersburg - the first such visit since 2014 - was symbolic. It could be seen as a strongest possible signal from the EU leadership (supported by G7 countries) that the sanctions will stay until tangible progress in normalisation in Ukraine is reached - and the Russian Duma elections are out of the way. But at the same time many noted Juncker's clearly articulated desire "to mend the relationship" and "build bridges" with Russia.

What Moscow makes out of this message remains to be seen. But one shouldn't expect the normalisation being either swift or easy - and adaptation on the Russian side is draining some of the sense that Russia is on the back foot. Business is still being done, even if it is not business as usual.

It is possible that the high level of business attendance again this year despite political warnings in some cases to stay away reflects precisely this - a sense that there is definite risk for western business in a Russia too adapted to a new political reality. If western governments are like the Eurovision professional juries handing Russia nul points, western businesses are like the Eurovision audience that gave Russia top points - more interested in keeping the song going.