

Future of Russian Economy

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Sanctions



Can be withdrawn during a month

1. The EU sanctions will block the export of services and deep-water technology for Russia's oil industry.
2. Three major Russian state oil firms are targeted: Rosneft, Transneft and Gazprom Neft, the oil unit of gas giant Gazprom. Their access to financial markets will be restricted.
3. Big Russian state-owned banks will be banned from getting loans with a maturity longer than one month, and from getting other financial services in the EU.

A serious matter for Rosneft, which last month asked the Russian government for a \$42bn loan.

Previously, the restriction was for loans with maturity longer than 90 days



Sanctions

More serious

1. This newest round of sanctions prohibits offering financing to Rostec, which deals in industrial technology products.
2. It also adds Sberbank of Russia, Kremlin's largest bank, to the list of sanctioned financial institutions.
3. As for defense firms, the assets of the following companies have been blocked: OAO 'Dolgoprudny Research Production Enterprise,' Mytishchinski Mashinostroitelny Zavod OAO, Kalinin Machine Plant JSC, Almaz-Antey GSKB, and JSC NIIP.

The company assures that it won't affect its effectiveness

Sberbank doesn't have sources of foreign currency abroad. So, if it needs foreign currency credit, there will be certain problems

4. **The most notable sanction** comes in regards to the exportation of goods, services and technology for oil drilling

Rosneft and ExxonMobil

- Exxon is spending over \$700 million in a joint venture deal with Rosneft to drill for hydrocarbons in the cold Kara Sea in Russia's Arctic Circle.
- According to the requests of OFAC Exxon has two weeks (until September 26) to stop this project



OFAC - Office of Foreign
Assets Control

What is the real impact of the sanctions on Russian economy?

- Economic growth has slowed down in Russia because of the other problems (in 2013 it accounted for 3,4%, and now – for 1,3%). The main reason is the bad conditions of Russia's admission into the WTO. During this year, the economic growth has been nearly constant
- The depreciation of the ruble has begun in the end of 2013 and is not connected with the sanctions. The second wave of depreciation is expected (the goal is to boost the economy)
- The real problems in Russia are “psychological”. People don't know what to expect.



What are the most dangerous sanctions for Russia?

The most dangerous one is the prohibition of import into Russia of the equipment for the oil industry

- Russian machine-tool construction was liquidated long ago
- There are 3 countries which specialize on the production of this equipment: Germany, Japan and South Korea
- Even if Japan joins the sanctions against Russia, South Korea will be pretty much content with the possibility to export its equipment to our country
- The question is how fast Russia will be able to get used to the new economic reality

75% of all the medicine Russian people consume are imported, and the other 25% are made of the imported ingredients. India can't help us with everything

Possible exclusion from WTO and SWIFT



This partnership is more profitable for European countries than for us. So, the exclusion from the WTO would be a “gift” for Russia of about 10 bn dollars during only the first year

There are some other payment systems. Though they are smaller. So, in case of joining them, Russia will still settle payments normally, but it will cost a bit more and will take more time

Thank you for your attention!