

EU Sanctions Against Russia Are a Boomerang

by Rainer Apel

Aug. 16—Apparently, those parties who participated in the recent Brussels decision for enhanced EU sanctions against Russia were so arrogant that they did not anticipate that there would be a harsh Russian backlash. European aviation lines may no longer use the cheap direct route to Asia via Russian airspace as they did before, and Russia's import ban on agricultural goods from the EU will saddle European farmers with losses in the billions.

In Poland and the three Baltic states, where agricultural goods such as fruit, vegetables, and dairy products comprise a large share of recent exports to Russia, it is feared that at least EU1 billion may be lost; Spain, Italy, and Greece also are each likely to see a decline of EU500 million to 1 billion, in the export of fruits and vegetables. Even in Germany, whose agricultural goods only account for 2% of total exports to Russia, there will be an impact of more than EU1 billion.

Russia is the largest importer of agricultural goods from the EU, accounting until recently, for example, for 20% of the demand for pork and 30% of that for beef from Europe. Thus there is a substantial EU dependence on the Russian market, and the sanctions act like a boomerang against Europe's own agricultural exports. Particularly critical is the situation in the EU regions such as Andalusia, a center of Spanish agriculture, especially in fruit and vegetable production, where the official unemployment rate is now at 35%, or the peach-growing regions in Italy and Greece, with very substantial export quotas to Russia.

Unlike in Russia, where the sanctions will lead to more domestic production of meat, vegetables, fruit, and dairy products, little help for farmers is to be expected in Europe in the context of the EU's recent disastrous agricultural policy. Thousands of agricultural enterprises will be ruined by the impact of sanctions, and some hundreds of thousands of jobs in the food industry are threatened. No one will benefit from sanctions in

Europe except those stubborn EU bureaucrats who are already of the opinion that there exists "excess capacity" in the agricultural sector.

There is also no telling whether the sanctions, as is still maintained in Berlin, in particular, will be "fixed-term" for, at most, 12 months, since Russia will not yield and will certainly not withdraw from the Crimea. There will come a point at which Europe will lose all its markets in Russia to competitors from other countries. Turkey, as President-elect (and former prime minister) Recep Tayyip Erdogan has announced, wants to increase its agricultural exports to Russia significantly, and China has doubled its supplies of poultry meat to the Russian side, while Egypt wants to increase its deliveries by 30%. According to Russian Minister of Agriculture Nikolai Fyodorov, Egypt alone can deliver about half of the potatoes, onions, garlic, and oranges previously imported from the U.S. and the EU nations. Also, Russian authorities have issued import permits to about 100 Brazilian food-exporters in recent days.

Effects in Europe

The Russian food embargo against EU imports in retaliation for U.S. and EU sanctions, is creating rage against the EU among farmers throughout its 28 member-nations, especially in those countries already suffering from harsh austerity imposed to save the bankrupt European financial system, such as Greece, Cyprus, Spain, Austria, and Portugal. All wishful thinking that Russia might not implement its own sanctions against food imports from the EU evaporated, as 3,000 trucks with Greek peaches and nectarines were turned back at the Russian border. Greek producers are demanding compensation, which the government response has said it will provide, but few believe it. The Greek government puts the farmers' losses at around EU50 million, an absurdly low figure, since the Russian market has previously absorbed up to EU500 million of Greek agricultural exports.

In Cyprus, the export volume affected, including citrus, fish, vegetables, dairy, and fruit, was around EU13.5 million in 2013. Cyprus farmers' union EKA General Secretary Panikos Hambas said: "Producers will be forced to sell their goods extremely cheaply, because the market knows they are desperate and have no other option. The EU hotshots who green-lighted the sanctions against Russia now must dig into their pockets and find a way of compensating the farmers affected by this ban." He also warned that the entire citrus indus-

try will be destroyed. “Packaging factories will close down and jobs will be lost. We must keep in mind that factory workers are almost exclusively Cypriots,” he said.

In Russophobic Poland, there is also outrage against the EU: Poland is the world’s largest exporter of apples, 56% of which (EU438 million worth) had heretofore gone to Russia. Tomasz Solis, deputy head of the Polish Fruit Growers Association, was quoted by Reuters as saying, “The political situation in Ukraine would sooner or later have affected our relations with Russia. Russia is one of our prime target markets, with 60 or perhaps even 70% of our exports going there.”

Firing an additional shot into their own feet after the recent round of Russia sanctions, the Poles now plan to ban imports of Russian coal, the Russian daily *Kommersant* reported, quoting Foreign Minister Radoslaw Sikorski as saying, “We are thoroughly considering the possibility. There is nothing else I can say.”

Putin Does Not Want an Escalation

One can already see how, especially among the five BRICS countries (Brazil, Russia, India, China, and South Africa), in the industrial and agricultural sectors, economic relations will now be stepped up even faster than was the case prior to the Western sanctions against Russia. And in addition to Argentina, there are other South American countries that are ready to expand their trade with Russia. What started as sanctions a few months ago has grown into global economic warfare, in which especially the Europeans are being hit by heavy losses.

It is instructive to read what the Stefan Dürr, the largest milk producer in Russia with his German firm Ekosem Agrar, said about the situation, in an interview with the German weekly *Die Zeit*. Unlike most Western politicians who currently do not have any direct contact with Russian President Vladimir Putin, Dürr met with him in Moscow on the day before the Russian decision to counter the sanctions, and reported: “My impression



EPA/Attila Balazs

Any idea that Russia might not retaliate for U.S./EU sanctions, with its own actions against food imports from the EU, evaporated as 3,000 trucks with fresh Greek peaches (like those in the photo) and nectarines were turned back at the Russian border.

was that Putin doesn’t want the escalation of the crisis, and it affects him deeply. Putin is not the tough guy that he is always depicted as in the West. On the other hand, he is also the last person who would back down in the current conflict.”

Interestingly, Dürr supports Putin against the EU. “I advised Putin on the sanctions. Precisely because I campaigned hard for good German-Russian relations, I bore the brunt of their collapse. I believe that countermeasures will open the eyes of the West to how much we depend on each other in many areas.”

If Putin, according to Dürr, were to impose sanctions against European automobile companies, that would bring little advantage for Russia, because the development of an extensive automotive production capability for Russia itself is not yet in the works. On the other hand, the agricultural sector will now be massively expanded, using state support from Moscow. For years, arguments against such a policy have dominated the discussion in Moscow, but now the situation will change, says Dürr.

Although he sees the EU as the main culprit in this conflict, Dürr said he very much hopes that constructive discussions between the EU and Russia will resume: “I still hope that the tensions of the Ukraine crisis will die down, that Russia will become a completely normal country in the European community, and that it doesn’t wind up on the wrong side of the fence with China.”