Foreign corporations exit Russia to provoke economic collapse

Andrea Peters
9 March 2022

The imposition of sweeping sanctions on Russia has prompted a mass exodus of foreign corporations from the country, the devastating consequences of which are just beginning to come into full relief. The pullout is hitting virtually every sector of the economy—finance, aviation, automotive, energy, technology, telecommunications, service, entertainment, food production, fashion, and consumer goods.

The list of major companies suspending sales, production, and service in Russia includes Mastercard, VISA, American Express, Google, Apple and Apple Pay, Samsung, General Electric, Shell Oil, BP, ExxonMobil, Ikea, Nike, Reebok, Hyundai, Ford, BMW, Daimler, General Motors, Land Rover, Mercedes-Benz, Nokia, Ericsson, Dell, Siemens, BMW, Renault, Netflix, Walt Disney, Universal, Lego, Expedia, FedEx, Valio, Fazer, Danone, Arla, McDonald's, Coca-Cola, Starbucks and hundreds more.

While medical and pharmaceutical companies are legally allowed to do business in Russia, the removal of the country from the SWIFT system for international financial transactions is making it increasingly difficult for them to do so.

In short, masses of ordinary people in Russia are being ejected from the global marketplace with the express aim of depriving them of jobs, incomes, and access to essential goods, like food and medicine. The aim of this "total economic and financial war," in the words of French Foreign Minister Bruno Le Maire, is "the collapse of the Russian economy."

The American and European ruling classes are extracting their pound of flesh. The bodies of dead Ukrainians, who were used as a cat's paw to drag Russia into a disastrous military conflict long prepared, are not enough for them.

The Russian government has not released any official data on inflation, part of its desperate attempt to cover up the impact of the sanctions on the population. But experts estimate that inflation in the country is currently running at just under 17 percent. The price of foodstuffs is going through the roof.

Some areas are creating hotlines that consumers can call to report skyrocketing prices. The cost of vegetables in Moscow has risen between 2 and 17 percent. In Stavropol, a city of about 400,000 in southwestern Russia, sugar is now 120 rubles, about a fourfold increase from several weeks ago. Sverdlovsk has set limits on the amount of some items that consumers can purchase, such as dairy products. People trying to buy food before they can no longer afford it are clearing grocery store shelves.

In Kazan, one mother told the press, "Four days ago, I bought baby food for 1,381 rubles, but yesterday it already cost 2,233 rubles." Local officials in the Khanty-Mansi Autonomous Okrug just decided that they will start to officially "check the prices of food and essentials, including baby clothes, diapers and baby food," as complaints have begun to pour in from the public. "Prices for some children's goods have doubled," said one regional representative.

Layoffs are spreading throughout the economy, due to the shuttering of factories and retail stores because of a combination of the pullout of foreign firms, shortages of parts, sanctions that make it impossible for Russian companies to do business, and falling demand.

The food producer Fazer will let go of 2,300 workers at its operations in Saint Petersburg. Nissan, which employs about 2,000 people at its facility there, is shutting down, as is Hyundai, with another 2,500 workers. Bonava, which has about 370 people on its payroll, is suspending its construction projects in the city. ? paper manufacturer in the larger region of which Saint Petersburg is a part, Leningrad Oblast, may close and axe 1,700 jobs.

The auto industry is being particularly hard hit, with American and German manufacturers with large-scale facilities in Kaluga, Nizhny Novgorod, Togliatti, and elsewhere announcing either permanent or temporary shutdowns. Hanover-based automotive company Continental just declared that it would end its operations in Kaluga, which is south and east of Moscow and has a population of about 325,000, placing 1,300 jobs in jeopardy.

In addition, food manufacturers Valio and Paulig are closing up shop in Tversk Oblast, with 600 layoffs expected.

McDonald's, which has a workforce of 62,000 in Russia, just declared it is halting its operations, as are Starbucks and Coca-Cola. There has been a crazed campaign in the Western press over the last several days singling out companies that have not yet closed up shop, with the express aim of achieving what was just achieved.

This is just the beginning. The companies exiting the Russian economy employ directly hundreds of thousands of people and indirectly, millions. According to one analyst writing on the Russian economic news site Investing.com, depending on the industry in question, Russian producers rely on foreign supplies and services for anywhere between 40 percent to all of their parts and operations. This includes companies in food production, the service sector, metallurgy, aviation, and shipping, for instance.

The information agency of the Kabardino-Balkaria Republic, located in Russia's north Caucasus, had a short news report up that listed the number of employees of some of the firms closing down their operations in the country. It listed the following: Ikea, 15,000 jobs, Renault-Nissan in Togliatti, 35,000 jobs, BMW's Avtotor, 3,500 jobs. It noted that Yandex, the top Russian search engine, warned its 12,000 employees that it was at risk of default.

This news report was affixed with a large red label that said, "Fake." It has since been removed, an action less likely the result of the actual false character of the information and more likely the product of the danger it poses to the government. President Putin just signed into law fines and prison sentences for the dissemination of "fake" news that would undermine the war goals of the government.

The Kremlin is attempting to manage the spiraling crisis by projecting a false image of calm, scrubbing the internet of damaging news reports, announcing a limited number of social measures, and declaring total support for the business sector.

The Ministry of Finance announced Tuesday that 455 billion rubles are being allotted for payments to families with children between the ages of 8 to 16 years old. Depending on where they live in Russia, they will receive between 50 and 100 percent of the official subsistence minimum for a child, which is between 6,000 and 12,000 rubles.

If the mother in Kazan trying to buy baby food were to receive such an amount—which she will not because her child is under 8—she could purchase maybe another three to five confections of the product.

The government also declared a moratorium on audits of small and medium enterprises and IT firms from now through 2024. Businesses that need to renew their licenses will be allowed to continue to operate, the process of selling products to the state is being simplified, and authorities have been given the right to raise pensions. In addition, those earning less than 20,000 rubles a month will no longer have to pay taxes, saving them about 2,600 rubles. Given that millions of Russians work in the shadow economy, particularly those at the lower end of the pay scale, this is hardly any help at all.

At the onset of the war crisis, President Putin declared that Russia would ensure "maximum freedom for business." This can only mean giving Russian corporations free rein to cut labor costs as they sees fit and, when workers object, using the power of the state to keep them at their jobs.