



Pekka Kallioniemi @P_Kallioniemi

Feb 17 · 19 tweets · [P_Kallioniemi/status/1626547683337830400](https://twitter.com/P_Kallioniemi/status/1626547683337830400)

In today's [#vatnik](#) soup I'll talk about sanctions and business in Russia. Most of the data and discussion points come from recently published work titled "Less than Nine Percent of Western Firms Have Divested from Russia" by Evenett & Pisani.

1/17



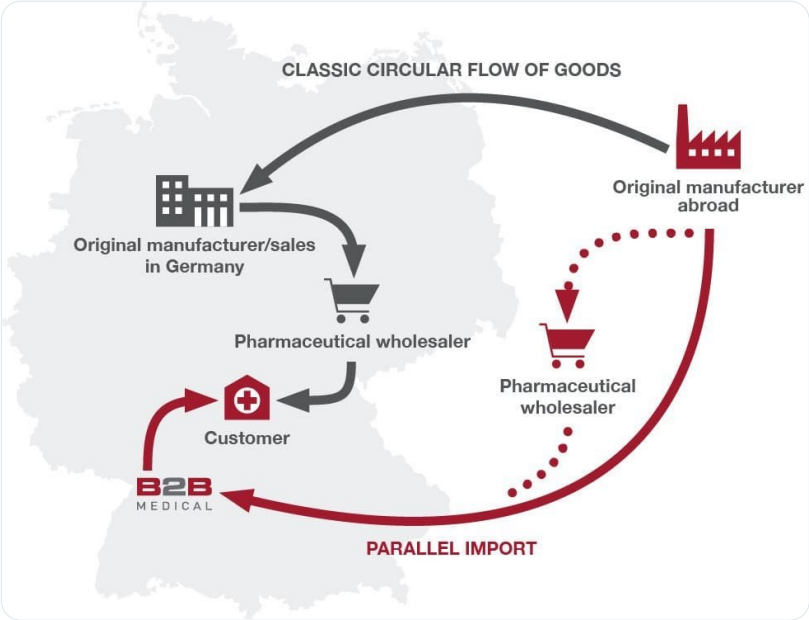
In my previous soup, I have written how the Western sanctions are circumvented in Russia. The most common method for this is using third party countries for importing products. Especially Eurasian countries such as Kazakhstan are common import points for Western products.

2/17



Russia has also made "parallel import" legal, which means that almost any product can be imported to Russia without the permission of the trademark owner. The problem with this is that these products have no guarantee.

3/17



But most companies don't even have to resort to this type of tactics - they simply continued business in Russia as usual. The study looked at around 1400 companies whose headquarters are located in the G7 or in the EU. Out of these, only 8,5% have actually left Russia.

4/17

Less Than Nine Percent of Western Firms Have Divested from Russia¹

Simon J. Evenett² and Niccolò Pisani³

20 December 2022

Abstract:

The Russian invasion of Ukraine in February 2022 and the corporate decisions that followed offer insights into the extent to which Western firms are willing and able to sever commercial ties with nations now viewed as geopolitical rivals by their governments. We gathered extensive data on equity investments made by foreign companies headquartered in the European Union (EU) and G7 nations and checked whether following the outbreak of armed conflict divestment of their Russian subsidiaries could be confirmed. At the end of November 2022, our analysis shows that 8.5% of EU and G7 companies had divested at least one of their Russian subsidiaries. We performed extensive robustness checks that confirm our overall findings while also revealing some notable variation in divestment rates.

JEL codes: F23, F51 and F52.

¹ The authors thank Fernando Martín Espejo for going the extra mile in organizing and delivering the research support for this data-intensive project. We also thank Silvan Hofer for data cleaning, data classification and charts preparation; and André Brotto, Noé Khun, Shabnam Mustafa, and Radha Ambalavanan for data collection and classification. A first version of this paper was circulated in October 2022. Since then, the data collection was repeated from scratch and updated from end-August 2022 to end-November 2022.

² Professor of International Trade & Economic Development, Department of Economics, University of

One of the authors, Evenett, commented that this type of voluntary actions to leave a market often work poorly, and that similar results were observed in South Africa during the apartheid. The sole purpose of many companies is to make money without moral judgment.

5/17



Also, Putin's regime hasn't made the leaving easy. If the company wants to sell their production lines, factories, warehouses, etc., they'll have to find a buyer who's prepared to pay a high enough price.

6/17


The New York Times

Russia-Ukraine War > | LIVE Updates | The War's Next Stage | Photos | Maps | Investigation: Pete Reed's Killing

Companies Are Getting Out of Russia, Sometimes at a Cost

Under pressure from investors and consumers, many Western companies are unwinding their investments, closing stores and pausing sales in Russia.

Give this article | Share | Bookmark



A closed Uniqlo shop at a shopping mall in Moscow in April. Fast Retailing, the Japanese company that operates Uniqlo, is among the many companies that have suspended operations in Russia. Kirill Kudryavtsev/Agence France-Presse — Getty Images

By The New York Times
Oct. 14, 2022

After the Russian president, [Vladimir V. Putin](#), ordered the invasion of [Ukraine](#) on Feb. 24, multinational companies have been forced to re-examine their ties with Russia. Some, like McDonald's, PepsiCo and Shell, had built relationships with the country over decades and were faced with untangling complicated deals.

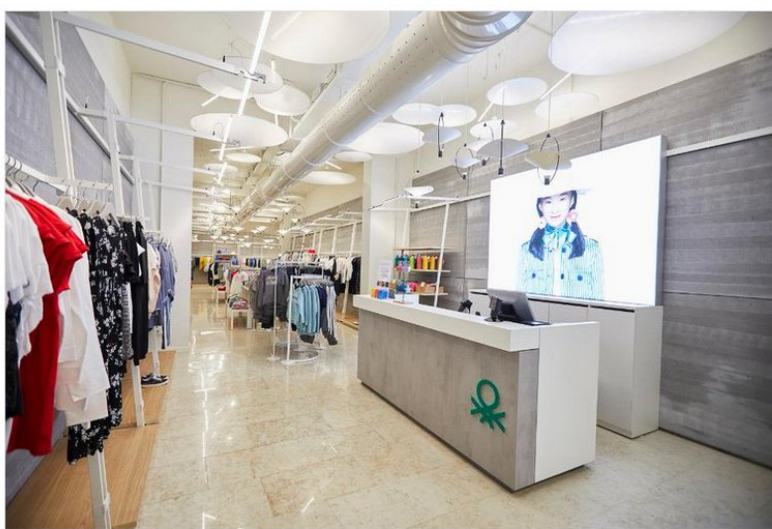
Under pressure from investors and consumers, many Western companies have started to unwind their investments, close stores and pause sales in Russia. Some, after at first taking temporary measures, have revised their plans and decided to exit the country completely. And some that have begun the process of withdrawing

The time span for this payment can range from one to two years, and the Russian government can also obstruct these sales or even prevent transfer of proceeds abroad, making these deals extremely challenging and time-consuming.

7/17

But many companies have probably decided to stay simply out of greed: when most of your competitors leave the market, business can be extremely lucrative. These companies and their owners don't care about filling the Russian war coffin, they just want to make an easy buck.

8/17



© 23.09.2020 3883

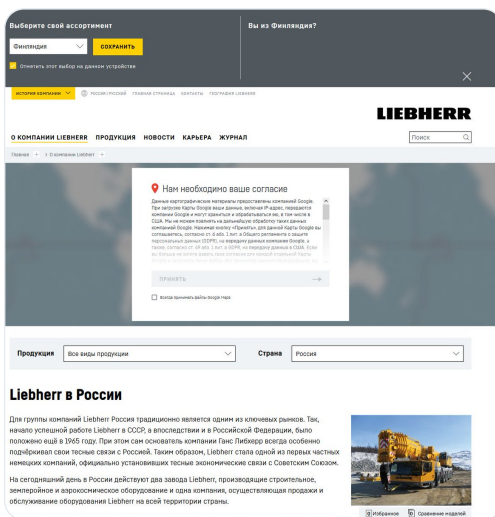
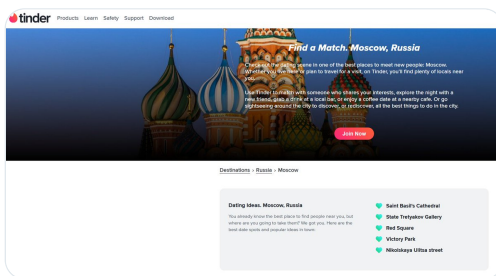
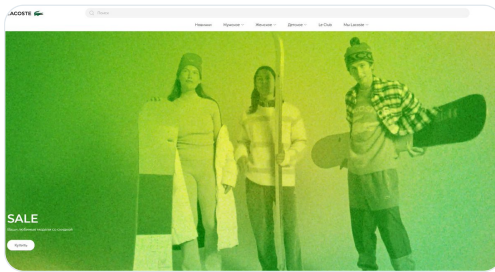
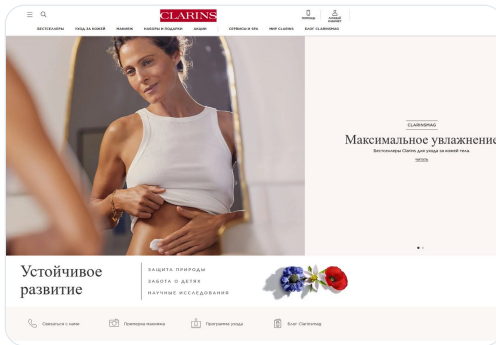
UNITED COLORS OF BENETTON opens stores in Russia in a new format

United Colors of Benetton announces the opening of stores in Russia in the new Light Colors format. This is another step in the brand's new strategy, aimed at transforming stores into spaces of color, light and innovation. Cozy atmosphere, natural textures, Italian style - these are the main characteristics of the new format, designed to satisfy the needs of brand fans around the world.



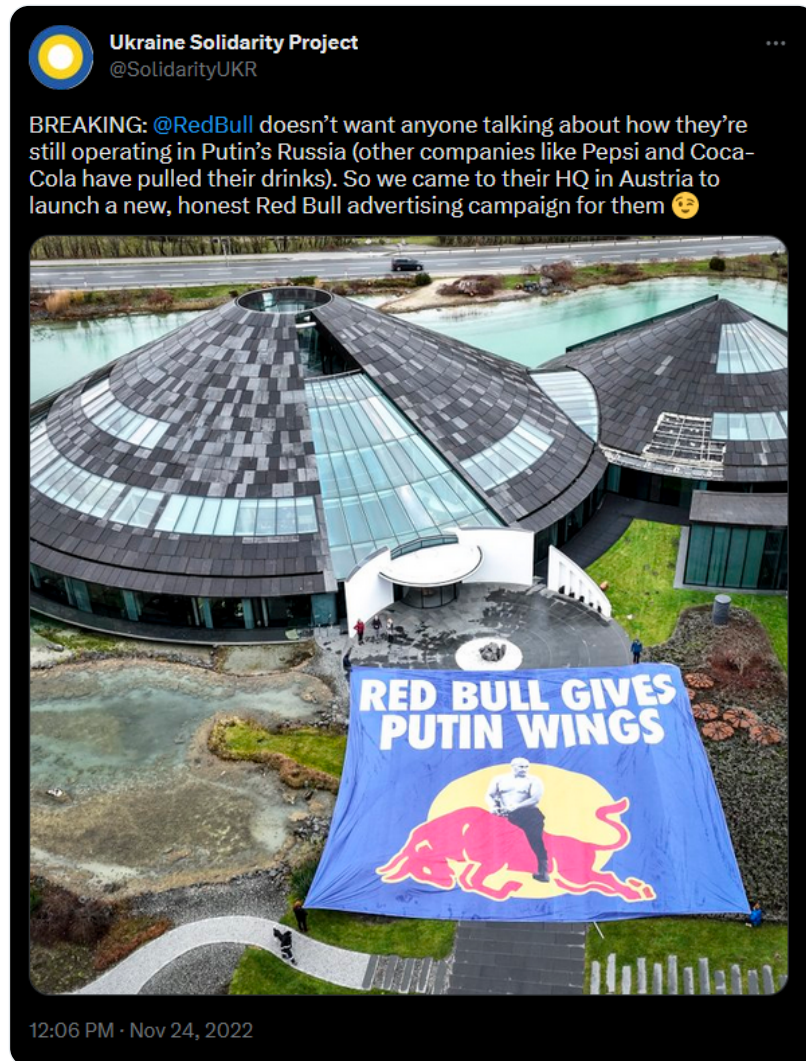
Some well-known companies that are continuing business-as-usual in Russia are Benetton (Italy), Clarins (France), Lacoste (France), Match Group (US), Raiffeisen Bank International (Austria) and Liebherr (Switzerland).

9/17

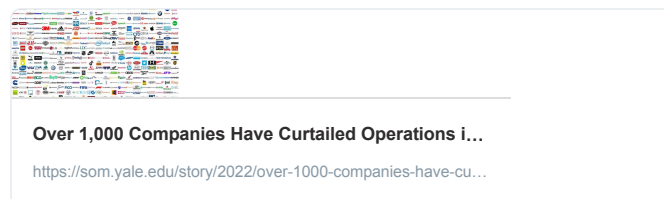


Many companies, like the Austrian Red Bull GmbH, have also "suspended new investments" in Russia, which for most consumer products means business-as-usual, as they didn't even have any production capabilities in Russia and are focusing solely on the wholesale market.

10/17



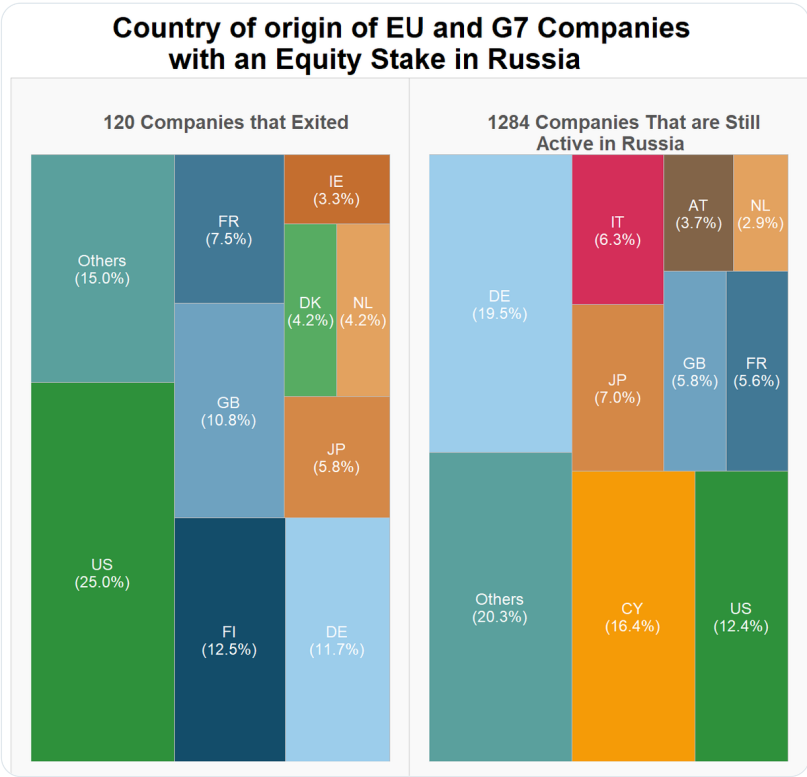
Yale University has published similar studies, and they have a website where people can check whether a company still has activity in Russia. They use a categorization of four distinct categories: "stay," "wait," "leave," and "exited".



11/17

Some countries that have over representation among the companies that remained, include Germany, Italy and Cyprus. 250 German companies remain in Russia. For the Cypriot companies, this number is 211, for the US 159, for Japan 90 and for Italy 81.

12/17



Only 14 German and 9 French companies have exited the Russian market. A total of 15 companies from Finland have left Russia, and most of the rest are in the process of leaving, but Russian authorities are making this exceedingly difficult.

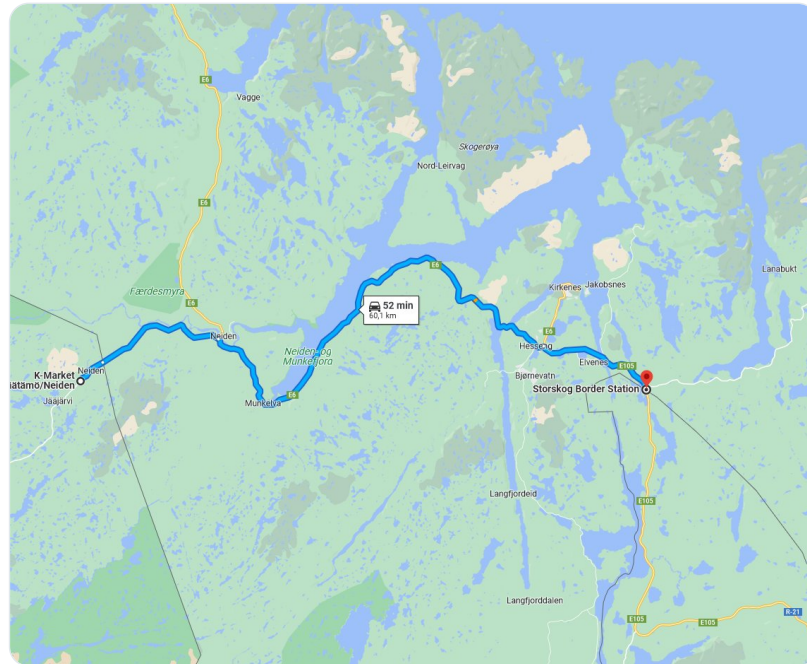
13/17

Finland has also stopped admitting tourist visas to Russians, which has led to an interesting scheme that involves Norway and the Schengen agreement. Groups of cars from Russia arrive to Näättämö, Northern Finland via the Storskog border station in Norway to buy tax-free...

14/17

... groceries and so-called luxury products from Finland. The Schengen agreement allows them to come from Norway to Finland freely. One of the local stores in Näätämö stopped selling products tax-free already in Spring, 2022, but another store sells them as usual.

15/17



The store owner has stated that the responsibility falls on the state, not on him. Since these tax free purchases can't exceed 300 EUR, the Russians have recruited "babushka mules" ("kilomummo" in Finnish) to cross the border and buy more products for them.

16/17

Import and export sanctions on goods also apply to private individuals crossing the Finnish-Russian border

30.6.2022 15.55
PRESS RELEASE

The EU has imposed extensive sanctions on Russia due to the attack on Ukraine. The sanctions also apply to many consumer products. For example, you are not allowed to bring in extra fuel from Russia to Finland. Persons arriving in Finland by road from Russia and persons travelling to Russia should check the restrictions and prohibitions before they travel.

Restrictions on both imports to Finland and exports to Russia

The entry restrictions that have been in place at Finland's external borders due to the coronavirus pandemic are lifted on 30 June, and from 1 July there will be a return to the pre-pandemic situation as regards health security. However, Customs' operations are affected by the sanctions imposed by the EU against Russia, and their supervision will be implemented as a part of normal customs controls.

"The EU has imposed extensive sanctions against Russia, and due to the lifting of the coronavirus restrictions, we want to remind private individuals that the import and export sanctions also apply to them. Private individuals should also take into account the travel advice on Russia provided by the Finnish Ministry for Foreign Affairs, even though the coronavirus restrictions are now lifted," says Enforcement Director **Mikko Grönberg**.

The EU's sanctions against Russia prohibit the direct or indirect sale, import or transfer of Russian petroleum products or petroleum products imported from Russia. Therefore, travellers are for the time being only allowed to bring in fuel from Russia in the regular tank of a motor vehicle. You are not allowed to bring in extra fuel in a portable container or a separate can carried in the vehicle.

In addition, you are currently not allowed to bring in strong alcoholic beverages, such as whisky, rum, gin, vodka and liqueurs, from Russia to Finland. You are still allowed to bring in a restricted quantity of light alcoholic beverages, such as beer and wine, for personal use or as a gift.

Travellers arriving in Finland for example by car or bus can bring in purchases in their personal luggage free of tax and customs duty for a maximum value of EUR 300.

You are not allowed to export so-called luxury goods from Finland to Russia, that is, products with a value that exceeds EUR 300 per item. Such products include smartphones, sports equipment and jewellery as well as many clothes and accessories. Exceptions to this are, for example, electronic items, which have a value limit of EUR 750; musical instruments, whose value per item may not exceed EUR 1 500; as well as certain optical equipment, such as binoculars and sights, the export of which is prohibited regardless of their value. The value limit for vehicles is EUR 50 000.

The import and export regulations of the destination country may change quickly, and you should always check with the authorities of that country to find out what regulations apply. Travellers are also advised to stay updated on the coronavirus restrictions that apply to border traffic in Russia and that the Russian authorities are responsible for enforcing and providing information on.

These "babushkas" also get around 20 EUR shopping money for themselves. The most commonly bought products are chocolate, cheese, coffee, children's clothing, vitamins and Kuoma winter boots. These products are then often sold online or in stores for a hefty profit.

17/17



Sources:



SSRN

Less than Nine Percent of Western Firms Have Divested from Russia

The Russian invasion of Ukraine in February 2022 and the corporate decisions that followed offer insights into the extent to which Western firms are willing and

<https://dx.doi.org/10.2139/ssrn.4322502>



Venäläiset turistit keksivät keinon päästä Suomeen, eivätkä viranomai...

Suomi sulki itäraajansa Venäjän hyökkäyssodan vuoksi, mutta tämä ei kuitenkaan hillinnyt Norjan kautta tulevaa ostosmatkailua. Suomen tullilla ei ole mahdollisuutta pysäyttää tätä liikennettä Schengen...

<https://yle.fi/a/74-20017202>

Support my work (and get some AI art!):



Pekka Kallioniemi



 buymeacoffee.com/PKallioniemi

Pekka Kallioniemi
Support me in creating daily vatnik soups! All donations will be spent on research and production of vatnik soup or in the creation of web portal (vatniksoup.com)...

<https://buymeacoffee.com/PKallioniemi>

Past soups: vatniksoup.com

Related soups:

Sanctions:



@P_Kallioniemi · FOLLOW

In today's #vatnik soup, I'll discuss sanctions and why they haven't affected 🇷🇺 as badly as was predicted. First of all, not all companies have left 🇷🇺. Yale has a neat list from where you can check which companies are still conducting business in 🇷🇺: som.yale.edu/story/2022/ove...

1/8



som.yale.edu
Over 1,000 Companies Have Curtailed Operations in Russia—But Some Remain

8:42 AM · Nov 25, 2022



[Read the full conversation on Twitter](#)



89



Reply



Copy link

[Read 5 replies](#)

Addendum: Japan has also sanctioned Russia, as has Kosovo.

...