

Pregled stanja RUS gospodarstva na dan 11. april 2022

I. Sanctions update

I.I. The EU's fifth package of sanctions

The Council of the European Union decided to impose a fifth package of economic and individual sanctions against Russia. Together with the four previous packages, these sanctions have been coordinated with international partners. The Commission and the EEAS are working on additional proposals for possible sanctions, including on oil imports, and are reflecting on some of the ideas presented by Member States, such as taxes or specific payments channels, such as an escrow account.

This new package contains the following six elements:

- Coal ban
- Financial measures (full transaction ban and asset freeze on four Russian banks, prohibition on providing high-value crypto-asset services to Russia, prohibition on providing advice on trusts to wealthy Russians)
- Transport (full ban on Russian and Belarusian freight road operators working in the EU with certain exemptions, entry ban on Russian-flagged vessels to EU ports with exemptions)
- Targeted export bans (quantum computing, advanced semiconductors, sensitive machinery, transportation and chemicals, specialist catalysts for use in the refinery industry, jet fuel and fuel additives)
- Extending import bans including cement, rubber products, wood, spirits (including vodka), liquor, high-end seafood (including caviar), and an anti-circumvention measure against potash imports from Belarus
- Excluding Russia from public contracts and European money; legal clarifications and enforcement.

Sources: Official Journal of the EU L111: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2022:111:TOC>

EU

Commission

Press

Release:

https://ec.europa.eu/commission/presscorner/detail/en/ip_22_2332

Council Press Release https://www.consilium.europa.eu/en/press/press-releases/2022/04/08/eu-adopts-fifth-round-of-sanctions-against-russia-over-its-military-aggression-against-ukraine/?utm_source=dsms-auto&utm_medium=email&utm_campaign=EU+adopts+fifth+round+of+sanctions+against+Russia+over+its+military+aggression+against+Ukraine

Restrictive measures against 217 individuals and 18 entities

In addition, the Council decided to impose restrictive measures on additional 217 individuals and 18 entities. The 217 listed individuals include high-ranking Kremlin officials, oligarchs – German Gref, Moshe Kantor, Boris Rotenberg and Oleg Deripaska, head of OZON Alexander Shulgin -, other prominent businesspeople

involved in key economic sectors such as energy, finance, media, defence and arms industry.

The list also includes family members of already sanctioned individuals, in view of the fact that they are benefiting from the regime or to prevent the circumvention of EU sanctions. These designations include Maria Vladimirovna Vorontsova and Ekaterina Vladimirovna Tikhonova, the daughters of Russian President Vladimir Putin. Lastly, the so-called ministers and the members of the 'People's Council' of the so-called 'Donetsk People's Republic' and 'Luhansk People's Republic' are also blacklisted. The 18 sanctioned entities include four major Russian banks (Bank Otkritie, Novikombank, Sovcombank, and VTB), a company active in the transport sector and owned by the Russian Federation, and companies in the military-defence industry whose technology or products have played a role in the special military operation.

Source: Official Journal of the EU L110: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2022:110:TOC>

Guidance on scrutinizing foreign direct investments from Russia and Belarus

The EU Commission also published guidance for EU Member States on "assessing and preventing threats to EU security and public order from Russian and Belarusian investments." The guidance highlights the increased risk from investments subject to Russian or Belarusian government influence in the context of Russia's military operation in Ukraine. It calls for close cooperation between authorities involved in investment screenings and those responsible for the enforcement of sanctions.

Source: Guidance on scrutinising foreign direct investments from Russia and Belarus <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.CI.2022.151.01.0001.01.ENG&toc=OJ%3AC%3A2022%3A151I%3ATOC>

I.II. The US sanctions

On 8 April 2022, U.S. President Joe Biden signed into law the "Suspending Energy Imports from Russia Act".

- This bill prohibits the importation of energy products from Russia.
- The bill generally prohibits the importation of Russian products that are classified under chapter 27 of the Harmonized Tariff Schedule (which includes mineral fuels, mineral oils and products of their distillation, bituminous substances, and mineral waxes), with an exception for prior contracts or agreements.
- The President may waive this prohibition for national interest reasons, subject to congressional approval.

In addition, President Biden signed the "Suspending Normal Trade Relations with Russia and Belarus Act".

- This bill suspends normal trade relations with Russia and Belarus. It also permanently authorizes the President to impose visa- and property-blocking sanctions based on violations of human rights, and it revises the President's authority to impose these sanctions.

- Specifically, the bill authorizes the President to proclaim increases in the rates of duty applicable to products of Russia or Belarus. This authority terminates on January 1, 2024. The President may restore normal trade relations with Russia and Belarus, subject to congressional disapproval.
- The bill directs the U.S. Trade Representative to take certain actions, including to consider steps to suspend Russia's participation in the World Trade Organization and seek to halt the accession process of Belarus.
- Additionally, the bill statutorily authorizes broader coverage of current visa- and property-blocking sanctions for human rights violations to cover persons involved in serious human rights abuses. (Current law imposes these sanctions on persons responsible for gross violations of human rights, a higher standard.)
- The bill authorizes the President to impose sanctions on any foreign person who (1) is responsible for serious human rights abuse, (2) is a current or former government official who is responsible for or complicit in corruption, (3) is or has been a leader or official of an entity that has engaged in any of these activities, (4) has provided support for any of these activities, or (5) is owned or controlled by a person subject to these sanctions.

Sources: Suspending Energy Imports from Russia Act:
<https://www.congress.gov/bill/117th-congress/house-bill/6968>

Suspending Normal Trade Relations with Russia and Belarus Act:
<https://www.congress.gov/bill/117th-congress/house-bill/7108>

I.III. The UK sanctions

On April 8, 2022, the UK added Vladimir Putin's daughters to its sanctions list, mirroring moves by the US, in what it said was an effort to target the lifestyles of those in the Russian president's inner circle. Following the Russia's special military operation in Ukraine, UK and other Western allies have announced several waves of sanctions targetting Moscow's wealthy elites, key industries and its access to the international financial system.

Source: <https://www.reuters.com/world/uk/uk-sanctions-russian-president-vladimir-putins-daughters-2022-04-08/>

II. Russia's credit rating

Prospects for Russia's technical default and consequences

The S&P Global Ratings (S&P) international agency lowered Russia's sovereign credit rating for foreign currency from CC to SD, the agency said on its website on April 9, 2022. The long-term rating for the national currency remains at the CC level in the CreditWatch list (rating review pending) with a negative prognosis. The agency noted that Russia fulfilled its obligations on sovereign Eurobonds in rubles.

Indeed, last week, the Russian Finance Ministry fulfilled its obligations under two types of sovereign bonds in rubles, which amounted to US\$ 649 million. The ruble funds were transferred to a specially opened account with a Russian depository in ruble equivalent. These funds can be spent on buying new securities issued by the Russian

Finance Ministry, on tax payments, and a few other transactions. However, foreign bond holders are not able to convert ruble funds into foreign currency. According to the Russian Finance Ministry, this will become possible only after the unfreezing of Russia's foreign currency accounts is ensured.

Against this background, Dmitry Peskov, Russian Presidential Press Secretary stated on April 11, 2022, that there are no objective reasons for Russia's default. According to him, the country has all the potential necessary to fulfill its obligations, but the default can be "technical" and "man-made." The payment of debts in rubles is rather a political step, and this practice will be continued by Russia, as long as the reserve freeze is in effect, experts believe. Estimated, that Russia has enough funds to pay off such debts in any currency, as foreign exchange earnings of Russian companies — more than US\$ 30 billion per month.

The situation is now special: because of the sanctions, Russian imports have plummeted and, to a much lesser extent, exports. The country now has a positive balance of payments. In this regard, Russian Finance Minister Anton Siluanov said in an interview with Izvestia that in March 2022 it increased five times compared to "normal" times. The other factors contributing to a positive balance of payments are the requirement to exporters to sell up to 80% of foreign exchange earnings, as well as the sharply slowed outflow of capital. According to Minister Siluanov, Russia's total external liabilities make up about 20% of the total public debt: the total amount of public debt is about 21 trillion rubles, and about 4.5-4.7 trillion are external liabilities.

At the moment, creditors have not reacted in any way to making a payment in rubles. Under the terms of the Eurobond issue, there is a deferred payment period within 30 days after the maturity date. Only in early May 2022 it will become clear whether the situation can be considered a technical default or not.

From a practical point of view, the consequences of a technical default for Russia, according to analysts, will not be significant, as access to international loan markets for the country is already closed for a long time. In the event of a default, there is a threat of seizure of Russian property abroad. However, lawyers note that Russia, by issuing bonds, did not waive "sovereign immunity" - a norm of English law, which, in short, means "the sovereign is always right" This means that it will be incredibly difficult to collect payments on Eurobonds from Russia through the courts, even if the situation was ordinary - without blocking reserves and sanctions.

Sources:

https://tass.com/economy/1435185?utm_source=google.com&utm_medium=organic&utm_campaign=google.com&utm_referrer=google.com
<https://www.rbc.ru/finances/09/04/2022/6250e0989a794776b7a9156c?from=newsfeed>
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<https://iz.ru/1318388/inna-grigoreva-petr-marchenko/my-budem-suditsia>

III. Banking sector

Central Bank of Russia has relaxed the temporary procedure for cash currency transactions

The citizens who had opened foreign currency accounts or deposits before March 9, 2022, and who have not yet chosen the established limit on the withdrawal of cash currency from their accounts, will be able to get not only dollars, but euros in cash from April 11, 2022. The overall withdrawal limit of US\$ 10,000 or the equivalent in euros will remain in effect until September 9, 2022. The citizens will still be able to receive funds in rubles from foreign currency accounts in excess of the limit during the interim order. In addition, the Bank of Russia resumes the ability for banks to sell foreign currency to citizens from April 18, 2022, but only the currency received at banks' cash offices from April 9, 2022.

Source: <https://cbr.ru/press/event/?id=12801>

Central Bank of Russia softens the rules for buying and selling foreign currency through brokers and banks

From April 11, 2022, the commission for the purchase of currency through brokers, which was previously set at 12%, is cancelled. Also, from April 11, 2022, the Central Bank of Russia is canceling the requirement for banks to limit the difference in the currency buying and selling rate, with the exception of importing legal entities. The regulator recommends that banks set for importers who purchase foreign currency to pay for import contracts an exchange rate spread of no more than 2 rubles from the exchange rate.

Source: [Read more](#)

The ruble fell amid the lifting of the Central Bank of a number of foreign exchange restrictions

On April 11, 2022, at the opening of trading on the Moscow Exchange, the dollar and the euro rose by 6 rubles against the backdrop of the removal by the Central Bank of Russia a number of restrictions that artificially held back the exchange rate. Experts noted that among the restrictions canceled by the Central Bank and affected the ruble exchange rate, were the abolition of a commission of 12% for the purchase of currency through a broker, as well as permission to purchase currency for individuals and the ability to withdraw money from foreign currency deposits, as well as a reduction in the key rate to 17%.

Source: <https://iz.ru/1318755/2022-04-11/ekspert-sviazal-rost-kursa-dollar-i-evro-s-otmenoi-tcb-riada-valiutnykh-ogranichenii>

IV. Russian market related developments

Draft bill on external management in foreign companies

The Russian government put on hold a consideration of the draft bill on external management in foreign companies who decided to leave Russia. Relevant government agencies continue to work on the draft, but the draft itself is not ready for submission to the government. Izvestia's sources in the government argue that foreign companies

just declared their intention to leave Russia, but they are ready to negotiate and implement all their commitments.

Source: <https://iz.ru/1318502/anna-kaledina-evgeniia-pertceva/ne-ukhodite-mimo-s-vneshnim-upravleniem-v-inostrannykh-kompaniiakh-povremeniati>

Russian Industry and Trade Ministry proposed a selective approach vs. parallel imports

The Russian Industry and Trade Ministry has decided on the criteria for parallel imports. It proposes to import into the country without the permission of the copyright holders only the products of brands that have stopped or suspended work in Russia and not any goods. Currently, the Ministry is compiling a list of such brands. Experts believe, that with the permission of parallel imports, some goods may rise in price by 10-15%.

Source: <https://iz.ru/1318423/evgeniia-pertceva/marochno-ne-bridumaesh-minpromtorg-predlozhit-tochechnyi-podkhod-dlia-parallelnogo-importa>

Bill on suspension of simplified visa procedure for EU citizens

The Russian Government submitted to the State Duma a bill that suspends simplified visa issuance to a number of categories of citizens of the EU, Denmark, Iceland, Liechtenstein, Norway and Switzerland, including journalists and official delegations.

Source: <https://sozd.duma.gov.ru/bill/103295-8>

Russian Government has allocated funds for preferential crediting of backbone enterprises of the fuel and energy industry

The Russian government will allocate 7 billion rubles for a special credit program to support systemically important organizations of the fuel and energy complex. The respective order was signed by Chairman of the Government Mikhail Mishustin.

Source: <http://government.ru/news/45090/>

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