



FROM RUSSIA... NOT WITH LOVE

My family and I visited The Russian Federation (the official name) or just Russia, during April/May this year to attend a family wedding. I am after all married to a Russian girl, and the wedding was the ideal opportunity for our twins to see their Babushka (grandmother). The whole to-do took place over three days covering three functions – all three confirming the intimate relationship Russians have with vodka.

I have been criticised by some for my decision to take our children to a country at war, and although the wedding was held at Sochi, a city on the Black Sea – not that far from the Ukraine – I did confirm that it was completely safe for us to visit beforehand. Sochi is a very popular holiday destination for Russians, as well as foreigners, and was the previous host city of the winter Olympics.

Sidenote: Sochi is a very beautiful modern city. Even in spring, it is only an hour's drive from a tan on the black-pebbled beach of the Black Sea to a ski slope in the Caucasus.

Apart from visiting with family and enjoying a run next to the sea every morning, I saw this as the perfect opportunity, as an economist, to try and gain insight from ordinary Russians' perspectives on the war between Russia and Ukraine. Sochi afforded me the opportunity to speak to many people on their views on the war.

But things were about to change.

There are still many (mostly) Middle Eastern airlines flying the Moscow route, but it is mostly (only) Russian airlines flying domestic routes. We encountered full airplanes and busy airports. No sign of a war anywhere!

On our way back we were confronted with problems at customs. Since our girls hold dual citizenship, they were not allowed to leave Russia with their South African passports – the way they came in – because Russian does not recognise dual citizenship – apparently? Believe me, Russian customs people are as rude and unfriendly as most customs officials everywhere in the world and the rudeness of an individual is in direct relationship to the size of the stamp he wields... So, we could leave our nine-year-old girls in Russia, they would feed them and give them a place to stay these friendly custom officials said, or we must get Russian passports for the girls.

So, there we are in the middle of the night, my wife semi-hysterical, the girls in tears, no money and nowhere to go. Since Russia has been excluded from the SWIFT system "Western" credit cards do not work in Russia. Fortunately, we still had our Russian sim cards and at three o' clock in morning we booked into a "boutique hotel", a generous description... I also managed to borrow RUB 100 000, approximately R20 000, from friends.

We could only start the passport application process a few days later because of official holidays but at least we could move to the small, but modern, flat in Moscow of the bride whose wedding we attended. This gave me another opportunity to explore Moscow and to see first-hand what the impact of the war was on the capital city.

Here are my impressions:

There is no sign of a war anywhere! There were no soldiers, tanks, or any other signs of the military. Some preparations were made on the Red Square for the May 9th celebrations, but not much else.

The economy seems to be pumping, in Moscow and in Sochi at least. Everybody I spoke to told me business is good, all the supermarkets are fully stocked with a variety of goodies that we can only dream about. As is the case in the rest of the world, people are complaining about rising prices, the rouble came back strongly after taking a dive just after the invasion of Ukraine in late February, when interest rates were raised sharply. Subsequently, interest rates were cut again, and the rouble is now trading at levels stronger than before the invasion.

The effect of the sanctions against Russia will take some time to filter through to the economy – I estimate that the Russian economy can contract by nearly 10% this year, but we are certainly not talking about an economy in freefall. I spoke to many Russians who are very confident that they will be able to weather any economic sanction by the West because there are ways and means to get around them. *"In fact," so say many, "they are already making plans to find alternatives around Western sanctions, and Russia's immense commodity wealth can always be used as a weapon to defend its economy."*

But what really surprised me was that not only did I not see any signs of a war, people also do not talk much, or at all, about the war. The official media only report in a factual manner on the war during news hours and it is often not even the main news item of the bulletin.

A Putin-fan taxi driver told me that they are unsure about everything and that there is a lot of fake news around. Sounds familiar?

I succeeded in getting a few conversations going about the war and learned a bit about the Russians' various views on the war, but it was a few personal stories that really got to me. There was this guy, a huge Putin fan, who's mother that lives in Ukraine had to flee before the invading Russian soldiers. Families are being torn apart but he remains a Putin-fan

"Do ordinary Russians support the war?" is a question I have been asked many times.

Like any disagreement, there are many moving parts to this conflict. We must remember that Russia and Ukraine used to be the same country and that Ukraine is a relatively young country. In fact, Russians refer to Ukraine as little Russia. There is also a historical context that is important, for example the role of Ukraine (on the side of Germany) during the second world war. The composition of the Ukrainian population, for example Catholic west and Orthodox east. The promise after the fall of the Berlin wall that Nato will not expand to the east...

I am also pretty sure that Ukraine, one of the most corrupt countries in Europe, discriminated against Russian speakers in the east, but to what degree I am not sure. Some say Russians were prevented from speaking Russian, others say Russian churches were burned down and Russians were even killed. This happened mostly in the eastern Donbas area.

Also remember that the Krim (or Crimea as the West calls it) "belonged" to the Russian part of the USSR and the majority of Krimeans are ethnic Russians today. I am also pretty sure that most of the populations of Donbas and Krim would want to be part of the greater Russia.

So, context is important, but let me get to the question, "do the ordinary Russian support the invasion of Ukraine?"

I don't think this is the right question. Before I explain, remember that there are many moving parts to this conflict, as is the case with any disagreement. I think the questions we should be asking are:

- + Does the average Russian support their military forces?
- + Does the average Russian support the invasion of Ukraine?
- + Does the average Russian support Putin?

The ninth of May is the day that the Russians celebrate their victory over Nazi Germany. It is a day of huge pride in their military forces and all cities and towns have statues and what-not to celebrate their "boys" and also many "girls". And wherever their forces are they will support them. The only reason why this war is dragging out so long is that "the Russian forces are disciplined and are showing restraint. If they wanted to, they could have taken over Ukraine long ago. Nothing can stand in the way of the Russian army". So, say most Russians.

But does the average Russian support the invasion of Ukraine? That depends. I would say most Russians support that idea that Donbas and Krim (and perhaps other areas as well) should be a future part of Russia. For the rest of Ukraine, I got the sense that most Russians simply do not care.

As for supporting Putin, there are fanatical Putin supporters as well as a few vocal Putin haters. The supporters (and a few haters) reckon that Russia is a vast country full of diversity and that a "strong" leader is a must. Others see Putin as a mad dictator.

That said, where do I think all of this will end?

- + With or without Putin, there is no way the Russians will leave Donbas and Krim; they are part of Russia from this point going forward.
- + I do not foresee popular support for Russia to invade the rest of Ukraine. Putin may attempt to, but given Russia's setbacks in the war so far, it may lead to his demise.
- + I don't think Putin is as sick as some Western news outlets report. I also doubt if a palace revolution is imminent. Putin's personal safety measures are second to none, and keep in mind that a cornered

powerful man can be extremely dangerous – I am talking nuclear here... Also, Putin is not mad; he is very rational!

- + What really concerns me is that accidents happen during wars, and an accident involving Russian and NATO forces may just get out of hand. Again, I am talking about nuclear conflict.

During all these observations, my biggest concern was that the Russian domestic affairs department will be on the same standard of that of SA – in which case we would still be stranded in Russia for many months. Fortunately, the Russian administration is amazingly efficient, competent, and friendly. Literally hours after applying for passports we had them in our hands, and we could leave Russia.

I think the Russian invasion was wrong and a strategic mistake. Putin wanted to prevent the further expansion of Nato to the east, and this will now be accelerated. Putin wanted to incorporate (parts) of Ukraine into Russia. Instead, he contributed to a new Ukrainian nationalism. Putin also hugely underestimated the reaction of the West (sanctions) and hopelessly overestimated the capacity of his forces.

The most likely outcome of this conflict is for a low-level civil war that will go on for a very long time. Sanctions against Russia will remain in place, (certain) commodity prices will stay elevated, inflation may become stagflation, global growth will suffer, and financial markets will be affected.

Under these circumstances a good asset manager will do the "normal" analysis but will also keep a wary eye on global geopolitical developments. Is there a possibility that China will use the Ukrainian diversion as an opportunity to cease Taiwan? No one has definite answers to all the questions, but we must stay alert and well-informed. We live in interesting times.

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