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# Russia scatters money

will Crimea soon be able to do without its sugar daddy?



In 2018, the car bridge between Crimea and the Russian mainland, built with Russian money, opened. Seen by many as a symbolic construction project. Photo: Vitaly Timkiv / TASS / Getty

The first train will cross the new railway bridge between Crimea and the Russian mainland on Monday. The connection is yet another monumental infrastructure project on the peninsula with which Moscow literally connects the annexed region. But the Kremlin also gives generously on a micro level. Can Crimea survive without its sugar daddy?

## Author Jarron Kamphorst

On the rolling hills north of Simferopol, the capital of Crimea, bare vines grow in sandy soil. In the distance, the first snow of the year shines on the mountain peaks in the ochre yellow winter sun. In the fields where there is normally plenty of grain, carrots and beets growing towards the end of the year, not a blade of grass is above the ground. No green crops, but brown plains as far as the eye can see.

"We have been dealing with severe water scarcity for the past five years," explains Oleg Kuzmenko (48), owner of an agricultural company located a thirty-minute drive from Simferopol. He sits behind the desk in his office in the yard. A large link watch hangs on his wrist, his brow has a chronic frown.

Behind him hangs the two-headed Russian eagle on the wall. In addition, a map of Russia. With Crimea as an undeniable part of the nation.

The water scarcity in Crimea has not come out of the blue. Immediately after the Russian annexation of the peninsula in 2014, Ukraine closed the North Crimean Canal in retaliation for the Russian annexation. In May of that year, Kiev built a temporary dam that was replaced in 2018 by a permanent concrete variant. "The closure of the canal is felt throughout the region," says Kuzmenko. That's not surprising. At least eighty percent of the peninsula's water supply depended on the canal before 2014. "Now the canal is almost dry and there is much less groundwater."



Oleg Kuzmenko, owner of an agricultural company: "The subsidies help enormously".  
Photo: Jarron Kamphorst

Kuzmenko therefore hopes that the government in Moscow will soon come up with a solution for the water shortage in Crimea. "In Krasnodar on the mainland, they have a surplus of water. With a pipeline, all that excess water can easily be transported to Crimea. After all, they have already built a car bridge, gas pipeline and train bridge from the mainland. So why not a big water pipeline?"

It's not a crazy thought. Over the past five years, major construction projects followed each other in rapid succession. In an effort to boost the region's economy, Moscow has invested billions of dollars in the peninsula since 2014. And with success. If you look at the statistics, you can only conclude that an economic miracle has descended on Crimea in the past five years. In fact, in 2019, the peninsula was the fastest growing economy in all of Russia. According to reports from the Russian media company RBC, the construction sector in Crimea grew by 20 percent in the first quarter of 2019. In the federal city of Sevastopol, traditionally an important port city, that percentage was even seventy percent. The industry on the peninsula is also running like clockwork: the sector grew more than twenty percent in the first three months of the year.

Traveling across the peninsula, the apparent economic miracle is unavoidable. Everywhere cranes tower above the ground, construction equipment shakes the earth and factory chimneys smoke. The projects that have been set up in Crimea in a short period of time are therefore nothing short of impressive. In 2018, for example, the nineteen kilometer long car bridge between Crimea and the Russian mainland opened. Not much later followed the gas pipeline from Krasnodar to the peninsula, a new terminal at the international airport of Simferopol, the still to be completed Tavrida highway that runs through the region, and now also the new train bridge that will take the inhabitants of Crimea to thirty hours to Moscow.



The new railway bridge between Crimea and the Russian mainland, which will be crossed by the first train on December 23. Photo: Sergei Levanenkov / TASS

## Carrots, beets and potatoes

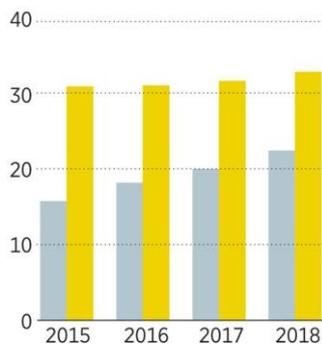
"Or what about this power station?" Kuzmenko laughs broadly. Outside the walls of his yard, he points from the wheel of his Ford SUV to a shiny, brand-new power station in the distance. A futuristic spaceship between the bone-dry fields. In the middle of the dilapidated Soviet farms, it seems a bit anachronistic. The behemoth was recently completed, says Kuzmenko, and is one of two power stations to power Crimea after Ukraine cut off all electricity to the peninsula in retaliation for the Russian annexation. "We only pulled that out of the clay in a few years. Splendid."

Moscow is not only investing massively in the new territory at the macro level. The federal government also distributes showers in smaller sectors. For example, farmers like Kuzmenko have been eligible for subsidies from the Russian capital in every possible way since Russia ruled Crimea. Partly due to these allowances, Kuzmenko himself is not yet bothered by the low groundwater level on his land. "I have thirty hectares of land and mainly grow carrots, beets and potatoes. These are crops that need a lot of water, but a few years ago I had three large water reservoirs installed in the field and soon there will be an irrigation system to provide the crops with water."

Kuzmenko could never have coughed up those investments on his own. "Government grants help enormously. Of the six million rubles (85,000 euros, ed.) that the irrigation system costs, I get four million back." Moreover, it is not the first time that the farmer has received a helping hand from Moscow. "In 2015 I already had a cold store built for sixty million rubles (850,000 euros, ed.). I got a quarter of that back." And that investment has paid off. "I now also buy onions and cabbage en masse. I store it in the refrigerated warehouse and resell it in the spring. Last year I converted a total of 35 billion rubles (approximately 500,000 euros, ed.). By way of comparison, for 2014 I was turning in around 35 million rubles (approximately 500,000 euros, editor). By way of comparison, for 2014 I was turning in around seven million rubles a year."

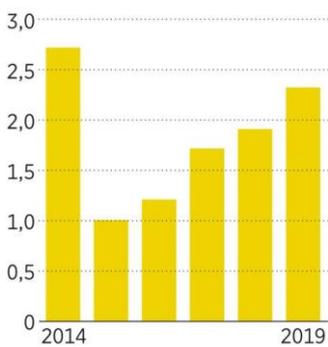
### Inkomens Rusland en de Krim

in duizend roebel



### Russische subsidies aan de Krim

in miljard dollar



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Images: Sander Soewargana

The fact that Moscow scatters money in the Crimean countryside is not that surprising, believes Kuzmenko. "Ukraine has not bought anything from Crimea at all since 2014. With that I lost my biggest sales market in one fell swoop. Now all the farmers here sell their products to the Russian mainland. And there the kilo prices are much lower than in Ukraine. In Ukraine you get thirty hryvnia (1.15 euros, ed.) for a kilo of potatoes, in Russia sixteen rubles (0.23 euros, ed.)."

## Mother Russia

The fact that the central government in Moscow is financially encouraging the farmers in Crimea seems more like compensation for loss than genuine generosity. Nevertheless, Kuzmenko is happy that he no longer has anything to do with the Ukrainian authorities. "I owe this here to Russia," he says, looking around in the refrigerated warehouse opposite his office. The words leave his mouth like clouds of fog on a cold winter's day.

"We store all vegetables here at low temperatures. Then it stays good for longer and I don't have to sell everything at once." In total, there are seven hundred tons of vegetables in the cold store. Large wooden boxes reach to the ridge. The sulphurous smell of cabbage and beetroot mingles with that of fresh onion and earth. Like walking into a life-size pot of Russian borscht.

"I could never have done this in Ukraine," continues Kuzmenko. "Before 2014 it was impossible to make investments at all. I didn't dare. The risk was too great because of expensive loans. I was forced to grow grain and sunflowers because I didn't have this storage. Since I have a cold store, I grow vegetables. That yields much more."

But the sun rises for nothing. Over the past five years, the Kremlin has dug deep into its pockets for the megalomaniacal infrastructure projects and subsidies it spews across its new territory. Since 2014, capital injections from the capital have fluctuated between USD 1 billion and USD 2.7 billion per year. The development plan for Crimea presented by Moscow shortly after its annexation amounted to a whopping \$10 billion. Of which at least 95 percent came from the state treasury. And total investment in the region is expected to increase even further from Red Square. With unforeseen costs added, the total sum of money between 2015 and 2025 will be more than USD 13 billion.

The fact that Moscow spends money like water in Crimea should therefore be regarded as a financial kickstart for the region, says Grigori Nazarov (37), press officer of the VAD, the main contractor of the Tavrida highway. In addition, the symbolic value of all those projects should not be underestimated, he says from behind a cup of burnt coffee in a café in the center of Simferopol. As far as he is concerned, the train and road bridge are the shining example of that symbolism. "The plan to build a bridge to Crimea dates back to World War II. Now it has finally happened. We are literally connected. That is a major achievement." For Nazarov, the bridges are the umbilical cord that reconnects the lost child to Mother Russia.



Grigori Nazarov, press officer of the VAD, the main contractor of the Tavrida highway: "The inhabitants of Crimea used to save for a bicycle, now everyone saves for a car". Photo: Jarron Kamphorst

The highway that Nazarov's company is building, which should be completed by the end of 2020, has a similar symbolic value. "This highway is the backbone of Crimea. In the future we will add the ribs to it, so that the entire region has a healthy asphalt skeleton again." According to him, the fact that the project worth \$ 2.2 billion does not generate a profit for the VAD is irrelevant. "For us it is a prestige project. We show what we can do and at the same time we help our compatriots here."

## Castle in the air

As far as Nazarov is concerned, the infrastructure projects are an investment in the homeland. "All these projects have an unprecedented impact on the economy. Three thousand people are involved in the construction of the Tavrida highway alone. Half of them come from Crimea. In addition, all taxes flow to the coffers of the regional government. Everyone benefits from it." Nazarov likes to tell a joke to characterize the improved standard of living in Crimea. "They used to say that the people of Crimea save to buy a bicycle, but since Crimea is back to Russia, everyone is saving for a car."

Patriotism, financial kick-start or economic resuscitation; it's just how you look at it. Because despite Moscow's generous hand, the mega-investments could also become the pitfall for Crimea in the future. After all, the fact that the economy on the peninsula has been growing so strongly since 2014 is almost entirely due to all the money that Moscow is pumping into the region. The investments inflate the statistics and create a certain semblance of prosperity. Crimea itself still generates little or nothing.

On top of that come the sanctions that Crimea has had to contend with since 2014. The West is still turning its back on the peninsula en masse. Large multinationals cutted their losses after the annexation. And that can be seen all over the peninsula. Abandoned gas stations line the side of the road with a faded yellow shell on them, and long posts that once sported a large yellow M now display the logo of Russian fast-food chain AvtoFood.

In addition, the EU prohibits the import of all products from Crimea and investments on the peninsula are also prohibited. The US, Canada and Ukraine have also sanctioned individuals and companies doing business in Crimea. Because of these sanctions, even Russian companies are hesitant to establish themselves in Crimea. There are no major national banks such as Sberbank. In the long term, this could slow down the development of Crimea considerably or even bring it to a screeching halt. That is why the local government in Simferopol has to gratefully accept the necessary pocket money from Moscow for the time being.

It is undeniable that the Kremlin has taught Crimea hands-free over the past five years. But the training wheels will not dare to take it away from the region in the short term. Whether Crimea will be able to take care of itself in the future is therefore the big question. Because if Moscow decides to withdraw or cut state aid, it is possible that the economic miracle of Crimea turned out to be a pipe dream and economic growth stagnates.

According to press officer Nazarov, things will not go that fast. "In time, the West will also realize that Crimea is Russian and that it was not an annexation, but a voluntary connection. As soon as that happens, investments will pour in here en masse."

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