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Business

Russia tightens economic grip on southern Ukraine

Ukraine accuses Moscow and its allies of stealing its wheat

BERDYANSK: Little appears to have changed for Alexei Andrusenko, the head of a foundry in Ukraine's southern city of Berdyansk, who is happy to have kept all his staff since Moscow took control of the city. Andrusenko and his 50 or so employees continue showing up to work every morning to the grey building in the outskirts of the port city on the shores of the Sea of Azov. But now the factory's produce - once sold to Ukrainian or international steel groups - will likely be bound for Russia and Kremlin ally Belarus.

Since Russia sent troops into Ukraine on February 24 and captured territories in the south of the pro-Western country, Moscow has sought to strengthen their economic ties. "We have no other supply chain," Andrusenko told AFP during a press trip organized by the Russian army. He also raised concerns about the depleting stocks of their raw materials that previously came from neighboring Mariupol, another key Ukrainian city on the shores of the Sea of Azov.

Andrusenko says they are "interested" in working with the Alchevsk steelworks, a large factory with over 10,000 employees that since 2014 has been under the control of pro-Russian separatists of eastern Ukraine's Lugansk region. Before Russia sent troops to Ukraine, these deals would never have been possible. "The most important thing is to build the right supply chain and to be able to work," Andrusenko said.

Port '100 percent ready'

The southern Ukrainian regions of Kherson and Zaporizhzhia have been largely under Russia's control since the first weeks of Moscow's military campaign, and are now being forcefully integrated into Russia's economy. The main economic asset of Berdyansk is its port, which has remained mostly intact unlike that of Mariupol, the scene of a devastating siege. In late March,

an attack attributed to Ukrainian forces reportedly sank a Russian warship in Berdyansk waters, but today the port is "almost 100 percent ready" to ship grain, says Alexander Saulenko, the Moscow-installed head of Berdyansk. Ukraine has accused Russia and its allies of stealing its wheat, contributing to a global food shortage caused by grain exports blocked in Ukrainian ports. According to Saulenko, grain will soon be shipped out from the port, since silos will need to be freed up for the new harvest. "We have prospects for contracts with Turkey. Russia is an agricultural country, it has enough grain of its own so it would be more profitable to trade elsewhere," Saulenko said.

But the most tangible influence of Moscow on the local economy is the introduction of Russia's national currency since last month. "Now you can buy everything in both rubles and hryvna," Ukraine's currency, the pro-Russian official added. According to him, Berdyansk received some 90 million rubles (\$1.7 million) from Russia, but state employees are still paid in hryvna and it is impossible to withdraw cash rubles from ATMs.

Neighboring Melitopol, about 100 kilometers west of Berdyansk that came under Russian control on March 1, also uses the Russian ruble that is delivered from Crimea, the Black Sea peninsula Moscow annexed from Ukraine in 2014. "It's a two-currency zone... The ruble is delivered thanks to the open road to Crimea. Commercial ties with Russia, interrupted after 2014, are resuming," says Melitopol's pro-Russian mayor, Galina Danilchenko. "People are happy to accept the ruble... I don't see any problems," she added, but for reporters on the press trip it was difficult to speak freely with the city's residents. Back at the Berdyansk foundry, 41-year-old worker Sergey Grigoryev says he just hopes to get paid his salary. "In cash, not to my card, because you can't withdraw from it. In hryvnas or in rubles - I don't care." — AFP



BERDYANSK: Workers pour metal at a private Berdyansk foundry in Berdyansk, amid the ongoing Russian military action in Ukraine. — AFP

Ukraine war robs India's 'Diamond City' of its sparkle

SURAT: Yogesh Zanzamera lays out his bed on the floor of the factory where he works and lives, one of around two million Indians polishing diamonds in an industry being hit hard by the Ukraine war. The air reeking from the only toilet for 35-40 people, conditions at workshops like this in Gujarat state leave workers at risk of lung disease, deteriorating vision and other illnesses.

But Zanzamera and others like him have other more immediate worries: the faraway war in Europe and the resulting sanctions on Russia, India's biggest supplier of "rough" gemstones and a long-standing strategic ally. "There are not enough diamonds. Because of that, there is not enough work," Zanzamera, 44, told AFP at the workshop, situated up some dingy stairs in Surat where he has worked since leaving school at 13.

"The war should end. Everybody's livelihood depends on the war ending." His monthly pay packet of 20,000 rupees (\$260) is already down 20-30 percent, he says. But he is one of the lucky ones—the local trade union estimates that between 30,000 and 50,000 diamond workers in Surat have lost their jobs.

Rough times

Originally founded as a port city at the mouth of the Tapi river, Surat earned a reputation as the "Diamond City of India" in the 1960s and '70s. Now, some 90 percent of the world's diamonds are cut and polished in the bustling industrial city and elsewhere in the western state of Gujarat. Traders in Surat's crowded Mahidharpura market openly trade diamonds worth millions of dollars on the streets each day, carrying the precious gems loose in paper wrappings.

"If it doesn't go through Surat, a diamond is not a diamond," said Chirag Patel, CEO of Chirag Gems. Russian mining giants like Alrosa traditionally accounted for over a third of India's rough diamonds, but supply has all but stopped because of Western sanctions. For Chirag Gems, Russia was even more important, accounting for half the 900 "roughs" that his firm turns into dazzling gems that sell anywhere from \$150 to



ELMAU CASTLE: (Left to right) Britain's Prime Minister Boris Johnson, European Commission President Ursula von der Leyen, US President Joe Biden, European Council President Charles Michel, Italy's Prime Minister Mario Draghi, Germany's Chancellor Olaf Scholz, Canada's Prime Minister Justin Trudeau and France's President Emmanuel Macron attend a working lunch to discuss shaping the global economy on June 26, 2022. — AFP

Energy shock tests G7 climate resolve

ELMAU CASTLE: Leaders of the Group of Seven rich nations will be under pressure to stick to climate pledges in Bavaria from Sunday, as Russia's energy cuts trigger a dash back to planet-heating fossil fuels. Germany finds itself in an awkward position as G7 summit host, having recently announced that Europe's biggest economy will burn more coal to offset a drop in Russian gas supplies amid deteriorating ties over the war in Ukraine.

Chancellor Olaf Scholz nevertheless insists the G7 remains committed to the Paris agreement of limiting global temperature increases to 1.5 degrees Celsius, and achieving carbon neutrality by 2050. But concerns are growing that Scholz will use the gathering to push G7 partners to water down a previous promise to stop financing gas and oil projects abroad by the end of the year. "That would be a real setback," said Alden Meyer, a senior associate at climate policy think tank E3G.

"Scholz could go down in history as the climate backtracking chancellor," US President Joe Biden, French President Emmanuel Macron and their counterparts from Britain, Italy, Canada and Japan will all be joining Scholz at the luxurious Elmau Castle from Sunday to Tuesday. Thousands of people marched in the city of Munich on the eve of the summit to urge G7 leaders to do more to fight climate change.

'Bitter' coal comeback

With the impact of the climate crisis already being felt across the globe through devastating floods, ris-

ing seas and crop-wilting droughts, the summit will be closely watched for fresh funding pledges to help poor nations cope. But hopes of a breakthrough are low, as the conflict in Ukraine dominates the agenda and Western attention shifts to the vast sums that will be needed to rebuild the country.

"Before the war there was a clear intent, also from Germany, to really deliver on climate finance and this seems off the table now," said Susanne Droege, a climate policy analyst at Germany's Institute for International and Security Affairs (SWP). Soaring energy prices and fears that Moscow could abruptly cut off supplies have left European nations scrambling to wean themselves off Russian oil, coal and gas. With renewables like solar and wind power not yet a widely available alternative, countries including Germany, Italy, the Netherlands and Austria are reverting to fossil fuels to plug the gap.

German Energy Minister Robert Habeck, a Green party politician, called the decision to reactivate mothballed coal-fired plants "bitter" but necessary for energy security. He stressed that Germany was still on track to close its coal plants by 2030 and remained committed to a massive shift towards renewable energy. Droege said Russia's aggression in Ukraine had exposed the risks of fossil fuel dependency. "The only benefit of this war is that... understanding has increased that renewable sources of energy will pay off," said Droege. Environmentalists say a key focus of the G7 climate talks should be on helping the most vulnerable nations that are already bearing the brunt of the climate emergency. "In the Horn of Africa, a terrible drought is leaving over 18 million people suffering from food insecurity," Ugandan youth activist Vanessa Nakate told reporters ahead of the summit. —AFP

\$150,000. Using state-of-the-art scanning and laser-cutting machines, his factory is better than most, with air-conditioning and exhaust systems protecting workers from inhaling dangerous dust. But supply has shrunk to a tenth of what it was in the months since Western sanctions cut Russia off from the SWIFT international payments network in March. "We are not getting goods from Russia because the payments system is stuck due to the war," Patel, 32, told AFP, saying he is trying to bridge the gap with supplies from South Africa and Ghana.

Demand at Tiffany's

The June-to-September wedding season in the United States is a crucial period for diamond exporters, Patel says. The US accounted for more than 40 percent of India's \$24 billion exports of cut and polished diamonds in the financial year to March, data from the Gem and Jewellery Export Promotion Council (GJEPC) shows.

But along with supply, traders say demand from the United States and Europe, too, has nosedived in recent months as companies like Signet, Tiffany & Co, Chopard and Pandora refuse to buy diamonds sourced from Russia. Workers like Dipak Prajapati

have suffered the consequences. In May he lost a job in May that paid \$320 a month to support his family of six.

"I called the company to ask when I could resume work, but they said they don't have any work for me and told me to stay home," the 37-year-old told AFP. "Sixty percent of the jobs in Surat run on diamonds. Diamonds are the biggest industry in Surat. I don't know any work other than diamonds." His layoff comes close on the heels of pandemic shutdowns. "We didn't get any salaries for six to eight months. We had to borrow money from all sides to survive and are still paying back those loans," Prajapati said.

The Gujarat Diamond Workers' Union has asked Gujarat's chief minister for a 10-billion-rupee (\$128-million) relief package for workers who have lost their jobs. "We told him that if the situation does not improve in the coming days, our workers will be compelled to commit suicide," union vice-president Bhavesh Tank said. "Surat has given the world so much," Tank says. "Surat has scrubbed diamonds for the entire world but our diamond workers are now getting scrubbed." "We can only pray to God that the war will end. If the war does not end, we don't know how bad things will get." — AFP



SURAT: Employees examine the diamonds at a factory in Surat. Originally founded as a port city at the mouth of the Tapi river, Surat earned its reputation as the "Diamond City of India" in the 1960s and '70s.



SURAT: A trader examines the diamonds at a trading market in Surat. — AFP photos