

Cyprus and the Fate of Russian Money

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Eurocrisis in the
Press

By [Maria Brock](#)

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Much attention has been paid across Europe in recent weeks to the role of Russian money in the Cypriot economy. Maria Brock explores reactions to the Cypriot crisis in the Russian press.

Since the beginning of the Cyprus crisis almost two weeks ago, much of Europe's attention has been turned east, to Russia. [According to Moody's](#), Russian assets in Cyprus are believed to amount to \$31 billion, meaning that the Russian government was always likely to be interested in a solution to the deadlock.

Two motivations could be highlighted here: first, having a say in what happens to financial assets that have evaded taxation in Russia falls in line with Putin's recent rhetoric. In his state-of-the-nation address in [December 2012](#), he called for more stringent measures in dealing with this prevalent business practice. Capital flight leads to the state losing billions in tax revenue every year (it is estimated that annually up to \$80 billion leave the country).

Second, taking on an active role in the negotiations can be seen as one way for Russia to exert its political influence vis-à-vis the EU, with which it has always had an uneasy relationship. This ambition becomes apparent in statements such as Medvedev's [likening the EU's behaviour](#) to that of "an elephant in a china shop". Ultimately, Russia appears undecided on whether to take a more active role in negotiations. Tellingly, the visit of the Cypriot minister of finance to Moscow last week ended without any tangible results.

Overall, reactions to the crisis in the Russian press have been mixed, resonating with the government's somewhat confusing stance. They range from outrage at the perceived expectation to contribute to the rescue package, to a more fatalist sense of resignation expressed in the idea that the richest Russians will already have found channels to transfer their funds out of the island before the "haircut". The left-leaning, popular newspaper *Komsomol'skaya Pravda* [commented last week](#) that all viable rescue packages were "equally bad", as well as expressing dissatisfaction that Russia might be expected to contribute "just like that". Simultaneously, the article emphasised the fundamentally positive relations between Russia and Cyprus. This is contrasted – with some satisfaction – with the island's negative attitude towards Germany, and the profound hope that Russia might be the only place from which help could realistically be expected to come.

Business-oriented *Kommersant* devotes a significantly larger portion of its output to the crisis. [At the beginning of the week](#), it proposed to treat the crisis as a final confirmation of Russia's importance in the international financial market, albeit through the experience of involvement in its current crisis. [In a guest contribution](#), Russia's former Minister of Finance Alexey Kudrin comments that part of the EU's reluctance to bail out Cyprus is politically motivated and stems from the notion that many of its deposits reached the island's banks as a result of "shadowy operations" involving Russian businessmen. [In yesterday's article](#) following the crisis' official resolution, the newspaper highlighted the problems by predicting the full extent of losses incurred for Russian individuals and companies. It comments that while some of the money lost will be of dubious or 'grey' origin, part of it will be that of business that operates in a more transparent fashion. Blame is allocated to the Russian government, for its "reluctance to analyse the situation in Cyprus in more detail", as the outline of a crisis had become apparent last summer.

[In a guest contribution](#) by a professor of economics, popular tabloid *Argumenty i Fakty* proclaims that "business has already managed to hide their money from Cyprus", reassuring Russians that this is still mainly a crisis of the Eurozone, which should not trouble Russians too much. [In a further article](#) from last week, it chose not only to emphasise Russia's integral role as a potential provider of solutions to the crisis, but to also highlight cultural similarities between the two countries by making reference to the potential involvement of religious authorities from

both sides in an attempt to speed up negotiations: “in fighting the crisis, all means can be considered good”.

Famous opposition newspaper *Novaya Gazeta* draws somewhat different conclusions, and, in line with expectations, uses much harsher words of criticism for all parties involved. [In an initial contribution](#) to the debate over what should be done, one conclusion is that “politicians can create economic problems, but are unable to solve them”, thereby placing the responsibility for the current crisis firmly in the hands of politicians (both in Russia and the EU). In relative terms, the island’s debt is less than one per cent of the EU’s overall debt, leading the author to conclude that the EU has lost its ability, or desire, to respond to the crisis in a reasonable manner. In her usual provocative tone, Yulia Latynina [calls for readers](#) to interpret this crisis as symptomatic of the collapse of “European civilisation”, where “private property was once considered untouchable”, and which now turns to ‘expropriatory tactic’, thereby turning it into something akin to “Eurosocialism”. [More recent contributions](#) focused on the future (offshore) location of larger Russian deposits, a selection of which was narrowed down to London, Liechtenstein, Montenegro or the Baltic countries. [In the words](#) of a Russian businessman currently based in Limassol: “England is destiny for all decent businessmen from Russia. Nowhere else are we as well received! To England!”.

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