



SPECIAL REPORT

HOW DID FOREIGN COMPANIES REACT TO THE RUSSIAN WAR AGAINST UKRAINE?

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In this research we tried to collect data from the 50 biggest foreign companies trading in Russia. Are these companies still operating during the invasion in Ukraine or did they suspend their activities in the Russian Federation? How did non-Russian companies trading in the country react to the war and what are the consequences for the Russian and the global economy?

BACKGROUND OF THE WAR

On the 24th of February 2022 Russia invaded Ukraine. Russia has already intervened with Ukrainian territory since the annexation of Crimea in 2014 and the so called separatists war in Donbass and Luhansk. This marked actually the first breach of sovereign European territory by the Russian army.

Since January 2022 The Russian army has surrounded Ukraine with an army of more or less 200.000 soldiers. The US intelligence warned several times that Russia would attack. According to the New York Times, Russia agreed with China to wait until after the Olympics in Beijing by attacking their Slavic neighbor. Russia is denying these accusations.

The invasion of Russia is the biggest invasion of a European country since the Second World War. Since the 24th of October, several cities in Ukraine have been bombed, like Kharkov, Mariupol and suburbs of Kyiv. Ukraine - and several other countries - accused Russia of war crimes. According to these accusations, the Russian army is shelling civilians. Russia is denying these claims.

In an already famous tv speech, the Russian president Vladimir Putin said the invasion was a 'special military operation' and not a war. Experts expect that Putin wanted to overthrow the Ukrainian government in only a couple of days. The Russian army did not succeed in a quick invasion. In some international newspapers, whistleblowers have been quoted who claim the invasion of Ukraine is a huge military failure for Russia. Some other experts, and also the French president Macron, expect, however, that the worst is yet to come for Ukraine.

HOW DID THE WORLD REACT AND WHAT ARE THE CONSEQUENCES?

The majority of countries in the world were shocked by the Russian invasion of Ukraine. The European Union, the United States and several Asian countries answered the Russian invasion by implementing hard sanctions on the Russian economy, the assets of Russian oligarchs and assets of Putin himself and people around him. The West also disconnected several Russian banks from the payment system SWIFT and European countries offered money and weapons to Ukraine to defend themselves.

The Russian economy was hit hard by the sanctions. The Russian currency, the Ruble, decreased in value and several rich oligarchs lost a big part of their assets. Russians were queueing in front of ATMs before the sanctions hit the market. Economists expect the Russian economy will shrink by 7% and the recession will be deeper than during the Covid-19 pandemic. Some Russians are fleeing the country to Central Asia, Turkey and Finland. Opponents of Putin are also afraid of their safety as the Russian government tightened censorship and limited ways to protest against the war.

After implementing sanctions by the west and witnessing pictures of the war in the media, several international companies decided to partially or totally halt all their business activities in Russia.

One by one big companies announced to leave Russia. The announcement from the Swedish furniture company IKEA resulted in big queues in Russia to buy some last-minute furniture. On the other hand, consumers in the west are asking to boycott companies who proceed trading in Russia, like for example Coca Cola. Some smaller companies, especially in neighboring countries like Poland, are announcing charities or other campaigns to support Ukraine.

DATA COLLECTION

All data in this research has been collected by reading news articles from international news sources and public company sources such as blogs. An overview of the Russian version of Forbes helped us to collect the 50 biggest foreign companies which are active in Russia. By reading press releases, news and other sources we could make an overview of which decision the companies in the top 50 made regarding staying, leaving or partially leaving the Russian market.

We will present the results of our research in numbers and in a table. This will help you to quickly see what the international companies in Russia decided after the invasion of Ukraine which started on the 24th of February.

Our research will be concluded by an overview of the impact of the decisions by the companies. What will these closures mean for the Russian economy and which consequences will the closures have on the companies which are actively trading in Russia?

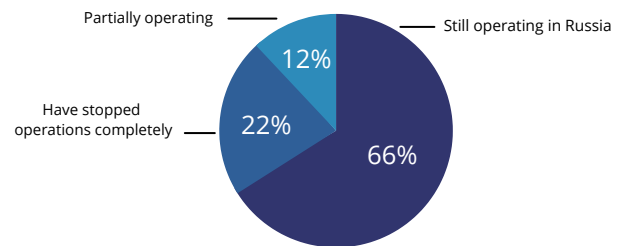
MAIN FINDINGS

For this research we analyzed the 50 largest foreign companies in Russia. The list of companies includes Philip Morris, IKEA, Volkswagen and the French Supermarket Auchan. Overall it is observed that three types of actions have been taken by these 50 companies:

- To cease operations completely
- To continue operations partially
- To continue operations totally

According to the data collected, out of the 50 companies investigated, more than one third of 50 largest foreign companies in Russia have taken action. It means that a majority of foreign companies are still operating fully in the highly sanctioned country. From all these companies, we collected the following data: 66% are still operating in Russia; 22% have stopped operations completely and 12% are partially operating.

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Companies like Apple, Volkswagen and IKEA totally ceased operating in Russia. Some companies also ceased operating in Belarus, where president Aleksandr Lukashenko cooperates with Russia in the war.

Some other companies partially continued operating in Russia. The Korean technical company Samsung announced for example to suspend shipments of products to Russia. The French company Leroy Merlin, which is a chain shop for construction and interior materials, announced a limit on the amount of online purchases. On the other hand it has been observed that for example Leroy Merlin Poland decided to donate one million zloty for Ukraine and suspend all products which are coming from Belarus and Russia. It shows that some companies which are still actively trading in Russia, make local decisions about their stance in the war.

For all those companies that have decided not to close down their activities completely, the strategies they use to cope are diverse. However, we recognized three ways of implementing changes in trading on the Russian market by foreign companies:

- Stop advertisements
- Make donations
- Stop investments

It means that companies that are not closing completely are actually keeping their shops physically open but are suspending all local marketing activities and instead donate money for Ukraine.

| Logo | Company's Name | Revenue In Russia (2020) | Head office (country) | Overall |
|---|--------------------------|--------------------------|--|-----------|
|  | Apple | 286.2 bil. rub. | Cupertino, California | Stops |
|  | Bayer | 76 bil. rub. | Germany | Continues |
|  | BMW Group | 179.7 bil. rub. | Germany | Stops |
|  | British American Tobacco | 197 bil. rub. | London, United Kingdom | Continues |
|  | Cargill | 109.5 bil. rub. | Wayzata, Minnesota, United States | Continues |
|  | Carlsberg Group | 75.0 bil. rub. | Vesterbro, Copenhagen, Denmark | Stops |
|  | Coca-Cola | 72.0 bil. rub. | Switzerland | Continues |
|  | Daimler | 191.8 bil. rub. | Stuttgart, Germany | Partial |
|  | Danone | 110.7 bil. rub. | Paris, France | Partial |
|  | ELKO Group | 72.0 bil. rub. | Riga, Latvia | Continues |
|  | Enel | 57.2 bil. rub. | Rome, Italy | Continues |
|  | Fortum | 74.5 bil. rub. | Helsinki, Finland | Partial |
|  | Globus Group | 105.9 bil. rub. | Trexford Park, England | Continues |
|  | Google | 85.5 bil. rub. | Mountain View, California, United States | Stops |
|  | Groupe Auchan | 272.7 bil. rub. | Croix, France | Continues |
|  | Groupe Renault | 210 bil. rub. | Boulogne-Billancourt, France | Continues |
|  | Henkel Group | 84.1 bil. rub. | Germany | Partial |
|  | Huawei Technologies | 127.7 bil. rub. | China | Continues |

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|--|-----------------------------|-----------------|--|----------|
|  | Hyundai Motor | 176.3 bil. rub. | Seoul, South Korea | Continue |
|  | IKEA | 215.6 bil. rub. | Sweden | Stop |
|  | Imperial Tobacco Group | 70.7 bil. rub. | Bristol, United Kingdom | Continue |
|  | Inditex | 82.8 bil. rub. | Spain | Stop |
|  | Japan Tobacco International | 211.8 bil. rub. | Geneva, Switzerland | Continue |
|  | Johnson & Johnson | 64.4 bil. rub. | New Brunswick, New Jersey, United States | Continue |
|  | Kia Motors | 221.2 bil. rub. | Seoul, South Korea | Continue |
|  | Komatsu | 60.4 bil. rub. | Tokyo, Japan | Stop |

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|---|------------------------|-----------------|----------------------------------|----------|
|  | Leroy Merlin | 247.2 bil. rub. | France | Continue |
|  | LG Electronics | 95.2 bil. rub. | Seoul, South Korea | Continue |
|  | Mars | 142.6 bil. rub. | USA | Continue |
|  | McDonald's | 100.4 bil. rub. | Chicago, Illinois, United States | Continue |
|  | Metro Group | 220.6 bil. rub. | Germany | Continue |
|  | Mitsubishi Motors | 75.2 bil. rub. | Minato City, Tokyo, Japan | Continue |
|  | Mondelēz International | 59.4 bil. rub. | Chicago, Illinois, United States | Continue |
|  | Mond Group | 61.1 bil. rub. | Addlestone, United Kingdom | Continue |

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|---|-----------------------------|-----------------|--------------------------------------|-----------|
|  | Nestle | 186.6 bil.rub. | Switzerland | Continues |
|  | Nissan | 98.7 bil.rub. | Japan | Stops |
|  | Novartis | 60.1 bil. rub. | Basel, Switzerland | Continues |
|  | PepsiCo | 217.6 bil. rub. | Purchase, Harrison, New York | Continues |
|  | Philip Morris International | 359.5 bil. rub. | Stamford, Connecticut, United States | Continues |
|  | Procter & Gamble | 108.8 bil. rub. | Cincinnati, Ohio, United States | Continues |
|  | Robert Bosch | 87.4 bil. rub. | Gerlingen, Germany | Continues |
|  | Royal Dutch Shell | 102.3 bil.rub. | London, United Kingdom | Partial |
|  | Samsung Electronics | 246 bil. rub. | Suwon-si, South Korea | Stops |

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|---|--------------------|-----------------|-------------------------|-----------|
|  | Sanofi | 57.7 bil. rub. | Paris, France | Continues |
|  | Schneider Electric | 53.6 bil. rub. | Rueil-Malmaison, France | Continues |
|  | Toyota Motor | 263.9 bil. rub. | Toyota, Aichi, Japan | Stops |
|  | Unilever | 81 bil. rub. | United Kingdom | Continues |
|  | Uniper | 80.5 bil. rub. | Düsseldorf, Germany | Continues |
|  | Volkswagen Group | 319.7 bil. rub. | Germany | Stops |
|  | Volvo | 65.3 bil. rub. | Sweden | Stops |

THE IMPACT AND REPERCUSSIONS THAT PRIVATE SECTOR REACTIONS TO THE WAR MAY HAVE

The Russian invasion of Ukraine has a huge influence on the western world, but especially on Europe. Several companies which are or were actively trading in the Russian Federation are European companies, like IKEA, Leroy Merlin, Auchan and Volkswagen. Such closures and stops on business activity will influence their revenue and the European market.

The announcement of some international companies to not cease activities in Russia has been received with disbelief by some consumers. Coca Cola, which is not part of our research, has been boycotted by some consumers over their decision to continue sales in Russia. Also other companies have faced such boycotts. In Poland consumers are advised to avoid products with a barcode starting with 46, as these are made in Russia.

Even companies that keep trading in Russia will be impacted. The Ruble is an a huge downfall, many rich Russians lost their money and the war had a great impact on the revenue of companies.

Tobacco giant Philip Morris (which is the biggest foreign company in Russia) is noty closing Russian activities but has been impacted by the closure of a factory in Ukraine. It means that even staying in Russia will not mean that revenues and sales will be the same as they were before the war.

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