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Neighbours feel pain of slowdown in Moscow

CHRISTIAN LOWE
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MOSCOW — Until the financial crisis hit, Shahin Kerimov sent money home from his job in Russia to his family in Azerbaijan. Now that his wages have stopped, they have to wire him cash to buy food.

Mr. Kerimov worked a tough, dirty job building apartment blocks in Moscow so he could make a better life for his wife and children. His employer promises to pay him what he is owed soon.

"I have two small children. They are waiting so I can earn some kind of money and bring it home," he said in the bare-walled apartment where he and his workmates are squatting. "The last time we were paid any money was two months ago."

His experience illustrates how the pain of the global slowdown has spread beyond the world's economic powerhouses into developing countries that are far removed from the financial markets and hedge funds where the crisis first emerged.

Mr. Kerimov is one of an estimated 10 million migrants from ex-Soviet republics working in Russia.

The cash they send to their families is a lifeline for the economies of their home countries, in some cases accounting for nearly half of gross domestic product.

So when workers are laid off from construction sites or factories in Moscow, the economic effects are felt thousands of kilometres away in households in Armenia, Azerbaijan, Uzbekistan, Tajikistan and elsewhere.

Russia hosts the world's second-largest number of migrants after the United States, according to the United Nations' International Organization for Migration.

It is a hard life. Many do not have proper work permits and are regularly rounded up by police. The majority are dark-skinned Muslims, sometimes making them targets for attacks by gangs of racist skinheads.

Until now, the money made it worthwhile. Many of the migrants went into construction: Buildings were going up everywhere and labour was in short supply. Since the financial crisis froze credit lines, that work has almost ground to a standstill.

In the wider economy, the global crisis has hit demand for Russia's commodity exports, lopped over 70 per cent off Moscow's bourses, and left companies strapped for cash and cutting jobs. Depreciation of the ruble has pushed up the cost of refinancing foreign currency debt.

The man who employed Mr. Kerimov said he would pay him and his colleagues the wages they are owed, but is struggling because the whole sector has ground to a halt. "Everyone is holding money up … everyone is on the alert," Valery Tishchenko said. "You don't know which way to turn."

Mr. Tishchenko's mobile phone numbers have since been out of service.

While they wait for the cash they are owed, Mr. Kerimov and about five workmates from all corners of the old Soviet Union live in a second-floor apartment of the complex they had been building, in the Moscow suburb of Lyubertsy.

They sleep on beds nailed together out of spare pieces of wood with polystyrene insulating slabs as mattresses. Heat comes from a scavenged electric stove they hooked up to a wire poking out of the wall.

There is no plumbing, so they fill buckets with cold water from a tap outside and wash themselves in an alcove.

“We live by taking out loans, or sometimes a friend will help,” Mr. Kerimov said, as he watched a meal of onions and tomatoes cook on the makeshift stove. “Sometimes I even have to ring home and ask my parents to help.”

He said returning home was not an option. In Azerbaijan, unemployment is high and the average monthly wage is about $300 (U.S.) – less than half the figure in Russia – according to Moscow-based investment bank Renaissance Capital.

“We will wait until the end. Until they pay the money. Something has to be done,” Mr. Kerimov said.

A November World Bank report ranking all the world's states according to the share of their economies made up by remittances puts two ex-Soviet states at the top of the table.

Tajikistan, a desperately poor country on Afghanistan's northern border, received 45.5 per cent of its GDP from this source last year. Remittances accounted for 38.3 per cent of the economy of Moldova, on the eastern edge of the European Union.

The global economic slowdown is curbing the flows of this cash, which is usually sent through money transfer firms such as Wells Fargo and Western Union, or through informal networks.

The World Bank report forecast that remittances to developing countries in Europe and Central Asia will shrink slightly this year after growing by 5.4 per cent in 2008.

Armenia, another big exporter of labour to Russia, says it has agreed to financing with the World Bank to help the economy handle the drop-off in remittances.

“If economic growth slows in Russia, then naturally the incomes of our compatriots will also fall and the volume of private transfers will fall as well,” said Prime Minister Tigran Sargsyan.

Pulat Pulatov, a sociologist in a government-linked institute in Tajikistan, said employers in Russia would be laying off Tajik migrant workers in large numbers. “There then follows a reduction in financial transfers and, as a result, the social condition of the population will worsen,” he said.

The problems he described can already be witnessed at the airport in Tajikistan's capital, Dushanbe.

Nargis Abdurakhimova, a 25-year-old nurse, was meeting her husband Firuz off a flight from Moscow.

He said he had been working on Russian construction sites earning up to 40,000 rubles a month, much better than the 1,000 rubles he said he could earn at home.

His employer laid him off, citing financial problems, but he planned to go back in a few months to find work.

“For now I do not want to think about not being able to find work in Moscow in the spring,” he said. “For me and my family, that would just be the end of the world.”

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