

The Legacy of the Sochi Olympics

By Robert Ortung, Washington

Abstract

Russia invaded Ukraine immediately after Sochi's closing ceremony, quickly shifting world attention from the quadrennial winter sports competition to the reality of warfare in the center of Europe. Ironically, this transition will probably be the main legacy for a mega-event that had avoided many of the disasters commentators had predicted.

Olympic Dreams

With the Olympics' concentrated media focus, intensive investment, and high level political attention, audiences see them as more than a sporting competition. Observers often have high expectations that the games will drive enormous change for the cities and countries that host them.

Sometimes, these expectations have been realized. In the case of Barcelona, the Olympics spurred a major process of urban renewal, creating a great city for residents and an attractive tourist destination. In Seoul, the Olympics played a role in South Korea's transition from military dictatorship to democratic rule.

Expectations that the Olympics would bring political change to China, by contrast, largely were unrealized. The Communist Party continues to clutch power as tightly as ever and the smoggy haze that envelops Beijing remains a fact of life. During the Games, China did relax some of its media laws under pressure, but these concessions were only temporary and did not apply to local journalists.

Four months after the closing ceremony in Sochi, it is possible to draw some initial conclusions about the legacy of those games. Despite the vast media attention focused on preparations, security, and human rights before the sports competition began, the Sochi Olympics were relatively successful for Russia and the man most responsible for organizing them, President Vladimir Putin. Despite the high cost, the facilities were ready on time. Although temperatures were relatively warm, the competitions proceeded with only a few problems, such as mushy snow. No terrorist attacks materialized, perhaps thanks to extensive preparations. The opening ceremony, in particular, won plaudits for presenting an inclusive model of Russian culture that had not existed before, including bringing back artists who earlier had been excluded from the Russian canon.

International Consequences

While Putin saw the games mainly as a way to appeal to his domestic base of supporters, one of Sochi's goals was to build Russia's image on the world stage. Putin sought to show that Russia could compete with the west-

ern countries who traditionally host the Olympics in terms of event management and organizational prowess. Setting aside the high cost—at \$51 billion in apparent spending, the Sochi Olympics were the most expensive ever—Russia largely succeeded on these terms.

However, the gains that Russia achieved by the successful Olympics quickly evaporated when Russia invaded Ukraine, occupied Crimea, and began providing support for pro-Russian separatists in eastern Ukraine, leading to an increasingly violent insurgency. Before the Olympics, Russia's relations with the West were deteriorating and many prominent Western leaders refused to attend the opening ceremonies, snubbing Putin. The U.S.–Russia relationship, in particular, had been flagging for some time and the criticism of Russia's law aimed at the LGBT community gave the Western leaders reason not to participate in the games, though their athletes all competed.

The Olympic afterglow quickly dimmed as Western countries quickly imposed sanctions on some of Putin's cronies in the aftermath of Russian aggression in Ukraine. Regardless of Putin's motivation in occupying Crimea, there is a strong organizational link between Sochi and Crimea since many of the resources used to prepare the Olympics were repurposed to facilitate the incorporation of Crimea into the Russian Federation. Potentially, special forces units providing security at the Olympics participated in the take-over of Crimea. More obviously, Putin appointed Dmitry Kozak, who had been responsible for organizing the Olympics, as the new curator of Crimean affairs in the Russian government. Additionally, much of the property associated with Olympstroy (office equipment and automobiles), the state corporation set up to organize the games, is apparently being prepared for transfer to the Ministry for the Development of Crimea and regional authorities in the occupied territory.¹ In this sense, the Russian government seems to be treating Crimea like another mega-project, which it seeks to manage with top-down

¹ Maksim Tovkailo, "Vlasti Kryma poluchat imuchshestvo 'Olimpstroya'", *Vedomosti.ru*, 10 June 2014, <<http://www.vedomosti.ru/politics/news/27588831/krym-poluchit-nasledstvo-ot-sochi>>

control. While it is hard to predict whether the Kremlin will be able to successfully integrate the Ukrainian province into Russia, it is clear that the task will be extremely expensive at a time when Russia's resources are already tight due to slow economic growth.

Crimea presents another parallel with Sochi in that it is a second Black Sea locale, where the local economy is heavily dependent on tourism, and where the Kremlin is taking a strong special interest in its success. The viability of the new infrastructure in Sochi will depend heavily on the arrival of tourists to use the facilities and amenities built at great public expense. But even as it is promoting Sochi, the Russian government is now offering strong economic incentives for Russian tourists to travel to Crimea to boost the local economy of the occupied territory. According to press reports, the number of tourists in Crimea is down considerably from previous years, predictably due to the unrest and uncertainty surrounding Ukraine and Ukrainian–Russian relations today. Anecdotal evidence suggests that even intrepid travelers from Russian cities who wanted to go to Crimea decided against vacationing there because the banks are not functioning and traveling on the peninsula required bringing large amounts of cash.

The Domestic Audience

The main audience for the Sochi Olympics was always Russia's population. Existing evidence suggests that Russians were generally impressed by Putin's handling of the games and that they increased his popularity. According to the Levada Center, 77 percent of Russians considered the games successful and that they evoked feelings of pride and joy among the hosts.² Two-thirds said that it made sense for Russia to host the games, though 20 percent claimed that it did not. Eighty-one percent said that the games encouraged feelings of greater patriotism in the country, while 56 percent said the games were the personal achievement of Putin, and 73 percent said that they raised Putin's authority. However, 57 percent complained that the "billions spent on the Olympics, should have been spent on the development of Russian cities: the construction of new housing to replace the old, and the modernization of healthcare." Additionally 71 percent said that the country's leadership used the games to boost the prestige of the authorities.

Overall, however, Putin won no more than a 3–4 percent popularity bump from the Olympics. In fact, with that modest gain, the Levada Center's Lev Gudkov thought that Putin's long-term slide in the ratings

was inevitably going to continue.³ Ultimately, it was only the military confrontation with Ukraine that was able to return Putin to approval figures above 80 percent.

Putin also apparently used the games to solidify support for his continued rule among Russia's ruling elite. He awarded medals to the key players in supporting the Olympics in a secret ceremony that took place in the Kremlin at the end of March, according to a report in the newspaper *Vedomosti*, one of the few remaining newspapers independent of Kremlin control.⁴ Among the recipients of the prizes were Interros owner Vladimir Potanin, Sberbank President German Gref, Gazprom Management Committee Chairman Alexei Miller, Russian Railroads Chairman Vladimir Yakunin, Renova Chairman of the Board Viktor Vekselberg, and Chairman of the Board of Basic Elements Oleg Deripaska. These companies were in charge of constructing key elements of the Olympic infrastructure, though most of the funding ultimately came from the state budget.

As many as 500 additional individuals who played a role in the Olympic construction are expected to receive awards in the future. Conspicuously missing from the first list, for example, was Arkady Rotenberg, whose companies were among the largest recipients of construction contracts according to investigations conducted by Alexey Navalny and his colleagues.

Neither the presidential administration, nor *Vedomosti* explained why the ceremony was not held in public. However, the newspaper did remind readers that before the games took place, many observers had assumed that afterwards prosecutors would file criminal cases because of the numerous cost overruns and missed deadlines. However, there has been no such process.

In fact, many of the key elites who benefited from the Olympics now seem to be lining up to profit from construction related to potentially building a bridge to link Russia to Crimea and the World Cup. However, not all of the contractors who worked on the Olympic sites are doing well in the games' aftermath. In fact, two have entered bankruptcy—Mostovik and Tunnel Brigade 44, whose chief has been arrested—and Inzhtransstroy announced its liquidation. Reasons for the contractors' problems included rapidly rising costs, poor project planning leading to unexpected expenses once construction began, and complicated government regulations that were often out-dated and inconsistent from region to region. In some cases, the customer delayed approval

2 <<http://www.levada.ru/03-03-2014/itogi-olimpiiskikh-igr-v-sochi>>

3 Mikhail Sokolov and Claire Bigg, "Putin Forever? Russian President's Ratings Skyrocket Over Ukraine," RFE/RL, June 3, 2014.

4 Maksim Tovkailo, Aleksandra Terenteva, Aleksei Nikolskiy, "Putin nagradil oligarkhov i rukovoditelei goskompaniy za Olimpiadu," *Vedomosti.ru*, 03 June 2014, <<http://www.vedomosti.ru/politics/news/27285521/olimpijskie-geroi#ixzz35Bsl01KA>>

of the plans until the last minute, forcing the contractors to complete all construction in an extreme hurry and therefore raised cost. According to Vedomosti, 98 percent of money spent on the Sochi Olympics went to contractors, but they made little profit from it, though Rotenberg's Mostotrest still managed to make a profit despite working in similar conditions.⁵ However, with the end of the Olympics, there are likely to be fewer major projects in Russia beyond the World Cup and potential construction efforts associated with Crimea.

The City of Sochi

Many questions remain about the impact of the Olympic games on the city of Sochi itself. The Olympic construction brought numerous new sports facilities to the city as well as thousands of new hotel rooms. Long before the sport competitions began, critics wondered whether the \$51 billion investment would produce viable businesses that could thrive after the Olympic competitors left town.

With the games now over, the future of the facilities continues to remain murky. On April 16, Krasnodar Krai Governor Alexander Tkachev claimed that upkeep for the new sports facilities would cost the region 12 billion rubles a year (about \$350 million).⁶ If the facilities are going to be able to earn back some of these expenses, they will need to be put into use quickly.

Before the Russian authorities began promoting tourism in Crimea, they had hoped to bring more visitors to Sochi, particularly Russians who often prefer the cheaper vacation destinations in Turkey. There had been some discussion of allowing gambling in Sochi, to turn it into a Russian Las Vegas, but Putin nixed the idea, claiming it would prevent families from coming to the resort.⁷ After the G8 suspended Russia's membership, Sochi had to scrap plans to host a major summit meeting of the western leaders that had been planned for June.

Now the main event on the calendar is a Formula One race in October. And the Fisht stadium, which hosted the opening and closing ceremonies, is being prepared to host some of the games for the 2018 World Cup. After 2018, it will be the home stadium for a new soccer team that is being formed in Sochi.

But while such big events attract international headlines, Sochi will need a series of smaller festivals to bring in a steady stream of tourists throughout the year. Moreover, the city will have to survive in market conditions. Now, many of the sites built and previously owned by Olimpstroy and other companies are being unloaded to various state owners at the federal, regional, and municipal levels. If the state has to provide support for workers who will be employed in loss-making enterprises, it will take away resources that could otherwise have been used for development investment. Simply dumping huge amounts of the money into the city did not necessarily provide the basis for balanced development. Building up one sector of the economy with extensive state support, such as tourism, will make it difficult to develop other sectors of the Sochi economy because there will be higher expectations for wages and the costs of working there will be too expensive for other industries to thrive.

Using What Was Left Behind

While the Olympic movement is strongly anti-war, Russia's preparations for the Sochi games helped Putin to stir up strong nationalist feelings that helped pave the way for his occupation of Crimea. Materially, some of the organizational and material resources that prepared Sochi are now part of the effort to incorporate Ukrainian territory into Russia. At the same time, Sochi's facilities will be difficult to transform into a viable business operation, particularly since the flow of resources to Crimea will inevitably mean that there is less money available for Sochi and the other regions.

About the Author

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5 Bela Lyauv and Maksim Tokvailo, "Kak podryadchiki bolshikh stroek poluchili ubytki v Moskve i Sochi," Vedomosti.ru, 21 April 2014.

6 Vladimir Volkov, "Sochi. Taina 'Belykh Slonov,'" 22 April 2014 <<http://ej.ru/?a=note&tid=24980>>

7 Ivan Nechepurenko, "Sochi Again Under Renovation as Legacy Remains Unclear," Moscow Times, 31 March 2014.