Can Russia Survive Economic Isolation And Sanctions Through Its Regional Alliance?

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Abstract: There has been a shift in the global world order over the last few decades, impacting security dilemmas for various reasons. The objective of this paper is to shed light on how the impact of the crisis in Russia-Ukraine has impacted security dilemmas in recent decades. The present crisis has created a security dilemma in world politics, even though it is confined to the Asian and European subcontinents of the world. This paper is based on an analysis of the recent Russian policy under Putin, which has caused economic problems for Russia. It argues that Russia has formidable allies in India, China and the Middle East. However, after the war is over, Russia will need a comprehensive economic policy to subsume economic threats.

Index Terms: allies, economy, crisis, security, China, India, Ukraine

I. Introduction

Among the different issues of contemporary international relations, Security has eclipsed other matters and emerged as a dominant theme in world politics. Even history suggests the importance of security for the sustenance of a nation-state. Furthermore, the thematic issues within security have largely focussed on traditional security throughout history. The wars in Europe in early modern times for colonial supremacy, the American War of Independence, the two World Wars and the Cold Wars are a few examples whose impact was practically felt everywhere. Almost in every case presented above, the scale of destruction was so huge that security studies focussing on solving security dilemmas, alliance theories, Non – Proliferation became a major area of studies worldwide, especially in Europe and the US. Concurrently, other areas like development theories, post-colonial studies, and critical theories became subservient to the goal of attaining security which had evolved considerably given the rise of technology, non-state actors, military strategy and the rise of regional powers like Iran, China, South Korea and India.

The dynamics favouring growth and development and the consequent debates focussing on the overall objectives like human welfare, climate changes, and other non-state versions of security burgeoned due to the following factors: the end of the Cold War, the Rise of internet/information technology, consolidation of critical security studies (Booth, 2004), consolidation of International organisations like UN, World Bank, International Monetary Fund (IMF), World Trade Organization (WTO) and transnational organisations like EBRD, ADB, BRICS, SCO and so on. The shift of security studies in IR dominated by traditional state-centric security notions gave way for some time the reconfiguration of other critical matters like human security, poverty, equality, climate change, global warming and so on. Most of this can be attributed to the rise of multipolarity, where the goals and ambitions of states can differ from one another, unlike the era where security matters eclipsed the IR and International Political Economy and were assumed that states were the unitary, rationalist egoistic actors. It meant that other agencies like nonstate actors, MNCs, NGOs, and individuals were irrelevant to security studies.

In the field of security studies, the concept of security has been inadequately defined. Security has been defined in many ways, including traditional and non-traditional security. Non-traditional scholars of security place a high priority on issues such as “human rights, economics, the environment, drug trafficking, epidemics, crime, or social injustice” while traditional scholars are more concerned with security of the state against external military threats. The conceptual issue of security, however, has received relatively little attention in such proposals. It has been stated by Baldwin that "the term security is commonly associated with normative arguments regarding which values of people or groups of people should be safeguarded and empirical arguments regarding the nature and magnitude of threats to these values.” He adds that relatively little attention is devoted to conceptual issues as such. Security has also been presented as a contested value in addition to being a contested concept.

Generally, the conflict in the field can be classified into two categories: "traditional vs wideners-deepeners". Traditionalist scholars view Walt’s definition as inadequate and inappropriate for making changes to the approach they take to security studies within the school itself and, therefore, call for a continued approach to security based on the viewpoint of the nation-state and interstate conflict (Cavelti et al. 2009:1). Meanwhile, the wideners have extended the scope of security. Besides military threats, they added environmental, economic, societal, and political risks to classical scholarship. (Buzan, 1991). Identified closely with the wideners, the deepeners have added additional units of analysis to the traditional state-centric view of security. Among these units of analysis are: international systems, international subsystems, units, subunits, and individuals (Fox and Buzan, 1985).

II. Literature review

Broadly, the concept of economic security may be defined as a measure of protecting one’s vital economic interests, as well as those of society and of the state, from threats, both internal and external, to ensure sustained economic development for a nation and society.

The discourses on international relations have marked a significant shift in recent years due to several factors, as mentioned above. There has been a surge of integration taking place in the modern world in all sectors of life, including political, economic, security, environmental and sociocultural ones. As a result of the integration process, there have been more significant interactions,
intercongregations such as international regimes and international organisations, along with state interference and complex interdependence between states.

Modern global economic systems are characterised by a high degree of economic integration. Modern-day finance capital is one of the largest contributors to the development of international communities. The world's capital (money supply) has become truly global and is no longer limited to a single market system. It is impossible for any entity or institution to have complete control over capital. Therefore, to maximise its productivity and efficiency, the capital flow seeks the most efficient and productive use for itself. The neoliberal school of thought advocates for free capital flows across economies and believes that government intervention should be kept to a minimum.

Nevertheless, the free flow argument has been seen as a threat to national security, as seen in the Asian Financial Crisis or the Global Financial Crisis, which triggered recessions in Asian and North American markets. Recent geopolitical crises like the Afghanistan war, the Syrian war, and the anti-terrorist war against ISIS indicate that these countries are at risk not only from traditional threats of war and conflict but also from the economic crisis that follows those crises. Global economic interdependence and a lack of security against capital forces have been demonstrated by the current crisis, trends that are shared by most countries. Several scholars have provided examples of Iceland (regarded as one of the most stable and healthy economies in the world), which experienced an economic recession in recent years. These examples illustrate that security threats are no longer only a matter of military action.

[III]. Why does a State need economic security policy?
The concept of 'economic security' encompasses a broad range of interconnected and interdependent issues and elements, such as investment screening, the implementation of anti-coercion tools, the integrity of research, and supply chain resilience. In contemporary native scientific doctrine, economic security has been defined in many ways, some of which are fundamentally different from one another. As defined by Academician L. I. Abalkin, economic security consists of a combination of conditions and factors that enable the national economy to be independent, stable, and capable of continuous renovation and improvement, all of which have been studied by many scientists and economists (Iashin & Puzov, 2006). According to some researchers, economic security in Russia refers to a state of the economy where social tension within the society is alleviated by increasing the welfare of the population and elevating the prestige of the country globally (Tropin, 2004).

Especially in the context of external economic threats arising due to heightened tensions between the US-China, Russia-Ukraine, and China-Taiwan, it becomes imperative for nations to have "national economic security" in the lexicon of national administrations. A critical measure that national institutions can take to alleviate economic insecurity is to provide insurance, enhance policy credibility, and ensure that policies are adjusted to the new conditions. Along with regional institutions, national institutions can alleviate the emergence of new economic insecurity. Both can complement each other to counter the risk of unexpected shocks and economic volatility.

It is not a new concern for governments to ensure that their economies are secure. As a toolkit of statecraft, economic instruments have long been part of the toolbox, a means of influencing the policies of other states (Baldwin, 1985). A traditional view of economic security was that economic security was the ability to protect against foreign governments who applied these instruments to manipulate the economy. In the past few decades, economic interdependence has been viewed with caution, especially in developing countries, since it could result in an increase in these kinds of vulnerabilities. However, with time there has been a growing acceptance among nations that economic interdependence and integration may be promoted because of their positive effects on security. As a result, few countries in the region endorsed the classical liberal view that increasing economic integration would necessarily lead to peaceful international relations. To achieve their security goals with larger or militarily threatening neighbours, South Korea, Taiwan, and Singapore adopted strategies that utilised economic interdependence. Kahler (2004) brings to forth the argument of the implication of non-state actors like financial markets on economic security. Emphasis on non-state actors should be given, which have the ability to undermine the state authority, as seen in recurrent financial crises during the 1990s. The author adds "These powerful shocks reinforced a more pessimistic view of a globalized world: economic openness might produce more economic insecurity".

Additional economic shocks that occurred as a result of the terrorist attacks of 11 September 2001, the SARS epidemic of 2003, the Global Financial Crisis of 2008, Russia’s intervention in Crimea in 2014, ISIS threats in the Middle East, and the recent Russia-Ukraine crisis further reinforced the adverse effects of globalisation.

[IV]. Economic security threats to Russia
Soviet Russia’s decline as a great power has been attributed to multiple factors. But one factor which categorically explains the dissolution of the Soviet Union was the poor economic policies of Soviet command. After the dissolution, Russia faced challenges on multiple fronts, which were intertwined and interrelated. For Russian Federation, Economic security is characterised by several indicators, the concept of regional economic security as a component of Russian economic security, threats external and internal to the economic security of the region, and economic security as a comprehensive evaluation of socio-economic development in the region.

Institutional challenges are being faced by Russia even today. Owing to the hastiness through which Russia embarked on the neoliberal path without meeting the required political and social platform made the country suffer through turbulent initial years under Yeltsin. A few years before the collapse, Soviet Union’s policies like Perestroika though promised larger economic freedom than before, but the basis of regulation of that economic freedom was absent. As a result, the Soviet leader could not intervene amidst the growing economic chaos. Having been empowered, local leaders demanded greater autonomy from central authorities, shattering the foundations of the command economy as more localised cultural identities and priorities took precedence over
national ones. Due to the collapse of the Soviet Union's economy and political unity in late 1991, the Soviet Union fragmented into fifteen independent nations.

Political institutions like the Russian Supreme Soviet and the Congress of People's Deputies, which together acted as Parliament, were crushed by Yeltsin in 1993. Yeltsin soon rose to prominence in Russia, which was no less than “Guided Democracy”. In this context, the term refers to a form of government that appears democratic but which does not enable elections or votes actually to influence public policy. Yeltsin aspired to create a constitution ensuring the president's absolute power.

Although economic policies led by Gaidar under Yeltsin were guided by the vision of a market economy which saw young reformers doing economic research than just teaching the old political and bureaucratic order, however, without responsible institutions to regulate the liberalised prices and trade, as well as unify exchange rates, it soon collapsed, resulting in overall wastage of public finance, selling stakes of Soviet-era heavy industries to private corporates. In the case of New Russia, Aslund (2000) argues that the state's role or governance becomes even more critical for economic growth. In other words, the correlation between a market economy and democracy is generally positive, but it is especially strong in the Soviet bloc. EBRD report (1999) even suggests that whenever privatisation efforts were conducted in the absence of state or governance, rent-seeking groups emerged to maintain their power and influence on state policy in their own interests. It is often argued that Governance, the rule of law and democratisation have received little attention and little money. Even though structural reforms have proved to be so essential, the necessary support has not been provided. The issue of governance was rarely discussed for an extended period of time. The leaders were supposedly divided between pro-reforms and no-reforms. Overall, the vast heterogeneous society of Russia was divided not only in terms of pro-reformers or no-reformers but also in terms of civil society. Angela and Shevtsova (1996) characterise this period as “Russia’s political paradox”, which complicated the institutionalisation of political and economic life in Russia in the reform period of Yeltsin.

Russia’s efforts at creating a market economy were malfunctioning. Russia faced an economic crisis in 1998-1999. Putin, who rose to power in 1999 – sought to reintegrate Russia into the global economic sphere. During his first term as the president of the Russian Federation, Putin sought to rebuild Russia’s identity. It was argued by scholars like Kanet (2007) that Russian policy objectives were not well developed and delineated in any aspect of its governance and policy since Russian institutions intended to implement Russian policy were poorly managed. Therefore, Russia faced the immense challenge of rebuilding itself, both in material terms and psychological terms. Economic security aspects were perceived lesser importance as the foremost challenge for Putin's government was to frame a national identity for Russia which would have Russian characteristics of its own. Russia, under Putin, to a large extent, tried to build Russia’s image as a great power which though as a weak economic base but has supremacy in other critical sectors like defence and nuclear sectors.

In internal matters, Putin introduced specific reforms like the rule of law. In 2002, Russia adopted significant reforms to its judiciary, civil code, and tax code and also allowed private ownership of agricultural land. The progressive economic reforms initiated by the Yeltsin administration during the 1990s were essentially completed by Putin. Between 2002-2008, Putin embarked on many critical reform measures to insulate Russia from any external economic shocks. As a result of these policies, dividends were received. During the early years of the Putin era, Russia experienced a period of exceptionally strong economic growth, with annual growth rates of approximately seven per cent. As a matter of fact, Putin came to the table prepared with reforms ready to implement, and the sustained boom in commodities contributed significantly to his economic success as well.

The economic situation remained precarious after 2008. In 2008, the world economy experienced its most dangerous crisis, which began as a subprime mortgage crisis in 2007 when housing prices began to decline. Following the initial financial crisis, almost all financial markets overseas suffered from contagion effects. In Russia, owing to Putin’s socio-economic reforms and positive economic environment from 2004-2007, Russia appeared to be a safe haven with its steady seven per cent growth rate and massive international currency reserves, which peaked in August 2008 at $598 billion, the third largest after China and Japan. Some also argued that Russia didn’t face a financial crisis because of a lack of foreign exposure to its capital. Unlike the US and other Western European countries, Russia managed to frame a positive picture for its economy, as pointed out by the proponents of the Decoupling theory.

But after September 2008, the relationship between falling crude oil prices, declining metal prices, RTS stock index was linear to the GDP decline. It was evident from declining ruble values throughout the period. The government of Russia limited its response to using its reserves to bail out government banks. The whole bailout programme was based on the depreciation of the ruble, which also undermined the government’s credibility. In other words, it can be said that Russia uses its vast reserves to compensate for any loss arising out of currency fluctuation.

In the wake of Russia’s occupation of Ukraine, nations worldwide have imposed heavy economic sanctions on the Russian economy, corporations, and oligarchs. Around two-thirds of Ukraine’s reserves were frozen by Western nations (Rosen, 2022). Around March 2022. To shore up its finances, the CBR doubled interest rates, bought gold on the domestic market, and declared that Western countries were prohibited from exiting Russian investments (Rosen, 2022). It faced huge setbacks when G7 members unanimously declared sanctions. Russia was removed from the SWIFT network, causing a huge liquidity crisis. Additionally, at the same time, there was a statement from the European Commission stating that allies would “paralyse” upwards of $630 billion worth of international reserves held by the Russian Central Bank (European Commission, 2022).

Economic sanctions on Russia also have a cascading effect on other sectors. The most bolstered and talked about sector is Military – Industrial complex of Russia. While in the short term, the MIC of Russia and Ukraine suffered a jolt, however, the persisting fear psychosis may as well have begun a new arms race which was, up to some extent, docile. MIC has been one of the pillars of Russia's great power status, taking nine positions in the SIPRI list of the top 100 arms-producing companies. Over the past few years, however, Russia's arms exports have decreased. SIPRI estimates that while Russia accounted for 26 per cent of global arms exports during 2011-15, that share declined to 20 per cent during 2016-20 (SIPRI, 2020). US and French companies seized the business space. As a result of the ongoing war, Russia will divert more budgetary resources to its defence sector, creating internal demand and reviving its MIC, even if the development cost is high. Aside from this, the international arms market will closely monitor the...
performance of Russian high-tech weapons that may reestablish Russian MIC as a military power. During this period of time, the concept of a welfare state metamorphoses into the concept of a war state, which is the result of what C Wright Mills has famously referred to as a ‘military metaphysics’ or a “permanent war economy”(Mills,1960).

Notably, Russia has been a lone player with indirect support from other countries like China and Iran. It is seeking to build its regional configuration of security. In the internal arena, it faces the toughest armed foes from Islamist militants in Chechnya and the wider North Caucasus region. Ukraine's occupation has certainly made Russia weaker than before. Its close neighbours and buyers of its natural gas are more unified. s a result of the Russia-Ukrainian crisis, Germany has managed to reduce its dependence on Russian gas from 55 per cent in February to 35 per cent in May 2022(Gautam, 2022). In addition, major European energy companies such as BP, Shell, and Equinor are exiting Russian joint ventures, which is likely to have a significant impact on the production of oil and gas and the development of clean technologies in Russia (Ibid).

[V]. The possible Russian response to the issues of economic security

Russia's National security, defined in terms of military security, is synonymous with the entire discourse of security, given the extent of external military threats Russia faces on all fronts. The crisis over Ukraine was one of the biggest external security challenges which emerged in the Euro-Atlantic region since the collapse of the Soviet Union had a significant impact on the security relationship between Russia and the West. The Ukrainian crisis became the main event of 2014, and since then, it has revealed a significant political divide between Russia and the West. It has become a marker of “how greatly Russians and Europeans differ in their perceptions of the problems of nation-building, regional issues, the search for integration models, regional and global leadership and the division of responsibility among the leading players in international politics”. Ukraine crisis created a fundamentally new page in the confrontation between Russia on the one hand and the U.S., NATO and the European Union on the other.

The 2022 crisis gives a major jolt to Russia’s economy. In this background, Russia has fewer options left. Even if Russia wins the Ukraine region and integrates it with Russian land, it would still face challenges like diplomatic isolation by the West, Poor relationship with Ukrainian citizens, and broken trade relations and supply chain. However, it would still have gas and few allies to support its regime. It should be noted that Russia seeks to maintain a multipolar world order in which a coalition of the other major powers, with Russia at the helm. Most importantly, it strives to contain and limit the role of NATO and the US in its near neighbourhood. Russia’s foreign policy doctrine has continuously targeted the trans-Atlantic allianceSeveral European countries are undergoing a period of turmoil over the fact that they are forced to either trade energy with Russia or support the transatlantic security alliance with the US. For Russia, the EU remains a key player in trade relationships.

Regional integration of Russia’s economy can be a possible way out. In case of Russia, it would be beneficial to intensify the processes and tendencies of macro-regionalisation. Regional integration with Russia is beneficial for Russian allies of Moscow responded in a milder manner as they attempt to walk a tightrope between economic interests and security concerns. India has been a traditional and long-standing friendly partner of Russia since Soviet times and has collaborated with Russia in times of many crises. India also sees Russia as a power which could have an influence on China, a formidable, intimidating neighbour of India. However, with the warm growing relationships between Russia with China, it is becoming increasingly difficult for India to maintain its leverage with Moscow. Despite this, there will continue to be a partnership between Russia and India. A major supplier of weapons and, most recently, oil, Russia continues to be an important ally of India. It is important to note that India has not yet joined the West in sanctioning Russia. As a result of this, it has demonstrated the independence of its foreign policy.

Russia’s pursuit of ever-closer ties with China has increased in the last couple of years. Russia’s deepening relationship with China is one of the objectives of Russia’s foreign policy. It should be noted that China and Russia aren't formal treaty allies. Therefore, they aren't obligated to come to the other's defence, and they are otherwise not likely to do so in the case of Ukraine or Taiwan. However, they consider each other to be strategic partners and have developed a close relationship in recent years. Beijing’s positioning in more or less open support of Russia in operations in Ukraine is well known in the UNSC meeting, which was held after the Ukraine crisis began on February 2022. China and Russia have intensified their cooperation in recent years, which has resulted in an increase in scholarly interest in the region. The most common cause which has been attributed to the warming Sino-Russia relationship has been the role of the opposition to the material primacy of the USA and Western liberal hegemony(Ambrosio, Schram, and Heopfner,2020). There are also other factors that contribute to Sino-Russian strategic alignments, such as geopolitical and ideological anti-American perspectives (Korolev, 2022) and both countries having common interests and views on international politics (Ambrosio, 2017). Regardless of the reason for such alignment, the current crisis has brought the two neighbouring countries closer together. Historically, Russia has benefited from cooperation with China in the area of geopolitical stability when the relations between the West and Russia have deteriorated. As such, for Moscow, China is an important partner at all levels of government, including economic, political, and technological, and any further increase in integration will be in the best interest of our government in the long run. In Covid-19 years, Russia and China have mutually supported each other with medicine and doctors. Moreover, for Russia, China is a big market for its natural gas. Along with other Central Asian countries like Kazakhstan, Russia has a wider role in fulfilling the energy demand surge in China. This cooperation in the energy sector is an important development, and “Russia should use Chinese practices for utilising alternative energy sources”(Alakbarov, 2021: 6). Even on multiple issues like terrorism, they have collaborated in Shanghai Cooperation Organization (SCO). It is reported that Xi and Putin agreed before the war in Ukraine began to boost annual trade by 50 per cent by 2024 and had also planned to build a cross-border pipeline for gas, which could have been completed by the end of the year. (Currently, most of Russia's pipelines are going to Europe. Only one goes to China.)(Lindsay Maizland, 2022).

Other options before Russia are closer ties with the Middle East. In the Middle East, Russia has a regional alliance with Syria, Turkey and Iran. It is of paramount importance to Turkey's relationship with Russia, in particular since Turkey has a good relationship with the European Union as well. As Cursino argues, the visit of Putin to Turkey and Iran in July 2022 was a way for
Russia to prove that it still has allies (especially regional allies). Despite being one of the most important members of the Western military alliance, Turkey has refused to join international sanctions against Moscow, with Mr Erdogan's government seeking to play the role of a mediator in the situation. Russia, as a major security player and protector of Syria, is able to gain tremendous support from Syria in this regard. Furthermore, Iran's difficulties with the West led it to strengthen its relations with Russia. Despite their differences regarding many issues in the middle east, these countries have come together to support Russia after the Russian operation in Ukraine.

[VI]. Conclusion

During the Ukrainian conflict, it has become apparent that the US/EU and Russia have divergent rationalities and policies concerning Eastern Europe. As much as Russia regards Ukraine as "not just a neighbouring country" but as "an integral part of" its "own history, culture, and spiritual space", the West has often emphasised Ukraine's right to sovereignty and the right to choose an independent path for itself in a time of transition. Despite this, it has also avoided laying down a clear framework for Ukraine's integration into its institutions.

Russia is in a deep economic crisis and faces strict sanctions from many countries. It is the economic sanctions and isolations which has impacted more than any other traditional security threat. Russia is a nuclear power which leverages excessive threats on Europe in general and Ukraine in particular, although the chances of full-fledged warfare involving Europe are distant and dim. In such cases, economic isolation is one such tool which has been used by the West for a long. Russia’s overdependence on its Oil and natural gas market is known to everyone, and foreign policy experts from the west are cleverly using this issue with utmost care and are close to success. The EU remains divided within as any sanctions towards Russia would be paralysing the supply from Russia to Europe, paralysing the whole European energy security mechanism. However, Europe’s focus on renewable sources and possibilities of transatlantic partnerships in oil and natural gas will weaken Russia’s only leverage on Europe. In such scenarios, Russia seeks regional allies like India, China and countries from the Middle East. While India is a traditional ally, it has made it clear that its decision-making mostly depends on national interests. Currently, India’s position has been shifting towards the US on the arms trade, and India clearly views China as a turbulent state and neighbour for which it relies both on the US and Russia. China, on the other hand, is economically very strong and views Russia as an ally which could safeguard its quest for energy security. Russia also finds China an ally which could rise up to a strategic alliance in the coming future. Thirdly, in the Middle East Russia has found support in its operation in Ukraine. Russia's president received endorsement for the Ukraine war, with Iran's Supreme Leader claiming NATO would have eventually started the conflict. Grappling with runaway inflation and a rapidly depreciating currency, Turkey also relies on the Russian market. When the Ukraine war gets over, Russia will need more allies in the Middle East. In a quest for multi-vector policies, Countries like Russia will need to expand its influence on Latin American countries, which offers many trade expansions and will bring Russia on the table with the Western allies like the US.

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