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The Empire Strikes Back: Economic Statecraft and the Securitisation of Political Economy in Russia

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Abstract

This essay considers the impact of economic statecraft, used by both Western countries and Russia in the aftermath of Russia's annexation of Crimea in March 2014, on political economy in Russia. The first part of the essay assesses the impact that economic statecraft had on the performance of the Russian economy in the period 2014–2015. The second half of the essay considers how economic statecraft has shaped the development of the system of political economy in Russia. It is argued that the available evidence indicates that economic statecraft has resulted in several unintended consequences, including the strengthening of elite cohesion, and a creeping 'securitisation' of economic policy in Russia.

Notes

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[1] For a broad discussion of economic statecraft, see Baldwin (1985); and for a discussion of the West's use of economic statecraft in relation to the Soviet Union during the Cold War, see Hanson (1988).

[2] The terminology of the statecraft literature refers to the country or countries imposing economic measures as 'sender' countries, while the country (or countries) that is the object of statecraft is described as the 'target' country.

[3] 'Anton Siluanov: iz-za sanktsii v 2014 godu Rossiya poteryayet $40 mlrd, iz-za padeniya tsen na neft'—okolo $100 mlrd', Kommersant.ru, 24 November 2014, available at: http://www.kommersant.ru/doc/2617993, accessed 20 August 2015.

[4] David Cameron stated in November 2014 that sanctions were behind the poor economic performance of Russia at that time (Wintour 2014). US President, Barack Obama, went even further, claiming that sanctions had left the Russian economy 'in tatters'. See, 'Obama Says Western Sanctions Have Left Russia's Economy "In Tatters"', The Moscow Times, 21 January 2015, available at: http://www.themoscowtimes.com/business/article/obama-says-western-sanctions-have-left-russia-s-economy-in-tatters/514671.html, accessed 20 August 2015.

[5] In 2013, Russia produced an average of 10.3 million barrels per day (bpd). This compared to 11.5 million bpd in Saudi Arabia and 10 million bpd in the USA.

[6] Essentially, this model was based on the redistribution of fast-growing natural resource revenues to other parts of the economy. See, Zamaraev et al. (2013), Mau (2013, 2014), Kudrin and Gurvich (2014), Connolly (2015a), World Bank (2015). On the wider regional slowdown, see Prochniak (2011).

[7] It should be noted that any conclusions derived from comparing actual performance with forecasts should be treated with caution. After all, the economic forecasts may not have been accurate in the first place.

[8] The Pearsons' r correlation coefficient is 0.96.

[9] 'O federal'nom byudzhete na 2013 god i na planovyi period 2016 i 2017 godov', Ministry of Finance of the Russian Federation, 2014.

[10] Passages from this section borrow heavily from Connolly (2015b).

[11] Although Gazprom was excluded from EU sanctions, it was subject to US sanctions.

[12] The $13bn figure is as reported by the assistant to the Russian president, Vladimir Kozhin. See, 'Rossiiskii oboronnyi eksport otsenili v 13 milliardov dollarov', lenta.ru, 17 December 2014, available at: http://lenta.ru/news/2014/12/17/exports/, accessed 20 August 2015. The figure by Kozhin is expressed in current prices unlike data from the Stockholm International Peace Research Institute (SIPRI).

[13] All data on volume and composition of military expenditure are derived from Cooper (2015) (cited with permission of the author).

[14] 'Eksport rossiiskoi nefti za 4 mesyatsa 2015 goda vyros na 5,8%—do 79,49 mln tonn', Oil and Gas Information Agency, 6 May 2015, available at: http://www.angi.ru/news.shtml?oid=2824669, accessed 20 August 2015; 'Sanktsii okazalis' bessil'ny protiv energeticheskogo sektora Rossii', Oil and Gas Information Agency, 6 May 2015, available at: http://www.angi.ru/news.shtml?oid=2824627, accessed 20 August 2015.

[15] A number of such joint ventures were formed in 2010–2011 to help Russian state-owned firms exploit technologically demanding and hard-to-reach deposits offshore and in the Arctic. See Overland et al. (2013).

[16] '"Rosneft" v sluchae okonchatel'nogo vykhoda Exxon iz proekta Karskogo morya ne budet iskat' partnera—Sechin', 30 October 2014, available at: http://www.oilcapital.ru/company/255623.html, accessed 20 August 2015.

[17] 'Investitsii Total v RF ne byli zamorozheny, kompaniya prodolzhaet proekty v strane', Oil and Gas Information Agency, 20 May 2015, available at: http://www.angi.ru/news.shtml?oid=2825111, accessed 20 August 2015.

[18] 'International Trade in Goods—Exports 2001–2014', International Trade Centre, available at: http://www.intracen.org/itc/market-info-tools/statistics-export-product-country/, accessed 20 August 2015.

[19] See, 'Sanctions against Russia already Affecting Production of Tight Reserves, Could Impact Shelf', Interfax, 10 September 2014, available at: http://www.interfax.com/newsinf.asp?id=535345, accessed 20 August 2015. See also Barsukov (2014).

[20] Several institutional changes have taken place, see '"Gazprom" obsuzhdaet s LUKOYLom vozmozhnost' raboty na uchastkakh shel'fa', RIA Novosti, 19 May 2015, available at: http://ria.ru/economy/20150519/1065301711.html#ixzz3aa6Lh33c, accessed 20 August 2015.

[21] 'Kto upravlyaet khaosom', Rossiiskaya gazeta, 10 February 2015, available at: http://www.rg.ru/2015/02/11/patrushev.html, accessed 20 August 2015.

[22] 'External Sector Statistics', Central Bank of the Russian Federation, available at: http://www.cbr.ru/Eng/statistics/?PrtId=svs, accessed 20 August 2015.

[23] 'External Sector Statistics', Central Bank of the Russian Federation, available at: http://www.cbr.ru/Eng/statistics/?PrtId=svs, accessed 20 August 2015.

[24] 'Produktsiya sel'skogo khozyaistva po kategoriyam khozyaistv', Federal State Statistics Service, available at: http://www.gks.ru/free_doc/new_site/business/sx/tab-sel1.htm, accessed 20 August 2015.

[25] 'International Trade in Goods—Exports 2001–2014', International Trade Centre, available at: http://www.intracen.org/itc/market-info-tools/statistics-export-product-country/, accessed 20 August 2015.

[26] 'International Trade in Goods—Exports 2001–2014', International Trade Centre, available at: http://www.intracen.org/itc/market-info-tools/statistics-export-product-country/, accessed 20 August 2015.

[27] 'International Trade in Goods—Exports 2001–2014', International Trade Centre, available at: http://www.intracen.org/itc/market-info-tools/statistics-export-product-country/, accessed 20 August 2015.

[28] 'Natsional'nye scheta', Federal State Statistics Service, available at: http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/accounts/#, accessed 20 August 2015.

[29] On recent patterns of FDI in Russia, see Brock (2005), Iwasaki and Suganuma (2007).

[30] See, for example, Brooks (2002), Allen (2008), Peksen and Cooper Drury (2010), Portela (2010, 2014), Major (2012), von Soest and Wahman (2015).

[31] See Connolly (2015a).

[32] 'Poyasnitel'naya zapiska k proektu Federal'nogo Zakona "O vnesenii izmenenii v Federal'nyi zakon 'O Federal'nom byudzhete na 2015 god i na planovyi period 2016 godov', Ministry of Finance of the Russian Federation, 2015.

[33] Of this total, 570 projects were said to be under way by November 2015.

[34] The Levada Centre Indexes, available at: http://www.levada.ru/indeksy, accessed 20 August 2015. The impact of the conflict with the West on Putin's popularity is discussed in Simes (2015).

[35] See Bacon et al., who adapted Ole Waever's concept of securitisation to Russia's domestic politics; securitisation is what happens 'when normal politics is pushed into the security realm', and that the 'securitisation of an issue in a policy sector occurs when a political actor by the use of the rhetoric of existential threat … succeeds in justifying the adoption of measures outside the formal norms and procedures of politics' (Bacon et al. 2006, p. 10).

[36] More effective instruments could have included, for example, a greater emphasis on military responses to Russian assertiveness, or on intensified efforts to target Russian elite assets in the West.

[37] See for example, 'Strategiya natsional'noi bezopasnosti Rossiiskoi Federatsii do 2020 goda', Security Council of the Russian Federation, 2009, available at: http://www.scrf.gov.ru/documents/99.html, accessed 22 November 2009; and more recently, 'Kontseptsiya vneshnei politiki Rossiiskoi Federatsii', Ministry of Foreign Affairs, 2013. For a discussion of the evolution of the perception of threats to Russian national security, see Monaghan (2013).

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