

Putin Has Sacrificed Russia's Economy for This War on Ukraine's People

Tuesday 22 March 2022, by [PIRANI Simon](#) (Date first published: 21 March 2022).

The Russian army, having failed since invading Ukraine to take a single major city, has turned to besieging and bombing civilians, and to terrorizing opponents in the areas it controls.

This ruthless, anti-popular character of the Russian war is the key to understanding what motivated the Kremlin to launch it in the first place, turning upside down its relationship with Western powers, and Russia's own future, for decades to come.

In Kherson, Melitopol, Berdyansk, and other occupied towns in southeastern Ukraine, Russian troops have faced crowds of thousands calling on them to go home. Mayors who refuse to cooperate with the Russian army have reportedly been [kidnapped](#). Along with [other](#) Ukrainian activists, they have been [taken](#) to Luhansk — one of the two eastern Ukrainian “people's republics” established with Russian support in 2014 — and reportedly prosecuted there. The “republics,” unrecognized even by Russia until last month, suppress dissent with abductions and arbitrary detention free of meaningful judicial constraint.

The war looks very different to the one [Russian President Vladimir Putin described](#) on the day of the invasion. The Russian army would “demilitarize” and “denazify” Ukraine, but there were no plans to occupy or to impose anything by force, he said. [Occupation](#) has since become a central focus.

Putin [called on](#) the Ukrainian army to switch sides: not only has it not done so, it has also proven to be an unexpectedly tough opponent. Russian soldiers expected to be greeted with open arms and flowers — but have apparently been shocked at the level of resistance. Even an attempt to set up a puppet “people's republic” in Kherson, alongside those in Donetsk and Luhansk, [failed](#). While Ukraine's government has seen working people's rights as [expendable](#) in wartime, the Kremlin's war against those people is one of annihilation: It has already murdered hundreds of the Russian-speaking Ukrainians it claimed to protect, and driven hundreds of thousands from their homes.

Putin's statements are laced with the nationalist ideology with which the Kremlin justifies the invasion. Alongside his false claims that Ukraine is governed by a “gang of drug addicts and neo-Nazis” responsible for “genocide,” Putin has made a case that Ukraine could only have “true sovereignty” in unity with Russia, that Ukrainians and Russians are “one people,” and that Ukrainian nationhood was an invention by the Poles and/or Austro-Hungarians.

This view of Russia's oldest colony is analogous, perhaps, to a British head of state claiming that Irish nationhood is fictitious. And here Putin speaks not only for himself and his closest colleagues, but for the most aggressive militarist elements in the state, and a range of extreme Russian nationalists and fascists.

The Kremlin has prioritized military adventure and associated political aims over the

medium-term and perhaps long-term economic interests of Russian capital.

Since Putin took office 22 years ago, this militarism and nationalism has been married to an economic program that allowed Russian businesses to profit from integration with world markets — although this was integration as a subordinate power, a supplier of oil, gas, minerals and metals to world markets. While Western nations are dependent on Russian oil, gas and precious metals, in particular, Russia is dependent on the export revenues.

By going to war, and provoking a barrage of economic sanctions, Putin has not only condemned Ukrainians to death, destruction and exile, but has also wrecked the Russian economy's prospects. So even business groups such as Lukoil, the largest privately owned oil company in Russia, and EN+, the vast aluminium business, have voiced alarm at the war.

The Kremlin has prioritized military adventure and associated political aims over the medium-term and perhaps long-term economic interests of Russian capital.

To understand this reckless gamble, it helps to recall its motivation in 2014, when, after the government of President Viktor Yanukovych was overthrown in Kyiv, Russia decided to annex Crimea and give military backing to the armed gangs who established the Donetsk and Luhansk "republics."

First, there was the pressure of nationalism and militarism. While Russia's economic reformers despaired at the damage done by the Crimea annexation and the resulting sanctions, Putin could not be seen by hardliners in the military and security services to be the president who had failed to undermine the Ukrainian state when he had the chance. Second, there was a fear within the Kremlin of the social movement that had removed Yanukovych. However confused and politically heterogeneous the movement was, it embraced a huge swath of the Ukrainian population. The Kremlin has long related to active civil society and mass popular action as a threat to be contained by force. In recent times, it has responded to it in both Belarus (2020) and Kazakhstan (this year) by sending in troops. Third, there was concern that such social movements might find their echo in Russia, and this was an opportunity to use flag-waving as a means of [social control](#).

Also significant is the withdrawal from Russia of major Western oil companies — BP, Shell, Equinor and ExxonMobil — which have written off billions of dollars.

Between 2014 and 2021, the war in eastern Ukraine — between Russian forces and the "republics" on one side, and Ukraine on the other — claimed 14,000 lives. The living [nightmare](#) inside the "republics" strikes a contrast with Kremlin narratives of "liberation." Independent media, civil society activity and trade unionism have been crushed. Arbitrary law is enforced by torture and forced labor in prisons. Half the prewar population has fled and the [economy](#) of the area, once Ukraine's industrial heartland, has been trashed.

While the U.S. and European imperial powers marshal economic and military power together, Russian imperialism uses its military power to substitute for its weakness economically. The use of troops to support the Lukashenko dictatorship in Belarus against social unrest in 2020 was a step toward this year's war in Ukraine. Recognition on February 21 of the Donetsk and Luhansk "republics," previously treated by Russia legally as areas of Ukraine, was the final trigger.

Since 2014, Putin has claimed that Russia's military activity is necessitated not only by an (exaggerated) specter of Nazism in Ukraine — as though Russia doesn't have a thriving fascist movement itself — but also by the threat to Russia posed by NATO expansion. While this narrative is politically attractive to those in Western nations who see imperialism as a unipolar phenomenon

centered in the U.S., it is [problematic](#) in two ways.

Politically, it diverts attention from the Kremlin's responsibility for this war of aggression, which it has waged not so much against the Ukrainian state as against its civilian population. Analytically, it one-sidedly attributes the war's causes to the U.S. military complex, rather than situating it in the broader crisis of 21st century capitalism. It is this crisis that dashed the 1990s hopes of Mikhail Gorbachev, the last Soviet leader, and many social democrats, that Russia would be integrated as a democratic European partner. Moreover, it is this same crisis that favored the rapacious form of capitalism on which Kremlin authoritarianism rests, and that produced the social unrest of the 2010s in both Russia and Ukraine that formed the backdrop for the initial outbreak of war in 2014.

The collapse of the Soviet Union in 1991 remade economic relationships in the first place. The implosion of the autarchic, state-directed economy — and the worst-ever peacetime slump that followed in both Russia and Ukraine in the early 1990s — presented Western capital with huge opportunities to access, above all, raw material supplies and consumer markets.

With the Russian state at its weakest, Western capital rarely sought direct ownership of oil, gas and minerals, but facilitated their transfer to emergent domestic business groups. Capital flight from both Russia and Ukraine, mostly to offshore tax havens, ran at tens of billions per year in the 1990s. In both countries, working people's living standards were devastated by hyperinflation and the social crisis ruined health. Life expectancy in Russia, which was on par with life expectancy in developed countries in the 1960s, was 15 to 19 years lower for men and 7 to 12 years lower for women in the 1990s. Russia's grain harvest fell by half between 1993 and 1998.

As Russian imperial power in Soviet form disappeared from eastern Europe, NATO indeed expanded — first to the Baltic states and then to the seven countries that acceded in 2004. The causality was as much east European as Western imperialist. While, to American eyes, the U.S.'s ever-longer reach is striking, this process looked different to some east Europeans. With the exception of NATO's bombing of the Federal Republic of Yugoslavia in 1999, many had historical memories of military attacks not from the U.S. but from Russia — and in the Baltics' case, of being forcibly incorporated into the Soviet Union under a secret deal between Stalin and Hitler.

In Russia, when Putin took over in 2000, he reestablished strong Russian state power, first with the murderous second war in Chechnya and then with a clampdown on the business groups, who from then on had to pay more tax. This model of skillful statecraft and state-business partnership, supported by the commodity price boom of 2001-08, underpinned the new Russian imperialism with the state's finances back on a strong foundation of oil dollars, government centralized and business leaders' wings clipped by arrests and confiscations, Putin could go to the Munich summit in 2008 and rail against the idea of a "unipolar world."

The western powers responded not with NATO expansion (in the 18 years since 2004, four small Balkan countries have been admitted), but, at first, by treating Russia as a potentially dangerous but necessary partner.

European energy policy is now being rewritten to reduce dependence on imports from Russia.

For all their disavowals of "spheres of influence," Western powers not only ignored Russia's multiple war crimes in Chechnya, but acquiesced in the invasion of Georgia in 2008 and, most significantly, Russia's bloody intervention in support of the Assad dictatorship in Syria since 2015. This tolerance for Russia as a gendarme was the other side of the coin of the Western powers' own military adventures in Iraq, Afghanistan and Libya, and their support for the Saudi-led war on Yemen.

The tolerance only went so far. The annexation of Crimea in 2014 resulted in Western sanctions that constricted the flow of finance to Russian companies, but left the exports of oil, gas and metals untouched. Perhaps the simultaneous Russian intervention in Donetsk and Luhansk could have been hidden under the veil of hypocrisy with which the western powers cover Saudi crimes in Yemen or Turkish crimes in Kurdistan. But the seizure of a piece of territory in Europe, in blatant breach of the 1994 Budapest memorandum under which Ukraine gave up its nuclear weapons, provoked a response.

The uneasy balance between the west and Russia, disrupted in 2014, has been finally blown apart by Russia's invasion of Ukraine and the far-reaching Western response.

The well-publicized (and in the U.K.'s case, incomplete) sanctions on Russian business leaders are only part of it. The sanctions on the Russian central bank are more damaging, as they prevent the Kremlin from getting its hands on its own money and make default almost inevitable. Also significant is the withdrawal from Russia of major Western oil companies — BP, Shell, Equinor and ExxonMobil — which have written off billions of dollars. (The oil service companies Halliburton, Schlumberger and Baker Hughes have not followed.)

The 180-degree turn in German policy, implied by supplying Ukraine with arms and freezing Russia's treasured Nord Stream II gas pipeline project, is significant. European energy policy is now being rewritten to reduce dependence on imports from Russia, and that in turn opens up assumptions about climate policy in a manner that could be positive or negative, long term.

It appears that, in the true centers of Western decision making, Russia has been cut loose. It is threatened with a future as an impoverished wasteland, largely dependent on China.

In the long term, labor and social movements in Europe and beyond face a radically changed world. In the short term, all our efforts should be directed at supporting Ukrainian people — both those who are resisting the invasion, and the millions who have fled across the border — and the antiwar movement in Russia.

Simon Pirani is honorary professor at the University of Durham, U.K., and author of *Burning Up: A Global History of Fossil Fuel Consumption* (Pluto, 2018). As a senior research fellow at the Oxford Institute for Energy Studies (2007-21), Pirani wrote many papers and book chapters on energy economics and the fracked gas sector in Russia, Ukraine and the Caspian region. Prior to that, he wrote about the former Soviet Union as a journalist and historian. He writes a blog at peoplenature.org.

[Click here](#) to subscribe to ESSF newsletters in English and/or French.

P.S.

Truthout

<https://truthout.org/articles/putin-has-sacrificed-russias-economy-for-this-war-on-ukraines-people/>