

Between Political and Economic Imperialism: Russia's Shifting Global Strategy

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Russia experienced both economic and geopolitical expansion in the 2000s. During this time, the Kremlin and big business worked in tandem to assert Russian influence in post-Soviet space. However, the annexation of Crimea and Russia's involvement in the war in Eastern Ukraine in 2014 marked a new period that severed the state's geopolitical strategy and the interests of big capital. While the state continues to engage in open and covert military action, the activity of Russian business abroad has sharply diminished. Relying on David Harvey's concepts of territorial and capitalist logics of power, the article explores the interplay between political and economic imperialism during Putin's 20 years in power and situates Russia within today's global imperialist landscape. I find that the Kremlin's geopolitical and geoeconomic shift in 2014 can ultimately be explained by the strategic orientation of the country's leadership, in particular, the deeply ingrained emphasis on security and 'hard power'. However, the turn away from economic imperialism was also structurally determined by the exhaustion of the country's economic engine that no longer generates surplus capital in need of a 'spatial fix'.

1 Introduction

Russia experienced a double expansion in the 2000s. Geopolitically, it was the period of 'new assertiveness' (Tsygankov, 2008). During the first years of Putin's rule, Russian foreign policy was quite accommodating towards the West. However, in 2003, Putin opposed the US-led invasion of Iraq. In 2007, he made a landmark speech in Munich in which he criticized what he perceived to be US unilateralism and hypocrisy (Putin, 2007). And in 2008, Russia launched an invasion of its own, sending troops to the breakaway region of South Ossetia when it was attacked by Georgia. [\[1\]](#)

At the same time, Russian business significantly expanded its global reach. Russian exports and capital outflows soared. In 1999, Russian outward foreign direct investment (ofdi) was only 2.2 billion dollars (27th place in the world). By 2010, it was 52.6 billion dollars (12th place in the world) (World Bank, 2020); scholars called it a 'revolution' in ofdi (Liuhto, 2014: 198). The influence of Russian business was particularly striking in post-Soviet space. In 2010, Russian investment in Ukraine was 9.5 times that of Ukrainian investment in Russia; with Belarus, it was 27 times (Bank of Russia, 2020).

Over the next decade, Russia's geopolitical expansionism reached new heights. Russia annexed the Crimean Peninsula in 2014 and provided military support (including ground troops) to the separatist forces in Eastern Ukraine. In 2015, the Russian military intervened in the Syrian civil war, assisting the country's embattled dictator Bashar al-Assad. There is evidence that the Russian private military contractors led by figures close to the Kremlin are currently active in Libya, Sudan and the Central African Republic (Bushuev and Baranovskaya, 2020).

The growing economic power of Russian business, however, no longer matches this covert and open military activity. Russian ofdi reached a maximum of 86.5 billion dollars in 2013 and has since declined. Its current level – \$22.6 billion in 2019 – is less than it was in 2006 (World Bank, 2020). The international activity of Russian companies has dropped precipitously. Their investments are threatened all around the world. Andrei Tsygankov's (2006) formula – 'if not by tanks, then by banks' – no longer applies. Now, it is just tanks.

In this article, I will explore the interplay between political and economic imperialism during Putin's 20 years in power. My analysis is rooted in David Harvey's theory of 'new imperialism', in particular, his development of Giovanni Arrighi's notion of 'territorial' and 'capitalist' logics of power (Harvey, 2003). I begin by reconstructing Harvey's arguments and their applicability to the Russian case. In the next section, I discuss the relevance of Soviet geopolitics and geoeconomics for today's Russia. I then turn to the Kremlin's strategic vision in relation to the international role of Russian business with an analysis of the expansion of Russian ofdi in the 2000s and the economic fallout following Russia's actions in Ukraine. In the concluding remarks, I outline Russia's place within a global landscape of imperialism.

2 Territorial and Capitalist Logics of Power

Since the 2003 invasion of Iraq, imperialism has been at the center of critical academic debates. However, scholars' many positions on imperialism remain unreconciled. Perhaps the only common thread is the desire to rethink Lenin's and Bukharin's original theory of imperialism. David Harvey's (2003) intervention has been particularly influential in this regard. He famously defined capitalist imperialism as 'a contradictory fusion of 'the politics of state and empire' (imperialism as a distinctively political project on the part of actors whose power is based in command of a territory and a capacity to mobilize its human and natural resources towards political, economic, and military ends) and 'the molecular processes of capital accumulation in space and time' (imperialism as a diffuse political-economic process in space and time in which command over and use of capital takes primacy)' (Harvey, 2003: 26). The territorial and capitalist logics of power differ in terms of the microfoundations of the political and economic actors' behavior: 'The capitalist holding money capital will wish to put it wherever profits can be had, and typically seeks to accumulate more capital. Politicians and statesmen typically seek outcomes that sustain or augment the power of their own state vis-à-vis other states' (Harvey, 2003: 27). [2] Harvey is at pains to emphasize that the territorial logic can in no way be reduced to or considered a function of capitalist logic (and vice versa), 'The relation between these two logics should be seen, therefore, as problematic and often contradictory (that is, dialectical) rather than as functional or one-sided' (Harvey, 2003: 30). This theoretical move opens space for the conjunctural analysis of the particular entanglements of the two logics across time and space. Harvey himself calls for the 'concrete analyses of actual situations' (Harvey, 2003: 30). However, the price to pay for this theoretical flexibility is the lack of a comprehensive set of assumptions about the relationship between the territorial and the capitalist logics – a set of assumptions that would generate hypotheses for empirical research.

Harvey emphasizes the mutual dependence of capitalists and state managers. Capitalists depend on 'their' states to secure the conditions for capital accumulation abroad, in particular when they seek to exploit 'whatever asymmetrical and resource endowment advantages can be assembled by way of state power' (Harvey, 2003: 33). Similarly, state managers depend on capitalists insofar as economic power is the prerequisite for geopolitical power. Nevertheless, both Harvey and those who share his approach (e.g., Ashman and Callinicos, 2006) readily assert that geopolitical strategies may come into conflict with the needs of capital accumulation (as demonstrated by the war in Iraq). [3] Still, they do not provide a theory as to when and why that happens. [4]

In the absence of such theory, I resort to the conjunctural analysis of the kind sought by Harvey. I

find that in Russia, the disjunction between the territorial and the capitalist logics since 2014 can ultimately be explained by the strategic orientation of the country's leadership, in particular, the deeply ingrained emphasis on security and 'hard power'.

In the Russian case, several factors make the two logics particularly difficult to disentangle. First, the oil and gas trade that dominates the Russian economy is intertwined with geopolitics more than other industries. The construction and operation of oil and gas pipelines explicitly weds territoriality to capital accumulation. By its very nature, the management of Russia's vast pipeline network stands at the intersection of business and politics. Secondly, a small group of oil and gas exporters disproportionately affects government finances. For instance, in 2019, Gazprom, Russia's largest natural gas producer, paid 2.6 trillion roubles in taxes, which amounted to 13% of the federal budget (Sadygov, 2019). As Rawi Abdelal notes, 'For Russia, Gazprom's profit-making is state-building' (Abdelal, 2013: 434). In this context, the mutual dependence of political and economic elites Harvey, Ashman and Callinicos note reaches new heights. Finally, in Russia, the state itself directs the process of capital accumulation to a large extent, as it owns a significant part of the economy, including a controlling stake in most (but not all) of the oil and gas companies. [5]

Nevertheless, despite their close interconnectedness, the territorial and the capitalist logics in Russia are still analytically different. When, for example, the government forces Gazprom to sell gas to Ukraine at a lower price in exchange for some geopolitical concessions, the territorial logic dominates. On the contrary, when the Russian government pressures its neighbors to gradually switch to market prices for oil and gas, the capitalist logic takes over, even as the state itself acts as a 'collective capitalist.' By emphasizing both distinctiveness and interconnectedness of the two logics, Harvey's framework allows for a comprehensive analysis that fills the blind spots of purely political as well as purely economic accounts.

3 Soviet Legacies

Soviet geopolitics and geoeconomics are crucial to the understanding present-day Russia. Russia's current role in the world is influenced by both the material legacies of the Soviet Union (the structure of the Russian economy as well as the economies of other post-communist states, the network of military bases across the world) and the Soviet strategic culture that still informs the decision-making of modern Russian leaders.

The territorial logic did not initially dominate Soviet foreign policy. Susan Buck-Morss (2002) insightfully argues that the revolutionary politics of the early Soviet period was not grounded in territorial expansion, but rather in the temporal break with the past. She writes:

What constitutes a victory is described in terms of historical progress rather than territorial gain. As Trotsky said, the revolution 'does not come to an end after this or that political conquest'; its 'only boundary is a socialist society.' The protagonists in class struggle are not spatially delineated. Indeed, the terrain of class war, as civil war, is spatial confusion. To cite Medvedev: The front passes through every city, every house.' (buck-morss, 2002: 23).

The 1924 Constitution described the Soviet Union as a transitional entity, a step towards the World Soviet Socialist Republic (Buck-Morss, 2002: 26). However, as Buck-Morss further claims, 'Under Stalin's policy of "socialism in one country," the proletarian revolution was transformed into a nationalist project of economic modernization' (Buck-Morss 2008: 458). Traditional geopolitics made a comeback with Stalin's general conservative turn. The progress of socialism was increasingly associated with Soviet military conquests, not with revolutionary events abroad (Shlapentokh, 1999). The beginning of the Cold War in the late 1940s marked the final triumph of the territorial logic, as

the world was divided into two spatially delineated 'camps'.

However, the Soviet 'empire' was not based on the economic exploitation of the periphery. On the contrary, the poorer republics of the USSR benefited from direct budgetary transfers and especially from favorable internal terms of trade. In the inter-union trade, oil and gas were subsidized, while consumer products were overpriced. As a result, only Russia and Turkmenistan were net donors, while other Soviet republics were net recipients of indirect trade subsidies (Orlowski, 1993: 1008). According to Lucjan Orlowski, the aim of this policy was to industrialize all parts of the Soviet Union regardless of the cost (Orlowski, 1993: 1009). [6] Up to this day, industry and infrastructure in the post-Soviet states are heavily reliant on cheap Russian energy.

The same policy of indirect trade subsidies applied to the 'people's democracies' in Eastern Europe – however, in this case the aim was explicitly political. According to Geoffrey Roberts (1999: 50), 'The Soviet "empire" in eastern Europe was, as many writers have pointed out, very strange indeed – an empire in which the metropolitan power was economically exploited by the "colonies".' Eastern European countries imported cheap oil and gas and sold overpriced manufactured goods to the USSR. However, their resulting development bound them to the Soviet Union through economic dependence on Soviet energy and Soviet consumer markets. Trade subsidies and economic dependence were the instruments Soviet authorities used to consolidate the Eastern Bloc in the context of the geopolitical competition with the West (Weiss, 2015). After the collapse of the USSR, Russia inherited close economic links to other post-communist states and the strategic culture of relying on the 'energy weapon' to extract geopolitical concessions. Both proved to be highly important in the 2000s and 2010s.

4 Strategic Visions

For Russia, the first post-Soviet decade was a period of deep multifaceted crisis and strategic retreat. The Commonwealth of Independent States which replaced the Soviet Union was an instrument of a 'civilized divorce' rather than a vehicle for Russian interests. It was only with the resumption of economic growth and Putin's rise to power on the eve of the new millennium that Russia's quest for the status of a 'normal great power' in a 'multipolar world' began in earnest (Tsygankov, 2005).

However, this time geopolitical and economic ambitions were deeply entangled. Anatoly Chubais, one of the chief market reformers of the 1990s, expressed this quite directly in his article on the 'liberal empire' (Chubais, 2003). In this curious polemical intervention, Chubais tried to combine Russia's expansionist aspirations with liberal and democratic values. He did not shy away from using the word 'empire' (as if trying to appeal to the hawks in the Russian leadership), yet his goal was to redefine imperialism itself. According to Chubais, the Soviet project failed, yet this in no way diminished Russia's role in the region and in the world. Russia was 'the only, unique and natural' leader in the post-Soviet space. However, this time Russia's leadership would be based on cultural influence, democratic promotion and raw economic power. On the last point, Chubais was very clear: 'The Russian state can and must support the expansion of Russian business in the neighboring countries in the matters of trade as well as in the matters of acquiring and developing assets' (Chubais, 2003). By relying on these principles, the 'Russian liberal empire' would fulfil its historic mission of 'completing the chain' of great Northern democracies: the US, united Europe and Japan. In fact, Chubais himself was no mere theorist of his 'liberal' (e.g., economic) imperialism. He was a practitioner as the head of *rao ues*, a state energy company that aggressively acquired assets in the post-Soviet space.

Some of the article's assumptions clearly resonated with the country's leadership. Putin was probably disinterested in the part about democracy. In fact, Chubais's own belief in it is doubtful, as

he has always preferred serving as a technocrat to the president than as a politician fighting for votes. Chubais represents a particular brand of 'economic liberalism' in Russia: market reforms are strongly prioritized over democracy. As such, the Kremlin – under Yeltsin or Putin – has welcomed this kind of liberalism. Especially, the part about the influence of Russian business abroad clearly struck a chord with Putin and his closest circle. According to Gleb Pavlovsky, a long-time Kremlin insider,

[Putin's] thinking was that in the Soviet Union, we were idiots; we had tried to build a fair society when we should have been making money. If we had made more money than the western capitalists, we could have just bought them up, or we could have created a weapon which they didn't have. That's all there is to it. It was a game and we lost, because we didn't do several simple things: we didn't create our own class of capitalists, we didn't give the capitalist predators on our side a chance to develop and devour the capitalist predators on theirs (pavlovsky, 2014: 56).

An interview with Vladislav Surkov, one of the Kremlin's most important political operatives, in 2000 corroborates Pavlovsky's account. According to Surkov, the group of Russian big businessmen is 'very thin and very precious... they are the bearers of capital, of intellect, of technologies. <...> The oil men are no less important than the oil; the state has to make the most of them both' (Cited in: Hill and Gaddy, 2015: 209).

In fact, Putin did give 'capitalist predators on our side' ample chance to develop. The number of Russian billionaires grew from eight in 2001 to 101 in 2011 (Treisman, 2016a). Domestically, the government implemented a series of neoliberal reforms in the interests of big capital (Matveev, 2019, 2020). In the realm of foreign policy, the Kremlin was equally serious at assisting Russia's corporations. The results here, however, have been quite mixed.

5 Economic Expansion in the 2000s

As was already mentioned, Russian ofdi increased quite dramatically in the 2000s. However, the official statistics should be approached carefully. A significant part of Russian ofdi is in fact 'round-tripping' investment in Russia through offshore zones. For that reason, the largest ofdi destinations in 2010 were Cyprus, the Netherlands, Belize and Luxembourg (Bank of Russia, 2020). The rise in ofdi thus represents, to an extent, an increased investment activity of Russian companies in Russia itself. However, genuine investment abroad undoubtedly rose as well. In fact, some offshore investments ended up in the third countries – mostly in the post-Soviet space. By assembling the data from various sources, the researchers from the Russian Academy of Sciences calculated Russia's total ofdi in the cis countries including the offshore component. Their number – \$37.2 billion in 2010 – was more than double the Central Bank's official figures (\$15.8 billion) (Kuznetsov, 2016: 351).

The chief cause for the explosion of Russian ofdi in the 2000s was the need to reinvest the dramatic increase in corporate profits in the first half of the 2000s (Crane et al., 2005: 420). Thus, the economic expansion in that period followed Harvey's logic of the 'spatial fix' (Harvey, 2003: 87). However, the specific geography of Russian investment abroad was shaped by the Soviet-era industrial linkages: Russian companies bought suppliers and distributors in neighboring countries (Crane et al., 2005: 422). Oil companies acquired refineries to process crude oil, metallurgical companies integrated their supply chains, and energy companies bought infrastructure assets. This process, as Kuznetsov (2016: 356) remarks, represented 'a unilateral expansion of Russian business, which in the former Soviet republics is often interpreted negatively (as a revival of imperial traditions, but on a solely economic basis)'.

The economic expansion in the post-Soviet space was the area in which the capitalist and the territorial logics powerfully intersected. In some cases, Russian companies made acquisitions with high-profile diplomatic support. For example, Lukoil seized the opportunity created by Vladimir Putin's visit to Uzbekistan in 2004 to sign a lucrative production deal with Uzbekneftegaz, the country's main natural gas producer (Vedomosti, 2004). In other cases, the transfer of assets was more coercive, particularly when the Russian government used the neighboring countries' debt as leverage. For example, Russia swapped Armenia's \$100 million debt for 90% of its power generating capacities, acquired by raoues. Another \$10 million were written off in exchange for Armenia's largest cement factory that was taken over by Itera, Russian gas exporter (Terzyan, 2018). In its quest for the neighboring countries' assets, Russia also used oil and gas cutoffs as leverage. For instance, in 2006, Gazprom halted gas supplies to Moldova and resumed them only 17 days later when the country agreed to increase Gazprom's share in MoldovaGaz, a company controlling pipeline infrastructure (Woehrel, 2009: 11). Overall, the Russian government systematically used debts and oil and gas freezes as leverage to acquire key assets in Ukraine, Moldova, Georgia and Armenia.

However, such heavy-handed tactics often failed to achieve the intended results. A good example is Mazeikiu Nafta, an oil complex in Lithuania that includes a large refinery and a maritime terminal. The company, which is the largest enterprise in the country and accounts for a significant share of its gdp, was sold to Yukos in 2002 (Woerthel, 2009: 12). However, when the Russian government bankrupted Yukos and sent its owner, Mikhail Khodorkovsky, to prison, Rosneft, the state oil company that acquired most of Yukos's assets, was unable to establish control over Mazeikiu Nafta. The latter was sold to the Polish oil firm pkn Orlen. To prevent this outcome, Russian state-controlled pipeline operator Transneft halted the supply of crude oil to Lithuania supposedly to repair an oil leak. However, Mazeikiu Nafta switched to oil delivered by tankers via its maritime terminal and the deal with pkn Orlen went through successfully (Vitkus, 2009).

While the Kremlin's geopolitical ambitions and Russian business interests in the post-Soviet space generally coincided, in some cases they were difficult to reconcile. For example, during the infamous 'gas wars' with Ukraine in the 2000s, the general thrust of Russia's strategy was to force Ukraine to pay higher prices for gas, thus prioritizing the capitalist logic. However, in 2010, Russia agreed to a 30% drop in gas prices in exchange for the extension of its lease of a naval base in Sevastopol for another 25 years. [7] Robert Orttung and Indra Overland (2010) argue that Russia has in fact very few ways to put pressure on its neighbors (Orttung and Overland, 2011). The 'energy weapon' is the arsenal for every occasion – be it purely economic issues or geopolitical concerns, as in the case of the Sevastopol base. Manipulating oil and gas prices and supplies is a blunt instrument. Sometimes it is effective against impoverished post-Soviet economies intentionally designed to rely on cheap Russian energy. But it is ultimately limited in scope. By the end of the 2000s, Russia came up with a more comprehensive strategy of establishing political and economic dominance in the region.

6 The Eurasian Economic Union: Politics of Regional Hegemony

In the second half of the 2000s, the Kremlin stepped up its efforts to institutionalize economic integration in the post-Soviet space. In 2009, Russia, Belarus and Kazakhstan signed an agreement creating the Customs Union. In 2012, the three countries adopted a common regulatory framework in several areas, including the coordination of macroeconomic policies and labor migration. Finally, in 2015, the Eurasian Economic Union (eaeu) came into being as a full-fledged supranational body modelled on the European Union (Kirkham, 2016). The eaeu was later joined by Armenia and Kyrgyzstan.

Harvey (2003: 36) emphasizes that capitalist imperialism cannot rely on coercion alone. Successful imperialist projects combine coercion and consent. Russia's efforts at establishing a common trade

and regulatory framework with its long-time allies represent an attempt at moving towards a more consensual (hegemonic) model of regional dominance. This goal is reflected in the architecture of the Eurasian institutions. For example, each of the five eaeu members has the same representation in the Union's highest decision-making body, the Board of the Eurasian Economic Commission. Consequently, 'despite being responsible for 87% of the Union's total gdp, Russia has only 20% of its total voting power' (Vinokurov, 2017: 57). In a few cases, Russia's obligations within the eaeu made it more difficult to pursue the policies the Kremlin wanted (Libman and Obydenkova, 2018: 1041). Furthermore, Russia is the biggest contributor to the Eurasian Development Bank (ebd), a regional investment vehicle, and the Eurasian Stabilization and Development Fund (esdf), a 'regional imf' tasked with crisis management and financial stabilization (Vinokurov, 2017: 57-58). Out of the esdf's total capital of \$8,5 billion, Russia provided \$7.5 billion (Eurasian Fund, 2020). Unlike the World Bank and the imf, the ebd and the esdf do not attach conditionality to their loans. The eaeu's smaller members also benefit from the redistribution of customs duties within the Union (Libman and Obydenkova, 2018: 1043).

Nevertheless, asymmetries in economic gains persist within the eaeu (Kirkham, 2016: 9). The 'trade diversion' effect is one in particular. The Union's common external tariff was harmonized to the Russian tariff. Since the average tariff in Kazakhstan was lower than the Russia's prior to joining the Union, Kazakhstan had to increase its tariffs. This made imports from outside the eaeu less lucrative while increasing the attractiveness of Russian imports. Consequently, 'From Russia's perspective, the customs union represents an expansion of the market' (Tarr, 2016: 4), imports of manufactured goods, notably from the European Union and China, are displaced with Russian imports. [8]

However, the long-term nature of this trend is doubtful, since the eaeu's common tariff has gradually decreased due to Russia's joining of the wto in 2012. Figure 1 shows Russia, the EU and China's share in Kazakhstan's imports in 2012-2019. It indicates that the import shares have essentially stayed the same and while Russia maintains its place as Kazakhstan's largest import partner, it did not improve its position via the eaeu. At the same time, an argument can be made that without the Union, Russia's performance would have been even worse, and China and the EU would have gained more ground in Kazakhstan.

The eaeu proved to be an imperfect instrument of Russian hegemony in the post-Soviet space. Mindful of Russia's overwhelming economic and political power, the Union's members slow down the integration process as they are reluctant to delegate authority to the Eurasian institutions (Libman, 2020: 4). Furthermore, for Armenia in particular, joining the eaeu involved an element of coercion. The Kremlin saw Armenia as an important vehicle for its influence in the South Caucasus, especially in the context of deteriorated relations with Georgia and growing American and Turkish influence in the region (Delcour, 2014: 40). Russia hinted at potential repercussions for not joining the Union when Putin visited Baku in 2013, agreeing to sell a large number of weapons to Azerbaijan (Garcés De Los Fayos, 2018: 8). Preferring to avoid further Russian support to Azerbaijan in the future, Armenia made a U-turn and joined the eaeu instead of signing an Association Agreement with the European Union. In 2019, Nikol Pashinyan, Armenia's new prime minister who was nominated after a wave of street protests, said that joining the eaeu was a mistake, although this did not mean that Armenia would now leave the Union (Falyakhov, 2019). Other post-Soviet leaders opted not to join the eaeu on political grounds. For example, the president of Uzbekistan, Islam Karimov, claimed that the countries that joined the Union invariably lost political independence (Uzbekistan, 2014). Currently, while Moldova became an observer and negotiations with Tajikistan are underway, the potential for the enlargement of the eaeu remains uncertain.

7 The Ukrainian Rift

For Russia, Ukraine has always been the crucial piece of the puzzle tying together its efforts in the

post-Soviet space. Kremlin strategists inclined toward traditional geopolitics (and most of them are) view it as a vast borderline territory that protects Russia from a potential military intervention by Western powers (Tsygankov, 2015: 10). Furthermore, most of the Russian oil and gas pipelines traverse Ukraine, making energy transit an endless point of contention. Ukraine is also the biggest recipient of Russian ofdi in the region, with accumulated investment standing at 14.7 billion dollars in 2013 (Kuznetsov, 2016: 351). In addition, Ukraine has long been the target of the irredentist aspirations of Russian nationalists. As the events of 2014 have demonstrated, nationalist groups have powerful allies among the Russian political and economic elite.

As important as Ukraine is for Russia, the Kremlin has not had much success. Despite the best efforts of Russian political operatives, pro-Western Viktor Yushchenko assumed power in Kiev after a contested election in 2005. Yushchenko opened Ukraine for potential nato membership and elevated the status of the Ukrainian language at the expense of Russian (Tsygankov, 2015: 10). During his presidency (2005–2010), Russia mostly relied on gas cutoffs in its dealings with Ukraine. Gazprom tried, but failed, to obtain a stake in Naftogaz, Ukraine's state-controlled gas company. However, when Yushchenko's opponent Viktor Yanukovich became president in 2010, Russia's relations with Ukraine improved. Nevertheless, Yanukovich skillfully navigated between Russia and the West, never conceding too much to either side. Russia's ultimate objective was for Ukraine to join the Customs Union (a precursor to the eaeu). However, Yanukovich was swayed only after Putin offered an additional gas discount and a \$15 billion loan. Yanukovich's decision triggered massive pro-European protests in Kiev in late 2013, and the ensuing events changed both Ukraine's and Russia's history.

In 2014, Russian imperialism acquired a belligerent, militarized character. However, if we compare it to America's coercive turn in the early 2000s, the difference is immediately clear. For Harvey, America's invasion of Iraq represented a fundamentally proactive strategy aimed at establishing total control over the world's most oil-rich region (Harvey, 2003: 24–25). In contrast, Russia's annexation of Crimea and the invasion of Eastern Ukraine were reactive in nature. They were not part of a grand strategy of any kind. Instead, they were a response to a perceived necessity (which in no way serves as their justification). Before 2014, Russia's policy towards Ukraine still represented an intersection of the territorial and the capitalist logics: Ukraine's joining of the Customs Union was a way to strengthen the Russian regional bloc both economically and geopolitically. However, Russia's reaction to the change of power in Ukraine marked a new period that disengaged the territorial and the capitalist logics.

The most comprehensive analysis of Russia's decision to annex Crimea ultimately finds that the Kremlin's actions were driven by the fear of losing a naval base in Sevastopol (Treisman, 2016b). When all the attempts to influence the rapidly unfolding situation in Kiev failed, Putin ordered a preemptive strike to preserve the only geopolitical asset he was still able to save. This was a momentous decision that would change Russia's place in the world and, in particular, the conditions in which the Russian companies operated internationally.

It is quite likely that in February–March 2014 Putin did not fully anticipate the consequences of his actions. Though he understood the potential economic impact of Crimea's annexation would be negative, he probably misperceived the scale. His advisors assured him that Russia's reserves were enough to withstand economic turbulence, and, crucially, Putin himself did not believe that the conflict with the West would be impossible to resolve (Overchenko, 2014).

The annexation of Crimea had an immediate impact on the situation in Ukraine. In February–March 2014, the violent conflict was already stirring in the Donetsk and Luhansk regions where the majority of the population felt threatened by the nationalism of the Maidan protesters. After Crimea's annexation, the mood in Donetsk and Luhansk turned to separatism. Russian nationalists

such as Igor Strelkov and his group of fighters crossed the Ukrainian border to join the emerging pro-Russian militias. Strelkov was supported by high-ranking members of the Russian elite, such as the billionaire businessman Konstantin Malofeev (Weaver, 2014). Ukraine responded by launching an 'antiterrorist operation', in effect, a full-scale military offensive to thwart the separatist forces. By August 2014, the separatist uprising in Donetsk and Luhansk was on the brink of defeat. At this point, Russia launched a counter-offensive of its own, using the Russian army to support the separatist militants. Ukraine's victories were reversed and the Donetsk and Luhansk 'People's Republics' were firmly established as unrecognized states on the Russian border. By 2019, the war in Eastern Ukraine had claimed some 13000 lives, including 3350 civilians (Office of the United Nations, 2020).

8 Economic Fallout

Russia's violent confrontation with Ukraine reversed many of the gains of the previous 'liberal imperialist' period. Most straightforwardly, some Russian assets in Eastern Ukraine were physically destroyed during the war. For example, the Ukrainian artillery shelling of an oil refinery in Lisichansk (Luhansk region) cost its owner, the Russian state-controlled oil company Rosneft, an estimated \$140 million (Kuznetsov, 2016: 82). Some assets were spared physical damage yet lost much of their market value. Furthermore, the Ukrainian government forcibly nationalized some Russian companies. In other cases, the Russian owners had to sell their Ukrainian assets below value (Kuznetsov, 2016: 82). Even more importantly, Western sanctions directly and indirectly threatened Russian companies by restricting access to global capital markets (Matveev, 2019: 420). As a result, Russian business activity abroad has steeply declined. Figure 2 compares the dynamics of Russian and Chinese ofdi in 2000–2019. It shows that both countries followed the same trend until 2014, when their fortunes sharply diverged.

Until 2014, the Kremlin's geopolitical strategy and the international interests of Russian capital have mostly coincided. However, the annexation of Crimea and the ensuing events pitted the territorial and the capitalist logics against each other. So far, the attempts of Russian leadership to realign them brought mixed results at best. For example, in the context of the confrontation with the West, Russia tried to capitalize on both the economic and the geopolitical advantages of closer relations with China. However, this alliance proves to be highly unequal with China exploiting Russia's economic weakness, particularly in Central Asia (Stronski and Ng, 2018). Russia's other geopolitical pursuits, such as the intervention in Syria, have only distant economic implications that are almost completely overshadowed by immediate political goals (Maher and Pieper, 2020).

9 Conclusion: Looking Ahead

In this article, I have argued that Russia's engagement with the world underwent a fundamental shift in 2014. In the preceding years, the territorial logic of the Russian state and the international interests of Russian capital have largely been in alignment. The Kremlin embraced the strategy of 'sovereign globalization', encouraging deeper economic integration with the world, albeit on Russia's own terms (Gould-Davies, 2016). Indeed, as Simon Pirani remarked, the growing power of the Russian state was 'not an end in itself, but a means of managing post-Soviet Russian capitalism and integrating it into the world system' (Pirani, 2010: 1). In the post-Soviet space, that meant the creation of a 'liberal empire' built upon the economic expansion of Russian companies with the state's dedicated political and diplomatic support.

However, the annexation of Crimea and Russia's intervention in Eastern Ukraine completely changed this dynamic. The ensuing confrontation with the West threatened the global integration of Russian business and limited Russia's ability to consolidate the post-Soviet region on economic terms. Even as Russia continued to show its military might, particularly in Syria, Russian companies

were losing ground to European and Chinese ones. Dramatic divergence in Russian and Chinese ofdi trends since 2014 (Fig. 2) is a case in point.

To an extent, this shift was not predetermined. Russia's actions in Ukraine were a gamble, and it is very possible that the Kremlin did not fully anticipate the scale of the ensuing confrontation with the West. However, there were structural reasons for the divergence of the territorial and the capitalist logics as well. First of all, by 2013, the Russian economic engine was running out of steam. The rapid growth in the 2000s was the result of the re-utilization of the existing Soviet productive capacity. When this source of economic dynamism was depleted, the growth slowed. In fact, the first signs of stagnation emerged in late 2012 – way before the events in Ukraine (Matveev, 2018: 150). The Russian economy was no longer generating surplus capital in need of a 'spatial fix'. Secondly, in spite of all the efforts, Russia was unable to establish true hegemony in the post-Soviet space. While the Kremlin became skilled in the art of elite deals with political and economic actors, Russia was unable to achieve high levels of popularity, respect and cultural appeal among the post-Soviet countries' populations (in no small part due to the anti-Russian nationalism of their governments). Ukraine is a case in point: the attractiveness of the 'European ideal' was simply too strong for Russia to compete with. Eventually, all Russia was left with was 'hard power'. [9]

Modern global imperialism is organized around three 'poles'. China's territorial vision (e.g., the Belt and Road Initiative) is fundamentally guided by the capitalist logic of searching for a 'spatial fix' for the domestic crisis of overaccumulation (Sum, 2019). In the case of the United States, the territorial and the capitalist logics are complexly intertwined, with geopolitical competition assuming a greater role in recent decades. Finally, in the Russian case, geopolitics is essentially the only game in town, with the territorial and the capitalist logics hopelessly misaligned. Russia's regional economic union is too small to become an autarkic 'fortress Eurasia' (and the eaeu's smaller members have no intention of pursuing such policy). This will inevitably push Russia to cooperate either with the West or with China. Each path is fraught with difficulties and contradictions.

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Footnotes

[1] This article was written on the basis of the RANEPa state assignment research programme.

[2] Harvey is inspired by Giovanni Arrighi (1994); however, as Arrighi points out, Harvey's use of the concepts of the territorial and capitalist logics of power differs from his own: 'In his, the territorialist logic refers to state policies, while the capitalist logic refers to the politics of production, exchange and accumulation. In mine, in contrast, both logics refer primarily to state policies' (Arrighi, 2005: 28). See also Ashman and Callinicos (2006: 111).

[3] Harvey notes: 'It would be hard to make sense of the Vietnam War or the invasion of Iraq, for example, solely in terms of the immediate requirements of capital accumulation. Indeed, a plausible case can be made that such ventures inhibit rather than enhance the fortunes of capital' (Harvey, 2003: 29–30). Ashman and Callinicos share his view: '...capitalists and state managers will often assess their interests differently. Consider, for example, the widespread scepticism about invading Iraq expressed in American business circles, including the oil industry' (Ashman and Callinicos, 2006: 113).

[4] Cf. van Apeldoorn (2014: 10). In van Apeldoorn's view, the territorial and capitalist logics are related not only through the structural power of capital (that is, the political elites' dependence on the business decisions of the economic elites), but also through the social position of state managers and their personal ties to the ruling class. Nevertheless, he still does not present a theory as to why state policies sometimes diverge from the interests of the capitalist class, simply saying that 'it is this divergence that we should explain' (presumably, through conjunctural analysis) (van Apeldoorn, 2014: 17).

[5] It should be noted that the complex ownership structure of companies such as Gazprom and Rosneft with a significant private (and foreign) component results in a variety of interests operating within the companies themselves. Margarita Balmaceda (2013: 73–74) notes that the personal interests of various insiders need to be distinguished from the corporate interests of Gazprom and the interests of the state that are imposed on the company. The presence of insiders who pursue their own agendas affects Gazprom's dealings with other countries as well.

[6] Some authors disagree, claiming that the Central Asian republics in particular could be seen as economically exploited by the industrialized regions of the USSR. For example, Gregory Gleason (1991) argues that the Central Asian countries were forced to specialize in agriculture and especially in cotton production, leading to 'monocultural' economies and unfavorable terms of trade with other republics of the USSR. However, according to Orlowski, Soviet Central Asia benefited from large investment programs – for instance, in Kazakhstan, three major programs promoted the development of military production, heavy industries and the space industry (in Baikonur) (Orlowski, 1993: 1009). Max Spoor (1993) finds evidence of both tendencies – the Central Asian countries benefited from budgetary transfers as well as cheap oil and grain, however, Moscow did force them to over-specialize in cotton, leading to economic dependency and ecological problems.

[7] Importantly, even in this case it was the Russian government and not Gazprom itself that picked up the tab: Gazprom's lost profits were to be compensated by a corresponding reduction of its taxes to the Russian budget (Abdelal, 2013: 434). This seems to be part of a pattern: whenever the state uses Gazprom as a geopolitical tool, the company is compensated in various ways, including 'access to credits, the setting of gas prices, and the granting of privileges in privatization contracts and other investment opportunities, such as preferential access to especially strategic gas fields' (Balmaceda, 2013: 71). The state also maintains Gazprom's monopoly status, allowing the company to capture monopoly rents both at home and abroad.

[8] Iana Dreyer and Nicu Popescu (2014: 4) argue that 'Astana is now importing more expensive cars from Russia and reducing imports of more competitive German, Japanese, and Korean vehicles, effectively amounting to the transferring of economic rents to Moscow's automobile sector'.

[9] In his sharp and encyclopedic account of Russia's development since 1991, Perry Anderson (2015) argues that Putin's attempts to dictate his own terms of the integration into the global

economy were doomed from the onset: Western capital would have thwarted any such efforts. However, the West did not confront Russia because of its economic expansion. Rather, it confronted Russia because of Putin's aggressive pursuit of his geopolitical goals in 2014. The previous 'liberal imperialist' strategy could probably result in Russia being both integrated into global capitalism and dominant in the post-Soviet region: a 'sub-imperialist' status (Bond, 2013). However, the events of 2014 prevented such scenario, leading to Russia's increasing economic isolation and geopolitical deadlock with the West.