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Failed Modernization and an Imperialist Project

**Russia's foreign policy in light
of its economic and
security interests**

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CONTENT

Introduction	4
Russia: A Belated Capitalist Country	5
The Russian Bourgeoisie's Limited Ability to Impose Hegemony	8
Authoritarian Modernization by the Power Bloc: The First Putin Era (2000–8)	9
The Failure of Putin's Modernization Project	11
A Peripheral Empire: Russia's Dwindling International Influence	12
The Economic and Financial Crisis as a Catalyst for New Conflicts within the Power Bloc	13
The State's Gain in Power	15
The Geopoliticization of the Eurasian Economic Union	17
Russia's Foreign Policy: A Combination of Economic and Security Interests	18
Bibliography	20

INTRODUCTION

The Russian invasion of Ukraine and the annexing of the occupied Eastern Ukrainian territories constitute a preliminary culmination of the increasingly aggressive and expansionist foreign policy of Vladimir Putin's government. Over the last 15 years, Russia has carried out numerous military interventions (Georgia, Syria, Kazakhstan) in order to secure its sphere of influence and interests. This contrasts with the country's foreign policy in the 1990s, which was more consensus-oriented and aimed at rapprochement with the West.

Attempts to explain the transition to an aggressive foreign policy have been overwhelmingly limited to the personal motives of the Russian president or the country's imperial interests. Exemplary here is the speech of German Chancellor Olaf Scholz at the UN General Assembly in September 2022. He characterized the Russian invasion as "the return of imperialism" and "a disaster also for our peaceful global order, which is the antithesis of imperialism and neo-colonialism" (Bundesregierung 2022).

Interestingly, the other side also cites the struggle against imperialism in justifying the war of aggression against Ukraine. Since the war began, Vladimir Putin has repeatedly presented the Russian invasion as a preventative measure to weaken Western dominance. Western imperialism and the "ugly neo-colonial system of international relations" required a military response on Russia's part for the sake of a multipolar world order, the Russian president said at the International Economic Forum in Saint Petersburg in June 2023 (Rutube 2023).

The blanket accusation of imperialism makes clear that insufficient effort has been made by politicians and academics to analyse the reasons for the Russian invasion. This leads to the loss of the analytical kernel that the concept of imperialism originally possessed, reducing it to a cliché of moral outrage. This has far-reaching consequences, as it pushes possible paths to ending the war far into the distance. As a result of the war in Ukraine, the destabilization of the whole post-Soviet realm is proceeding apace, as is made clear by the recent escalation of the war in Nagorno-Karabakh, and the Tajik–Kyrgyz border conflict in Central Asia.¹

The present study does not aim to explain whether Russia is an imperial power or not. Instead, it seeks to demonstrate the relation between its crisis-prone domestic development and its increasingly expansive and militaristic foreign policy. The shift in Russia's

foreign policy strategy must be considered in the context of numerous global crises (the consequences of the 2008–9 global financial crisis, the Coronavirus pandemic, and climate change) and geopolitical upheavals (the rise of China and India). These events have had profound impacts on the post-Soviet realm and are intensifying already potent crises that have destabilized the region in the wake of the dissolution of the Soviet Union and the transition to capitalism, as can be seen in inter-state wars and civil wars as well as in struggles for political dominance (see Jaitner et al. 2018).

This text argues that the ongoing consolidation of authoritarian forms of rule domestically and expansionist and militaristic foreign policy are directly linked to the crisis-prone forms of regulation that developed in Russia in the wake of the dissolution of the Soviet Union and the transition to capitalism. These two aspects represent an attempt to stop the country's loss of influence in the world. Yet increasing authoritarian rule domestically and the violent politics of the ruling bloc both domestically and internationally intensify social contradictions and crises in the post-Soviet realm and in Russia, which can be seen in the increasing escalations in domestic politics.

In the following, two analytical approaches are developed that seek to clarify the specific dynamics of the Russian development model: (1) Russia is a belated capitalist country, which — unlike the Soviet Union — is not striving to develop an alternative system to the West but is rather demanding its rightful place among the world's great powers; (2) the Russian bourgeoisie has only limited capacity to impose hegemony. The inability of the ruling bloc to create acceptance of the capitalist transformation among the population favours the development of authoritarian relations domestically and makes Russia's bid for supremacy in the post-Soviet realm more difficult to achieve, and so also the global ambitions of Russian capital factions.

In this context, it becomes clear that the crisis-prone extractive development model that arose in the 1990s is obstructing Russia's capitalist development and hindering the international expansion of domestic capital factions. This is why the Russian power bloc's strategies to deal with the various crises form an important part of the present study. This holds as much for the authoritarian modernization project (and its failure) represented by Vladimir Putin as for the conflicts between competing capital factions in the wake of the 2007–8 economic and financial crisis and the mass

¹ The destabilizing tendencies can be seen in increasing domestic conflicts, for example in Georgia, Russia (the putsch of Wagner Group soldiers in the summer of 2023 and the antisemitic pogroms in Dagestan in October 2023), and in increasingly authoritarian rule in Belarus.

social protests of 2011–13. In this, Russian efforts to develop a post-Soviet integration project (the Eurasian Union) play a prominent role. In closing, current

tendencies in Russian capitalism and their impacts on the future development of the country are analysed.

RUSSIA: A BELATED CAPITALIST COUNTRY

The stagnation of the Soviet planned economy became increasingly clear over the course of the 1980s. During the conflicts that subsequently arose over the course to take, a pro-capitalist alliance of party functionaries formed around Boris Yeltsin in the Russian Soviet Federative Socialist Republic (RSFSR), including neoliberal economists and leading representatives of the liberal dissident movement (Jaitner 2014: 30 ff.). Due to the RSFSR's relatively low levels of integration in inter-Soviet trade, its strong industrial basis, and the internationalization that had already been achieved in some individual sectors (particularly the oil and gas industries, and parts of the military-industrial complex), the Yeltsin camp called for the independent development of Russia as part of the transition to capitalism. The South Caucasian and Central Asian periphery by contrast was considered an obstacle to the successful transition to capitalism. This led to an increasingly vigorous opposition to Mikhail Gorbachev's Soviet Union government, which was pursuing a gradual reform process for the entire USSR within the framework of democratic socialism (see Jaitner 2023: 42–50).

The close connection between the concrete form of the transition to capitalism and the continued existence of the Soviet Union became clear in the concrete policies of the Yeltsin camp.² After it had prevailed in the power struggle with Gorbachev, it pushed for the dissolution of the USSR. The Belovezha Accords of 8 December 1991 were neither a constitutionally legitimate decision nor were they in the interests of the majority of the Soviet republics. The decision to dissolve the Soviet Union rather rested on the economically strongest and politically most influential Soviet republics of Russia, Belarus, and Ukraine and their presidents. As with Czechoslovakia and Yugoslavia, the decisive factor motivating the dissolution of the Soviet Union was not ethnic tensions, but rather the challenging of the social contract by

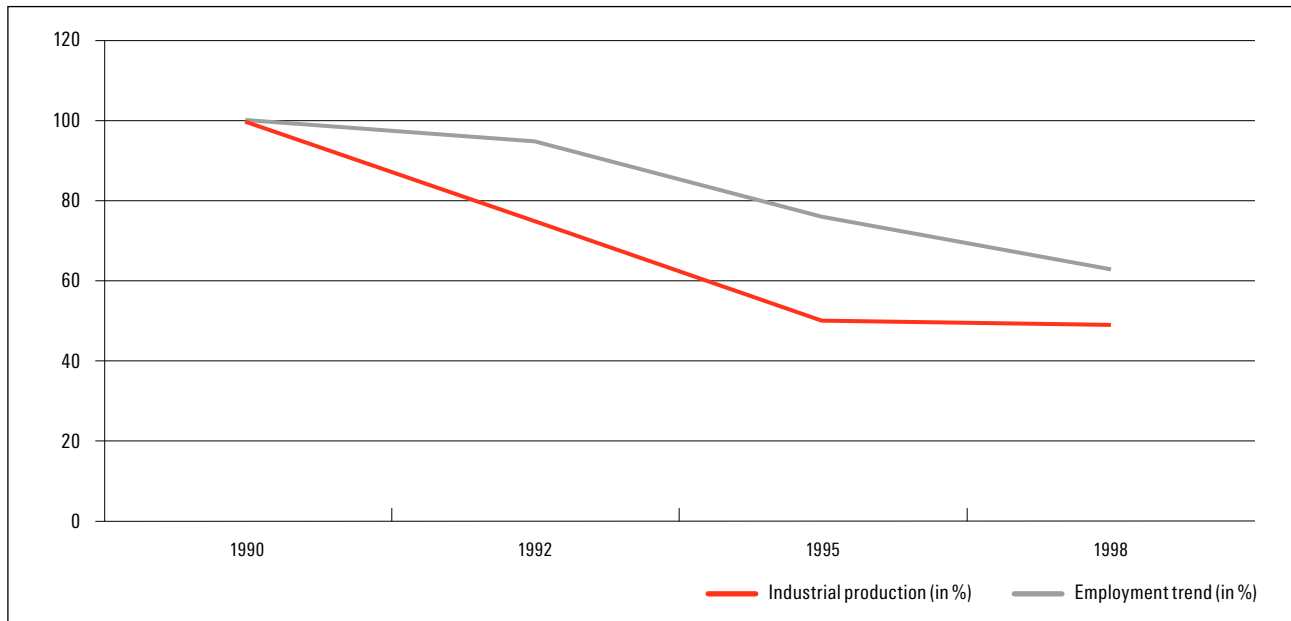
the centre. In all three of the economically strongest republics, the elites were no longer willing to subsidize the periphery, and considered the continued existence of the peripheral states a hindrance to the development required for a successful transition to capitalism (see Hale 1999; Rösler 2010). Consequently, the process of transformation only began in earnest following the official dissolution of the Soviet Union. On 2 January 1992, just two days after the end of the USSR, the Yeltsin administration deregulated consumer prices in Russia and began implementing its economic programme, which became known as “shock therapy”.³

In contrast to China, the Russian government eschewed a gradual transition to capitalism under the leadership of the state. Shock therapy was a deliberate break with the planned economy and pursued the goal of making the introduction of capitalism “irreversible” (El'cin 1994: 235). Existing regional trade alliances, such as the Council for Mutual Economic Assistance (CMEA), were dissolved, customs duties and subsidies in many industries were abolished, which immediately exposed domestic industry to international competition. Yet Russian firms were only internationalized to a limited extent, had little experience in marketing products, and unlike companies in capitalist countries, they often took on social welfare tasks (financing day-care centres, rest homes, and social contributions for employees), which additionally weakened their competitiveness. The result of this policy was a comprehensive process of deindustrialization. Relative to 1990, industrial production had fallen to 45.8 percent of its former level by 1998 (Goskomstat Rossii 2002: 19; see fig. 1). The share of workers in industry reduced by around a third (ibid.). Industry's loss of significance can also be seen in absolute terms. The share of industrially produced goods in the country's GDP declined from 65.5 percent (1990) to 41 percent (2004) (Grinberg et al. 2006).

2 Petr Aven, deputy foreign minister of the RSFSR under Yeltsin, affirmed that members of the government were told not to cooperate in any way with the Soviet government led by Gorbachev in negotiations over the New Union Treaty in Novo-Ogaryovo in 1990–91: “People told us: essentially we support the Novo-Ogaryovo process politically, but practically we obviously represent the position of Russia's absolute sovereignty” (Aven and Koh 2015: 67).

3 Shock therapy was strongly oriented toward neoclassical ideas and relied on a comprehensive deregulation of foreign trade, which had been controlled by the state, the liberalization of the finance sector, the comprehensive abolition of state-regulated price controls, and the privatization of state property (see Jaitner 2023).

Figure 1: Industrial production and employment trend in Russia (1990–1998)



Source: Goskomstat Rossii 2002: 19

One consequence of the deindustrialization process was Russia's increasing dependency on imports in the high-tech sector. The share of machines and equipment imported by Russia has risen continuously since the 1990s: in 1998 it was still at 35.3 percent; by 2017 it had risen to 48.6 percent (see fig. 2). In comparison with the Soviet Union, the Russian economy is marked by the growing significance of the raw materials sector. Fossil fuel producers make up for 60 percent of exports on average, while other raw materials such as metals contribute almost 10 percent.

Analysis of the Russian economy makes its dual structure clear — its division into a highly internationalized, export-oriented sphere and a domestic-oriented sphere that is losing competitiveness. While the productive sectors are falling further and further behind the Western competition with regard to technology and are in serious need of modernization, Russian raw materials firms are profiting from global demand or have a strong presence in a number of countries in Western Europe, as with the oil and gas industry.

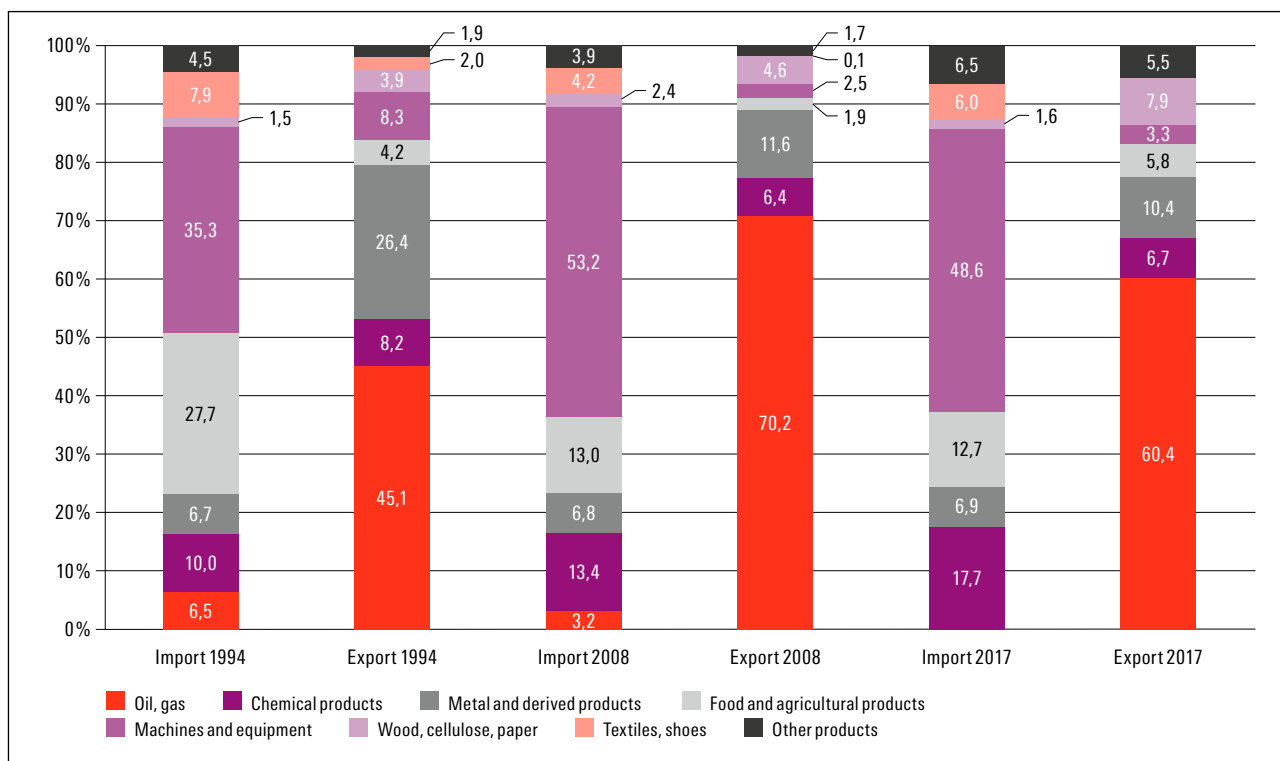
In the global division of labour, Russia is increasingly taking on the role of a global raw materials supplier. Rare exceptions in the high-tech sector are aeroplane and engine construction, arms manufacturing, nuclear and space industries, as well as — with some limitations — the automobile industry. Russian competitiveness in these areas — with the exception of arms and nuclear — is largely limited to the domestic market and the post-Soviet realm (Ustyuzhanina 2016: 36 ff.). Low levels of innovation among domestic companies and low demand

for their products lead to big corporations developing a dominant market position and then using it to systematically monopolize resources (raw materials, labour, finances, information). Economists Alexander Buzgalin and Andrey Kolganov argue that economic success in Russia is based not on high productivity and product quality at low prices but on the ability of a company to adapt the market environment to its own needs and to eliminate some of the competition (Buzgalin and Kolganov 2015: 702 ff.). At the national, regional, and local level, business activity is mainly geared towards minimizing unreliability in supply in a market dominated by oligopolistic structures.

Contrary to the prognosis of the architects of shock therapy, the transition to capitalism did not facilitate the modernization of the Russian economy, but only exacerbated the contradictions rooted in the Soviet period. The peripheral integration of Russia into the global market resulted from the economic policies of the Yeltsin administration and has had wide-ranging consequences: it hinders capitalist development in Russia, as it exacerbates disparities in regional and social development. Relying on the extractive sector also makes the country extremely vulnerable to global crises.

Yet the notion of the belated capitalist country should not be limited to the economy, it also has a political dimension. According to historian Veronika Sušová-Salminen (2018: 4 f.), the end of the Soviet project symbolizes the failure of the state-socialist countries to overcome their own peripheral position in the world system and to establish an alternative centre of social development to the capitalist "first

Figure 2: Commodity structure of Russian imports and exports (1994, 2008, and 2017), by percentage



Source: Goskomstat Rossii 1994; Rosstat 2009 and 2018

world". Since then, political forces in Eastern Europe and in the post-Soviet realm have pursued the goal of aligning themselves with the West, which can be seen in their unconditional adoption of a Western economic and political programme. Rather than a political alternative to actually existing capitalism, Eastern Europe and the post-Soviet realm became a "laboratory of neoliberalism" (Bockman and Eyal 2002). In this sense, the post-Soviet and East European states are definitely "trendsetters" (Segert 2010) and prefigure developments that can also be seen in the wake of neoliberal reforms in West European states.⁴

The capitalist development of Russia is not only temporally belated — relative to the West but also

to China and other South-East Asian countries. The process of transformation in the 1990s amounts to an economic and political process of peripheralization, as a result of which the global influence of the country has continually declined.⁵ Unlike the Soviet Union, the Putin administration does not strive to create an alternative system, but rather to assure Russia's place as a world power in the existing order. Because that endeavour goes hand-in-hand with the violent safeguarding of its own sphere of influence, it is certainly valid to speak of an imperial project. Yet its expansionist foreign policy is not based — as classical theories of imperialism might suggest — on a phase of economic expansion, but rather on a phase of decline.

4 Accordingly, the concept of a belated capitalist country does not entail a political, economic, or cultural backwardness of the former state-socialist countries, but rather globally (spatially and temporally) unequal capitalist development. According to this conception, the shock-therapy-based capitalist transformation of Eastern Europe and the post-Soviet realm anticipates developments, which are also becoming increasingly significant in Western and Central Europe following neoliberal reforms and austerity politics that have been enacted since the 2008 economic and financial crisis. According to political scientist Dieter Segert, the welfare state and inclusive politics are crucial preconditions for the consolidation of democratic systems. The social power asymmetries in capitalist class society require a social corrective to ensure broad social participation and stability. Shock therapy (and neoliberal policies since the 2000s) only exacerbated power asymmetries, such that the losers in the process of transformation had increasingly limited possibilities to exert social influence. This results in the population having low levels of trust in state institutions and the political system as well as high levels of frustration towards them (Segert 2010). The erosion of democratic processes and institutions, the rise of right-wing nationalist forces, the intensifying of social conflicts, and even wars can be understood as direct responses to the crisis-prone transformation process (Jaitner and Spöri 2018).

5 This situation represents a significant difference from other belated capitalist nations such as Germany (in the late 19th century) and China (since the 1980s). Despite their belated development, both of these countries were marked by a long phase of dynamic capitalist expansion accompanied by increasing economic and political influence.

THE RUSSIAN BOURGEOISIE'S LIMITED ABILITY TO IMPOSE HEGEMONY

A particularity of the Russian bourgeoisie — and a significant reason for its political weakness — lies in its origins. According to political theorist Nicos Poulantzas, the state takes on a “direct economic function” in certain phases of a social formation. The state does not limit itself to safeguarding the conditions for the reproduction of society, but instead decisively intervenes in the reproduction of the cycle of production itself (Poulantzas 1973: 324).

The state’s “direct economic function” in Russia in the 1990s consisted in the private accumulation of capital and the development of the capitalist class society that necessarily accompanies it. To that end, the Yeltsin administration relied on the privatization of state property, from which national entrepreneurs, the so-called oligarchs, were to profit. Characteristic of the 1990s privatization process were opaque sell-offs of state property, which was often sold at far below its real worth and occasioned social resistance.⁶

The state thus became “a central site of struggle between competing economic positions” (Becker 2015: 427). Competing factions in the emerging bourgeoisie and the state bureaucracy founded (informal) networks for the pursuit of their interests. To this day, this favours a common lack of coherence in the state apparatus, which finds expression in legislative initiatives or projects that favour a certain faction, but that is fiercely opposed by other groups. This paralyses state action or makes it appear inefficient. In order to have direct influence on privatization, large firms and companies strive to fill government offices with trusted allies or to influence those holding such offices in their favour. The struggle over the companies to be privatized was thus fought inside the state apparatus itself and repeatedly took on violent forms from the early 1990s onward.

The emergence of a national bourgeoisie stands in contrast to the unparalleled economic decline and the impoverishment of large sectors of the population. According to sociologist Natalia Tikhonova (2011), a third of the Russian population was driven into poverty as a direct result of privatization. The Gini coefficient gives an indication of the increasing inequality of income and assets in a country. In 1992, Russia’s Gini coefficient was still at 0.289, by 2000 it had risen to 0.395, and by the end of Vladimir Putin’s second term it had reached 0.423 (see Rosstat 2009:

123). Children, women, and retirees are disproportionately at risk of poverty (Tikhonova 2011). There was increasing resistance to the impoverishment of broad swathes of the population. Expressions of this were the electoral successes of the Communist Party of the Russian Federation (CPRF) in the 1990s, ongoing mass protests and strike movements, as well as separatist movements, particularly in the North Caucasus.⁷

Russia’s development since the 1990s is marked by a structural contradiction between democracy and capitalism, since the formal political and legal equality of all citizens is contrasted with social inequality and the unequal relations of power and domination that accompany it. Demands for a gradual transition to a market economy — such as those by the majority in the Russian parliament, the Supreme Soviet under the leadership of Ruslan Khasbulatov — were not understood by the Russian leadership as a necessary component of democratic decision-making.⁸ As guarantor of the transition to capitalism, the Yeltsin administration did not shy away from using state violence against competing political projects such as the Supreme Soviet. In autumn 1993, the government prevailed in the conflict by having loyal troops shell the parliament and passing an authoritarian presidential constitution after the capitulation of their opponents. The role of the state in the transformation thus went beyond the mere economic function of capital accumulation and the development of capitalist class relations. Yeltsin’s authoritarian turn completed the introduction of capitalism in Russia and secured the foundations of young bourgeoisie’s rule against social resistance. It simultaneously put a decisive end to the social democratization process and laid the foundation for future authoritarian developments under Vladimir Putin. In this way, the state played a crucial role in the introduction of capitalism (see Jaitner 2023: 76–85).

Yeltsin’s Bonapartist turn assured that the bourgeoisie’s position would remain precarious, as it remained dependent on the state and state protection due to unstable and intensively contested property relations. This was also the case for the international expansion of private capital factions or their support in industrial disputes through the use of state force. The arrest of the oligarch Mikhail Khodorkovsky and the disman-

6 Between 1995 and 1997, the government forced the privatization of state-owned companies, particularly in the oil and gas sector, by virtue of presidential decrees and against the resistance of parliament.

7 Yet the reasons for the rise of different separatist movements in Russia should not be reduced to economic decline. Processes of the construction of national identity since the 1980s are also responses to state repression, Soviet nationality policy, and increasing Russian nationalism.

8 Those responsible for economic policy in the Yeltsin administration, the so-called reformers, were already discussing how shock therapy could be imposed against a parliamentary majority and were particularly interested in the Pinochet government in Chile (Jaitner 2014: 87–90; Rupprecht 2016).

ting of his business enterprise Yukos made clear that the state could also retract this protection in the case of undesired political behaviour. The asymmetrical relation is expressed precisely in the fact that the economic success of the bourgeoisie is more dependent than ever on intimate relations with those in power, in the regions and in the state apparatus as a whole.

According to Russian economist Ruslan Dzarasov, the uncertain market environment (contested property relations, oligarchic structures, unreliability of supply) favoured accumulation strategies that strive for short-term profit maximization and neglect long-term strategic investments (research and development, optimizing the production process through the acquisition of new machinery, expansion of productive capacities, etc.). Instead, the business model of the dominant Russian capital factions is based on the systematic appropriation of so-called “insider rents”. By this Dzarasov refers to the control and exploitation

of productive assets created during the Soviet Union and attained through dubious privatization processes. This explains the very low levels of investment in fixed assets by Russian firms, a trend that is little changed by major infrastructure projects such as the construction of the Nord Stream pipeline. This is accompanied by the deliberate concealment of property relations through the founding of shell companies and dummy corporations, which secure the flow of capital into tax havens. According to Dzarasov, this is by no means an accumulation strategy that ended in the 1990s, it rather characterizes the behaviour of Russian oligarchs to this day (Dzarasov 2014). For sociologist Volodymyr Ishchenko (2023), having close ties to the state is the decisive competitive advantage of individual capital factions, as it is the only way to secure access to resources. “Insider capitalism” is one of the main barriers to domestic development; it limits the Russian bourgeoisie’s ability to impose hegemony.

AUTHORITARIAN MODERNIZATION BY THE POWER BLOC: THE FIRST PUTIN ERA (2000–8)

Vladimir Putin’s rise must be understood in the context of the crisis-prone development of the transition to capitalism. Since the dissolution of the Soviet Union, the Russian economy suffered an unparalleled decline, whose provisional nadir was the economic and financial crisis of 1998, which culminated in the temporary insolvency of the state.⁹ In light of this profound crisis, the power bloc, according to former Russian finance minister Mikhail Zadornov (1997–9), achieved “a consensus unheard of in Russian history” (Kommersant 2008). The negotiated transfer of power from Yeltsin to Putin introduced a reorientation of the Russian approach to regulation that marks the country to this day. On the one hand, this step blocked the CPRF from possibly taking power and so guaranteed the continuity of the power relations established in the 1990s. On the other hand, the power bloc, faced with its destabilizing consequences, partially turned away from its neoliberal orientation. The Putin administration represented an authoritarian modernization project, in which the contradictions of the transition to capitalism in the 1990s were addressed with stronger regulatory interventions by the state. The decisive bearers of the new social order were the state and the bourgeoisie created in the 1990s, which is why it is also referred to as an oligarchic–statist order below. The measures taken by the government

ushered in a lasting period of growth. From 1999 to 2008, the Russian economy experienced an average GDP growth of 6.9 percent.

A central step in the reorientation of the social order consisted in the strengthening of state autonomy vis-à-vis the oligarchy. By founding or bolstering business associations, relations between the state and capital received an institutional framework. A few months after Putin was elected president, 18 of the most powerful oligarchs joined the Russian Union of Industrialists and Entrepreneurs (RSPP). At the time, the value generated by the businesses represented in the association amounted to half of Russia’s GDP (Stykov 2006: 142 ff.). Together with the founding of the interest groups for small business owners and the middle class as well as cross-sector organizations such as the Chamber of Industry and Commerce, this led to a professionalization of Russian companies. A further important step was the founding of the United Russia party. Despite its conservative objectives, its uniting element is not so much a clear ideological stance as its function as “the party of power”. The name United Russia programmatically stands for its function as a catch-all for the ruling bloc. Unlike in the 1990s, the government now had a platform for negotiating political positions and a reliable vehicle to secure a majority in parliament, allowing the split

⁹ From 1992 to 1998, Russia’s GDP declined at an average of 6.8 percent. It only achieved a low level of growth in 1997, with 1.4 percent.

between parliament and the presidency, which had persisted throughout the 1990s, to be overcome. Yet the systematic transfer of responsibilities from the legislative to the executive that began in 1993 with the Bonapartist turn was continued.

In its economic and financial policy, the Putin administration used regulative interventions to strengthen the institutional framework for companies, thereby facilitating reliable capital accumulation. Significant measures included a stronger regulation of the financial sector and an accelerated process of state-led ownership consolidation.¹⁰ Moreover, the Russian government implemented clear tax and investment rules — particularly for the extractive sector. The overall tax burden of oil and gas industry profits rose from 30 percent in 2000 to 37 percent three years later, while the tax burden of all other sectors declined from 39 percent to 28 percent (see Götz 2006: 5). The gas industry in particular serves as the government's most significant vehicle for its economic and social policies. Energy intensive companies and Russian households profit from heavily subsidized gas provision from the state-owned Gazprom corporation, which decisively contributes to maintaining the international competitiveness of these companies.

Yet the implementation of an institutional framework, which was largely absent in the 1990s, by no means signalled the end of the neoliberal orientation of the country's economic and financial policy. This can be seen in the personnel overlap between the economy and finance ministries and the central bank, which are all run by supporters of the economic reformers.¹¹ Consequently, the centrepiece of the tax reform was the introduction of a flat tax of 13 percent, which replaced a progressive income tax, and the reduction of taxes on corporate profits to 22 percent.

Yet we can observe a stronger, dirigiste economic policy since the establishment of the oligarchic-statist order. In order to halt ongoing deindustrialization, the state has a share in key industries (arms manufacturing, nuclear technology, mechanical engineering) and supports their consolidation through mergers and regular contracts. Such state-owned companies play a central role in the Russian government's modernization efforts. On the one hand, the formation of high-tech companies is intended to prevent an unchecked brain-drain and to support internationally competitive companies. On the other, the companies are considered innovative and drive dynamic domestic development. Moreover, state-owned

companies are also a means to shape politics. By financing social infrastructure, they stabilize development in the regions outside of Moscow and Saint Petersburg. To strengthen the regulative role of the state, the government has forced the establishment of similar companies in other key sectors (banking, insurance, oil, and gas) and filled top positions with loyalists. This has led to the creation of a new capital faction that is characterized by its proximity to the state and by its more competitive relationship with the oligarchs from the 1990s. The accumulation basis of the new oligarchy is overwhelmingly in the productive sector rather than in raw materials and therefore demands protectionist policies and a focus on the post-Soviet realm. As in the BICS countries (Brazil, India, China, and South Africa) and other emerging economies, this justifies a close relationship between the state and capital, which could be described as state-permeated capitalism (see May et al. 2014).

Stabilization efforts also encompassed measures to tackle the social impoverishment that reigned in the 1990s. On the one hand, this was a concession to the productive sectors, while on the other, targeted measures to strengthen consumption were intended to put a dampener on political unrest. The Putin Administration implemented significant retirement pension and wage raises for state employees, which economist Stanislav Menshikov says led to an increase in consumption of around 20 percent (Menshikov 2007: 299 f). From 2000 to 2008, the number of people living below the poverty line decreased from 43.8 million (or 30 percent of the population) to 19 million (or 13.5 percent of the population, see Goskomstat 2000: 141; Rosstat 2009: 113). This created an urban middle class that has proven to be a significant pillar of support for the oligarchic-statist order alongside the factions of the power bloc. Yet the Putin administration did not effectuate a turn toward an active redistribution of wealth and income, instead it always pursued politics in the interests of the ruling bloc. Although the fraction of the population living below the poverty line fell overall, income inequality continued to increase. This can be seen not only in the increased concentration of capital, but also in the number of (US dollar) billionaires, which rose from none in 2000 to 87 in 2008 (Kroll 2008). The repressive reform of labour legislation, which places extreme constraints on the legal right to strike, also demonstrates that the government's policy is oriented towards the interests of employers.

10 Particularly in the financial sector, federally and regionally owned financial institutions were significantly strengthened as a reaction to the 1998 financial crisis. In 2006, they held around 70 percent of the savings deposits of the population, and 90 percent of business loans. Almost 40 percent of all assets were held by the three largest banks, Sberbank, Vneshtorgbank (VTB), and Gazprombank (Liuhito 2007: 27). This was accompanied by a significant decrease in the market share of foreign banks and insurance companies.

11 With Alexei Kudrin as finance minister, Herman Gref as economics minister, and Andrey Illarionov as presidential advisor for economic policy, known representatives of the liberal reformers had a decisive influence on the economic and financial policies of the first two Putin administrations, which was then continued during Medvedev's presidency.

THE FAILURE OF PUTIN'S MODERNIZATION PROJECT

The economic upswing under Putin was overwhelmingly driven by the gas and oil sector. From 1999 to 2008, the average Brent oil price rose from 28 to over 97 US dollars a barrel (see BP 2016) thereby increasing the price of the most significant Russian export commodities (crude oil and refined products). The country's growing dependence on the oil and gas sector is illustrated by taking a closer look at its balance of trade. In 2007, its surplus was at 4.6 percent of GDP. Yet if income from the oil sector is excluded, and state spending is assumed to remain constant, the surplus turns into a 4.7 percent deficit (IMF 2008). Despite the measures taken by the government, the productive sector continued to wane in the course of the 2000s. This is illustrated by the decline in the share of machinery and equipment in total exports from 11.5 percent (1998) to 7.9 percent (2017), while the share of fossil fuels as a fraction of all exports has averaged 60 percent or more since the late 1990s (see Goskomstat 1998, Rosstat 2018).

The oligarchic-statist order represented by Putin did facilitate a stabilizing of social relations. But despite the official rhetoric and modernization efforts, the extractive orientation of the Russian economy was even intensified — which increased Russian capitalism's obstacles to development (social polarization, increasingly uneven development). The government's policy line in the 2000s was marked by a mix of neoliberalism and Keynesianism. The priority of debt reduction and macroeconomic stability as well as support for the investment climate for private investors was combined with the goals of full employment, wage increases, and the strengthening of the productive sectors (see Sakwa 2004). Yet the overriding priority of debt reduction remained the guiding line of state action. The experience of the 1998 economic and financial crisis favoured an orientation toward fiscal discipline and a tax policy that favoured large capital owners and companies, which ultimately secured the country's extractive orientation. In this context, it is hardly surprising that large capital factions continued the business model they had developed in the 1990s. This even holds true for the state-owned corporations created under Putin (on the business practices of Russian state-owned corporations, see Closson and Dainoff 2015). According to sociologist Vadim Volkov, they operate in a "grey zone" created by the government. Thanks to their access to substantial public funds, little public control, and their dominant market position, management would openly use the firm's position to appropriate "insider rents" (Volkov 2008). This form of predatory accumulation is also facilitated by the state and the government, due to the

dependent position of these capital factions. Efforts to strengthen the state's autonomy consolidated the precarious social position of the Russian bourgeoisie. The resurgence of the Chechen war is further proof of the limits of the power bloc's authoritarian modernization project. The extreme brutality of Russian troops in the Second Chechen War (2000–9) seamlessly continued Yeltsin's authoritarian politics (Bonapartist coup in 1993, First Chechen War 1994–6). In periods of heightened social conflicts, the Putin administration also indiscriminately relies on state violence to enforce its interests. The militarization of domestic politics rapidly developed its own dynamic, as it spread from the North Caucasus to the rest of the country. The fight against terrorism serves as a vehicle to arbitrarily restrict oppositional activities — even when they publicly have no connection to the conflict in the North Caucasus. The systematic curtailing of basic rights, the expansion of police checks, and the searching of homes in cities outside the conflict zone were justified by the necessity of combatting terrorism. By the practised use of rotations, members of the security forces continued the habitual practices of their temporary posting in the North Caucasus once they returned to their permanent places of deployment, thereby (consciously) suspending the procedures of the rule of law.

The militarization of domestic politics favours an increase of influence of the security forces on state politics. The growing presence of high-ranking members of the secret service, army, and police in the state and government should therefore not be reduced to the "Petersburg clique" or Putin's many years in the secret service, as has been emphasized in the Western media. Such an approach sees the increased power of the security forces primarily as the result of competing clans or networks striving for power and influence in a patrimonial state (Robinson 2011; Fisun 2012). This view constructs a homogeneity of interests within the networks investigated that does not actually exist, and so can only offer limited explanations of the overlying social processes such as the impacts of anti-terror operations in the North Caucasus on democratic developments or on socio-economic changes.

Working through the existing contradictions without an accompanying social democratization ultimately strengthens the role of the state as a central terrain for political and economic conflicts. The authoritarian corporatism (vertical power structure) established under Putin is based on a clientelist integration of social strata (state employees, employees in the education and healthcare sectors, pensioners). The government was thereby able to expand the foun-

dations of the Bonapartist regime; yet the low level of trust that many people have in the state, political institutions, and their representatives hindered consensus-based politics. The hegemonic elements

of Putinism were primarily expressed in the state's promise of stability (mass consumption in exchange for political calm), yet it stood on an extremely thin social foundation.

A PERIPHERAL EMPIRE: RUSSIA'S DWINDLING INTERNATIONAL INFLUENCE

Given the dominance of the raw materials sector in exports and the structural dependence on high-tech imports, the country's trade policy orientation toward capitalist core states remained unchanged. This trend was encouraged by high state debt in the early 2000s and the Putin administration's priority of reducing debt and building up foreign currency reserves to bolster independence. By building new pipelines such as Nord Stream, the government even encouraged the export of raw materials and hindered both a systematic industrial policy and the fight against social inequality in the country, which would take place through the proper taxation of corporate profits and assets. But a strengthening of the productive sectors failed to materialize, even when the government had accumulated the world's third-largest foreign currency reserves thanks to booming oil and gas exports.

The Russian economy's orientation toward the West prevented it from concentrating on the post-Soviet realm and consequently on the revival of the productive sectors. Many of the supply chains that were established in the Soviet Union now form a transnational post-Soviet production zone that is highly diversified and tightly integrated, particularly in the areas of defence, mechanical engineering, and agricultural products. Due to Russia's belated capitalist development and the crisis-ridden 1990s, the international expansion of Russian capital factions had a significant delay yet gained momentum during the boom in the 2000s. While Russian companies invested only 2.2 billion US dollars abroad in 1999 (thus ranking twenty-seventh globally), foreign investments surged to 86.5 billion US dollars in 2010 (ranking twelfth) (Matveev 2021: 2). The focus of these economic activities was the post-Soviet realm, particularly on the most economically developed states of Belarus, Kazakhstan, and Ukraine. Russian investments mainly targeted suppliers and distribution networks in the sectors of energy, metallurgy, mechanical engineering, and aircraft construction, thus aligning with the production relationships of the Soviet era.

But the internationalization of the post-Soviet capital factions remained very uneven. Russian investments in Ukraine, for instance, were 9.5 times higher than that of Ukrainian companies in Russia, while Russian investments in Belarus was 27 times higher than that of Belarusian companies in Russia (ibid.). Due to these disparities, the economic expansion of Russian capital factions faced resistance in most of the post-Soviet states. On the one hand, local entrepreneurs feared Russian competition and urged their governments to implement protectionist measures; and on the other hand, the intensification of economic relations was always accompanied by the fear of also becoming more politically dependent on Russia.

This fear was not unfounded. The Putin administration repeatedly used economic resources (especially fossil fuels, access to its domestic market, and debt) as a means to discipline other post-Soviet states in the event of bilateral conflicts: the gas dispute with Ukraine in 2005–6 and the repeated bans on the import of Georgian and, most recently, Armenian foodstuffs significantly damaged bilateral relations and strengthened social forces critical of Russia in many countries in the region while also fostering the efforts of these nations to diversify trade and political relationships.

Yet the largest obstacle to the economic integration of the post-Soviet realm lies in the extractive tendencies of the Russian economy and the perpetuation of neoliberalism in the state and government. The dominance of the natural resources sector and the declining international competitiveness of productive sectors often make cooperation unattractive. This is all the more true as the business model of the domestic capital factions in almost all post-Soviet states is based on the exploitation of productive values created in the Soviet Union and corporate strategies are geared towards short-term profit maximization, as they are in Russia. Given that state apparatuses ensure post-Soviet insider capitalism through opaque privatizations, the establishment of special economic zones, and the deregulation of

financial markets, regional developmental policies have a limited scope.¹² So it is not surprising that the majority of foreign direct investment in Russia comes from the repatriated capital of large domestic capital factions that are based in well-known offshore havens for international capital (Cyprus, Luxembourg, Switzerland, and the Virgin Islands) (see Table 1).

Russian capital exports do not follow any sustainable investment policy. This is illustrated by a comparison with Germany, where the 15 largest trading partners account for 72 percent of exports and 74 percent of foreign direct investment. In Russia, these figures are 71 and 25 percent respectively. The majority of foreign direct investment went to Cyprus (around 40 percent), the Virgin Islands (11 percent), and other Caribbean islands (6 percent) (see Deuber 2012: 3–4). This reinforces the disintegrative trends and regionalization of the post-Soviet realm. In light of the contradictory results of the authoritarian stabilization under Putin, historian Boris Kagarlitsky describes Russia as a “peripheral empire” (2009). Despite its economic weakness, the country remains an important interna-

tional player due to its military potential, geographical location, and permanent position on the UN Security Council.

Table 1: Foreign direct investment in Russia from 2002 to 2008 (outside the Commonwealth of Independent States, CIS)

Rank	Country	Worth (in million US dollars)	Share
1.	Great Britain	70,757	16.7%
2.	Cyprus	67,480	15.9%
3.	Netherlands	56,804	13.4%
4.	Luxembourg	50,267	11.8%
5.	Germany	33,821	7.9%
6.	France	24,548	5.8%
7.	Switzerland	16,438	3.8%
8.	USA	12,914	3.0%
9.	Virgin Islands	12,498	2.9%
10.	Austria	1,868	0.4%

Source: Rosstat

THE ECONOMIC AND FINANCIAL CRISIS AS A CATALYST FOR NEW CONFLICTS WITHIN THE POWER BLOC

Although somewhat delayed, the economic and financial crisis that began in 2008 also affected the post-Soviet realm and intensified the many contradictions in the region. The two countries that experienced the greatest slump in 2009 were Ukraine and Armenia, which saw their GDP contract by 14.8 and 14.1 percent respectively. In order to avoid a national bankruptcy, the Ukrainian government was forced to take out an IMF loan of 16.4 billion US dollars. Other countries facing a significant decline in GDP were Russia (minus 7.8 percent) and Georgia (minus 3.6 percent). The Belarusian economy stagnated (plus 0.2 percent), while the Central Asian republics and Azerbaijan continued to show GDP growth, although at significantly reduced rates.

Thus, the economic downturn in the post-Soviet realm was significantly more pronounced than in the European Union (EU). As geographers Adrian Smith and Adam Swain (2010) argue, the extent of the crisis should not be understood as the result of

external shocks. Instead, they posit that the entire region’s vulnerability to crisis stems from the specific transformation strategies pursued by individual countries after the end of the Cold War and their associated geopolitical orientations. The deindustrialization of the region, which was accelerated by the crisis, reduced the complexity of production structures and promoted a focus on raw materials exports and basic further processing, which meant “that the CIS countries occupied production chains with low added value” (Dzarasov 2016: 29).

Thanks to its extensive reserves of foreign currencies, the Russian government was able to avoid national bankruptcy — unlike during the crisis in 1998 — and launched an economic stimulus programme to boost domestic demand. Although the government’s actions had the desired effect and temporarily spurred economic growth (2010: 4.5 percent and 2011: 5.2 percent), economic momentum waned in 2012 (3.6 percent), which

12 One exception is Belarus. Not least due to its low reserves of natural resources, the economy relies on the productive sectors and agriculture while being dependent on subsidized Russian energy supplies (see Becker 2018). The traditional regional orientation of the Belarusian economy can be explained by its high integration into post-Soviet supply chains and its dependence on energy supplies. In most post-Soviet states, dominant capital factions pursue accumulation strategies that exploit production facilities from the Soviet era while neglecting investments in research and development or equipment and concealing their holdings through opaque holding entities registered in tax havens. In most countries, the governments promote these accumulation strategies by deregulating financial markets and establishing special economic zones (see Yurchenko 2012 for Ukraine, Kuznir 2018 for Kazakhstan, and Meissner 2018 for Azerbaijan).

signalled the onset of a second phase of the crisis that continues to this day.

In view of the new cycle of crises that started in 2008, domestic social conflicts escalated in Russia. The mass protests between 2011 and 2013 were the expression of a full-blown crisis of legitimacy and representation, which manifested itself in the protesters' rejection of representatives and institutions from the oligarchic–statist order and was accompanied by their demands for representation and direct democracy. Outrage over the rampant corruption and autocratic behaviour of the ruling elites was expressed in the phrase "Party of Crooks and Thieves", used to refer to the ruling party United Russia. In response, the government increasingly adopted openly repressive measures and shifted towards the right.¹³

A turning point in recent Russian history came when the crisis spread to the political system and the ruling bloc reacted in an authoritarian manner. Consensual modes of governance, which were still prominent in Putin's early days, were increasingly abandoned. Instead, the establishment secured its dominant position almost exclusively through repressive measures and pursued a policy that was ideologically much more right-wing. Laws enacted during the third Putin administration (2012–18) criminalized "homosexual propaganda" in the presence of minors and in public as well as any offence against the religious feelings of believers. Another law passed in 2017 reduced domestic violence to a mere misdemeanour, thereby solidifying patriarchal family structures. Furthermore, the state and the Orthodox Church strengthened their influence on cultural and educational policy, promoting national conservative content and irredentist narratives about Greater Russia (see Curanović 2021). The government also intensified the criminalization of refugees by establishing temporary detention camps (Makarychev and Medvedev 2015: 47).

The inclusion of right-wing national conservative forces led to a shift in the balance of power in the Russian power bloc. Much like Germany after the First World War, the loss of superpower status and its peripheral integration into the Western dominated world order rapidly strengthened revanchist forces that demanded an equal footing in the international order. Hence in his well-known speech at the 2007 Munich Security Conference, Vladimir Putin not only criticized geopolitical developments that disadvantaged Russia (NATO's eastward expansion, and Western interventions in the Middle East and in the former Yugoslavia, for instance) but also the barriers faced by Russian companies in key sectors in Western

economies (kremlin.ru 2007). Faced with economic decline, severe social inequality, and growing regional disparities domestically, the narrative of Russia being encircled by the West resonated with and strengthened authoritarian, national conservative forces, which increasingly adopted a confrontational approach towards the West to safeguard their own interests.

The multi-layered crises also led to debates within the ruling bloc about the country's future direction. Particularly in national conservative discourse, the extractive development model was viewed as an obstacle to successful capitalist development and the internationalization of the domestic bourgeoisie. These positions gained increasing support from capital factions in the productive sector and parts of the state bureaucracy. Dependence on raw materials exports, they held, not only jeopardized the Russian Federation's position of global leadership but also, in the medium term, its very existence.

In a 2012 article for the business newspaper *Vedmosti*, President Putin extensively criticized the country's peripheral integration into the world market as well as the negative consequences of this for Russian industry (Putin 2012). Until that time, the peripheralization of Russia as a structural impediment to social development had primarily been present as a problem in academic debates, in parts of the political left and the national conservative right. Despite state and government representatives critically acknowledging the country's deindustrialization and growing technological backwardness as early as the 2000s, the overall focus on resource extraction even intensified under Putin.

The demand for a modernization programme of the Russian economy via a strategy of reindustrialization gained new momentum when the national conservative forces were integrated into the power bloc. National conservative economist and Commissioner for Integration and Macroeconomics within the Eurasian Economic Commission Sergey Glazyev and economist Sergey Tkachuk argue that, given the significance of existing transnational supply chains as well as production relationships for Russian industry, successful promotion of the productive sectors could only be achieved as part of a post-Soviet integration project (Glazyev and Tkachuk 2015: 61). This would enable economic diversification and the creation of a common market for industrial and agricultural products that are not (yet) globally competitive. Without a common development strategy, further economic decline was said to be inevitable. This would establish an "economic rationality" with the "pragmatic goal"

13 In the period that followed, well-known representatives of so-called national conservative forces joined the Russian government. These were not oppositional participants from the protest movement, but rather prominent right-wing figures from politics, academia, and business. Thus, Dmitry Rogozin was appointed Deputy Prime Minister and the economist Sergey Glazyev became an advisor to the president for economic affairs.

of enhancing the international competitiveness of the region as a whole (ibid.: 61).

The affirmation of a post-Soviet integration project also has a geopolitical dimension. Since the dissolution of the Soviet Union, Russian dominance in the region has been eroding. The Baltic republics first joined NATO and then the EU in 2004. In 2008, the EU opened negotiations with Ukraine, Moldova, and Georgia for an association agreement, which was signed in 2014. Furthermore, Georgia and Ukraine expressed interest in joining the military alliance at the 2008 NATO summit in Bucharest. The rise of China and India is also changing the balance of power in the post-Soviet realm. The Central Asian countries are increasingly politically and economically geared towards China. Along with Russia and China, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan are founding members of the Shanghai Cooperation Organization (SCO). At the same time, relations with the USA and the EU have steadily deteriorated since the mid-2000s, becoming more confrontational since the military escalation in Eastern Ukraine in 2014. This is eroding Russian dominance in the post-Soviet realm.

According to Sergey Glazyev, these developments pose an existential threat to Russia, as the country only has a limited ability to independently shape the future world order (Glazyev 2015). According to Glazyev, the country's social peripheralization and its growing technological dependence on the West set strict limits to its ability to exert influence. He further suggested that the sanctions imposed in the wake of the 2014 Ukraine conflict could pose an existential threat to Russia should it fail to shift to a domestically oriented development model. This would also require

focussing on the post-Soviet realm (ibid.). Demands for a stronger post-Soviet direction in Russian foreign policy are increasingly reverberating throughout the state apparatus and in government policy. Starting in 2013, the Russian Federation's foreign policy emphasizes the necessity of post-Soviet unification as a response to geopolitical upheavals (Lane 2016: 57 f.). It was in this context that the founding of the Eurasian Economic Union (EAEU) became the "centrepiece" (Sakwa 2016) of Vladimir Putin's third term (2012–18). In its original conception, however, this was more than just a project to secure geopolitical power in the region (see for example Spahn 2014; Strzelecki 2016). Instead, it represents an alliance of the countries in the region that are economically strongest and have the highest industrial diversification of all CIS countries. Ukraine, Belarus, and Kazakhstan still accounted for 90 percent of Russian's foreign trade with CIS countries in 2019. At 13 percent, their share of total foreign trade was also significant.

As its most important trading partner and due to its geostrategic position (naval base in Crimea, buffer to NATO), in Russia's view, the accession of Ukraine was the "most important unstated goal of Eurasian integration" (Lukyanov 2015: 294). Additionally, Ukraine was important as a transit country: the majority of Russian oil and gas pipelines run through Ukraine. As the European Union was by far the most important consumer of Russian oil and gas supplies until the attack on Ukraine, control over the transportation network was essential for the extractive development model. According to Fyodor Lukyanov, the editor-in-chief of the magazine *Russia in Global Affairs*, the Eurasian Economic Union could only achieve true global significance with Ukraine (ibid.).

THE STATE'S GAIN IN POWER

Ukraine's failure to join the Eurasian Economic Union marked the failure of the peaceful post-Soviet integration project and dealt a significant blow to Russia's modernization efforts. As a result, the Putin administration changed course, employing a much more expansive and violent foreign policy. This began with the annexation of Crimea and support for separatist forces in Eastern Ukraine and was followed by interventions in Syria and Kazakhstan, culminating in the invasion of Ukraine on 24 February 2022.

According to economist Ruslan Dzarasov, this "neo-revisionist foreign policy" aims to improve Russia's position in the Western-dominated world order, inevitably leading Russia into conflict with the West. The post-Soviet realm is at the centre of

Russia's geopolitical interests (Dzarasov 2017). On the other hand, political scientist Ilya Matveev argues that the annexation of Crimea has led to an increasing decoupling of economic and security logics in Russia's foreign policy (Matveev 2021). In the 2000s, the internationalization of Russian capital factions was in line with the state's security interests. But in extractive economies, territoriality is more critical as a prerequisite for stable capital accumulation than in other accumulation regimes. Only direct territorial control over natural resources and pipeline networks guarantees steady profits, therefore necessitating a close connection between politics and extractive sectors. In the case of Russia, the state is especially tightly interwoven with the extrac-

tive sectors, according to Matveev, through its direct control of oil and gas companies, which favours the occupation of decision-making positions in the state and government by figures from the army, police, and secret service. Yet the dominance of security logics in foreign policy clearly runs counter to the interests of Russian capital factions. This particularly applies to the relationship to Ukraine, the country's most important partner in the post-Soviet realm (ibid.).

Both authors indicate important aspects that explain the shift in foreign policy. However, they neglect the growing contradictions within the Russian development model, as changes in domestic policy can also be seen in parallel to the foreign policy interventions. Apart from a brief period of recovery (2010–12), Russia's economy has largely failed to rebound. Faced with stagnation, Russian capital factions have continued to lose competitiveness, becoming increasingly dependent on state support.

At the same time, the extractive development model is coming under pressure from the increasingly apparent strategies of green capitalism. With the Green Deal, the European Union, which was by far Russia's most important export market until the invasion of Ukraine, aims to achieve climate neutrality by 2050. As a result, massive declines in the imports of fossil fuels are to be expected, while the production of renewable energy (green hydrogen) in Russia plays a subordinate role despite increased investment. Since China and Japan are also advancing with the decarbonization of their economies, Russia is at risk of further economic decline over the next 30 to 40 years should it fail to diversify its economy.

Western sanctions against Russia, which have steadily expanded since 2014, are further exacerbating the crisis. The ban on importing Western technology for natural resource extraction highlights the extractive sector's dependence on Western know-how while also paving the way for the acceptance of state strategies that support the productive sector. In response, the Russian government established a commission on import substitution. According to the liberal business daily *Kommersant*, this commission claims authority in the corporate sector that "neither the Ministry of Economy nor [...] the Ministry of Industry nor other ministries" have possessed since 1993–4 (Kommersant 2015). The commission claims to be a "coordinating body" that is intended to ensure the unified actions of executive

bodies at the federal, national, and regional levels. The commission seeks to reduce industry's dependence on imports and to provide concrete support for companies and entrepreneurs (see government.ru). The fact that the commission is housed within the presidential office of the Russian Federation indicates the central importance that the government ascribes to its import substitution strategy.

The transition to a protectionist industrial policy stands in contrast to an intensified neoliberal social policy. Measures such as raising the retirement age or the establishment of special economic zones for repatriating foreign capital reproduce an "incoherent state" (Morris 2019), which is further weakened in its actions due to the limited public control and strong informal influence of individual factions within the power bloc. This prevents the adoption of a domestically oriented model as part of a systematic industrial policy.

Along with protectionist measures, establishing and enhancing state institutions to enforce the import substitution strategy is modifying the extractive development model. Although the export of natural resources remains the most important economic sector, the significance of other sectors such as defence and agricultural industries — including related productive sectors such as the production of agricultural machinery and the chemical industry's production of seeds and fertilizers — is growing. This is all the more true since the Russian attack on Ukraine and its unforeseeable end. The growing importance of the arms and agricultural sectors strengthens the influence of forces associated with the productive sectors within the power bloc and gives further impetus to the aggressive foreign policy strategy. These factions benefit from protectionist import substitutions and so have no interest in lifting Western sanctions. The shift in course that has taken place during the open confrontation with the West — aggressive foreign policy and a pivot towards the East (the post-Soviet realm, Southeast Asia) aligns with the interests of leading Russian capital factions, which are increasingly unwilling to accept their peripheral position in the world system.

A further shift in the Russian development model is the increasingly dominant role the state plays in its reproduction. On the one hand, its influence is growing in economic and financial policy, but on the other, capital factions are increasingly dependent on

Table 2: The development of Russia's economic growth (in percent of GDP)

2012	2013	2014	2015	2016	2017	2018	2019	2020
3.6	1.8	0.7	-2.0	0.2	1.8	2.8	2.2	-2.7

Source: World Bank Open Data

state support (in the form of financial resources and preferential treatment when awarding contracts) for their economic success — in no small part due to the economy's stagnation. In strategically significant sectors, the Putin administration drives ownership consolidation, often with state involvement, and is intensifying the formation of monopolies or oligop-

olies in the domestic market via the formation of national champions. This results in a new institutional arrangement between the state and capital, with the former increasingly assuming the dominant position and the state bureaucracy supplanting capital factions and acting as the manager of state and semi-state-owned companies.

THE GEOPOLITICIZATION OF THE EURASIAN ECONOMIC UNION

So far, a modernization boost for the Russian economy within the framework of the Eurasian Economic Union has also failed to materialize. Russia did manage to maintain its market share in the member states, but despite the establishment of the Eurasian Development Bank and the Eurasian Fund for Stabilization and Development to finance long-term infrastructure projects, economic cooperation is mostly limited to agriculture and energy, while a systematic industrial policy by all member states is largely absent. One significant reason for this is the heightened geopolitical orientation of the EAEU since the beginning of the Russia–Ukraine conflict. In response to Ukraine not joining the EAEU, Russian leadership actively pursued the membership of Armenia and Kyrgyzstan, economically weaker but strategically important countries. The EAEU is certainly attractive to both countries since the redistribution mechanism for customs duties ensures additional revenue and their citizens can enjoy unrestricted access to the Russian job market. Nevertheless, a high degree of coercion played an essential role in Armenia and Kyrgyzstan's decision to join (due to the potential loss of Russian security guarantees were they not to become members).

The dominance of this geopolitical logic is weakening economic integration — and the political coherence of the member states as a result. Despite vigorous pressure, the other members of the Eurasian Economic Union have not joined Russia in imposing counter-sanctions, nor have they offered support for the Russian intervention in Ukraine. Russia's lack of assistance to Armenia in the conflict with Azerbaijan over Nagorno-Karabakh has worsened internal centrifugal forces and could potentially escalate into another conflict, especially if Yerevan moves closer to the EU. The post-Soviet integration project under Russian leadership thus remains unappealing and is failing to prevent the fragmentation of the region.

The extractive development model also sets strict limits to Russian expansion efforts beyond the post-Soviet realm. Since the 2000s, the Russian state has been promoting economic relations with

emerging countries, especially in Africa. These efforts have significantly intensified since the initial Western sanctions were imposed, something that can be seen in the regular Russia–Africa summits, amongst other things. While Russian trade with Sub-Saharan Africa has since increased to 19 billion US dollars, such trade remains significantly lower than that of the EU (300 billion US dollars) and the US (60 billion US dollars) (Matusevich 2021: 131). Due to its limited economic diversification, Russia's concerted efforts to establish close economic ties with Africa are limited to the realms of nuclear technology, energy, and military cooperation. The Russian state-owned corporation Rosatom is constructing a nuclear power plant in Egypt and collaborating with South Africa as part of a "strategic nuclear energy project" (*taz*, 23.9.2014). Other African countries are also advancing the civilian use of nuclear power. After the military coup in Burkina Faso in the fall of 2022, President Ibrahim Traoré signed a memorandum of understanding with Rosatom for the construction of a nuclear power plant. The internationalization of the Russian nuclear industry not only secures lucrative export contracts, but is also part of a political calculation. The Putin administration often supports Rosatom's business efforts with loans worth billions to finance the construction of the power plants. Furthermore, the state-owned company typically offers a supply of fuel rods and their reprocessing. The comprehensive package of nuclear power plant construction and maintenance, fuel rod supply and reprocessing, and loans strengthens Russian influence and hinders the necessary socio-ecological transformation of these states (on the role of the state-owned corporation Rosatom and the nuclear industry in Russian politics, see Jaitner 2023: 209–18).

The entanglement of economic and security interests is also shaping military cooperation. Between 2015 and 2019, Russia supplied 49 percent of all military equipment in Africa, making it the continent's largest supplier of arms. Since the imposition of the initial Western sanctions in 2014, the Putin administration

has also signed at least 19 agreements on military cooperation, including with Ethiopia, Angola, and Mozambique (Matusevich 2021: 128).

Russia's proclaimed pivot to Asia will probably only mitigate the contradictions of the extractive development model. In the context of the Eurasian Economic Union, the Russian government seeks to align its economy with emerging countries, especially in Asia. In May 2015, the union signed a free trade agreement with Vietnam and further negotiations are underway with China and Iran. In June 2019, a free trade agreement was also signed with Serbia. But trade with China, which has been steadily gaining importance

since the mid-2000s, replicates the nature of Russia's trade with the West, as machinery and equipment are imported and raw materials are sold in return. The Carnegie Institute already noted Russia's silent involvement in a technological "Pax Sinica"¹⁴ before its invasion of Ukraine (Carnegie Endowment for International Peace 2021). And economic relations with Iran are largely limited to energy and armaments, although both countries repeatedly express their interest in expanding industrial cooperation. But Russia's lack of a systematic industrial policy complicates the diversification and modernization of its economy.

RUSSIA'S FOREIGN POLICY: A COMBINATION OF ECONOMIC AND SECURITY INTERESTS

The expansion of military cooperation strengthens Russia's role as a national conservative power in the Middle East and Africa. Its foreign policy is primarily aimed at countering Western influence rather than overcoming the world order dominated by the major powers. The Russian leadership repeatedly emphasizes the preservation of state sovereignty and non-interference in internal affairs as the maxims of its foreign policy.¹⁵ But the interpretation of these guidelines are de facto highly selective. The principle of non-interference in internal affairs stabilizes authoritarian regimes and safeguards their repressive policies — such as in Ethiopia.¹⁶ In the case of Ukraine, however, the actions of the "fascist junta" against the people in Eastern Ukraine are not considered an internal affair but require a Russian invasion. The increasingly aggressive foreign policy thus has similar destabilizing consequences as those of the major Western powers: the interventions of these parties and their military cooperation with private security firms undermine international law and exacerbate violent domestic conflicts.

Nevertheless, Matveev's argument to explain the shift in foreign policy through the decoupling of economic and security policy interests falls short. It would be more precise to speak of a combination of security and economic foreign policy measures that stem from the contradictions of the extractive develop-

ment model. The inclusion of national conservative forces in the power bloc as a result of the 2011–13 mass protests and economic stagnation is accompanied by increasingly authoritarian and violent rule both domestically and abroad. An aggressive foreign policy is the power bloc's attempt to address the crisis of the extractive development model since, as seen in the annexation of Crimea, it not only garners domestic approval but also aims to improve the international position of Russian capital factions in the long run. At the same time, it is thoroughly in line with the economic interests of relevant factions in the power bloc. In the course of the ongoing confrontation with the West, the Russian state has transitioned to a more protectionist policy (import substitution), which enhances the position of the productive sectors vis-à-vis the dominant extractive sectors. Given the worsening geopolitical situation and the growing economic importance of the defence sector, it is to be expected that the security measures will continue to play an increasing role in shaping concrete policy-making.

The Russian intervention in Ukraine also demonstrates the interconnectedness of calculations regarding security and economics. Faced with the internal contradictions of the extractive developmental model, the appropriation of surplus value by dominant capital factions is increasingly reaching

14 The term "Pax Sinica" refers to China's technological dominance within a sphere of influence controlled by Beijing. The term often extends beyond the scope of technological dominance and implies political and economic dominance.

15 Even the military interventions in Syria and Kazakhstan are officially committed to this objective, since they were carried out at the request of the respective governments.

16 The Russian ambassador to Ethiopia Evgeny Terkhin assured the Abiy Ahmed government full support in its brutal actions in Tigray: "Russia has always been on Ethiopia's side in its struggle for independence, state sovereignty, and territorial integration. So, we are not indifferent to current events in Ethiopia. We take the position that the situation in Tigray is a purely internal affair of Ethiopia and its people. [...] We certainly welcome the completion of the military phase of the operation, which was conducted with the least possible number of civilian victims and casualties" (Terkhin 2021).

its limits. According to sociologist Volodymyr Ishchenko, Russia's expansive foreign policy strategy is an attempt to exploit new sources of "insider rents". The territorial expansion of the state grants Russian capital factions access to new sources of accumulation and their monopolistic appropriation (Ishchenko 2023: 18).

Despite the failure of Russia's original goals for the war, security and economic logics remain interconnected. The plan was a swift victory that would prevent Ukraine's integration into the West and ensure the country's political and economic ties with Russia. As the conflict shifted to a war of position, its intensity has escalated. However, in addition to their security interests, economic objectives are still behind the Russian leadership's holding course, and such economic concerns are briefly illustrated by three aspects: (1) Russian capital factions receive access to new accumulation sources through the annexation of the occupied territories in the East and South and territorial expansion. (2) The war increasingly aims to systematically weaken the Ukrainian agricultural complex, thereby eliminating a competitor. This is evident in the widespread laying of landmines in agricultural land, the destruction of infrastructure (silos, ports), and the use of blockades to prevent Ukrainian agricultural exports. (3) The targeted measures to increase arms production strengthen the arms industry and its related productive sectors.

According to Ishchenko, the war in Ukraine is an attempt to ensure "the survival of the Russian ruling class and its model of political capitalism", while also actively shaping the emerging multipolar world order and exporting the Russian model all over the globe to create its own spheres of influence and accumulation (Ishchenko 2023: 20). The internationalization and increasingly aggressive and expansive nature of Russian extractivism raises questions about its compatibility with the growing trend of green capitalism observed in Western and Chinese capitalist centres. The current confrontation with the West and the economic decoupling enacted by both sides threatens to create a new, future line of conflict, as Russia might take steps to secure the position of fossil and nuclear energy on the international stage. Support for this thesis can be found in the fact that Russia has been actively lobbying in recent years for the use of gas and nuclear energy in global climate

negotiations. At the UN Climate Change Conference in Glasgow in November 2021, high-ranking Russian delegates actively supported the idea of recognizing nuclear energy as carbon-neutral — an initiative that is reflected in the EU Commission's proposal to classify investments in gas and nuclear power plants as climate friendly. At the United Nations Climate Change Conference in Dubai in 2023, stricter climate policy targets were blocked, in part due to the coordinated efforts of fossil fuel producers. Faced with the growing ecological divergence between the green centres and the brown (semi-)periphery, Russia may also encourage the division of the world along energy lines as a business model.

Repressive domestic policies and interventionist foreign policies are exacerbating the social contradictions both in Russia and the post-Soviet countries. This was made clear by recent events such as the Wagner Group's attempted coup, the antisemitic mass riots in Dagestan, but also in the resurgent wars between Armenia and Azerbaijan and between Kyrgyzstan and Tajikistan, and the increasingly violent domestic disputes regarding Georgia's geopolitical position. All of these conflicts are directly related to the war in Ukraine and illustrate the overarching crises in the region. Despite these destabilizing consequences, the Russian government is intensifying the war effort by mobilizing new recruits and transitioning to a war economy. As a result, the post-Soviet realm is increasingly becoming the focal point of geopolitical conflicts. The domestic political alignment of countries such as Armenia, Georgia, Moldova, and Kyrgyzstan that had been contested since the dissolution of the Soviet Union is now gaining a new intensity and becoming the arena where competing camps (Russia, the West, Turkey, and China) meet. To prevent further destabilization of the post-Soviet realm, the EU needs a forward-looking, crisis-mitigating foreign policy that specifically addresses the various crises (economic, political, ecological) and tackles them with concrete political measures. This requires a renewed cooperation between the US and the EU with Russia as well as the systematic involvement of Turkey in China instead of the further formation of blocs. For it is only through the joint cooperation of these parties that the crises can be effectively addressed and the stabilization of the post-Soviet realm become a realistic development option.

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