The Present Geopolitical and Geoeconomic Situation in Russia

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Abstract

The significant changes Russia has undergone in its society since the nineties of the last century have also influenced its politics, economy, management and, in the end, every inhabitant of the Russian Federation. The elections of 2007 demonstrate the representation of political parties in the Russian parliament. However, they do not reflect the overall socio-political situation because, apart from parliamentary parties, the ideas of non-parliamentary subjects are also being disseminated into Russia’s social life. These include the views of Eurasianists, who will be later discussed.

The topic of immediate interest is the present economic crisis with its global impact. The Russian government has taken up a set of measures so that financial flows do not come to a complete stop. Banks are under pressure because a lack of confidence in the financial sector has created big problems with liquidity for them. Industrial production is in decline, unemployment is rising, and the Russian government must react.

Key words: political parties, election, Eurasianism, financial and economic crisis, technological parks, diversification

The Geopolitical Situation

Russia is one of the key players on the political map of the world. Its politics, economy, international relations, and security issues attract the attention of specialists as well as laymen.

There is a multitude of political parties in Russia. By December 31st 2008, there were 156 registered. Each party has its own program and, according to the result of the elections, a determined number of seats and representation in the Parliament of the Russian Federation – the State Duma (Graph 1).

The present domestic political situation in Russia can be characterized as stable. The results of the parliamentary elections in December 2007 and the presidential elections in 2008 confirmed this. The political party United Russia (JR – Jedinaya Rossiya) headed by V. Putin won a constitutional majority (315 out of 450 mandates) in the parliamentary elections. V. Zhirinovsky’s Liberal Democratic Party of the Russian Federation (LDPR – Liberal'no-Demokraticeskaya Partiya Rossii) and Just Russia (SpR – Spravedlivaya Rossiya), both loyal to V. Putin, are also represented in the State Duma of the Russian Federation (RF).

The main parliamentary opposition party is the Communist Party of the Russian Federation (CPRF – Komunisticheskaya Partiya Russkoi Federacii). Parties outside the parliamentary opposition, especially those with a right-wing orientation, are practically...
paralysed in Russia. The 2008 election year has brought about a complete change in the presidential post in Russia. The results of the presidential elections were not particularly surprising – D. Medvedev, who had profited from the popularity of the former president, became the president, as proposed by V. Putin.

During both of his presidential terms (2000 – 2004, 2004 – 2008), V. Putin strengthened his leading position by means of creating domestic political stability, by consolidating the position of the RF on the international scene and through strong economic investors. This was aided by high oil prices and the growth of interest in foreign investors. Not only did Russia’s GDP rise, but so did the net income of its inhabitants. While in 2007 the GDP per capita was 9,072 USD, in 2008 it was already 15,800 USD.

At present, the ideas of Eurasianism are emerging from the political, cultural and historical contexts. Eurasianism, one of the current geopolitical trends, is taken into consideration in this study. Former representatives of the Eurasianistic trend were N. S. Trubetzkoy (philologist, historian and philosopher), G. V. Vernadsky (historian), G. V. Florovsky (theologian), L. N. Gumilyov (geographer, ethnographer, historian), P. N. Savicky (philosopher and philologist) etc. The leading contemporary Eurasianists are A. G. Dugin (geopolitician), M. V. Ilyin (political scientist), I. M. Busygina (political geographer) and others.

The term “Eurasianism”, “Evraziistvo” in Russian, was used for the first time in the paper “Europe and People” (1920). Its author is a Russian philologist and historian N. S. Trubetzkoy. Eurasianism began to flourish after the October Revolution in 1917, especially in the 1920’s – 1930’s as an ideological-philosophical movement of Russian emigrants living in Europe.

In his paper “Europe and People”, Trubetzkoy alsoanalysed nations outside Europe and came to the conclusion that these nations judged their cultures according to European standards, despite the fact that their geographical location was not in Europe and that they did not incline towards Europe. This kind of evaluation produced feelings of inferiority and underdevelopment in non-European nations. As a result, according to Eurasianists, this situation calls for a new approach in order to overcome the sense of inferiority. Eurasianism is considered to be the means. This means that it is necessary to shape Russia into a Eurasian state, not a European one, and to even place it at the forefront of the anti-European movement. The unique and distinctive Russian culture is to become the basis for other non-European countries. Other (non-European) nations would emerge from it and therefore would not find themselves subject to European influence. According to the Eurasianists, the European culture is becoming global and imposes upon other nations material and not spiritual values.

Eurasianists support a closer relationship with Asia, especially with the historical region of Turan, which used to be the ancient name for Central Asia (Land of the Tur). The name Turan denoted Turkic and Uralic tribes and nations, extending even to the Dravidian people and cultures of various ethnic-group societies in this region. Russia formed as a unique nation intertwined with Slavic and Turan traditions. The Slavic cultural and spiritual influence was the strongest during the 13th century in the area of Kiev Rus. The invasions of Mongol Tatar tribes (Golden Horde) between the years 1238 – 1452, which were directed from the south-east to the west, did not disturb the unique culture of Russians, which formed in the Grand Duchy of Moscow and those regions that Moscow gradually subdued. This is why Eurasianists consider the “Turan factor” positive, i.e. the Russians did not fall under the spiritual and cultural influence of the Mongol Tatar tribes. On the contrary, Europeanisation during the reign of Peter I. the Great is considered negative, whereas Bolshevism is viewed

25 N. S. Trubetzkoy evaluates Fascism in his work Evraziistvo (1926) positively as an effort to create a counterbalance to the parliamentary-democratic system. The nationalistic and anti-democratic spirit drew Eurasianists and Fascists together.
as positive – it included folk elements based on traditions while preserving a considerable part of the empire. Therefore, it is sufficient to exchange Bolshevism for Eurasianism. Russia will then be built on the principles of Orthodoxy and isolation from Europe and its detrimental concepts.

Other important factors are space and time. They significantly influence the history and culture of a nation. Geographical location also plays an important role in creating and shaping language, ethnic, economic, and political structures. History and culture are inseparable not only from their spatial conditions, but also from time. In terms of ethnic development, Eurasians call geographical locations “places of development” – “mestorazvitie”. However, no one place of development can demand to become an example for others. As a result, every nation and culture must be judged according to specific criteria (Eurazia 2009). Another Eurasianist basic belief is therefore the synthesis of social-historical development and the environment in which this development took place.

The fundamental belief of Eurasianism is Russia’s uniqueness, exceptionality, originality and distinctiveness from the perspective of its geographic location, culture and spiritual-historical potential. It is neither European nor Asian, but Eurasian, developing in its own way. These ideals are nowadays revived in the form of Neo-Eurasianism.

A. G. Dugin, the chief contemporary representative of Neo-Eurasianism, describes Russia’s expansion in its historical-geographical development as a colonialist mission towards nations (Dugin 2007). In this mission, colonized nations and ethnic-groups did not have a reason to put up resistance. In the course of this expansion, Russia crossed a border from which there is no return: ethnically almost a homogenous state transformed into an empire integrating nations, ethnic-groups and religions whereas ethnic, racial, linguistic and cultural diversity found its way into the Russian-Slavic environment.

In the past, Russia had control over a strategically important part of the Eurasian continent – its centre (Mackinder’s Heartland) took possession of the natural resources in its area, which helped it gain and consolidate its power. According to A. G. Dugin (2005a), the Russians sacrificed their ethnic-state ambitions to the benefit of the state’s higher power, basically in favour of the Russian imperial idea, and Eurasia became not only a political identity of the Russian state, but also of the Russians.

Another characteristic of Eurasianism is that it should be the opposition to Atlantism. Atlantism is based on the concept of the “civilization of the sea” and after Great Britain, the title “civilization of the sea” was inherited by the USA, while the “civilization of the land” became Russia. Atlantism, i.e. the “civilization of the sea”, is not possible without opposition, i.e. the “civilization of the land”, represented by Russia. Since Eurasianists consider Russia to be the center and foundation of Eurasia, it should therefore stand in opposition to the “civilization of the sea”. Consequently, Russia should strive to: 1. eliminate Atlantic influences, 2. renew its full sovereignty in the world in the political and economic spheres, and 3. to take action against the elite who have liberal and pro-western tendencies. In addition, Russia should try to strengthen its influence in the nearby foreign countries, i.e. in the area of the Commonwealth of Independent States (CIS) (Eurazia 2009).

According to the Neo-Eurasianists, Eurasia is divided into: a “central” continent (Russia), or Eurasia proper, and two peripheral worlds: 1) the Asian world (China, India, Iran, Japan) and 2) the European world (the border is created by the rivers Neman – Western Bug – San – the Danube Delta). It is in these two worlds that the Eurasianists see their allies: axis 1: Moscow – Berlin, axis 2: Moscow – Tehran, axis 3: Moscow – Tokyo.

Why did the Neo-Eurasianists focus on Germany, Iran and Japan? According to them, Germany is able to rival the USA, i.e. to Atlantism, on the basis of its economic, cultural and intellectual potential, and to even defeat it in these areas. Iran is already oriented against Atlantism – against the USA. At the same time, it is anti-liberal and active geopolitically. It
insists upon the principles derived from Islam, which does not stand in the way of the Eurasianists. Its oil and natural gas supplies (3rd and 2nd place in the world, respectively) classify it as one of the “powers of oil and natural gas”, which will make it independent of the resources of other countries. Furthermore, the money gained from the export of oil can strengthen the Iranian economy even more. Japan’s modern technology and considerable funds make it strong. Such an alliance would, of course, suit Russia. An alliance between the partially Buddhist Japan and the Buddhist nations of Eurasia seems beneficial to the Eurasianists.

Eurasianists defend the principles of a multilateral world – in their opinion, the world’s future lies in the cooperation between countries and nations on the basis of four geopolitical-economic zones:

2. Asian-Pacific zone: Japan, states of South-East Asia, Australia, New Zealand.
3. Eurasian Continental zone: Russia, states of the CIS, Asian Islamic states, China, India.
4. American zone: North, Central and South America (Eurazia 2009).

Eurasianists can see Russia’s further development occurring by means of the aforementioned characteristics of Eurasianism and Neo-Eurasianism. According to Dugin, Eurasianism is open to all who accept the supremacy of the Eurasian culture and religion, and to those, who aim to weaken and gradually eliminate the world hegemony of the USA and its Atlantic allies (Dugin 2005b).

However, the Eurasianistic school does not take into account current relations between the USA and Russia. Atlantism and liberalism is viewed very negatively, even to the extent of being Russia’s enemy, and the orientation of Russia’s foreign policy should aim to create Eurasia as a political reality. Eurasia is not understood only geographically, but is raised to the level of political reality. This movement has its supporters in Russia, but also its opponents and critics.

What the geopolitical future of Russia will be and what new trends and movements come into will depend, first and foremost, on the domestic and foreign political situation, but also on the understanding of historical-geographical development and culture, as well as on the views of the representatives of new geopolitical movements concerning the development of already existing ones.

The Geoeconomic Situation

At present, the whole of the world economy is going through a difficult time. The financial and economic crisis, which broke out in the USA towards the end of the year 2008, affected most of the countries in the world, including Russia. The crisis is forcing statesmen, financiers, businessmen and academics to put forth all of their strength for the revival of the economy.

At the beginning of 2009, the Russian government had to support the bank sector with financial injections and to stabilize the ruble. To prevent the collapse of the Russian economy, the government provided 1.4 billion RUB (more than 45 billion USD) from the state budget to support the measures taken in order to help fight the crisis.

In comparison with the previous year, when the Russian economy grew thanks to high oil prices and those of other commodities, in the year 2009, the economic growth slowed down considerably. The Russian economy dropped in the first quarter of 2009 by 23.3 %, in comparison with the first quarter of 2008. Due to the economic crisis, Russia experienced an abrupt fall on the stock market, the devaluation of the ruble and the fall of oil prices.
According to the estimates of the Russian Ministry of Finance, this year's state budget income will be lower by two-fifths, i.e. 6.7 billion RUB (2.1 billion USD) and expenditures should rise by 700 billion to a total of 9.7 billion RUB (3.1 billion USD).

In January 2009, the Russian Ministry of Finance anticipated a decline of GDP by 2.2 %, which is considered optimistic today. The American Investment Bank, Goldman Sachs, stated in its analysis that Russia’s GDP will decline this year by 8 %, which is a pessimistic prediction. The World Bank estimates that the Russian economy will decline this year by 4.5%. This estimate is deduced from the expected average price of Russian oil for this year set at 45 USD per barrel.

Whether the calculations are pessimistic or optimistic, the Russian government must react to economic development, which changes practically every month, and it is necessary to prepare several scenarios for its development. The Russian government has already worked out the state budget for this year and president D. Medvedev suggested modernizing the Russian economy. The president has decided to take this step because entrepreneurs, despite the support of the government, cannot realise technological progress. Another problem is that investments in new technologies do not bring profit at the initial stage, which is of interest to the entrepreneurs. Profit, however, comes in the long term.

Various technological parks and centres, or economic zones, are at present only in the environs of the cities of Moscow (Moscow Industrial Region), Kazan – Volgograd (Middle Volga Industrial Region), Ufa – Chelyabinsk (Urals Industrial Region) and Novosibirsk – Tomsk – Kuznetsk (Kuznetsk Industrial Region). A Special Economic Zone has been established near the town Elabuga in Tatarstan (in Tatar Alabuga). Many such parks, centres and zones are still on paper, and only a few exist in reality. What is missing for the establishment of these parks, centres and zones is an effective labour organization, new and modern technological equipment, and good logistics, which includes e.g. means of purchasing, supplying and storing materials.

Russian enterprises (firms) invest very little into research and development, into information technology and expansion. According to OECD, they spend only 6 % from their budget expenditures, whereas in Japan it is up to 75 %, 70 % in the USA, and 25 – 60 % in the EU. Labour productivity is only a quarter of that in the USA. The problem lies more in the machinery, rather than in the labour force.

Apart from observing and trying to solve the economic crisis, Russia must also provide financial aid for the poor, so as to stop the growing social tension. The number of officially registered unemployed people was 2.35 million at the end of April. It has risen by one million since last October. The level of unemployment has risen from 7.5 % to 10.4 % for economically active people. Areas with metallurgical, mining, machine and chemical industries have the highest degree of unemployment. The economies of Chelyabinsk, Sverdlovsk, Yaroslavl, Bryansk and Nizhniy Novgorod have been weakened the most. The Russian government would like to lower unemployment by implementing a programme, for which it has put aside 9.5 billion RUB (218.83 billion EUR). Programmes for the support of the unemployed have been approved by 77 out of 83 federal subjects of Russia. The regions of the Moscow area have already been granted 40 % of the approved sum.

The World Bank suggests that the Russian government invest at least 1 % of GDP to help improve the social situation. According to it, the government should raise unemployment benefits by 70 %, child allowance by 20 % and old-age pensions of approximately one-third of the poorest pensioners by 20 %. It should make another 0.5 % of GDP available for the support of small and middle-scale entrepreneurs. Stimulation expenditures should also focus on low budget households in order to make it easier for them to gain access to credit.

However, Russia cannot try to solve the impact of the financial and economic crisis in the same way as rich countries. It cannot afford it. If it poured funds into the economy through
loans from the Central Bank or state budget, inflation would rise very quickly. Russia wants to help its economy by means of recapitalization\textsuperscript{26} of the financial sector, but other areas of the economy will have to manage with less. Russia plans to use the money from the Reserve Fund, which was accumulated in the past years thanks to high export prices of oil and natural gas, to compensate its deficit.

Russia’s amended budget was calculated from the price of oil at 41 USD (31.97 EUR) per barrel. The price of oil gradually rose (Graph 2) and at the end of May 2009, the barrel of oil was 60.21 USD (43.43 EUR), which signalized a revival of demand. The rapid sales fluctuation of the oil price is the main obstacle for global growth and financial stability. For this reason, it is necessary to limit volatility\textsuperscript{27} on the oil market. It is questionable whether countries which could be referred to as oil producing countries (the countries of the Persian Gulf, of OPEC, Venezuela, Nigeria and others) would agree with this.

The crisis takes on different forms in different parts of the world. In Russia, it has intensified the familiar Russian problems: weak diversification\textsuperscript{28}, the deficit of the long\textsuperscript{29} money, a lack of qualified labour force and absence of modern technological equipment. The decline of the rouble’s rate of exchange to the euro and dollar, which occurred in the past seven months, has somewhat strengthened the export of Russian products, but it is not possible to say that the majority of Russian-made products are capable of competing on the world market.

Many politicians, economists, analysts, specialists, and laymen ask themselves whether Russia could have partially or totally avoided the crisis, or its negative effects. The answer is not simple, but most probably it could not have avoided the crisis. Despite the difficult economic and social situation of the population (not only in Russia), Robert Aliber (2009), an American economist, states that “a crisis once in twenty years of prosperity is not at all bad. It is a good trade-off”. The crisis is therefore beneficial, because after it cleans out the market, only the strongest and most stable enterprises survive.

Graph 1 Seats in the State Duma of the Russian Federation after Election in 2007

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Russia (UR)</td>
<td>315</td>
<td>70%</td>
</tr>
<tr>
<td>Communist Party of RF (CPRF)</td>
<td>56</td>
<td>12.6%</td>
</tr>
<tr>
<td>Liberal-Democratic Party of RF (LDPR)</td>
<td>39</td>
<td>8.6%</td>
</tr>
<tr>
<td>Just Russia (Spravedlivaya Rossiya)</td>
<td>38</td>
<td>8.4%</td>
</tr>
<tr>
<td>Others</td>
<td>2</td>
<td>0.4%</td>
</tr>
</tbody>
</table>


\textsuperscript{26} Recapitalization – exchanging the profit on capital.
\textsuperscript{27} Volatility – fluctuation, instability, a degree of insecurity.
\textsuperscript{28} Diversification – the distribution of risk into various areas of business.
\textsuperscript{29} Long money – money which are invested for long time
Graph 2 The development of oil prices from November 2008 to May 2009.

Note: The price of oil per barrel was 60.21 USD (43.43 EUR) on 25th May 2009.

Picture 1 The value of the rubble to the euro from July 2009 to June 2009.

Note: Exchange for one year was –18.4 %

References


