

## Russia's Role as a Supplier of Strategically Important Goods

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This is the fourth of a series of four reports in the project “Russian Globally Integrated Operations” which examines Russian strategic thinking and activity. The reports are intended as introductory texts for subsequent presentation and discussion.

### Executive Summary

- Russia is a more capable actor in the international economy than most analysts appreciate because its comparative advantage lies in the sale of strategically important goods. Not only is Russia one of the most important producers and exporters of oil and gas, it is a leading exporter of armaments, nuclear power plants (NPPs), and grain. These strengths have enabled Moscow to extend its economic and political influence well beyond traditional markets in Europe and the former Soviet Union (FSU). The dense links that emerge from the supply of strategic goods are likely to yield political advantages.
- The past decade has seen an important shift in Russia's trading relations away from traditional European partners and towards what might be broadly described as the ‘non-West’. This shift is no accident. Instead, senior politicians, officials and representatives from Russia's state corporations have for a long time stated a desire to strengthen links with faster growing parts of the global economy. The diversification of Russia's foreign economic relations is intended to contribute to a wider shift towards a global multipolar order.
- Russian officials have emphasised their intent to expand exports of strategically important goods since 2000. And since 2010, Russia has successfully expanded exports of strategically important goods beyond traditional markets. This is matched by a growth of goods exports more broadly, with Moscow cultivating new markets across the world. Russia is relatively successful in effecting these plans, especially in Asia and the MENA region. Consequently, Russia's economic presence across the globe has significantly grown.



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### Russia as an economic competitor

Russia's ability to compete in the international economy is often underestimated. Its potential to use economic instruments to advance its interests abroad is significant because its comparative advantage lies in the sale of strategically important goods. Not only is Russia one of the most important producers and exporters of hydrocarbons, it is a leading exporter of armaments, nuclear power plants (NPPs), and grain. This has enabled Moscow to extend its economic and political influence well beyond traditional markets in Europe and the former Soviet Union (FSU).

### The importance of strategically important goods

Russia may not always be the main trading partner to many countries as measured by volume of trade, but it often exerts influence disproportionate to its share of a country's total trade by virtue of the fact that Russia is an important – and often the dominant – supplier of strategically important goods. The close links that emerge from the sale of strategic goods enable Russia to foster closer relations with client states in three ways.

First, it provides Russia with greater access to and influence over leaders and elites in recipient states. Second, it symbolises Russia's commitment to the recipient's economic or military security against perceived or real internal or external threats. Third, it creates opportunities for the enrichment of local elites in recipient countries. Moscow's willingness and ability to supply such goods make it an attractive partner to many non-Western states: a situation that the Russian leadership has exploited over the past decade.

### Strategy and not opportunity

Policymakers in Moscow consistently emphasise their desire to improve Russia's position on global markets, especially as a supplier of strategically important goods. If the West – especially the countries that make up the EU – has historically served as Russia's primary trade partner, the past decade has seen an important shift in Russia's trading relations towards what might be broadly described as the 'non-West'.

The Russian desire to strengthen economic ties with non-Western countries is not new. While some date this shift to the imposition of Western sanctions in 2014, Putin in December 2014 declared that “our active policy in the Asia-Pacific region began not just yesterday, and not in response to sanctions, but is a policy that we have been following for a good many years now”.<sup>1</sup> In his 2012 article on Russia's place in the world, Vladimir Putin expressed the hope that Russia would be able to “catch some of China's wind in the sails of our economy”.<sup>2</sup>

By developing relations with non-Western countries, the diversification of Russia's foreign economic relations is intended to support a wider shift towards a global multipolar order in which Russia's influence would be enhanced precisely because it would not be dependent on economic relations with one political or economic bloc. It is hoped that this rebalancing of foreign economic relations would grant Russian policymakers greater autonomy in both a geopolitical and geoeconomic sense.<sup>3</sup>

Evidence of Russia's commitment to developing economic ties with the “non-West” can be found in official strategy documents published over the past decade. These documents, which seek to define the future direction of Russia's foreign policy and economic development, consistently convey the desire on the part of Russian policymakers to diversify the country's foreign economic relations. The recently published Energy Strategy (2020), the Maritime Doctrine (2015), and the Food Security Doctrine (2010 and 2020), all declared the importance of intensifying ties with non-Western economies to boost Russian security and sovereignty.<sup>4</sup>



The expansion of strategically important exports has involved the coordinated action of a number of ministries and state corporations, including Rosatom, Rosoboronexport, and the Ministries of Agriculture, Energy, and Defence. Progress has not always been smooth: the relatively slow build time for NPPs has prevented Rosatom from fulfilling its export potential. And the threat of US sanctions may hinder Moscow's drive to expand arms sales further. But these obstacles have not prevented Russia from emerging as one of the world's leading suppliers of strategically important goods.

#### Russia as a supplier of strategic goods

Map 1 shows that Russia has achieved considerable success establishing itself as a supplier of strategically important goods across the world. Each datapoint measures the number of strategic goods in which Russia is the supplier of over 10% of a country's imports in each respective category. The numbers range from 0 (Russia does not supply more than 10% of a country's imports of any of the five strategic goods) to 5 (Russia supplies over 10% of a country's imports for all five strategic goods).

Only Turkey imports over 10% of all five strategic goods from Russia. Armenia and Belarus both import four types of strategic goods. China imports three types of strategic goods: oil, NPPs, and arms. Other countries that import three types of goods include Bangladesh, Greece, Iran and Serbia. Geographically, importers of Russian strategic goods tend to be in Asia and the Middle East and North Africa, although clearly Russia also occupies a major role across sub-Saharan Africa (Mozambique, Nigeria, and Senegal), parts of Europe (mainly through the sale of oil and gas), and in some Latin American countries, such as Brazil and Venezuela.

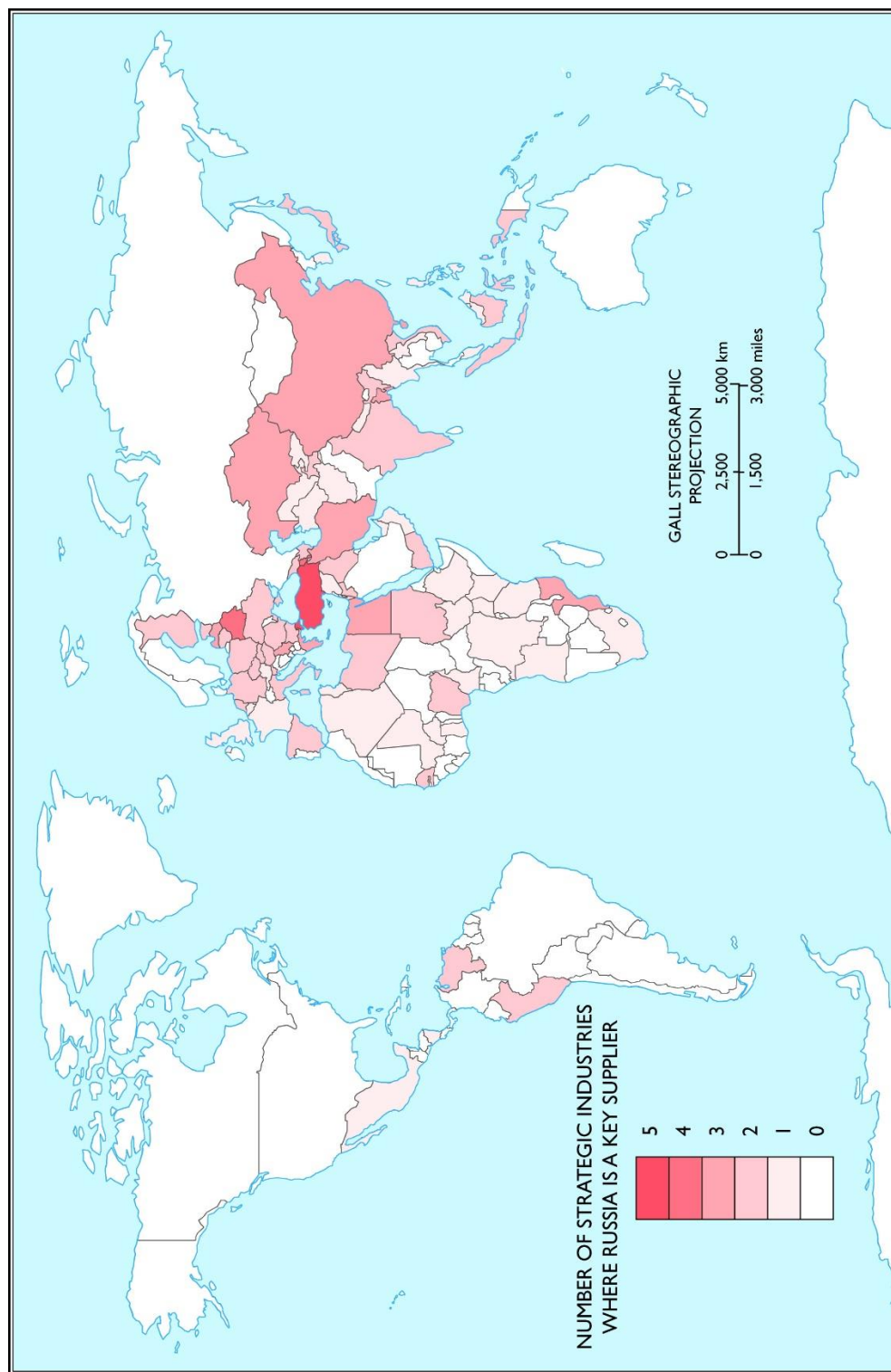
Efforts to grow Russian exports of strategic goods are bearing fruit. China, for instance, will soon import significant volumes of natural gas through the *Sila Sibiri* pipeline and liquified natural gas (LNG) from the Arctic. Infrastructure is also being built to facilitate imports of food, such as the large grain terminal at Zarubino, with several more being considered for construction in Primorsky Krai. Thus, China could join Turkey as an importer of all five types of strategic goods. The expansion of LNG will also mean that countries like Bangladesh, Egypt, India and Vietnam will become importers of Russian gas for the first time, which will raise the number of strategic goods imported from Russia to four for Bangladesh and Egypt, and three for India and Vietnam.

#### The rising importance of the non-West to Russia

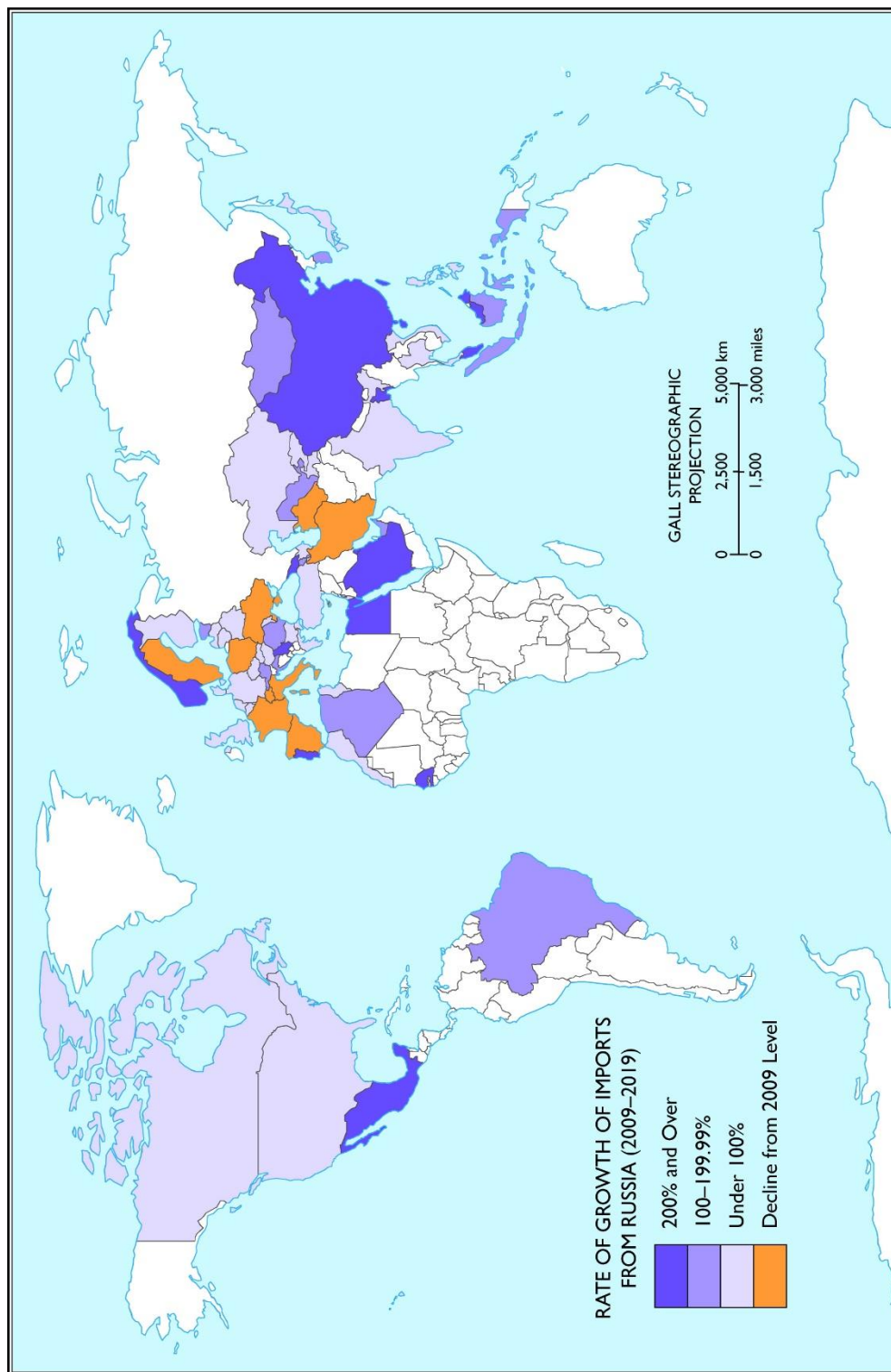
Map 2 shows Russia's success in increasing exports to the non-West over the past decade. Darker shades of purple denote faster rates of growth, orange indicates a decline since 2009. Exports to Asia and the MENA region grew fastest, though exports to Brazil and Mexico also briskly grew. In sub-Saharan Africa, Russia is rising in importance as a supplier of arms, grain, and refined oil to Mozambique, Nigeria, and Senegal.

#### Conclusions

The desire to expand exports of strategically important goods is a theme articulated by Russian officials since 2000. Since 2010, Russia has successfully expanded the exports of strategically important goods beyond traditional markets. This is matched by an expansion of goods exports more broadly, with Moscow cultivating new markets across the world. Russia has been relatively successful in effecting these plans, especially in Asia and the MENA region. As a result, Russia's economic presence across the globe has significantly grown.



Map 1 Russia as a supplier of strategic goods



Map 2 Trends in Russia's global trade 2009–2019



### **In Summary: Main Points of Previous Reports**

#### **Russia's Grand Strategy (Not Opportunism)**

- In Moscow's view, international affairs are in structural transition and dominated by intensifying geopolitical and geoeconomic rivalry. Senior Russian officials assert growing competition for the global commons, and for access to energy resources, transit routes and markets. Such competition is considered likely to increase during the 2020s, and to be a potential cause of conflict. The Russian leadership sees this transition as offering both serious risks and also potential benefits, and this view guides Russian strategic thinking and activity. This view of geopolitical competition means that Russia's military and economic interests are closely related.
- The Russian military has sought to enhance its positions in the "strategically important global areas". This has been most notable in the Middle East and in parts of Africa, and increasingly visibly in North Africa. Activity in the Indian and Pacific Oceans suggests that Moscow is engaged in establishing presence there.
- Moscow seeks to link economic capacity across regions through major infrastructure projects. If Moscow's prioritization of the Northern Sea Route – an "Ice Silk Road" – is the most obvious, a number of other ambitious projects seek to link Europe to China and the Indian and Pacific Oceans.

#### **How Moscow Maps the World**

- Moscow has long recognised the value of mapping to pursue its national interests and to gain geostrategic advantage. Russia has undergone a revolution in its geospatial capabilities and is investing in updating its arsenal of associated technologies, which have supported recent military operations. Russian military interest in Globally Integrated Operations is a direct result of Vladimir Slipchenko's theories on the global scale of sixth generation warfare.
- Moscow's 'mental map' reflects the cartographic legacy of the Soviet Union, which sets global horizons. This, combined with updated and enhanced geospatial capabilities provides the basis for pursuing a grand strategy and for supporting Globally Integrated Operations. Despite some superficial similarities between TVDs and US Combatant Commands, they are fundamentally different concepts.
- The Russian military places supreme importance on the role of the commander in making critical decisions on the battlefield. The trajectory for Russia's geospatial capability includes the provision of comprehensive information on all aspects of terrain and on the dynamic environment of the battlefield to the commander in real time. Recent technological advances mean that now Moscow contemplates 'global TVDs', such as aerospace and information.

#### **Polar Power: Russian Energy and Globally Integrated Operations**

- Russian policy makers show considerable consensus over the ownership of resources, access to consumer markets and control of transit routes as being key to securing strategic advantages which will enable Russia to project influence on a global scale and conduct Globally Integrated Operations.
- The global commons feature high on Moscow's strategic agenda, with forays being made into Antarctica. Yet the Arctic remains the strategic focus. Moscow is seeking a larger share of Arctic resources and exclusive access to Asia and Europe via the Northern Sea Route (NSR). Valuable cartographic data is being regularly collected and analysed through ongoing collaboration of the Northern Fleet with the Ministry of Resources and the Russian Geographical Society (RGS).
- The government and Rosatom are working to tighten control of the NSR and consolidate it as Russia's internal waterway. Meanwhile, the state and Globally Integrated Corporations – Novatek, Gazprom, Rosneft and Rosatom – have forged ahead with a number of expensive projects despite the steep fall in oil prices. By investing in the development of Arctic infrastructure and hydrocarbons, Moscow seeks to overcome intensifying competition among producer-states and maintain its global leadership position in energy exports.





About the “Russian Globally Integrated Operations” project

This project examines Russian grand strategy. The concept of “Globally Integrated Operations – one explicitly discussed by the Russian leadership – provides a holistic lens through which to view Russian strategic thinking and activity. It illuminates how Moscow seeks to reorganise the structure of its defence and security landscape to cope with perceived security challenges, and the trajectory of its international activity. It examines Moscow’s “mental maps” and how Russian economic and security interests are intertwined.

Previous reports

- Russia’s Grand Strategy (Not Opportunism)
- How Moscow Maps the World
- Polar Power: Russian Energy and Globally Integrated Operations.

About the authors

Dr Richard Connolly is director of Eastern Advisory Group and director of the Centre for Russian, European and Eurasian Studies (CREES) at the University of Birmingham. He is an expert on the Russian economy, with a focus on military spending and the defence industry. He is the author of *Russia’s Response to Sanctions: How Western Economic Statecraft is Reshaping Political Economy in Russia* (CUP, 2018).

Dr Andrew Monaghan is the Founder and Director of the Russia Research Network Ltd. He is also a Senior Associate Fellow at the Royal United Services Institute in London and a Non-Resident Associate Fellow at the NATO Defence College in Rome. He has been employed by the Oxford Changing Character of War Centre, Chatham House, NATO and the UK’s Defence Academy. He has advised various governments and international organisations, as well as major companies. He is widely published and is the author of several books, including *Dealing with the Russians* (Polity, 2019), *Power in Modern Russia* (MUP, 2017) and *The New Politics of Russia – Interpreting Change* (MUP, 2016).

About the Russia Research Network, Ltd.

Established in 2006 by Dr Andrew Monaghan, The Russia Research Network is a small consultancy offering tailored research and analysis of Russian politics, defence, energy and economic issues. Based in London, our team are all highly qualified and internationally recognized subject matter experts, with many years of experience advising international organisations, governments and parliaments, and major companies. We have built a reputation for delivering high quality and timely analysis and advice to decision-makers in small and large organisations alike.



## Endnotes

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<sup>1</sup> Putin, V. 'Poslaniye Prezidenta Federal'nomu Sobraniyu', 4 December 2014, <http://kremlin.ru/events/president/news/47173>.

<sup>2</sup> Putin, V. 'Rossiya i menyayushchiysya mir', *Rossiskaya Gazeta*, 27 February 2012.

<sup>3</sup> Ukaz of the President of the Russian Federation (2017) 'O strategii ekonomicheskoi bezopasnosti Rossiiskoi Federatsiina period do 2030.' <http://publication.pravo.gov.ru/Documents/View/0001201705150001>, section 21.

<sup>4</sup> Ministry of Energy of the Russian Federation (2020) *Energeticheskaya Strategiya Rossijskoj Federatsii Na Period Do 2035 Goda* [Energy Strategy of the Russian Federation for the Period up to 2035], Moscow: Ministry of Energy, <https://minenergo.gov.ru/node/1920>; Security Council of the Russian Federation (2015) *Morskaya doktrina Rossiyskoy Federatsii* [Maritime doctrine of the Russian Federation], <http://www.scrf.gov.ru/documents/18/34.html>; Security Council of the Russian Federation (2010) *Doktrina Prodovol'svennoy bezopasnosti rossiyskoy federatsii* [Food security doctrine of the Russian Federation], <http://www.scrf.gov.ru/documents/18/34.html>; Ukaz of the President of the Russian Federation (2020) 'Ob utverzhdenii Doktriny prodovol'svennoy bezopasnosti rossiyskoy federatsii' [On the approval of the food security doctrine of the Russian Federation], <http://www.scrf.gov.ru/documents/18/34.html>.