

# Political and Economic Consequences of Russia's War against Ukraine

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## POLITICAL AND ECONOMIC CONSEQUENCES OF RUSSIA'S WAR AGAINST UKRAINE

- **ANALYSIS**  
 Russia's War in Ukraine—The Domestic, Neighborhood and Foreign Policy Nexus 2  
 By Stefan Meister  
 (German Council on Foreign Relations, Berlin)
- **ANALYSIS**  
 The Planned War 4  
 By Heiko Pleines  
 (Research Centre for East European Studies at the University of Bremen)
- **ANALYSIS**  
 Russia's Economy: Between a Crash and a Hard Landing 7  
 By Andrei Yakovlev
- **ANALYSIS**  
 Excusing the Massacre: Russian Officials and State-Run Media on Bucha 10  
 By Daria Zakharova  
 (Research Centre for East European Studies at the University of Bremen)
- **OPINION POLL**  
 Russian Public Opinion on the Ukraine War, Sanctions and Support for the Political Leadership 12

## Russia's War in Ukraine—The Domestic, Neighborhood and Foreign Policy Nexus

By Stefan Meister (German Council on Foreign Relations, Berlin)

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### Abstract

Russia's military intervention will change Russia itself and its relations towards post-Soviet countries. It will undermine Putin's great power ambitions and role as a hegemon in its post-Soviet neighborhood. Further securitization and isolation will weaken Russia's ability to modernize. This will further fuel the disintegration of the post-Soviet space and weaken Russia's role in a multipolar world.

### The End of Imperial Russia

Russia's military intervention in Ukraine is a turning point that not only puts an end to the European security order negotiated after the end of the Cold War but will also fundamentally change post-Soviet Russia itself. Russian President Vladimir Putin's goals of ousting the United States from Europe, securing zones of influence, and creating buffer zones around Russia are crystallized in the breakup of Ukraine as a state. Ultimately, this is about destroying a state that is closely connected to Russia historically, culturally, politically, and socially. This has implications for Russia's identity as an empire, its role in the post-Soviet region and challenges the *Russkii Mir* concept, Vladimir Putin's imperial project. The Russian army is bombing cities where people speak Russian, have (partly) Russian roots and feel (or felt) close to Russia. It undermines Putin's great power ambitions, which are based on Russia's role as the hegemon in the post-Soviet region. Russian leadership is not protecting "its people" but destroying them. Putin's Russia is losing any legitimacy as the patron of the Russian-speaking world. This has consequences for how other post-Soviet countries will see Russia, meaning it appears even more as a threat to their sovereignty, way of life and physical survival.

### A Sovereign and Isolated Russia

Simultaneously, Russia itself is undergoing fundamental changes, with long-term domestic consequences. It is becoming more isolated, repressive, rather totalitarian, and backward and less able to modernize. Since Putin became president in 2000, the basis for welfare was Russia's integration into the global economy and the export of resources. As a reaction to Russia's invasion, Western countries decided on the most comprehensive economic sanctions for such a large state as Russia, only comparable with those toward Iran and North Korea. The isolation from the global economic and financial system calls Russia's economic model into question and will fundamentally change the Russian way of life. The consequence will be a Russia that seeks to control its locality by

military means: a mobilization regime, both internally and externally. For the Putin system, it means that it will have fewer resources to distribute internally. However, corruption and access to resources are crucial for loyalty to the political system and Putin himself. The president must decide who obtains what from fewer resources. The vulnerability of the elite has already increased in recent years, and no one is safe in the system, not even close allies of President Putin. It will result in cleansing from state and society all actors who are not loyal to the system, particularly the more liberal part.

Already because of Western sanctions against Russia after 2014, there was a trend toward more sovereignty in Russia. Limiting Russia's foreign debt to less than 20 percent of GDP, growing foreign reserves to €550 billion by the outbreak of war, and reducing spending policies in the context of the COVID-19 pandemic to a conservative amount less than 3 percent of the GDP were all linked to the goal of making Russia less vulnerable to foreign influence. At the same time, after the mass demonstrations in large Russian cities in 2011/12, the state started to increasingly control the internet and tried to create a sovereign Runet. All this was about preparing for a major conflict with the West. This policy rendered the liberal economic elites increasingly less able to act independently or to counteract the president regarding a sustainable economic policy. Instead, they became vicarious agents of the regime, securing the economic resilience of the state in preparation for a conflict with the West. Those liberal elites who stay in the system, such as Central Bank President Elvira Nabiullina, will now have to manage the deficit and the decoupling of the Russian economy, banking and financial sector from the global system. It seems to be the case that the elite is adapting to the situation rather than challenging the president.

### Securitization and Militarization of Politics and Society

All of this is accompanied by the further securitization and militarization of state and society in Russia. In-

ingly, military and security actors with security thinking will further dominate Russian politics, and they will come close to their goal of a Russia less vulnerable to external influence and more inclined toward autarky. This trend started with Putin's third term as president in 2012 and accelerated with the Western sanctions that came after the annexation of Crimea and the war in Donbas in 2014. It will now become the main pattern of Russian politics. Western sanctions, despite their importance to put the regime under pressure to stop the war in Ukraine, help to further isolate Russia, consolidate the society around Putin and to reinforce the security logic in Russian politics. This will also be the trend with a policy that brings Russian officials' money back to Russia to restrict their travel activities and to render the economy independent of foreign influence.

The Russian National Guard, formed in 2016 with up to 400,000 troops headed by Putin's close ally Victor Solotov, will be ready to resist any internal uprising. Their soldiers earn higher salaries than those in the military or other security forces, and they will be ready to protect Putin and his close allies. Therefore, a Belarus scenario is likely for Russia, where funding for the security forces will remain, while for the rest of the country, it will decline. The main role of the national guard is to repress those parts of society who do not agree with the policies that have led to the decline of Russia and Russian welfare. Cleansing the system of liberal elites is a logical step, as we have seen with the actions against economic advisor Anatoly Chubais, who left the country recently. Putin will try to keep the liberal elites in key economic positions, but they will have to adapt to the new situation and will have to help manage the deficit and soften the impact of sanctions. They have no say in the key decisions of the regime; their main task is to reduce the impact of the decisions of others on Russian state and society. At the same time, they will be under close monitoring by the security elites if they make any mistake or show a sign of disloyalty. Their room to maneuver will shrink even further, and Siloviki will put them under further attacks.

Putin's attack on the "fifth column" of all people inside of Russia whom he defines as alien or enemies of the country is entering the next stage after 2014.<sup>1</sup> It is a war against all Russian people who do not agree with the invasion of Ukraine and further isolation of Russia. In this regard, it resembles the Soviet Union of the 1930s more than that of the 1980s. One month after the war in Ukraine started, approximately 240,000 Russians have left the country. This is the best educated and progressive part of society, many of whom specialize in areas such as culture, art, the IT sector and the

business community. According to the Russian Association for Electronic Communication, up to 70,000 IT experts left the country in March 2022. More will follow. This brain drain has a major impact on the Russian economy and society. This will lead to the dominance of the more conservative and nationalistic part of society, which is willing to accept more isolationist measures. Along this line, the approval rating of President Putin has grown to more than 70 percent (according to state polling agencies), and a huge wave of patriotism is going through the country with more than 80 percent of support for the war according to Levanda Center. At the same time, the appetite for protest is low; what protests exist are rather isolated, and there is no functional opposition anymore, which could have set an alternative paradigm to Putin's "special operation".

### Division of Europe

The war in Ukraine will permanently weaken Russia militarily and economically and isolate it internationally. As a result, Moscow will be more heavily reliant on itself and other post-Soviet countries without being able to make attractive economic, political, or social propositions. It is to be expected that Russia will depend more on China technologically and will have to offer China discounted prices for natural resources. The weaker and more isolated Russia becomes, the more aggressively the regime might react at home and in its neighborhood. With the current Western sanctions, the Eurasian Economic Union and its institutions are under pressure, and none of the other member states will have an interest in coming under Western sanctions. This puts the functioning of the institution and its future into question. Russian President Putin's goal of economically integrating post-Soviet states is becoming even less likely. At the same time, the Collective Security Treaty Organization (CSTO) can increase its importance and might become a key instrument of Russia and other authoritarian states to keep their ruling elites in power. As we have seen in Kazakhstan with the reaction to mass demonstration in January 2022, Russia and other CSTO members are willing to intervene to stop any kind of social uprising. At the same time, any post-Soviet country will be very wary after the war in Ukraine about inviting Russian troops into their country.

With the goal of securing its traditional sphere of influence through military means, Russian leadership has successfully alienated other post-Soviet countries and societies. Possible steps to integrate disputed regions such as South Ossetia or Transnistria into the Russian state, as it is again now discussed, will further change Moscow's relations with their mother states. With the

1 <http://kremlin.ru/events/president/news/67996>

war in Ukraine, Russian leadership shifted to a different paradigm of politics toward post-Soviet countries. A new iron curtain creates countries that again lose their sovereignty. Outside of NATO territory, there are no security guarantees anymore in Europe. Every country can become a victim of a Russian military attack. This will further fuel the disintegration of the post-Soviet space because Russia is not able to economically integrate former Soviet states and it lacks the soft power to

attract new members. Russia's weakness and aggressive policy will therefore create gray zones of instability, from which more people will have an interest to escape. This policy has negative effects on Russia itself, where a military and security logic will further drive its economic policies and the relations between state and society. All this will further isolate Russia globally and weaken its role in a multipolar world. The pattern of the decline of the Soviet Union seems destined to repeat.

#### *About the Author*

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## ANALYSIS

### The Planned War

By Heiko Pleines (Research Centre for East European Studies at the University of Bremen)

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#### Abstract

In retrospect, it is clear that a close circle around Russian President Vladimir Putin has been systematically preparing for the current war in Ukraine for years. It is not clear from the outside when exactly the decision to attack Ukraine was made. However, during his first term in office, Putin made it clear that he was concerned with restoring Russia's national greatness and that, from his point of view, Ukraine belonged to Russia, and by 2014 at the latest, Russia began to prepare for an escalating conflict with the West. At the time, it was not apparent that Putin would be prepared to start a war of aggression, and there was no evidence of such plans. A new assessment of Russia's preparations for the current war is therefore not intended to be smarter in retrospect but to enable a better understanding of Russian politics.

#### Speeches

Experts who studied Putin's speeches and his discernible political position behind them emphasized early on the importance Putin attached to strengthening the state and national unity. In this sense, economic policy, social policy and the modernization of the country were understood from the outset not as ends in themselves but as means to strengthen the nation. Already in 2001, Archie Brown highlighted that Putin stated, "I was a pure and utterly successful product of Soviet patriotic education".

In Putin's State of the Nation Address in April 2005, he made the much-quoted statement: "Above all, we must admit that the collapse of the Soviet Union was the greatest geopolitical catastrophe of the century. For the Russian people it has become a real drama." At the

same time, the Russian government began to establish a unified view of Russian history, culminating in the creation of a "Commission under the President of the Russian Federation to Counter Attempts to Falsify History to the Detriment of Russian Interests" in 2009.

At the NATO summit in 2008, Putin declared that Ukraine was "not a real country". In April 2014, following the annexation of Crimea, in the popular televised presidential "hotline" session with callers from across the country, he explained that parts of Ukraine are actually part of Russia, not Ukraine. In Putin's enumeration, these parts, increasingly referred to in Russia as "New Russia," include five Ukrainian regions all the way to Ukraine's western border.

The last step toward a claim on the whole of Ukraine was made in Putin's essay, "On the Historical Unity of

Russians and Ukrainians,” in July 2021. The renowned historian of Eastern Europe, [Andreas Kappeler](#), stated in his review of the essay: “Politically, it provides an insight into Putin’s view, which mixes Soviet patriotism, imperial and Russian ethno-nationalism as well as revisionist thinking. [...] The essay proves that Russia’s leadership has not accepted that Ukrainians constitute a separate nation with an independent state. Putin’s threats should be taken seriously.”

While in retrospect a clear line can be shown, Putin has also often struck other tones. Even in his so-called angry speech at the Munich Security Conference in February 2007, in which he criticized NATO’s eastward expansion as an unfounded provocation, he also said, for example, “I am convinced that the only mechanism for deciding on the use of force as a last resort must be the UN Charter”, and he promoted disarmament negotiations. In retrospect, this statement can be understood as an interpretation of the charter from the perspective of the UN Security Council, on which Russia has veto power, and disarmament negotiations can of course make wars possible. However, this was not clear-cut. It is also important to note that in Russian politics there was no permanent debate about Ukraine, but only reactions in times of crisis.

Moreover, the political leadership around Putin was seen as having a very professional communication policy that responded to public opinion polls and dealt flexibly with crises. This short-term pragmatism made ideological extremes appear more as a strategy for mobilizing support and less as a vital political mission. In the context of the Crimean annexation in 2014, nationalist propaganda was thus interpreted by many analysts, myself included, as an attempt to compensate for the loss of regime popularity after the end of the economic boom. In a book chapter, [Henry Hale](#) speaks of a “nationalist turn” in 2014. The assumption behind this corresponds to a core idea of political science: the central goal of political rulers is to secure power, not to realize a mission.

## Policies

A look back at many areas of Russian policy since President Putin took office in 2000 shows that dependencies on the West were reduced very early on.

In economic policy, the Russian state’s foreign debt was reduced from 45% of GDP to less than 2% within Putin’s first two terms in office. Central Bank reserves increased from 28 billion US dollars to over 400 billion during this period, and an oil fund was created, which was already worth over 200 billion US dollars in 2008. By 2021, Russia’s external debt was less than 4%, and the combined value of Central Bank reserves and the oil fund was over 800 billion US dollars. While the orig-

inal assessment of economists—and probably also of the responsible Russian policy-makers—had been that during the oil boom of the 2000s, Russia was following a conservative fiscal policy, building up reserves for economic crises and preventing high inflation, even the most recent COVID-19 crisis showed that these funds were only ever used to a small extent for an extreme economic crisis, i.e., they were probably reserved for a different purpose.

Under Putin, the Russian army has been significantly upgraded. Military spending in real terms, as regularly calculated by the [Stockholm Institute for Peace Research \(SIPRI\)](#), almost tripled from 2000 to 2019. Putin regularly presented new weapons systems in person. Of course, rearmament does not automatically mean preparation for war, let alone for a war of aggression. The large-scale maneuvers carried out by Russia in recent years were more concrete in this respect, but they could also simply have been a threat meant to achieve a better negotiating position.

At the same time, Russia tried to become less dependent on imports. In the agricultural sector, this was achieved primarily through “counter-sanctions” in 2014, which banned the import of many agricultural products. This was interpreted as a policy of import substitution that was intended to increase the competitiveness of domestic production, which was—as [Stephen Wegren](#) has summarized—largely successful. In fact, this was a policy of autarky, making the country impervious to sudden sanctions. This is how [Gunter Deuber](#) described the “Fortress Russia” strategy that has been pursued since 2014 in response to Western sanctions.

Additionally, in the area of finance, with the establishment of its own payment system and the internet, with attempts to largely isolate the runet, an autarky policy was obviously pursued. However, this was usually interpreted with an eye on China, which was more advanced in both areas and (at least according to the widespread interpretation of the day) primarily wanted to secure independent technological development and censorship at home.

The steadily increasing state repression of political opposition and independent media in Russia was interpreted, certainly not entirely incorrectly, as a means of securing power. The foreign policy escalation provoked by Russia since spring 2021 could certainly be seen as an attempt to promote patriotic consensus at home and to divert worldwide attention from domestic repressive measures, such as the arrest of the most prominent opposition politician [Alexei Navalny](#), the elimination of his organization and other independent voices. In retrospect, however, it was probably about depriving possible opposition movements to the war of any representatives with organizational or moral resources.

### Fear of NATO Expansion or Revisionism?

A large part of Russia's explanation of its own foreign policy relates to the threat posed by NATO, specifically by NATO's eastward expansion. To establish the sense of threat, it is irrelevant whether NATO's eastward enlargement is a breach of trust, or whether NATO actually has threatening intentions. To put it in extreme terms, even a paranoid sense of threat has real effects and can lead to repercussions.

However, a look at Russia's current military strategy in Ukraine shows that direct military intervention by NATO is obviously not expected. There is no attempt to secure the NATO border or the Russian fleet in the Black Sea. This implies that Russia is sure that it can conquer Ukraine without any direct threat from NATO.

The argumentation thus far does not mean, of course, that the conquest of Ukraine has been planned since Putin took office. In 2013, for example, it seemed likely that Russian pressure on Ukrainian President Viktor Yanukovich could bring about the country's accession to Russian economic and military alliances. Only the mass protests of the Euro-Maidan prevented this. Later, it should be noted that the actual war planning apparently took place in the smallest circles. Televised meetings of Putin with the National Security Council and the government immediately before the Russian attack show that many members of these central decision-making bodies were obviously not fully informed.

At the same time, it is clear that Putin regretted the collapse of the Soviet Union from the beginning of his first term in office and saw Russia's resurgence as a central goal. In addition, Russia's understanding of foreign policy is based on the idea of zones of influence, which—at least implicitly—put Russia as a hegemon in the post-Soviet region beyond the reach of international law. How much this understanding of foreign policy, especially with the explicit nationalist justifications that have dominated since 2014, deviates from the Western perspective seems to have been underestimated in Russia.

### Miscalculation?

The military invasion of Ukraine in February 2022 obviously did not bring the hoped-for quick victory. A prescheduled jubilant commentary at several state news agencies on the “Russian unity” of three states (Russia, Belarus and Ukraine as “Little Russia”) and “the creation of a new world order” quickly disappeared from the internet on the third day of the war. At the same time, the sanctions were obviously harsher than Russia expected, especially the neutralization of a large part of the currency reserves through financial sanctions.

However, the Russian leadership was not alone in this miscalculation. In view of the overwhelming numer-

ical superiority of the Russian army in all areas, military experts in the West also expected a quick victory in the event of an invasion, and shortly before Russia started the war, the debate about sanctions still seemed to focus primarily on NordStream II, i.e., on a future alternative transport route, not on current Russian exports.

The war dishearteningly confirmed the mantra of pipeline proponents that the energy trade is too important for both Russia and many European states, especially Germany, to simply be cut off. Accordingly, even several weeks after it had started the war, Russia delivered natural gas through Ukrainian pipelines fully meeting its contractual obligations. Despite extremely high prices in the previous year, Russia had not increased its deliveries. The aim was clearly to keep gas storage facilities empty to increase dependence on further deliveries during the war.

As far as the modest territorial gains in Ukraine can show, Russia's longer-term strategy for Ukraine seems to follow the model of the “people's republics” in eastern Ukraine. With the help of Russian security forces, potential organizers of resistance and protests are eliminated, and power is formally handed over to local pro-Russian politicians who can then take control with a reign of terror. Here, the general assessment of international experts is that this can hardly work in the long term. Ukraine is the largest territorial state in Europe (after Russia). After the indiscriminate bombardment of civilian targets by the Russian army, there is unlikely to be any sympathy left in Ukraine for the occupiers. If Russia wants to control all of Ukraine, this requires capacities that are likely to exceed the ability of the army, national guard and intelligence services. If Russia wants to control only part of Ukraine, then there will be a long border—wherever it falls—that is likely to be the target of repeated attacks.

### Conclusion

No one can predict the decisions of a small group of political leaders. This is all the more true when they isolate themselves from alternative sources of information and advice and, as suggested by their arrogant and aggressive communication style, are convinced of their own superiority and mission.

Russia has lied repeatedly since 2014 about deploying its own army in Ukraine and now shows complete contempt for the rules of international law in statements as well as actions. Expecting a consensual negotiated solution in such a situation is naïve.

However, in the short term, the attempt at the military conquest of Ukraine caused high army losses and immense economic damage due to international sanctions. In the long term, Russia is likely to be overwhelmed both militarily and economically by any likely

scenario. At the same time, states such as Iran, Venezuela, and North Korea demonstrate in different ways that a long and severe economic crisis resulting from sanctions need not bring about a complete regime collapse, a change of power, or a less aggressive foreign policy.

If the shifting of state borders through unprovoked war and the indiscriminate destruction of civilian targets are not to again become the continuation of pol-

itics by other means, then the price for this strategy must now be raised as dramatically and as quickly as possible. The greater the economic pressure through sanctions and perhaps also the moral pressure through proscription, the greater the chance that there will be opposition to the war in various quarters in Russia. The quicker the pressure is applied, the smaller Russia's possibilities of cushioning it or gradually adapting.

#### *About the Author*

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## ANALYSIS

# Russia's Economy: Between a Crash and a Hard Landing

By Andrei Yakovlev

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## Abstract

Based on macro-level data, most analysts forecasting Russia's economic development following the introduction of new large-scale sanctions expect a 10–12% drop in GDP, 20–25% inflation, and an increase in unemployment from 4.4% to 7–8% by the end of this year. This article argues that in the context of a severe economic shock, micro-data and comparison with similar cases offer a better guide to future developments than macro-data. They point to a much sharper decline in economic activity than is currently being forecasted.

## Introduction

Commenting on the prospects of the Russian economy following the imposition of new large-scale international sanctions in relation to the invasion of Ukraine, most analysts (including representatives of European banks) expect a 10–12% drop in GDP, 20–25% inflation, and an increase in unemployment from 4.4% to 7–8% by the end of this year. Obviously, these estimates are based on macro-data about the state of the Russian economy before the imposition of sanctions and tend to rely on the fairly mild negative consequences of recent crises: in 2014–2015 after the first wave of international sanctions was introduced, and in 2020–2021 amid the Covid-19 pandemic.

## Challenges of Economic Forecasts

The peculiarity of such macro-estimates, especially when it comes to deep shocks, is that they can overestimate the significance of trends that developed before the crisis and underestimate changes in the expectations and strategies of economic agents at the micro-level. One striking example of this is Russia's default and deval-

uation of the ruble in August 1998, after which no macroeconomists predicted the rapid disappearance of bartering, a financial recovery, and rapid economic growth. In October 1999 McKinsey's famous report "Russian Economy: Growth is Possible" was the first to suggest that Russia could grow at an annual rate of 7–8% and double its GDP in 10 years. This conclusion was based on a case study of 10 major sectors of the Russian economy (from ferrous metallurgy and the cement industry to retail and the IT sector), with an analysis of productivity growth factors and firm strategies—that is, on micro-level data.

Currently, the Russian economy shows similar features, but they point in the opposite direction. As one entrepreneur told me in a personal conversation, at the end of February and the beginning of March his company, which produces electrical equipment, was operating at higher-than-usual capacity because consumers were trying to buy products to store. It was obvious that demand would fall later, but new forecasts could be made only "when the dust settles from the collapse of what is crumbling now."



When nevertheless trying to attempt a general forecast of Russia's economic development, it makes sense not only to try to understand how the current situation differs from the recent Russian crises mentioned above, but also to draw a comparison with Iran, which has been able to maintain its economy amid years of harsh international sanctions, and with the Soviet economic model, which from the outset focused on isolation from the world market.

### Comparisons

The abrupt breakdown of supply chains (resulting from the decision of many foreign companies to stop production in Russia and from import restrictions on parts and components due to international sanctions), the devaluation of the ruble and restrictions on its convertibility, as well as the loss of access to half of the gold and foreign currency reserves held by the Ministry of Finance and the Central Bank, give rise to analogies to the shock transition of the Soviet planned economy to a market economy in 1991–1992. However, there are significant differences. Despite the continued notable interference of the state, Russia's economy has become a market economy—and therefore economic agents are much more likely to adapt to the new conditions. Moreover, the state apparatus remains generally capable of governing—in contrast to the actual collapse of the state in 1991–1992.

In this sense, the current situation in Russia may be closer to that of Iran, where the economy at the time of the first sanctions was market-based and the government (especially in the 2010s, during the height of tensions with the United States and the EU) was generally able to control economic processes. However, an important difference between Iran and Russia is the much greater integration of the latter into global markets. Starting in the early 2000s, the modernization of many sectors of the Russian economy relied on the use of foreign technology and imported equipment. Modernization processes thus involved cooperation with foreign investors who were interested in access to the Russian market. With their help, Russian firms were integrated into global value chains. The result was an increase in productivity at Russian enterprises and a significant improvement in the quality of their products. At the same time, however, these modernized enterprises turned out to be dependent on imported parts and components, as well as equipment maintenance (in those cases when domestic raw materials and materials were used for production). The most striking examples of this kind of dependence are the aircraft and car industries, which are singled out by all experts as the most affected industries. Importantly, however, the same is also true of equipment in the fields of metallurgy, chemistry, oil refining, and even agriculture (concerning seed imports).

In other words, Iran's economy faced sanctions (and the need to build an autonomous economic model) back in the 1980s, at the very beginning of the current wave of globalization. During this period, most national economies were still relatively autonomous and it was easier for Iran to build its "resistance economy." At the same time, the Iranian economy was—and still is—less complicated than the Russian economy in terms of its structure. In fact, Iran rejected the benefits of globalization, which allowed the country to maintain its economic independence. This did, however, come at the price of stagnation and a lack of economic development—as a result, it took Iran until 2017 to return the level of GDP per capita it had achieved in 1979.

Russia differs from Iran in its high degree of integration into global markets since the beginning of the reforms of the 1990s and the growth of this integration in the 2000s. In the last ten years (especially since 2014), the Russian government has actively supported import-substitution processes—but the globalization processes of the 1990s and 2000s mean that national economies have objectively become interdependent. Today, no state in the world that participates in global value chains (including the US and China) can switch to a self-sufficient mode of production without a radical reduction in its volume and range of products manufactured. This is the problem Russia will have to face in the coming months. The scale of this problem for Russia is exacerbated by the phenomenon of "private sanctions," where companies break contracts with Russian consumers not only because of sanctions imposed by their national governments, but also on their own initiative.

### Outlook

Since we are talking about thousands of companies from different countries, it is currently very difficult to assess the consequences of such "private sanctions." However, contacts with entrepreneurs show that at many machine-building enterprises, the available stocks of parts and components are sufficient to maintain production only for 1.5–2 months—after which a shutdown of these enterprises will begin, with inevitable knock-on effects for their suppliers and customers. The solution to this problem (which is already being discussed at the enterprise level) is the resumption of production models developed during the Soviet era and taken out of commission 10–15 years ago. In practice, this will mean that after the inevitable deep recession (which may be comparable to the decline in production in 1992–1993), enterprises will adapt to the new conditions by reducing the range and quality of products they produce (especially technically complex ones).

An additional factor that may increase the depth of the decline is the fact that the Russian government did

not seem to be prepared for the introduction of such large-scale sanctions (and especially for the imposition of “private sanctions” by thousands of international suppliers). Apparently, based on the experience of 2014, the government expected rather limited sanctions from the US and the EU. The 2014 sanctions were certainly painful but did not lead to radical destruction of the supply chain. Without fully understanding the real scale of losses resulting from the stoppage of import supplies (as well as not daring to admit this to their superiors), industry agencies are still guided in the elaboration of anti-crisis measures by the experience of 2020, when the government managed to mitigate the negative effects of the interruption of supplies during the Covid-19 pandemic. But these measures will probably not have the desired effect today, as they were focused on supporting enterprises during the lockdown and assumed the resumption of supplies in the future. Government officials are now pinning their hopes on Chinese firms being able to replace European and American suppliers. However, many companies are skeptical about this and see such opportunities only in the medium to long term.

Another important difference from 2020 is that back then, the development of adequate anti-crisis measures was the result of an active dialogue between the government and business. Such a dialogue was possible, among other things, because the crisis was caused by external factors beyond the government’s control. Government officials and business were in the same boat caught in the storm, and they were equally interested in finding economic policy instruments that would allow them to weather the storm with minimal losses. The current crisis has clearly been created by the actions of the government, as a result of which officials are switching to direct administrative regulation of market processes

#### *About the Author*

Dr. *Andrei Yakovlev* is one of the leading Russian experts in industrial policy, corporate governance, and state-business relations. He participated in the elaboration of “Strategy-2020” in 2010–2011 and was awarded the Gaidar Memorial Prize in Economics in 2017.

instead of dialogue. A striking illustration of this is the Ministry of Industry and Trade meeting with metallurgists in early March (see [https://www.youtube.com/watch?v=d11\\_DDdgdQA](https://www.youtube.com/watch?v=d11_DDdgdQA)), where it was expressly stated that in the event that prices increased beyond the limit “recommended” by the ministry, enterprises would face inspections by the prosecutor’s office and criminal investigations. Such administrative measures can stabilize the market for a short time (as occurred in the currency market following the freezing of deposits and the introduction of restrictions on purchases of foreign currencies). However, such measures undermine the functioning of market mechanisms and will prevent the economy from adapting to new conditions.

#### **Conclusion**

Overall, the Russian economy today can be compared to an airplane whose captain makes decisions while under the influence of narcotics. At the same time, the plane is running out of fuel—but only part of the crew understands this so far, and most of the passengers and the other part of the crew are not yet aware of what is happening. Further developments will depend on whether the informed part of the crew manages to keep the captain from making more dangerous turns and whether that part of the crew is then able to land the plane.

These kinds of metaphorical comparisons do not provide a basis for quantitative estimates, but it seems to me that the macroeconomic forecasts mentioned at the beginning of this commentary are overly optimistic and that economic dynamics in Russia in 2022 will be close to what we saw in 1992–1993. The social and political consequences of such a scenario should be the subject of a separate discussion.

## Excusing the Massacre: Russian Officials and State-Run Media on Bucha

By Daria Zakharova (Research Centre for East European Studies at the University of Bremen)

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### Abstract

On April 2 a series of immensely graphic images from Bucha, a suburb of the Ukrainian capital, were distributed by the leading international mass media. As details emerged, it became clear that Russian forces had massacred civilians in Bucha. Russian officials and state-run media have, however, been expressing an alternative view, using a “firehose of falsehood” to mislead domestic audiences and sow doubt about the cause of the massacre. Russian propaganda techniques employed in relation to Bucha include blaming the Ukrainian side, demonizing the Ukrainian government as “Nazis,” alluding to conspiracies that “the West makes up against Russia,” and pretending that “we were not there.”

### Introduction

On April 2 a series of immensely graphic images from Bucha, a suburb of the Ukrainian capital, were distributed by the leading international mass media. The images showed local civilians, some of them with their hands tied behind their backs, shot or mutilated. Adviser to the Office of the President of Ukraine Mykhailo Podolyak, who was one of the first witnesses, claimed that these atrocities were committed by Russian troops. Following the Russian invasion of Ukraine, Bucha, like other Kyiv suburbs, had fallen under the control of the Russian forces, which subsequently retreated in early April due to high losses, the prevalence of Ukrainian troops in the Kyiv region, and a change in Russian military strategy.

As the story developed and more journalists, officials, observers, and international organizations arrived at the site, it became quite clear that Russian forces had massacred civilians in Bucha. The mayor of Bucha has estimated the number of victims at approximately 300 civilians, although the investigation is still ongoing. Human Rights Watch has characterized the events in Bucha—as well as in a range of other Russian-occupied Ukrainian areas, such as Chernihiv, Kharkiv, and Kyiv regions—as war crimes against civilians.

Although the precise number of victims is not yet clear, the world is quite unanimous in its interpretation of the events in Bucha. Unsurprisingly, Russian officials and state-run media have been expressing an alternative view.

### “The Provocation in Bucha Was Orchestrated”

Shortly after the shocking images of the Bucha massacre were published around the world, Russian officials and propaganda turned on “denial mode.” Commenting on the massacre, Kremlin press secretary Dmitry Peskov alluded to the event in Bucha as a “show.” “Any accusations against the Russian side, against the Russian mil-

itary, are not just groundless, but this is a well-directed show. Nothing else. Tragic show,” he stated in a briefing with journalists on April 5.

Russian media front man Vladimir Solovyov expressed the view that the events in Bucha had been orchestrated by British intelligence. In his popular YouTube show, “Solovyov-Live,” he stated that “Bucha was ‘chosen’ because in English it sounds like Butcher—that is, a good consonance. So it is clear who is behind this: British specialists.”

Other state-run media came up with “proof” that the events were orchestrated. Russian state-run Channel One, Russia 24, and 360-TV ran stories that questioned the videos of the corpses from Bucha and sought to paint them in a different light. “Those who were indicated as the corpses are alive. Here is a man lying on the road moving his hand, and in another frame in the side mirror you can see that the deceased came to life and sat down,” stated the latter’s news release.

In fact, the state-run media have been spreading the only video about which there is any question at all (since a raindrop on the camera operator’s lens could be interpreted as a “movement”). Other, higher-quality videos disproving this alleged “movement” have been published, but Russian propaganda has declined to cover them.

### “Ukrainian Soldiers Are to Blame”

Another narrative spread by a range of Russian political officials and pro-state media is that the massacre in Bucha took place after the retreat of the Russian soldiers. This statement, initially made by the Russian Defense Ministry, was quickly spread by the state-run media. According to the ministry, “during the time that this settlement was under the control of the Russian Armed Forces, not a single local resident suffered from any violent actions.” The ministry indicated that all Russian units completely left Bucha on March 30 and northward exits from the city were not blocked.

Russian Minister of Foreign Affairs Sergey Lavrov made the same claim. “What happened there is an outright provocation aimed at presenting Russia as guilty of crimes committed after the withdrawal of the Russian Armed Forces,” he stated in a conversation with UN Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator Martin Griffiths.

The state-run media unanimously propounded the same narrative: a long time passed between the Russian troops’ departure and news of the massacre, which proves that they had nothing to do with it. In its news coverage on April 6, Russian federal Channel One expressed precisely this view: “The West and Ukraine indiscriminately accuse our military, suppressing the fact that the footage appeared 4 days after the withdrawal of our troops.”

State-run TV channel Russia-24 came to the same conclusion. “The monstrous provocation in Bucha was done clumsily—Ukrainian propaganda revealed itself. It is enough to trace the chronology: according to their own sources, the Ukrainian army entered Bucha several days after the Russian retreat. No one discovered any corpses until then,” the news outlet claimed.

The chronology of Russian propaganda is also quite confusing, as it relies on Russian official sources, which announced that Russian troops would leave Bucha on March 30. However, it is clear from other public statements and news coverage that Ukrainian forces did not control Bucha until April 2.

Blaming Ukrainian soldiers for a diverse range of damage likely caused by Russian troops in Ukraine has been a key strategy of Russian propaganda. The latter, for instance, accused the Ukrainian army of shelling the maternity hospital in Mariupol, an act that is widely believed to have been carried out by Russian forces.

The Bucha massacre is no exception to this strategy. State-run Ren-TV claimed that Ukrainian soldiers had killed the citizens of Bucha. “Atrocities and crimes indeed happen in Ukraine, but these crimes are the work of Ukrainian Nazis. No one but Kiev needed a provocation in Bucha, because NATO countries have so far been very reluctant to talk about military assistance,” its news release of April 5 stated.

State-run 360-TV sought to further substantiate this narrative. “The corpses in Bucha have white bandages on their hands. This was a certain identification sign meaning ‘I am loyal—do not shoot’ during the presence of Russian troops. For the Ukrainian military, for its part, this sign means ‘the enemy.’ So it is possible that in this way the Ukrainian military cleansed the city of unwanted people,” news coverage from April 4 argued.

State-run Channel One not only included the term “Ukrainian Nazis” in its coverage, but also saw an American hand in the Bucha massacre. “It is quite obvious

that the situation in Bucha was inspired and organized by the United States, and the representatives of Ukraine were only playing the role of actors. The United States and Brussels seized authority in Ukraine and brought the Nazis to power, so there will be more ‘Buchas’ coming,” the channel’s April 5 coverage stated.

These narratives have been disproved by clear evidence that the massacre occurred while Russian troops were in Bucha. For instance, satellite pictures show that multiple corpses had been lying on the streets of Bucha since March 11—when the city was under Russian occupation.

### Western Conspiracy against Russia

Another approach prevalent among Russian officials and state-run media was to accuse the West of making up the Bucha massacre in order to discredit the Russian side.

At a press conference in Moscow, Russian Ministry of Foreign Affairs spokeswoman Maria Zakharova openly criticized Western media for spreading “fakes” about Bucha. “By spreading fakes and blocking the truth, an alternative point of view, the materials of investigators and direct reports, they are accomplices in this terrible tragedy, which was the result of the Kiev regime. Yes, I accuse the Western media—and, above all, the American media—not just of spreading fakes and disinformation, but of complicity in a crime in Bucha. Your newspapers, your television, your columnists are complicit in this punitive action,” she stated on April 6. Zakharova also claimed that Bucha is full of Western intelligence and called for this to be investigated.

At a UN Security Council meeting on April 7, Russian Permanent Representative to the UN Vasily Nebenzya claimed that “Ukraine was and is just a pawn for the West in a geopolitical game against Russia, which they will easily sacrifice.”

Russian state-run television echoed these accusations in their coverage. “The staged video from Bucha was used by the West to blame our military for the deaths of civilians,” alleged Channel One.

Russian federal channel Zvezda, which belongs to the Ministry of Defense, conducted an investigation that came to the conclusion that the Bucha Massacre had been “staged” for the Western audience. “Those who know English clearly appreciated the strategy of Zelensky’s bloody PR people. In English, Bucha is consonant with Butcher. The staging in Bucha was played out specifically for the Western audience. Russia, on the other hand, is accustomed to false accusations, and the world knows that such disinformation won’t break us and we won’t shed a tear. Therefore, the bloody misen-scene was originally intended for the European layman, intimidated by the increased gasoline and food prices,” the reportage claimed.

## Conclusion

The general narrative of Russian propaganda remains unchanged: blaming the Ukrainian side, demonizing the Ukrainian government as “Nazis,” alluding to conspiracies that “the West makes up against Russia,” and attempting to prove that “we were not there.” The latter is a classic maneuver Russia makes to deny involvement in the most heinous crimes it is believed to have committed. The MH17 airplane catastrophe, the poisonings of Sergey Skripal and Alexey Navalny, the Russian invasion of Ukraine in 2014, and many other serious international crimes have been met with “we were not there” rhetoric on the part of Russian officials and propaganda.

That being said, Russian propaganda has commented a lot more on the Bucha massacre than on other aspects

of the war in Ukraine (for instance, rapes and lootings allegedly committed by Russian soldiers), domestic discussion of which has mostly been silenced. Its coverage of Bucha can best be characterized as a “firehose of falsehood.” This approach includes the creation of multiple narratives spread rapidly and massively in order to mislead the audience. At the same time, this kind of propaganda creates an illusion for the Russian audience that there is “another side of the coin” and a proliferation of alternative views of the Bucha massacre. Although between 74 and 81% of Russian citizens support the Russian invasion of Ukraine, it is obvious that their vision of these events—as well as of the Bucha massacre—is different from the reality.

### About the Author

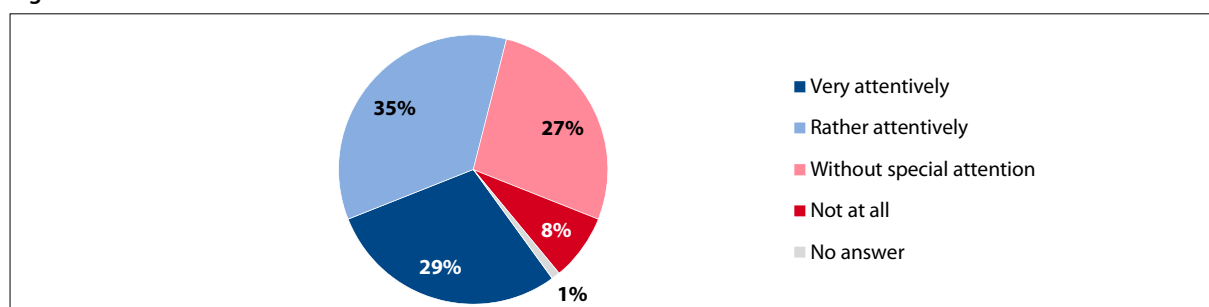
*Daria Zakharova* is a German Chancellor Fellow at the Alexander von Humboldt Foundation in the field of media research. She is based at the Research Centre for East European Studies at the University of Bremen (Forschungsstelle Osteuropa an der Universität Bremen), Germany. Daria holds a Bachelor’s degree in Journalism and completed her Master’s degree in Public Policy at the Willy Brandt School of Public Policy (Germany).

## OPINION POLL

### Russian Public Opinion on the Ukraine War, Sanctions and Support for the Political Leadership

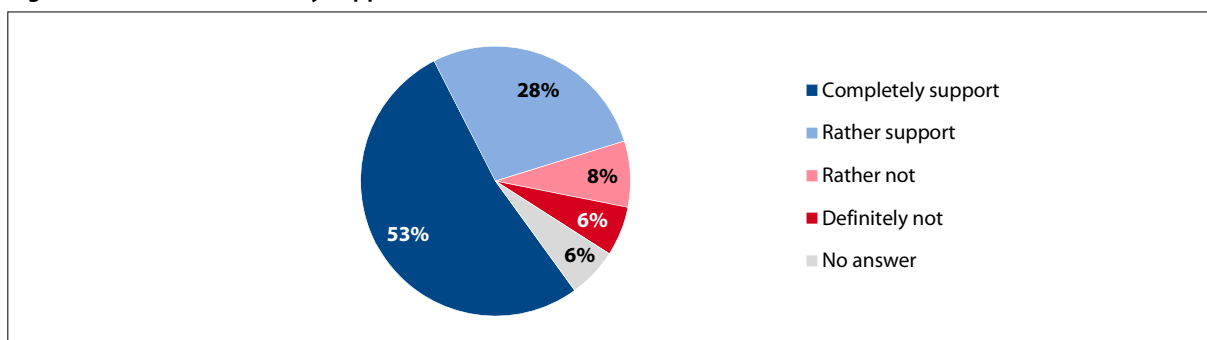
The opinion poll documented below was conducted by the Levada-Center as a representative survey of the Russian population from 24 to 30 March 2022 (N=1632). The Levada-Center is an independent polling institute which falls under the “foreign agent”-law in Russia and is considered to be a reliable pollster. However, in a poll by the Center itself, conducted already in 2016, only a third of respondents stated that they would answer honestly to questions about politics in public opinion surveys. Even a reliable pollster can, thus, only report the answers given, i.e. the polls indicate what people are willing to say in public and not necessarily what they really believe. Moreover, the participation rate (minimum response rate) on the poll documented below amounted to just 30%. For a critical discussion of these issues see the contribution by Kseniya Kizilova and Pippa Norris in the *Russian Analytical Digest* No. 281.

Figure 1: Do You Follow Events in Ukraine?



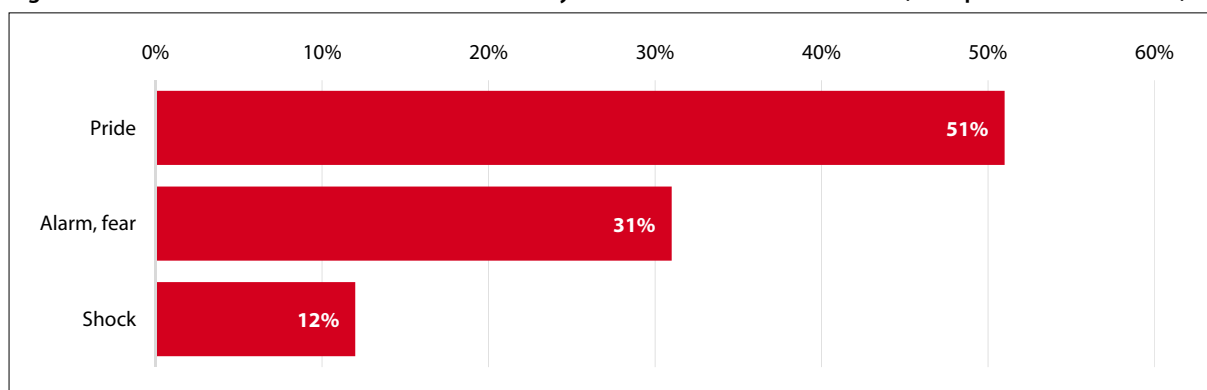
Source: Levada-Center, representative poll of the Russian population (N=1632) from 24 to 30 March 2022, available online at <https://www.levada.ru/2022/03/31/konflikt-s-ukrainoj/>

**Figure 2: Do You Personally Support the Actions of the Russian Armed Forces in Ukraine?**



Source: Levada-Center, representative poll of the Russian population (N=1632) from 24 to 30 March 2022, available online at <https://www.levada.ru/2022/03/31/konflikt-s-ukrainoj/>

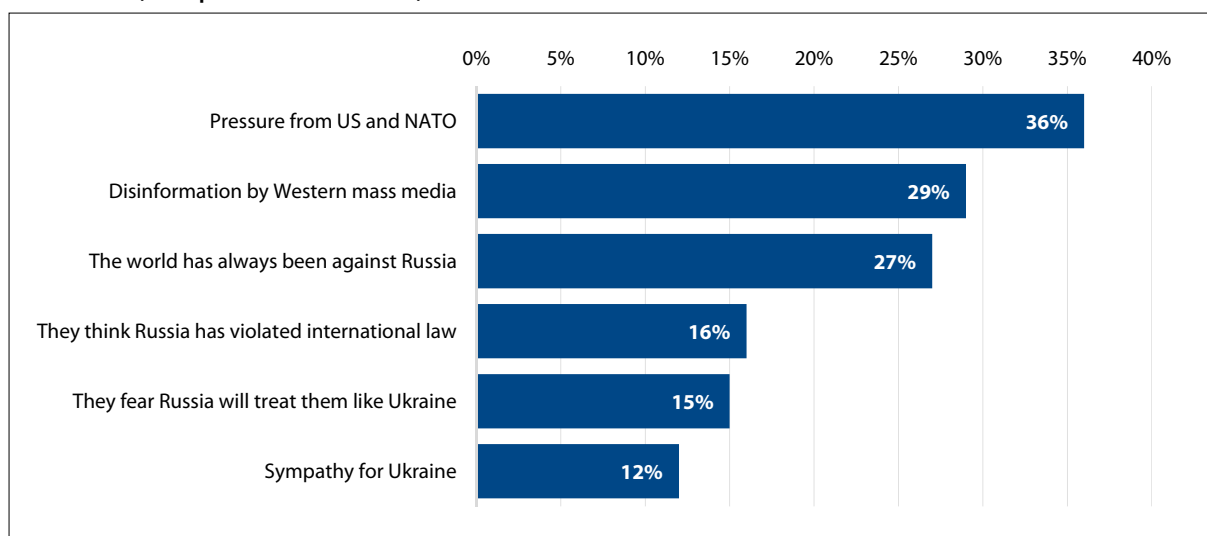
**Figure 3: Which Emotions Does the Russian Military Action in Ukraine Evoke in You? (Multiple Answers Possible)**



Note: only answers given by more than 10% of respondents.

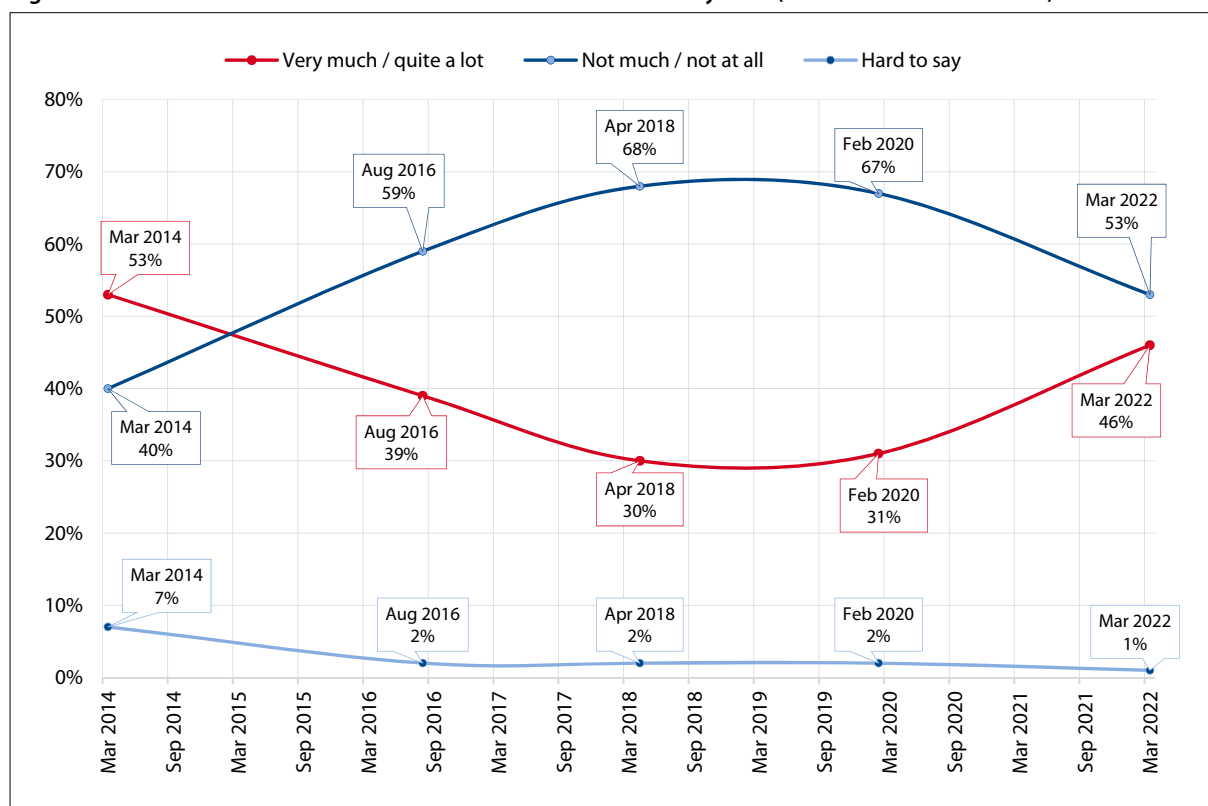
Source: Levada-Center, representative poll of the Russian population (N=1632) from 24 to 30 March 2022, available online at <https://www.levada.ru/2022/03/31/konflikt-s-ukrainoj/>

**Figure 4: What Do You Think: Why Did a Considerable Number of Countries Condemn Russia in Relation to Ukraine? (Multiple Answers Possible)**



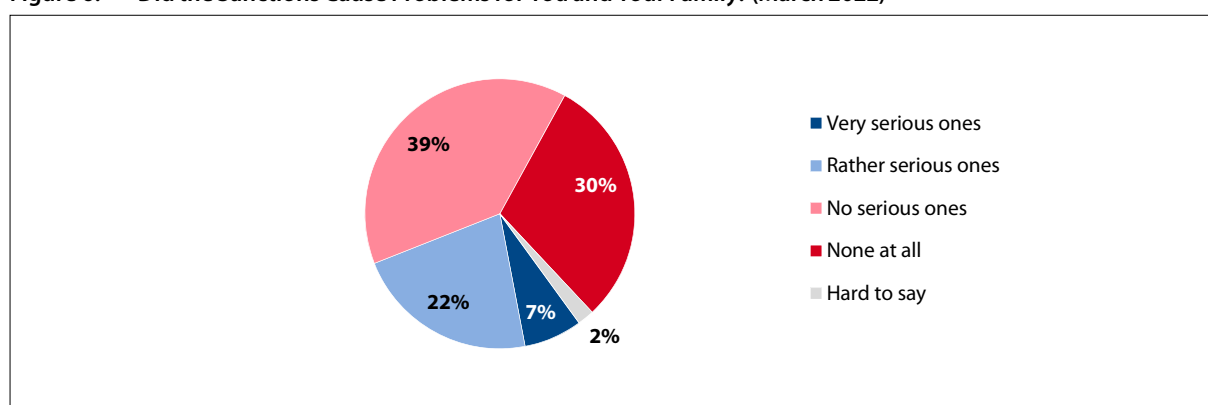
Source: Levada-Center, representative poll of the Russian population (N=1632) from 24 to 30 March 2022, available online at <https://www.levada.ru/2022/03/31/konflikt-s-ukrainoj/>

**Figure 5: Do the Western Political and Economic Sanctions Worry You? (March 2014 – March 2022)**



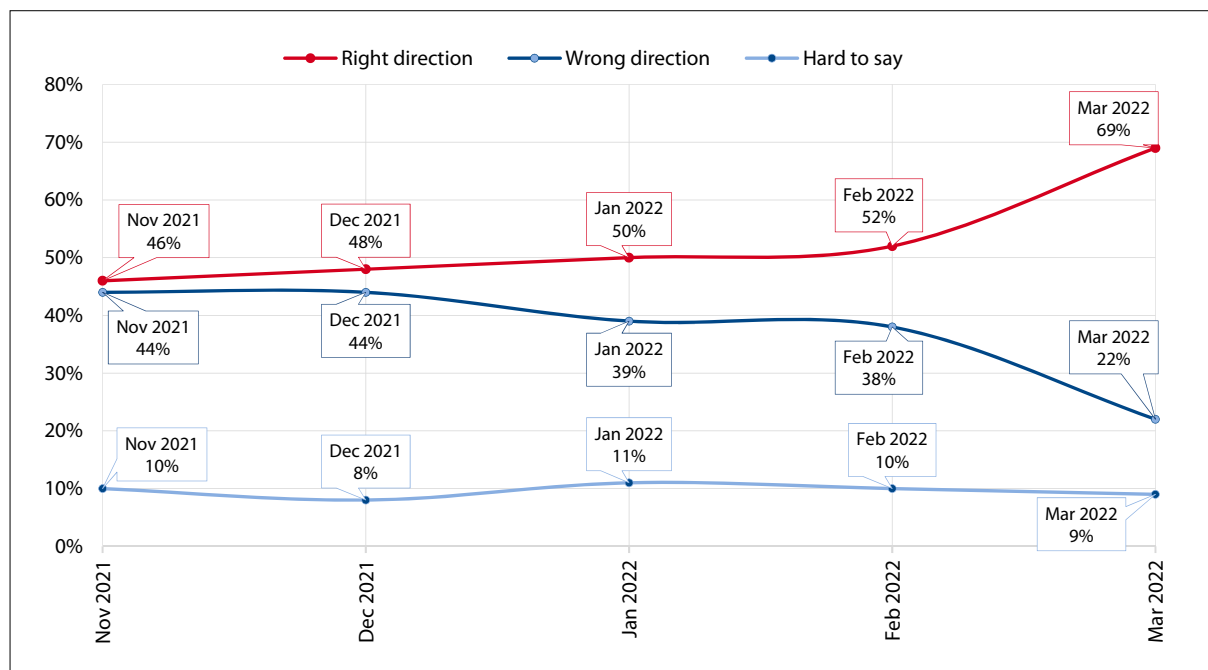
Source: Levada-Center, representative poll of the Russian population (N=1632) from 24 to 30 March 2022, available online at <https://www.levada.ru/2022/03/31/konflikt-s-ukrainoj/>

**Figure 6: Did the Sanctions Cause Problems for You and Your Family? (March 2022)**



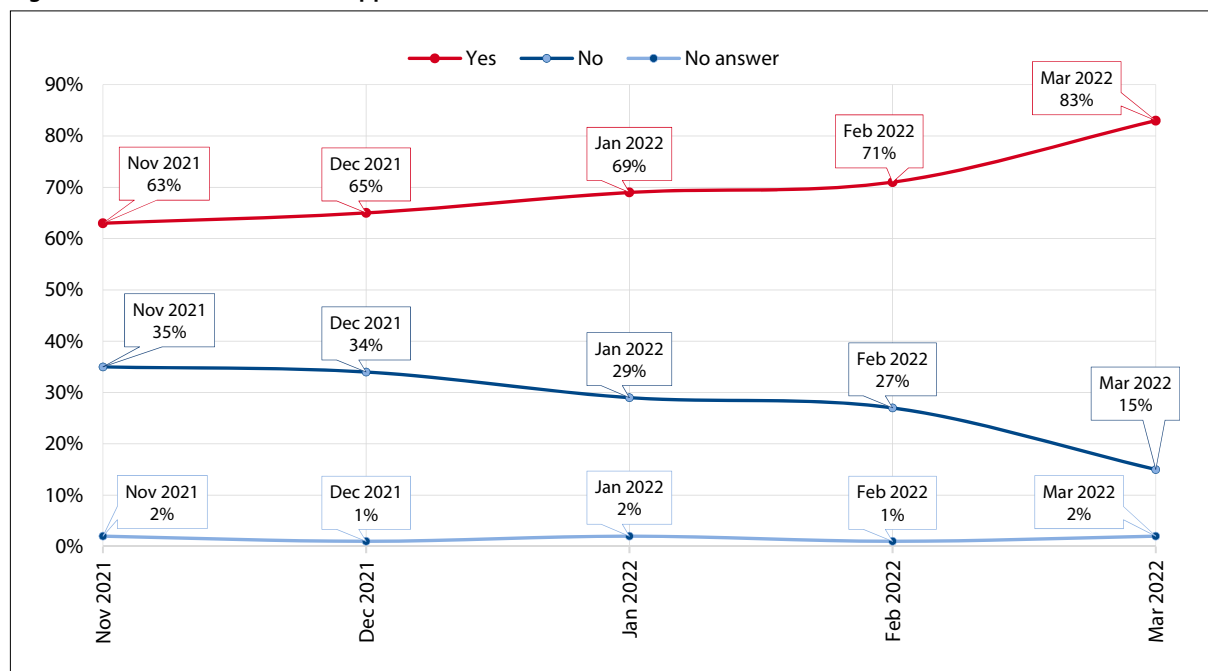
Source: Levada-Center, representative poll of the Russian population (N=1632) from 24 to 30 March 2022, available online at <https://www.levada.ru/2022/03/31/konflikt-s-ukrainoj/>

**Figure 7: Is the Country Currently in General Moving in the Right Direction or the Wrong Direction? (November 2021 – March 2022)**



Source: Levada-Center, representative poll of the Russian population (N=1632) from 24 to 30 March 2022, available online at <https://www.levada.ru/2022/03/31/konflikt-s-ukrainoj/>

**Figure 8: In General, Do You Support the Actions of Vladimir Putin as President? (November 2021 – March 2022)**



Source: Levada-Center, representative poll of the Russian population (N=1632) from 24 to 30 March 2022, available online at <https://www.levada.ru/2022/03/31/konflikt-s-ukrainoj/>



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