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Is Russia Still Isolated?

By Chris Cheang

Synopsis

It has been widely written that Russia has been internationally isolated since the 2014 Crimean and Ukraine crises as well as a host of other critical events that triggered Western economic and political sanctions. However, this assertion can increasingly be called into question.

Commentary

THE CURRENT 2018 World Cup hosted by Russia is definitely an image-booster for Moscow and challenges the notion of an internationally-isolated Russia. There must not be any doubt that President Vladimir Putin's standing with his people has strengthened as a consequence.

Since the 2014 Crimean and Ukraine crises, a series of critical events has followed that led to tough Western economic and political sanctions. These events range from Russia's military and political support of President Bashar al-Assad in the Syrian civil war to perceptions of interference in the US presidential elections as well recent allegations of Russian involvement in the Skripal affair. A closer analysis will cast some doubt that Russia has indeed been effectively isolated. There are a few reasons for this.

Isolation on Paper

First, if one broadly defines the international community as literally all independent countries in the world, then obviously Russia has not been isolated. The BRICS (Brazil, Russia, India, China and South Africa), Latin America and Africa, the Middle East as well as ASEAN, have not been part of the Western effort to isolate Russia; even Israel and South Korea, effectively members of the Western world in politico-economic and strategic terms, have not joined in the sanctions effort.

Japan, another close ally of the United States, has imposed limited sanctions. While they have their own reasons for their stances, not fully being part of the Western sanctions efforts calls into question the solidarity and cohesion of the Western world vis-à-vis Russia.

Second, it is plain to see that the attendance of leading Western leaders like French President Emmanuel Macron and Japanese Prime Minister Shinzo Abe at the annual St Petersburg International Economic Forum in May 2018; Putin's meeting with German Chancellor Angela Merkel in the Russian resort of Sochi in the same month; as well as his visit to Austria and meeting with Austrian Chancellor, Sebastian Kurz in early June; all clearly point to Russia's "isolation" being very qualified, not to mention the probability that they are indicators of a weakening Western resolve.

Third, the European Union as a whole, a leading member of the West, remains an important economic partner of Russia. Indeed, according to a Wall Street Journal article dated 12 April 2018 by Andrea Thomas, trade surged between Russia and its main Western antagonists even as relations have deteriorated, "raising questions about the long-term impact of economic sanctions on Moscow".

Reversal in Trend?

The US and Europe's largest nations, including France and Germany, saw exports to and imports from Russia skyrocket in 2017 after three years of decline. Both now stand at their highest levels since 2014, the year Russia invaded Ukraine and annexed Crimea, prompting the US and its European allies to impose curbs, the article argued.

The article also noted that as Russia emerged from recession to post 1.6% growth in gross domestic product last year, total trade between the EU and Russia rose 17.9% from 2016, to US\$285.8 billion. The US saw its trade with Russia rise by 12.5% that year. It added that France, Germany and Italy registered the sharpest increases in trade with Russia last year at 26.5%, 19.5% and 17.3%, respectively.

Apart from trade, investment from some European countries has also risen sharply, the article added. It was noted that German direct investment in Russia rose to \$1.08 billion in the first three quarters of 2017 from \$274 million in 2016, quoting Bank of Russia statistics. France's investments in Russia rose to \$524 million during the same period from \$438 million.

Russian gas is still crucial to the EU's economic well-being. Speaking before the European Gas Conference in Vienna in January 2018, the Chairman of Gazprom, Russia's state-owned energy company, Viktor Zubov, said that the firm's share of the EU gas market where it generates the majority of its revenue, increased to a record high of more than 35%, from about 33% in 2016, Reuters reported on 30 January 2018.

According to a Financial Times article published on 17 May 2018, Gazprom's exports to Europe have soared over the past few years to a record 194.4 cubic metres last year, accounting for close to 40% of the continent's gas supply.

Finally, unlike the now-defunct USSR, Russia is an integrated member of the globalised economy and Western efforts to isolate it can go only so far.

Russia's Quandary

Although Russia can claim with merit that its "isolation" is limited, it remains very concerned about its continuation. Economically, its trade relationship with the EU while still strong, would remain unstable and uncertain. Hence, President Putin unsurprisingly has been calling for the lifting of sanctions, the latest being in Vienna during his early June visit.

Politically, President Putin would like to see Russia readmitted into the G-7 as it would confer him the legitimacy and respect of Western leaders. Strategically, a normalisation of relations with the West would reduce Russia's current "dependence" on China and the rest of the non-Western world to compensate for the weakness of its links with the West.

Russia's political and business leaders remain Euro-centric/Western-centric and are neither comfortable nor at ease with their current position in the world vis-à-vis the West. It is, after all, a European country albeit with wide-ranging global interests.

President Putin might therefore act boldly and unexpectedly and could execute a volte-face in Russia's relations with the West, at a time of his choosing and when one least expects it. The planned summit between him and President Donald Trump might provide a platform to do so.

Southeast Asia's Role

Southeast Asia will remain largely peripheral to Russia's interests, unlike Northeast Asia where China, the Koreas and Japan play crucial roles in Russia's security, strategic, political and economic interests. In that respect, Southeast Asia can regard itself to be fortunate for it need not be pressured one way or another.

On the other hand, not being part of the Western sanctions effort means that the region can maintain and strengthen its politico-economic relations with Russia, provided they do not come into conflict with Western sanctions.

Judging by the current relatively low levels of Russia-Southeast Asia economic interaction, there is certainly much room for improvement: latest figures indeed show that ASEAN-Russia trade totalled \$13.3 billion while Russian investments amounted to only \$56 million.

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