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Russia

Russian Imperialism and Its Monopolies

- Features -

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While such Sino-Stalinophile supporters of the Xi regime would not dare to characterize Putin's Russia in such rosy terms, they still claim that it is not an imperialist power (and hence, it supposedly is a lesser evil than Western rivals). This is a discussion not just of theoretical interest but also of political importance, as the shooting incident in the Black Sea between a British naval destroyer and Russian forces, in June of last year, demonstrated.

In order to justify such claims, advocates of this viewpoint often refer to the relative weakness of Russia's economy compared with the United States or Western Europe. In the following article, I will not deal with all aspects of Russian imperialism but will focus on some features of its economy. [4] For this purpose, I summarize the findings of a comprehensive study that I published recently. [5]

What Makes an Imperialist Power Imperialist?

From the point of view of the Marxist theory of imperialism, it is wrong to reduce the analysis of an imperialist state to the volume of its capital exports. Certainly this is an important criterion but far from the only one. Historically, some imperialist states have had a strong economy as well as a powerful military, while other, more backward, powers were characterized by Marxists as imperialist despite having a relatively small amount of capital exports or no net capital exports at all. Examples of this are Russia before 1917, Italy, Austria-Hungary, and Japan. [6]

Marxist theoreticians such as Lenin were fully aware of the economic weakness of Tsarist Russia. But they approached the question of imperialism not in a mechanistic and economistic way, but rather in a dialectical method. Thus, Lenin wrote in 1916,

> The last third of the nineteenth century saw the transition to the new, imperialist era. Finance capital not of one, but of several, though very few, Great Powers enjoys a monopoly. (In Japan and Russia the monopoly of military power, vast territories, or special facilities for robbing minority nationalities, China, etc., partly supplements, partly takes the place of, the monopoly of modern, up-to-date finance capital.) [7]

The classic Marxist theory of imperialism was never limited to the question of capital exports or to the economic field in general. The imperialist character of a given state is based not on a single criterion (like the volume of capital exports) but rather on the totality of its economic, political, and military features. Hence, a scientific definition of an imperialist state would be "a capitalist state whose monopolies and state apparatus have a position in the world order where they first and foremost dominate other states and nations. As a result, they gain surplus-profits and other economic, political, and/or military advantages from such a relationship based on super-exploitation and oppression."

Domestic Monopolies Dominate Russia's Market

In contrast to Germany or Japan, Russia is a superpower in the military but not in the economic field. It is the second-largest military power—only behind the United States. Its total inventory of nuclear warheads is 6,255 (the United States has 5,550), and its share of global arms exports is 20 percent (only behind the United States, which has 37 percent). [8]

However, in terms of monopolies and capital export, Russia does not have a similarly strong position. According to the latest edition of the Forbes Global 2000 list, Germany has six corporations among the top 100; France, four; Britain, three; and Russia, two. [9] Other lists rank Russia even lower.

Nevertheless, Russia's imperialist character can be derived not only from its military but also from its economic features. The starting point of the Marxist analysis of imperialism is the domination by monopolies. Various pro-Russian leftists characterize this state as "dependent" or "peripheral" and suggest that Russia is dominated by or is dependent on foreign monopolies (corporations, banks, and so on). This, however, is false. Russia's economy is primarily dominated by Russian monopoly capital. A recently published academic book about Russia's economy arrives at the conclusion that "the proportion of investment in Russian, foreign, and joint venture companies kept the same for the past five years: 86.3%, 7.3%, and 6.4%, respectively." [10]

This is also the case in the banking sector. In fact, the share of foreign capital in Russia's banking sector has declined in the past decade, according to another book published recently:

In October 2018, 150 foreign banks operated in Russia, including 63 foreign-controlled banks with 100% foreign share; 17 foreign-controlled banks with foreign shares of 51-99%; and 70 foreign banks with capital participation of less than 50%. The number of foreign banks has steadily declined from 2014 to 2018, suggesting that foreign investors may be reconsidering their investment plans in Russia. Foreign-controlled banks with foreign shares of 51–99% and foreign banks with capital participation of less than 50% decreased by 63% and 54%, respectively. The foreign banks' share in the total charter capital of the Russian banking sector declined from 23% in 2014 to 13.44% in October 2018. It should be noted that about 11% of foreign banks are significantly controlled by Russian residents. [11]

In addition, Russia has no significant debts to foreign imperialist institutions (in contrast to many semi-colonial countries). Its public debt was only 18 percent of gross domestic product (GDP) at the end of 2020. It has steady current-account surpluses, and its international currency reserves were $596 billion at the end of 2020 (making it the state with the fifth-largest foreign exchange reserve in the world). [12]

It is worth pointing out that Russia's capitalism differs from the Western "model" insofar as the state occupies a crucial position. A considerable number of its monopolies represent a mixture of state-owned and private shares; hence state-capitalism is an essential feature of Russia's economy. (By the way, the same is true to an even larger degree for China.) According to a recent International Monetary Fund (IMF) study, the share of the Russian state in the economy (calculated as GDP) in 2016 was in a range of 30-35 percent. The report continues, "Correcting for the size of the informal sector in value added and employment pushes the Russian state's share significantly up, to almost 40 percent of formal-sector activity, and shy of 50 percent of formal-sector employment." [13]

Russia's Capital Export and the Problem of "Round-Tripping"

Russia's volume of foreign direct investment (FDI) is significant, albeit there exist various problems with official statistics. Let us start the list of the top 15 countries that receive Russian FDI compared to the nations from which

FDI in Russia originates. In Table 1, we see the stock of accumulated capital for each of the top 15 countries in each category for the years 2013 and 2018.

[https://internationalviewpoint.org/IMG/jpg/t1.jpg]

As the reader will recognize, this list includes a number of destinations that are well-known as offshore tax havens: Cyprus, the British Virgin Islands, Bahamas, Bermuda, Jersey, and so on. Likewise, the Netherlands is also a tax haven highly appreciated by oligarchs. However, this does not necessarily mean that Russian FDI to such destinations is simply capital flight. As the table shows, there is also a large volume of FDI originating from the very same tax havens. Economists call this “round-tripping.” Russian capitalists “invest” in foreign offshore destinations and, in turn, invest from these destinations in Russia. Hence, round-tripping leads to Russian FDI being overestimated in both directions. A major reason for Russian multinationals to “invest” in such offshore destinations is to minimize taxes. [14] Furthermore, Russian monopolies also use such offshore destination for foreign investments in third countries. As a result, a sizeable proportion of “foreign investment” in Russia is in fact Russian investment (“coming home” under more favorable tax conditions). Furthermore, Russian corporations also undertake foreign investments in other countries from such offshore centers. [15] Obviously, such complications make an estimation of real Russian foreign investment and foreign investment in Russia difficult. Kari Liuhto, a Finnish university professor who has studied this problem in detail, arrives at the conclusion “that one could probably reduce Russia’s official IFDI stock by 40–50 percent, to discover the true size of Russia’s IFDI stock.” [16]

The Putin regime tries to reduce the amount of round-tripping capital in order to raise the state’s tax income. While round-tripping still exists, it seems to have been reduced. [17]

The vast amount of Russia’s round-tripping foreign investment often has been cited as an example of the weakness of Russia’s capital and as proof of its non-imperialist character. But, as I have explained in other works, Russia is not the only country whose capital is flocking to financial offshore centers. New research strongly confirms this assessment. One study cites a special report on offshore finance by The Economist to say that “the world has 50–60 tax havens, which serve as domicile for more than 2m paper companies, along with thousands of banks, funds, and insurers. The report estimates that over 30% of global foreign direct investment is booked through havens.” [18] Another more recently published study estimates that the share of such “Phantom FDIs” has increased to 40 percent of all global FDI! [19] Such “Phantom FDIs” are a feature not only of weak economies of the “Third World” but also of the imperialist states where most of capital has its home. [20]

Russia’s Multinational Corporations

Let us now deal with Russia’s leading monopolies that are investing abroad. Table 2 provides a list published by the UN Conference on Trade and Development that shows the 15 largest Russian nonfinancial monopolies ranked by their foreign assets.

[https://internationalviewpoint.org/IMG/jpg/t2.jpg]

There are several noteworthy facts deriving from this table. First, we see that state-owned corporations play a prominent role, but private monopolies dominate the list (9 out of 15). Second, the oil and gas sector and the metal industry play a leading role in Russia’s investments abroad. However, Russia’s monopolies play a role in a wide range of business sectors, such as machine building, electricity generation, chemicals, foodstuffs, telecommunications, information technology, transportation, banking, and media. [21]

Super-Exploitation by Russian Monopolies

Like other imperialist monopolies, Russian capital is investing both in imperialist states and in semi-colonial countries. For reasons mentioned above ("round-tripping"), there are some difficulties in getting an accurate picture of the destinations of Russia's capital export.

The Institute of World Economy and International Relations (IMEMO)—one of Russia's most prestigious think tanks—has tried to identify the major destinations of Russian capital export. It arrived at the following conclusion concerning foreign investment in Eurasian countries outside the semi-colonial Commonwealth of Independent States (CIS). "[A]t the end of 2016, the main destinations in non-CIS Eurasia were Italy, Germany, Great Britain, Turkey, Switzerland, Iraq, and Bulgaria. This database shows minor Russian FDI stock in Cyprus. Likewise, real Russian FDI presence is much smaller in Luxembourg, Spain, Ireland, Latvia, and the Netherlands than officially registered." [22]

Russian monopolies also play an important role in the Eurasian countries, albeit more in some than in others. Two Russian economists provide the following assessment:

In 2014, Russian OFDI to the Eurasian Economic Union (EAEU [a Russia-dominated Eastern version of the European Union]) was close to $15.4 billion, which is equivalent to 4.0 percent of the total Russian OFDI. Both figures nearly doubled in two years (2012-14) after the creation of the Customs Union between Russia, Belarus, and Kazakhstan. This modest share could be twice as high, after the subtraction of FDI turnover from the total figures. … The role of Russian investments varies by country. For Belarus, Russia is the country of origin for 57 percent of FDI inward stock, while Cyprus and similar territories are responsible for less than 15 percent of that stock. For Armenia, Russian FDI [is] also significant (35 percent of the total inward stock). For Kazakhstan, the situation is opposite: Russia-originating FDI adds up to only 2.5 percent of total inward stock. However, the Netherlands' share is more than 40 percent. Many Russian companies are registered in the Netherlands, or arrange [to have affiliates there] to conduct business abroad. Due to this, revealing the initial origin of Dutch FDI to Kazakhstan could increase the share of Russian FDI several fold. Russian investments in Kyrgyzstan are minor, both in absolute and relative terms. [23]

Russian multinationals have an absolute dominant position in Uzbekistan: 55.6 percent of all foreign investment originates from Russia, with China being the second-largest investor (15 percent). [24]

Imperialist Super-Exploitation via Migration

Finally, when we talk about Russia's super-exploitation of the semi-colonial countries in Eurasia, it is crucial to point also to the role of migration. As I have elaborated in other works, migration is one of several major forms of imperialist super-exploitation of colonial and semi-colonial countries, as it provides substantial value transfer from the oppressed to the oppressor country [25]

Imperialist Russia is one of those countries that enormously gains from super-exploitation of migrants. By June 2019, there were officially 10.13 million foreign citizens in Russia. [26]." The vast majority of these legal migrants (8.59 million, or 85 percent) come from the semi-colonial CIS countries in Central Asia and Eastern Europe. (See Table 3)

[https://internationalviewpoint.org/IMG/jpg/t3.jpg]

Within an official Russian population of 146.7 million (2019), legal migrants constitute 6.9 percent. To this figure, one must add an unknown number of migrants living illegally in Russia. Estimates of the number of illegal migrants in Russia range from 1.5 million to 15 million. Several academics settle on the figure of 3-5 million illegal migrants. [27] If this figure is accurate, one can assume that about 13-15 million migrants are currently living in Russia (about 9-10 percent of the total population).

In addition to these legal and illegal migrants, one should add an unknown number of migrants from Russia's internal colonies. As an old empire, a sizeable minority of Russia's population (about 19 percent) are non-Russians. As I pointed out in my 2014 study, these minorities are nationally oppressed peoples who mostly live under worse economic and social conditions than the majority population. As a result, many of these oppressed minorities leave their native place and move to larger cities—in areas dominated by the Russian majority population—in the hope of finding a job there.

In Table 4, we can see that (legal) migrants constitute a sizeable proportion of employees in key sectors of Russia's economy.

[https://internationalviewpoint.org/IMG/jpg/t4.jpg]

Similar to other imperialist countries, migrants in Russia are super-exploited as a cheap labor force. A team of three Russian university professors calculates that "as a rule, the wage of migrants is approximately 70% of the wages of Russians." [28] They estimate the contribution of migrants to Russia's output: "Based on the fact that in 2016 the GDP amounted to 86,044 billion rubles, [an] additional 5,592.8 billion rubles were received due to the use of foreign labor, which is 6.5% of Russia's total GDP.“ [29] They also quote other experts who estimate the contribution of migrants as 7.56 percent of Russia's GDP.

Conclusions

Russia is an imperialist power. This is evident not only from its political and military features but also from its economy. It is neither dominated by foreign corporations nor financially dependent on foreign imperialist institutions. It is a relatively strong economy dominated by domestic monopolies, with a low level of foreign debt and large foreign exchange reserves. Russia's monopoly capitalists—the so-called "oligarchs"—are closely linked with the state apparatus, which plays a strong, regulating role.

Russia's capital export is dominated by these monopolies. Here too, the state-owned corporations play a significant role, although the majority of these monopolies are privately owned. Russia's foreign investments are directed to imperialist as well as to semi-colonial countries. Naturally, Russia plays a stronger role in semi-colonial countries that were part of the USSR. Today, several of these states are members of the EAEU.

Having established the imperialist character of Russia, it is in my view impermissible for socialists to side with such a state in a conflict with great power rivals. Supporting Russia in any conflict with Western European states, the United States, or Japan is tantamount to social-imperialism, that is, serving one or several imperialist powers masked by socialist phrases. In contrast, socialists need a strategy of opposing the great powers of the East as well as those of the West.

Source: New Politics

[1] See on this Michael Pröbsting, "Great Power Rivalry in the Early Twenty-first Century," New Politics (No. 67, Summer 2019). See also Michael Pröbsting, Anti-Imperialism in the Age of Great Power Rivalry. The Factors Behind the Accelerating Rivalry Between the U.S., China, Russia, EU and Japan (RCIT Books, 2019); this book can be read online or downloaded for free here.

[2] See the special issue of Monthly Review: "New Cold War on China" (July-August 2021). For a critique of such an approach, see Michael Pröbsting,, Servants of Two Masters. Stalinism and the New Cold War Between Imperialist Great Powers in East and West, July 2021.

[3] For a Marxist analysis of China's capitalism and its rise as an imperialist power, see Michael Pröbsting, "China's Emergence as an Imperialist Power," New Politics (No. 57, Summer 2014). See also an essay by Michael Pröbsting in the second edition of The Palgrave Encyclopedia of Imperialism and Anti-Imperialism, Immanuel Ness and Zak Cope, eds. (Palgrave Macmillan, 2020); other works on this issue can be accessed on this sub-page.

[4] See on this several pamphlets by Michael Pröbsting: Russia and China: Neither Capitalist nor Great Powers? November 2018; The Catastrophic Failure of the Theory of "Catastrophism," May 2018; Lenin's Theory of Imperialism and the Rise of Russia as a Great Power, August 2014; Russia as a Great Imperialist Power. The Formation of Russian Monopoly Capital and Its Empire, March 2014.

[5] Michael Pröbsting, The Peculiar Features of Russian Imperialism. A Study of Russia's Monopolies, Capital Export and Super-Exploitation in the Light of Marxist Theory, August 2021.

[6] I elaborated these historical examples in Michael Pröbsting, Anti-Imperialism in the Age of Great Power Rivalry, 94-102.

[7] V. I. Lenin, "Imperialism and the Split in Socialism" (1916), in Lenin Collected Works, Vol. 23, 116.

[8] See on this Stockholm International Peace Research Institute, "Armaments, Disarmament, and International Security, Summary," in SIPRI Yearbook 2021, 15-17.

[9] Andrea Murphy, Eliza Haverstock, Antoine Gara, Chris Helman, and Nathan Vardi, "How the World's Biggest Public Companies Endured the Pandemic," Forbes, May 13, 2021.

[10] Veronika Chernova, Sergey U. Chernikov, Alexander Zobov, and Ekaterina Degtereva, "TNCs in Russia: Challenges and Opportunities," in Bruno S. Sergi, ed., Exploring the Future of Russia's Economy and Markets: Towards Sustainable Economic Development (Bingley, UK: Emerald Publishing, 2019), 188.

[11] Victor Gorshkov, "Fundamentals and Recent Trends in Russian Banking," in Steven Rosefielde (d), Putin's Russia: Economy, Defence and Foreign Policy (Singapore: World Scientific Publishing, 2021), 81.

[12] Anders Åslund and Maria Snegovaya, "The Impact of Western Sanctions on Russia and How They Can Be Made Even More Effective," The Atlantic Council, May 2021, 10, 18; see also Anders Åslund, "The Russian Economy in Health, Oil, and Economic Crisis," May 27, 2020.

[13] Gabriel Di Bella, Oksana Dynnikova, Slavi Slavov, "The Russian State's Size and Its Footprint: Have They Increased?" IMF Working Paper WP/19/53, March 2, 2019, 13; see also Congressional Research Service, Russia: Domestic Politics and Economy, Sept. 9, 2020, 29-30; Alexander Abramov, Alexander Radygin, Maria Chernova, "State-Owned Enterprises in the Russian Market: Ownership Structure and Their Role in the Economy," Russian Journal of Economics (No. 3, 2017), 1–23.

[14] Weiner, 184-85.

[15] Maria Kotova, Russia's 2021 Trade and Investment Turn to Asia (St. Petersburg, Russia: Dezan Shira & Associates, 2021).

[16] Kari Liuhto, "Does Ownership Matter in an OFDI Decision of a Russian Firm? The Case of Russia's Ten Largest Investors Abroad," in Kari Liuhto, Sergei Sutyrin, and Jean-Marc F. Blanchard, eds., The Russian Economy and Foreign Direct Investment (Routledge, 2017), 248-49.

[17] World Bank, “Russia’s Economy Loses Momentum Amidst COVID-19 Resurgence; Awaits Relief from Vaccine,” Russia Economic Report #42, Dec. 2019, 27; see also Maria Kotova.

[18] Daniel Haberly and Dariusz Wójcik, “Tax Havens and the Production of Offshore FDI: an Empirical Analysis,” Journal of Economic Geography (No. 15, 2015), 75.

[19] Kasper Brandt, Illicit Financial Flows and the Global South. A Review of Methods and Evidence (WIDER Working Paper 2020/169, Dec. 2020), 10.

[20] Haberly and Wójcik, 78.

[21] Kari T. Liuhto and Saara S. Majuri, “Outward Foreign Direct Investment from Russia: A Literature Review,” Journal of East-West Business (No. 20, 2014), 201.

[22] Weiner, 161.

[23] Elena Efimova and Vladimir Sherov-Ignatev, Russian Foreign Direct Investments in the Eurasian Economic Union (London: Taylor and Francis, 2016), 160-161.

[24] Efimova and Sherov-Ignatev, 19, 22.

[25] .For my theoretical analysis of the different forms of imperialist super-exploitation, see Chapter VI in Michael Pröbsting, The Great Robbery of the South. Continuity and Changes in the Super-Exploitation of the Semi-Colonial World by Monopoly Capital. Consequences for the Marxist Theory of Imperialism (Vienna: RCIT Books, 2013).

[26] Wikipedia, “Immigration to Russia.

[27] Yelena B. Yakovleva, Nataliya P. Kuznetsova, and Oleg A. Drozdov, “External Labor Migration in the Context of Marketing Research Evidence from Russia,” Innovative Marketing (15(1), 2019), 35.

[28] Yakovleva, Kuznetsova, and Drozdov, 33.

[29] Yakovleva, Kuznetsova, and Drozdov, 35.

