



Russia's Rise

Description

The West's sweeping sanctions on Russia following its invasion of Ukraine are shaping up to be the West's most monumental miscalculation in modern history. The sanctions have not brought the Russian economy to its knees, as was widely predicted. Instead, it's the Western economies that are reeling, their economic growth all but stopped. Many of them are simultaneously suffering from both high inflation and energy shortages.

Russia, meanwhile, is not only surviving but thriving, acquiring more potency and prestige throughout Asia, Africa and South America than at any time since the collapse of the Soviet Union.

According to the IMF, the Russian economy will grow faster than Germany's or the UK's this year. Next year, it will also grow faster than those of the U.S., Japan, Italy, and much of the rest of the West, its growth in GDP per capita will exceed that of the advanced economies as a whole, and it will achieve the lowest debt-to-GDP ratio among the G20 nations. Russia's unemployment rate of 3.5% is the lowest since the Soviet Union fell. Russia's economic performance — S&P Global recently confirmed its bullish private sector business confidence — is all the more remarkable since Russia is simultaneously fighting an expensive proxy war against the combined weight of the armories of the West.

As NATO Secretary General Jens Stoltenberg told reporters at the U.S. State Department in February, the West to date has provided unprecedented support to Ukraine, with around \$120 billion in military, humanitarian and financial assistance. The transfer of military materiel has been so extensive that many of the NATO countries' arsenals have been depleted: Germany is down to two days of ammunition and is now unable to defend itself, according to the country's defence minister; the UK's stockpiles of ammunition would last but a few days in battle; France is facing "a major shortage of munitions," and the US military now doubts its ability to both continue to supply Ukraine and maintain its own readiness. "The current rate of Ukraine's ammunition expenditure is many times higher than our current production rate," states Stoltenberg.

Yet Russia has been able to ramp up its own military production rate so effectively that its artillery can massively out-pound Ukraine's, firing between 40,000 and 50,000 shells per day versus Ukraine's

5,000-6,000. While Russia's arms production is on a high-output war footing, the West's has been unable to keep pace. America's focus on supplying Ukraine has compromised its ability to meet other goals, such as deterring China's expansion and maintaining readiness to respond elsewhere.

While Russia may be shunned by the West, it is welcomed by most of the rest, as seen in the regional alliances in which Russia plays a leading role: the Russia-China-led Shanghai Cooperation Council, which includes former Soviet countries as well as India and Pakistan, and the BRICS countries (Brazil, Russia, India, China and South Africa), whose GDP now exceeds that of the G7. Some two dozen countries have expressed interest in joining Russia in these economic and security alliances, including major regional powers such as Saudi Arabia, Turkey, Iran, Egypt, Indonesia, and Mexico.

Russia's rise will be news to Western audiences, which for decades have been prey to a demonization of Russia, and since its invasion of Ukraine have been fed a steady diet of Russia's decline. "Business Retreats and Sanctions are Crippling Russian Economy," a Yale School of Management study published last summer, may have been correct in claiming that "Russia has lost companies representing ~40% of its GDP, reversing nearly all of three decades worth of foreign investment," but it failed to anticipate that Russia would quickly recover in a more self-reliant form.

The West's sanctions, the most severe ever imposed on a country, were meant to teach Russia the lesson that "aggression does not pay," in the words of NATO's Stoltenberg. The ferocity of the sanctions, the subsequent cancellation of Russian artists and athletes in the West, and expectation of an end of the Russian Federation by political and military elites such as Former Commanding General of the US Army in Europe, General Ben Hodges, shocked Russia out of its complacency, and led it to learn very different lessons: That the West was determined to destroy it, and that its existence required it to arm itself to the teeth and end its economic interdependence with the West.

The sanctions on Russia awoke the sleeping giant that had been Russia, and the West may soon be faced with the consequences.

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Date Created

04/19/2023