

Russia's New Foreign Policy Takes Shape

by Ekaterina Zolotova - March 6, 2023

As the Ukraine crisis drags on, it's becoming increasingly clear that economic and diplomatic ties between Russia and the West won't be restored any time soon. Even if the conflict were to end now, it's not guaranteed that the sanctions would be lifted or that Western companies would return to the Russian market. Getting international firms to reenter Russia would, after all, require things like reliable transport networks, protection for investors and functioning payment systems – all of which will take time to restore.

The Kremlin is therefore beginning to make contingencies. In recent months, it has sent government officials abroad in an effort to strengthen ties with non-Western states. Moscow is beginning to mold its new foreign policy approach – though in some ways it doesn't look all that different from its previous one.

Resilience

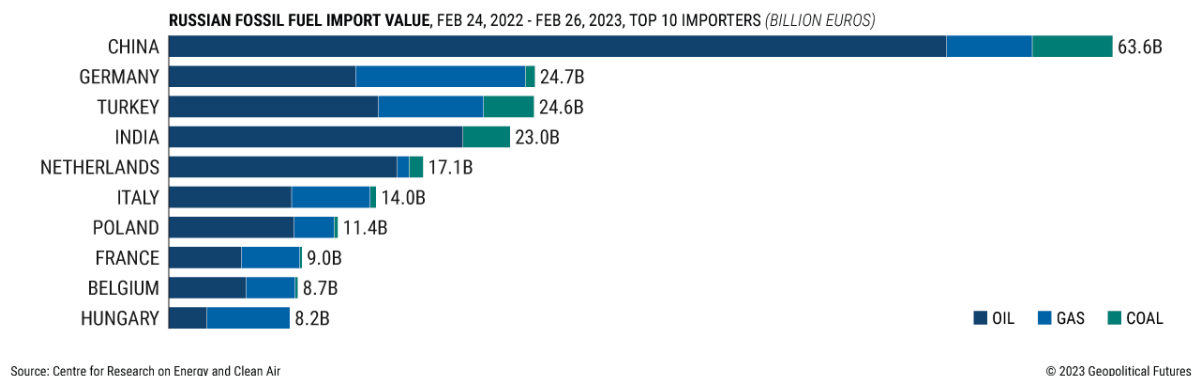
Following the Soviet Union's collapse, the Russian economy opened up to the world. Moscow increased its export of natural resources, allowed international investment in Russian enterprises and joined multinational institutions such as the World Trade Organization. So when Western governments imposed severe sanctions following Russia's invasion of Ukraine, and Western companies pulled out of the Russian market in droves, many expected the Russian economy to all but collapse. That hasn't happened. In fact, the economy has been much more resilient than many anticipated. Russia's gross domestic product in 2022 decreased by 2.1 percent – significantly better than forecasts, which ranged from a 4.7 percent to a 5.6 percent decline. The Bank of Russia also upgraded its 2023 forecast to between a 1 percent decrease and 1 percent increase, compared to its previous projection, released in October, of a 1 percent to 4 percent decline in GDP. Investment increased 5.9 percent in annual terms in January-September 2022 and by 3.1 percent in real terms in the third quarter. This was facilitated by structural changes in the economy, including the implementation of import substitution policies.

The question, however, is whether this resilience will last in the longer term. The capital that has returned to Russia since the exodus a year ago has already been invested, and new cash injections are unlikely. Applying all the changes needed for an import substitution model to work will take years.

It'll also take time to find reliable new trade partners and construct the infrastructure needed to deliver Russian oil and gas to new markets. Increasing its market share in countries where Russia already has a substantial presence is also a long process that will include the signing of a raft of bilateral agreements and hashing out logistics and a currency for payments.

The structure of Russian trade will make these changes even more difficult. It's long been concentrated on a small group of countries – namely the countries of the European Union and China. Before the Ukraine conflict began, the EU accounted for a third of Russia's trade, while the Asia-Pacific region accounted for nearly another third. Its exports and imports were also a short list. Natural gas, oil and oil products accounted for a huge share of its exports, while machinery and high-tech equipment were its most critical imports. This hasn't changed much in the past year.

Fossil Fuel Imports from Russia During the War in Ukraine



[\(click to enlarge\)](#)

Moscow's Plan

Thus, the Kremlin has developed a plan to carry the economy through the next five years – or as long as it takes for its import substitution program to be fully operational. This plan has three components.

The first is to circumvent the sanctions regime and regain access to the EU market. The easiest way to do this is by strengthening cooperation with transit countries – i.e., intermediaries through which Russia can covertly sell its goods to its traditional customers and access much-needed technology and high-tech equipment. Russia remains dependent on imports for high-tech products and components, so finding an intermediary is critical in this regard. Last year, the European Union determined that Russia was dependent on Europe for 45 percent of its advanced technology

products and on China for only 11 percent.

Transit countries will likely include post-Soviet states, which have significantly increased trade with Russia over the past year. In 2022, trade turnover between Georgia and Russia exceeded \$2.4 billion, a 52 percent increase from 2021. Armenia, meanwhile, says its exports to Russia have spiked by nearly 50 percent, which raises questions about whether the country is supplying Moscow with goods the Kremlin is increasingly unable to purchase from abroad. Kazakhstan's exports to Russia totaled \$8.8 billion in 2022, a 25 percent increase over the previous year. Notably, European exports to some of Russia's neighbors – Belarus, Armenia, Kazakhstan, Georgia, Uzbekistan and Kyrgyzstan – grew by 48 percent, to 20.3 billion euros, over the same period.

Russia will also rely on intermediaries that are active in the energy sector and can supply Russian gas, oil and oil products to the Kremlin's traditional customers in Europe. One of the most critical intermediaries in this sphere is Turkey. Between January and September, trade turnover between Russia and Turkey was valued at \$47 billion, twice the total in the first nine months of 2021. Russian exports of diesel fuel and other oil products to North Africa have also surged as Europe's purchases have declined. In January, Morocco imported 2 million barrels of diesel, compared to roughly 600,000 barrels in all of 2021. Tunisia, Egypt, Libya and Algeria also increased their purchases. This could be a way for Moscow to skirt sanctions because its fuel can be mixed with domestic supplies in these countries and then resold to European markets.

The second component is to increase exports to markets where the demand for energy is high – namely, China and India. In December, Russia's oil exports to India increased by 25 percent compared to the previous month. In February, deliveries of Russian crude to India reached a record high. Moscow is also launching new energy projects in Central Asia aimed at increasing sales to China, with whom Russia is also setting new export records.

The third component is to strengthen ties, on both the economic and security fronts, with countries in which the United States has a particular interest. The Kremlin can do this by leveraging its relationships in parts of the world where it has historical connections and loyalties. This includes the Asia-Pacific, where Russian firms have been granted contracts to construct nuclear power plants, and Latin America, where Russia's presence irritates Washington. Since the beginning of the Ukraine crisis, most Latin American countries have stayed relatively neutral by refusing to join the Western sanctions regime or condemn Russia at the U.N. and other international institutions. However, Russia's closest allies in the region (Venezuela, Cuba and Nicaragua) have come out in support of Moscow. Although Russia's trade and economic ties with Latin America are still relatively small,

Russian companies have increasingly shown interest in doing business with them. In January, Russia confirmed its willingness to supply Brazil with the fertilizers its agricultural sector needs.

Questions Remain

In December, Russia indicated it was seeking to develop a new foreign policy doctrine, one that would vaguely focus on three regions: Asia, Africa and Latin America. However, before Moscow releases it to the public, it's testing the waters, making sure that the transit countries it's planning to rely on will receive enough benefits from their relationship to withstand the pressure they'll get from the West, particularly the United States. Washington has already pressed Turkey and the United Arab Emirates about their help in Russia's efforts to circumvent sanctions. It also stepped up talks with Central Asia, which included a visit last week by Secretary of State Antony Blinken to Kazakhstan and Uzbekistan. Moscow, for its part, has also increased official government visits to foreign countries. Russian Foreign Minister Sergei Lavrov was at the G-20 foreign ministers' summit in India last week, while Security Council Secretary Nikolai Patrushev visited Algeria, Cuba and Venezuela. Prime Minister Mikhail Mishustin visited Tajikistan on March 2-3 for talks with his Tajik counterpart. Notably, Lavrov has also gone on three separate Africa tours since the beginning of Russia's invasion of Ukraine.

The Kremlin clearly sees a need to update its foreign policy doctrine, but the big question is how it will change the structure of its trade, which will be key to its ability to weather the sanctions storm in the future. More than a year on, its trade patterns haven't shifted dramatically since the conflict began. But considering how long it will take to develop ties with new trade partners, the Kremlin will for now continue to focus on its traditional ones.

Author: Ekaterina Zolotova

[Read more from this author on geopoliticalfutures.com](#)