

Weekly Commentary 27

Russia defies the rules based order...And succeeds.

Russia was once described as “a gas station masquerading as a country”. Its GDP was estimated as the same size as Spain or around 2 trillion USD. Nobody expected it to survive the mother of all sanctions, and when its economy faltered, Putin would be deposed.

That did not happen. In the 2.5 years since it launched its special military operations in Ukraine, the country has stabilised and in fact grown significantly. And Putin has been re-elected to a record fifth term on record turnout of voters and continues to lead Russia. There was no colour revolution. At the recent St Petersburg International Economic Forum, an annual showcase of economic achievements and future prospects in Russia, Putin met media from around the world and confidently expressed his views about the war and how things were moving forward.

First, here is some background info on SPIEF:

The St. Petersburg International Economic Forum (SPIEF;) is an annual Russian business event for the economy, and it has been held in St. Petersburg since 1997. This has been organized under the auspices of the Russian President since 2006. Every year, more than 10,000 people from over 120 different countries take part. The Forum gathers, over two days, the chief executives of major Russian and international companies, heads of state, political leaders, prime ministers, deputy prime ministers, departmental ministers, and governors. It was a gathering of the Russian elite.

The Forum provides practical solutions for businesses and governments, helping to overcome the geographic and information barriers between Russia and other countries. The forum was historically intended for Russia to attract foreign direct investment, discuss economic policy and project a global image that Russia was open for business after the dissolution of the Soviet Union.

The SPIEF forum has often been described as the 'Russian Davos'; ie. the Russian analogue of the World Economic Forum that is usually held in Davos, Switzerland. Since the 2022 Russian invasion of Ukraine, leading politicians and business executives from the Western world and their allies (included within the Unfriendly Countries List) were notably absent from SPIEF events, even as overall attendance rose at the forum, where Russia attracted non-Western nations' participation, with attendance up from 69 countries in 2022 to 75 countries in 2023, and the number of individual participants also increased from 14,000 people from 130 countries, with 81 countries sending official

representatives in 2022 to more than 17,000 participants from 130 countries taking part in events, both offline and online formats, in 2023.

Journalists from "unfriendly countries" were denied admittance. In response, SPIEF forums have adjusted their focus to highlight leading politicians and business executives from various countries such as the People's Republic of China, India, Turkey, Iran, Egypt, United Arab Emirates, Serbia, Belarus, Armenia, Kazakhstan, Cuba, Nicaragua and the Central African Republic. In addition, delegations from disputed polities such as the Taliban and the Donetsk People's Republic were among the notables present at the 2022 forum.

History

The first St. Petersburg International Economic Forum was held on June 18–20, 1997 under the auspices of the Council of the Federation, the Interparliamentary Assembly of Member Nations of the CIS and with the support of the Russian government. The Forum welcomed more than 1,500 attendees from 50 countries. The Russian and Belarusian governments signed credit agreements worth 500 billion rubles

In 1999, Russian President Boris Yeltsin signed a decree giving the go-ahead to the economic forum in St. Petersburg, and recommended that the St. Petersburg Economic Forum International Foundation be allocated the required funding and be offered support in organizing the event. Furthermore, it was also recommended that the Russian government provide possible financing and organizational support to the Council of the Federation and the Interparliamentary Assembly of Member Nations of the CIS. Information regarding the long-term role of the St. Petersburg Economic Forum International Foundation in the organization and running of the forum in St. Petersburg has not been made publicly available.

In 2005, President of Russia Vladimir Putin took part in the Forum for the first time. Through his participation, the forum attained the informal status of a "presidential" event. In 2006 the President of Russia announced his support for the proposal of the Russian government to hold an annual economic forum in St. Petersburg. Responsibility for the organization of the forum was given to the Russian Ministry of Economic Development, which built on the experiences of the Council of the Federation and the Interparliamentary Assembly of Member Nations of the CIS. Under the auspices of the ministry, the current format of SPIEF is more of a successor to its previous incarnation than its continuation. Based on the decision of the Russian President, significant changes were made to the Organizing Committee, with the then Minister of Economic Development and Trade of the Russian Federation Herman Gref appointed its chairman. Sergei Mironov was made Co-chairman of the Organizing Committee, which he held until his departure from the Council of the Federation in mid-2011.

The Forum was then restructured under the auspices of the Russian Ministry of Economic Development. Since 2006, SPIEF had been held at the Lenexpo Exhibition Complex, situated on Vasilievsky Island in St. Petersburg. Prior to this, the Forum was held at the

Tauride Palace, the headquarters of the Interparliamentary Assembly of Member Nations of the CIS. The St. Petersburg International Economic Forum Foundation was established in March 2007 to deal with the organizational and technical aspects of running the forum.

The first Forum in the updated format was held in 2007, organized by the SPIEF Foundation under the leadership of the Organizing Committee. The same year a partnership between the World Economic Forum (WEF) and SPIEF was announced. On January 25, 2007, St. Petersburg International Economic Forum and World Economic Forum representatives met in Davos to sign a Memorandum of Cooperation between the WEF and the SPIEF.

In 2007, the Organizing Committee became headed by Elvira Nabiullina, who was appointed to the post of Minister of Economic Development that same year. Nabiullina is now head of the Russian central bank and takes a great deal of credit for keeping the rouble strong in the aftermath of western sanctions. She is one of the officials who accompanied Putin to Beijing just a couple of weeks ago.

On January 22, 2008, Russian President Vladimir Putin issued a decree to form a new SPIEF Organizing Committee and approved its provisions. At the same time, the Russian government was instructed to set aside a budget to finance the preparation and running of the Forum. The Forum's provisions dictate that the Organizing Committee be chaired by the Minister, i.e., the role of chairing the committee falls under the purview of the minister, who in turn approves the members of the organizing committee.

There remains an absence of western media reports on Putin's comments but friendly Chinese press was there and here is their version of what Putin said, according to CGTN.

27th St. Petersburg International Economic Forum kicks off

World 15:00, 05-Jun-2024

CGTN

, Updated 21:31, 05-Jun-2024

The 27th St. Petersburg International Economic Forum (SPIEF) opened on Wednesday in Russia's second-largest city, St. Petersburg.

Under the main theme of "The formation of new areas of growth as the cornerstone of a multipolar world," this year's forum is attended by representatives of more than 130 countries and regions, according to the forum's organizer.

"Russia is open to constructive dialogue and interaction with its partners and is willing to work together to solve the economic, social, scientific and technological

problems of our time," Russian President Vladimir Putin said in his congratulatory message to the forum.

The four-day forum will feature more than 400 business events, including seminars, dialogues and panel discussions, covering topics ranging from world economic transition to advanced technology development.

Since its inception in 1997, SPIEF has evolved into a renowned global platform for the business community to discuss critical economic issues facing Russia and the world.

More than 6,000 Russian and foreign business representatives from over 3,000 companies in 75 countries and territories took part in the forum last year, and over 900 agreements worth a total of 3,860 billion rubles (around \$43.2 billion) were signed.

"The current dynamics of business activity of the St. Petersburg International Economic Forum fully reflects the structural and economic changes that have taken place in Russia as a result of consolidation and mobilization of efforts of the state authorities, business and society, with the direct support of the scientific community," Anton Kobayakov, adviser to the Russian president and executive secretary of the organizing committee of the forum was quoted as saying by its official website.

"The unprecedented interest from foreign partners and the media shows that the Russian market and, in general, Russia's economic model of development and consolidation, against the backdrop of serious restrictions and pressure from the collective West, has shown its competitiveness. Multinational and multicultural, value-oriented Russia is becoming one of the growth centers of the emerging multipolar world," the executive secretary said.

Putin also said on Friday that Russia "remains one of the key participants in world trade" despite the heavy sanctions imposed on the country.

Setting out a host of ambitions for Russia's \$2 trillion economy (this has been revised by the World Bank to be about \$6.45 trillion with 40% of the economy being under reported, which would put it at roughly \$9-10 trillion, not the size of Spain but about 1/3 the size of the US economy, larger than Japan and probably ranks as the fourth largest in the world). How did the collective west get these facts so wrong? On that error, their entire economic sanctions strategy was blown out of the water.

Here is a BBC report on what the IMF says:

Russia to grow faster than all advanced economies says IMF
17 April 2024

By Faisal Islam & Hannah Mullane, Economics Editor & Business Reporter

An influential global body has forecast Russia's economy will grow faster than all of the world's advanced economies, including the US, this year.

The International Monetary Fund (IMF) expects Russia to grow 3.2% this year, significantly more than the UK, France and Germany.

Oil exports have "held steady" and government spending has "remained high" contributing to growth, the IMF said.

Overall, it said the world economy had been "remarkably resilient" "Despite many gloomy predictions, the world avoided a recession, the banking system proved largely resilient, and major emerging market economies did not suffer sudden stops," the IMF said.

The IMF is an international organisation with 190 member countries. They are used by businesses to help plan where to invest, and by central banks, such as the Bank of England to guide its decisions on interest rates.

The group says that the forecasts it makes for growth the following year in most advanced economies, more often than not, have been within about 1.5 percentage points of what actually happens.

Despite the Kremlin being sanctioned over its invasion of Ukraine, the IMF upgraded its January predictions for the Russian economy this year, and said while growth would be lower in 2025, it would be still be higher than previously expected at 1.8%.

Investments from corporate and state owned enterprises and "robustness in private consumption" within Russia had promoted growth alongside strong exports of oil, according to Petya Koeva Brooks, deputy director at the IMF.

Russia is one of the world's biggest oil exporters and in February, the BBC revealed millions of barrels of fuel made from Russian oil were still being imported to the UK despite sanctions.

Away from Russia, the IMF downgraded its forecasts across Europe and for the UK this year, predicting 0.5% growth this year, making the UK the second weakest performer across the G7 group of advanced economies, behind Germany.

The G7 also includes France, Italy, Japan, Canada and the US. Growth is set to improve to 1.5% in 2025, putting the UK among the top three best performers in the G7, according to the IMF.

However, the IMF said that interest rates in the UK will remain higher than other advanced nations, close to 4% until 2029.

The group expects the UK to have the highest inflation of any G7 economy in 2023 and 2024.

Chancellor Jeremy Hunt said the IMF's figures showed that the UK economy was turning a corner.

"Inflation in 2024 is predicted to be 1.2% lower than before, and over the next six years we are projected to grow faster than large European economies such as Germany or France - both of which have had significantly larger downgrades to short-term growth than the UK," he said.

Putin said the world's second largest oil exporter needed to cut imports, significantly boost the use of non-Western currencies in trade settlement and called for a major expansion of domestic financial markets.

Putin, speaking at the St. Petersburg International Economic Forum, said trade with Asia was soaring and that nearly 40 percent of Russian external trade was now conducted in roubles as the share in U.S. dollars, euros and other Western currencies declined.

Putin said Russia would seek to boost the share of settlements conducted in the currencies of BRICS countries.

"Last year, the share of payments for Russian exports in the so-called 'toxic' currencies of unfriendly states halved, while the share of the rouble in export and import transactions is growing – it is approaching 40 percent today," Putin said. **This is de-dollarization in progress.**

Russia should reduce its imports by creating competitive production and boosting investment in fixed assets by 60 percent by 2030, Putin said.

He said the idea of moving the headquarters of major companies to regions outside Moscow deserved attention, and called for better professional education to help alleviate a labor shortage.

He added that the value of the Russian stock market should double by the end of the decade and amount to two thirds of Russia's GDP. **The main driver of Russia's economic growth is the fighting in Ukraine, a sort of “war Keynesianism” - now as important to the Kremlin economically as it is politically.**

Russia is finding a few imported staples, and most global brands have disappeared - or been reincarnated as Russian equivalents. **But not much else has changed economically for most Russian citizens, with massive state spending for military equipment and hefty payments to volunteer soldiers giving a strong boost to the economy.**

Xinhua News Agency was even more ebullient on Russia, China's neighbour, and new economic partner. Here is their report:

Russian economy grows stronger, more resilient amid global changes, rise of multipolar world, says Putin

Source: Xinhua

2024-06-08 04:52:01

ST. PETERSBURG, June 7 (Xinhua) -- The Russian economy is demonstrating resilience and adaptability amid changes in the global economic landscape and the rise of a new multipolar world, Russian President Vladimir Putin said on Friday.

"The global economy has entered an era of serious, fundamental changes. A multipolar world is being formed with new centers of growth, new investment and financial ties between states and companies," Putin said in a speech at the plenary session of the 27th St. Petersburg International Economic Forum.

"The Russian economy is able to respond to these challenges and is also changing dynamically, gaining greater strength and stability," he noted.

Putin outlined several significant structural changes that will be taking place in the country's economy, one of which concerns changes in Russia's export and import structure. In this context, Russia's primary focus will be on strengthening economic ties with friendly countries, which will shape the future of the global economy, he noted. These countries currently make up three quarters of Russia's trade turnover.

"We will increase the use of national currencies in foreign trade settlements, and improve the safety and efficiency of such operations," the president said, adding that the BRICS countries are currently working on the development of an independent payment system, which will not be subject to external interference.

Putin said that Russia welcomes a further expansion of the BRICS association, and "supports the desire of interested partners on different continents to foster contacts with BRICS."

"We will continue to develop relations within BRICS not only in the field of economics and finance, but also in the field of security, humanitarian cooperation, and other sectors," Putin said, adding that the bloc will take into account global challenges and the rising prospects of national economies.

According to the president, by 2030, the volume of Russia's non-resource, non-energy exports must grow by at least two-thirds in comparison to 2023. Russia will also focus on the development of transport infrastructure, and will aim to boost shipping capacity on the Arctic Sea Route and the Eastern railways, he said. Putin pointed out that the country will strive to achieve "a new quality and content of economic growth," noting however that Russia's economic growth has already surpassed the global average, according to GDP data from last year and the first quarter of 2024.

The president said that other structural changes will focus on strengthening the role of small and medium-sized businesses in the Russian economy as well as bolstering the development of Russia's regions.

Putin noted that two other key structural changes for Russia will be the reduction of poverty and inequality, and improvement of the quality of life for families. [A page from China's playbook?](#)

So it looks like Russia is doing quite well economically. It is now divorced from the west, and is married to BRICS especially China. That seems to work out quite well for the country.

XinHua added:

Economic Watch: Why Russia's economy continues to thrive amidst sanctions?

Source: Xinhua

2024-05-17 21:09:15

Despite the unprecedented sanctions imposed by Western countries, the Russian economy has not only maintained stable growth but also outpaced the global average growth rate.

ST. PETERSBURG, May 17 (Xinhua) -- **The International Monetary Fund said in April that Russia's economy is expected to grow 3.2 percent in 2024, faster than all advanced economies this year.**

Despite the unprecedented sanctions imposed by Western countries, the Russian economy has not only maintained stable growth but also outpaced the global average growth rate.

What has enabled Russia's economy to withstand the pressure of sanctions and continue to grow?

VITAL ECONOMIC LIFELINE

Western countries have repeatedly extended the sanctions on Russia since the start of the Russia-Ukraine conflict, expanding embargoes on Russian goods and technological blockades, and forcing hundreds of large companies to exit the Russian market in an attempt to sever its international supply chains.

However, **they have failed to fundamentally undermine Russia's vital economic lifeline -- its energy sector.**

While the EU has banned imports of Russian coal and seaborne crude oil, the European Commission isn't proposing an outright ban on imports of Russian liquefied natural gas, which countries including Belgium, France and Spain still purchase in large quantities, as Politico reported.

The United States is also cautious about halting Russian oil supplies because it could lead to a sharp increase in oil prices, resulting in significant disruptions in the international energy market and potentially increasing Russia's oil export revenues.

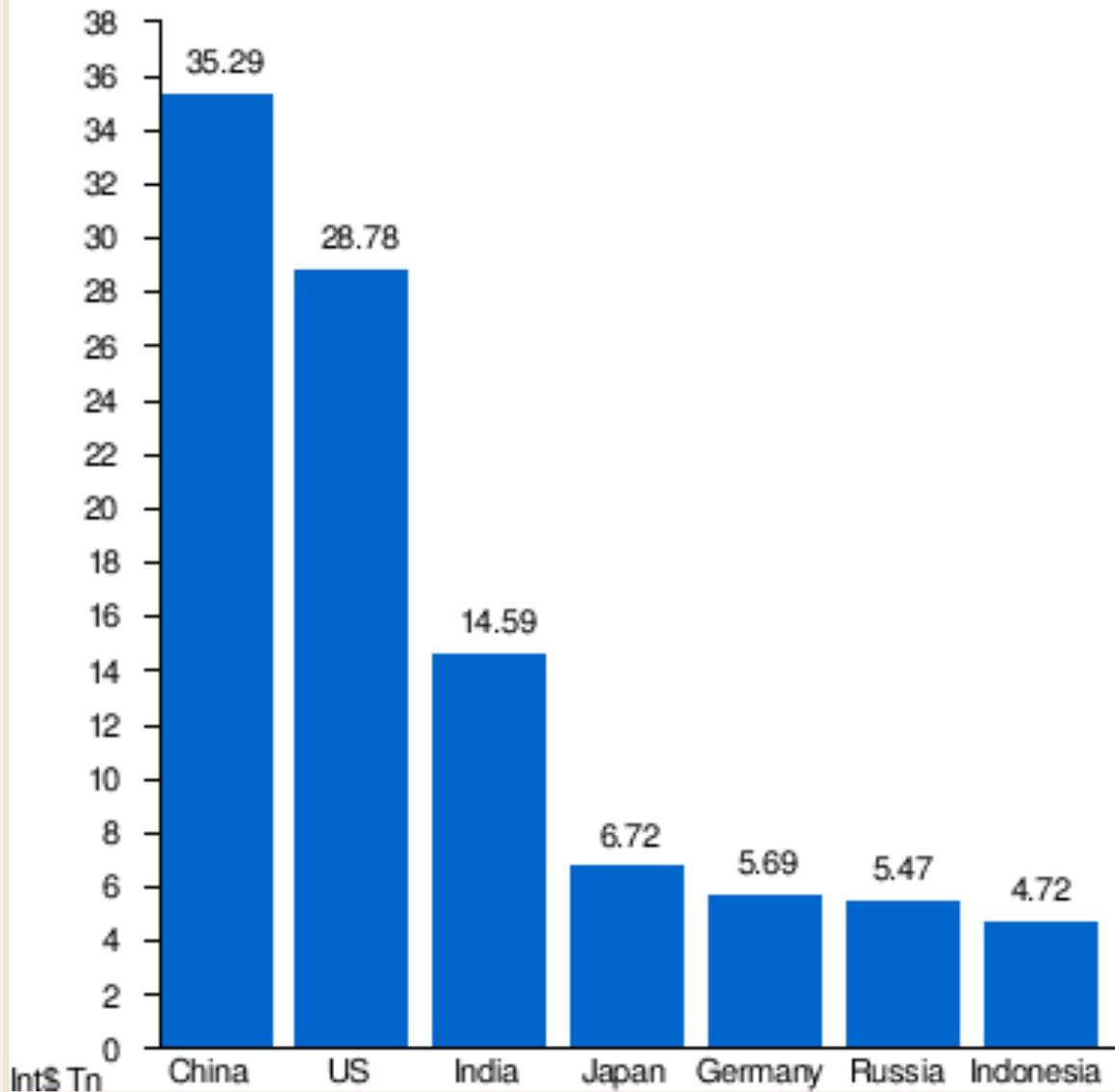
The Russian economy has demonstrated a significant degree of adaptability to these Western sanctions and **analysts believe that the U.S. government has almost exhausted its options for sanctions against Russia.**

Russia's GDP achieved a 3.6 percent growth in 2023, significantly higher than forecast. Additionally, Russia's average annual unemployment rate stood at 3.2 percent as of the end of 2023, the lowest since 1992.

Russia can become the fourth-largest economy in the world, provided it maintains sustainable growth of at least 2 percent per year with a gradual acceleration to 3 percent, said Andrei Belousov, Russia's new defense minister and former first deputy prime minister.

Here is a ranking of the world's top five economies in PPP terms:

For countries by GDP per capita, see [List of countries by GDP \(PPP\) per capita](#).



Largest economies in the world by PPP GDP according to [International Monetary Fund](#) for

The ranking of Russia and Germany in 2022 are actually on par, so for Russia to grow at a differential rate of 3.2 percent vs Germany's 0.5 percent to become 4th largest in 2023 is quite likely.

ECONOMIC RESTRUCTURING

As a major global producer of oil and gas resources, Russia heavily relies on energy exports for its fiscal revenue. The worsening geopolitical situation and the sharp increase in sanctions have compelled Russia to adjust its economic structure, aiming to boost the contribution of non-energy sectors to its GDP.

Since 2015, Russia has implemented an import substitution strategy. Initially focused on agro-industrial complexes, this strategy later expanded to areas such as information technology and mechanical engineering.

The sanctions imposed by the West on Russia since 2022 have prompted Russia to expand its countermeasures, said Mikhail Kuzyk, deputy director of the Centre for Industrial Policy Studies of the HSE University in Moscow.

Today, **Russian domestic manufacturers have effectively replaced many foreign suppliers that have left the Russian market, especially in sectors like the food industry, heavy machinery and shipbuilding. EVs come from China, helping both countries.**

Last week, Russian Prime Minister Mikhail Mishustin announced plans to increase the volume of non-resource, non-energy exports by two-thirds.

"The share of local high-tech goods and services created based on our own developments will increase 1.5 times in six years," he was quoted as saying by Tass news agency.

To counter Western isolation and containment, Russia is also fostering economic and trade cooperation with regional organizations such as BRICS and the Shanghai Cooperation Organization.

"It seems that we are being strangled and pressured from every side, but still, we are the largest economy in Europe," Russian President Vladimir Putin said at a meeting with entrepreneurs, according to TASS.

RUSSIA'S SWIFT ALTERNATIVE

Among the sanctions imposed on Russia by the West, financial sanctions have had the most profound impact on the Russian economy.

Notably, the freezing of foreign exchange reserves and the expulsion of Russia from the Society for Worldwide Interbank Financial (SWIFT) -- a global provider of financial messaging services -- have not only caused the ruble to fluctuate but also created significant obstacles for Russia in conducting international trade and financial activities.

To address the challenging issue of cross-border payments, Russia has begun attracting more countries to join the System for Transfer of Financial Messages (SPFS) -- Russia's SWIFT alternative -- and promoting the use of local currencies in transactions with multiple countries.

According to a report by the Central Bank of Russia, the share of operations in rubles in export revenue in March increased to 43.9 percent, and in import calculations, it rose to 40.8 percent.

The growing share of the ruble in Russia's foreign trade settlements indicates increased confidence among foreign trading partners in the currency. Recently, the dollar exchange rate was at about 91 rubles, which is deemed normal by the government.■

Most of us may not be very interested in the Russian economy, but the story of its economic rebound is a testimony to how many Global South countries seek a future away from the bullying by the G7, which continue to behave like the old colonial empires of the 19th century. Countries are sick and tired of the constant lecturing about the rules-based system and if they did not want to adhere to the American led order, the risk of economic sanctions was very real.

Therefore, the resistance of Russia and the economic independence of China is providing a clear and attractive path forward for most countries in the Global Majority. Russia has shown that it can address its security concerns without having to be pressured into a situation in which western armies would be sitting on its western border with nuclear missiles pointed at its heart. If it did not survive the mother of sanctions, nobody in the world would believe that it would be possible. There were tens of thousands of such sanctions. And even if Russia did invade Ukraine, it did not happen without provocation with lots of poking in the eye of the bear over decades when it was down and out. Of course, few other countries have the economic resources that Russia possesses. So it was in a unique situation owing lots of commodities which were demanded by many other countries.

Still, Biden had threatened that the ruble would turn into rubble, one month after Moscow launched its special military operation. What the world learned from this experience is that the United States often overrates the effects of its sanctions and definitely the effectiveness of its vast military. Russia survived and instead, Ukraine is now dying and with all that fighting going on, Russia is actually doing quite well economically. While nobody is as economically powerful as Russia in terms of its wealth in resources, it is further proof that America's sanctions do not work. They did not work on Iran, on North Korea, Chinese companies which have been sanctioned to prevent them from inventing new technologies Uncle Sam does not approve of. Russia is the ultimate test of the west's sanction nuclear bomb and it has been found wanting. And how did the west get it so wrong, expecting Russia to collapse and become balkanized in the face of these sanctions?

China is the beneficiary of this experience. I don't think that China will pay much regard to the Americans' threats to sanction its banks and companies. If Russia can do well by shifting its oil exports away from the west, almost immediately saving its economy, and at the same time damning all of western Europe for following American hegemonic foreign policy, China in developing vast export markets throughout the world will give it the clout to ignore the demands on the country to

not engage in “overproduction” in ev’s and other technologies which are not competitive in the US. What overproduction? It is mostly a passing of the torch of being the largest industrial and technological power in the world from the Americans to the Chinese.

The new found confidence inspired by Russia will give all the countries which the US does not like the freedom to act in enforcing their own sovereignty instead of acting like lapdogs waiting for Washington to say how high they should jump.. This is a much healthier global economy which all the countries in the Global Majority will operate in. It is all for the better.

So, the Russian defiance of the established order has been shown to have good effects. Peace and prosperity in the world does not emanate from DC or the 19th century neo imperialists, and Russia is leading the way to show how it can be done.

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Un-Influencer in a World full of Hubris