

# Special Military Operation in Ukraine: Consequences for the EAEU and Eurasian Integration

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Having exhausted all diplomatic means to stop NATO's expansion, Russia launched a special military operation in Ukraine. Leaving aside anti-Russian propaganda, unbiased experts acknowledge that its success is unquestionable. However, NATO's assistance to Ukraine threatens Russia's vital security interests, leaving those of the United States unaffected. This will result in significant changes for Eurasian integration, both within the EAEU and Greater Eurasian Partnership.

The first move by the United States—an attempt to crush the Russian economy and provoke social protests—did not work. The exchange rate of the ruble has recovered, the prices for Russian exports

are breaking records, and the EU countries have begun to buy Russian gas for rubles. Although Russia's GDP is expected to drop by 9% by the end of 2022, there are grounds to believe that its economy will withstand such pressure: in the 2020 "pandemic" year, GDP decreased by 9%, and during the 2008-2009 crisis the decline was even greater.

The U.S./NATO's second attempt is to increase its assistance to Kiev by pumping heavy weapons into the country and supporting it with intelligence data and money. As Russian Foreign Minister Sergei Lavrov has rightly noted, this essentially amounts to NATO's "proxy war" against Russia.<sup>1</sup>

In its effort to weaken Russia through the war in Ukraine, Washington is driven by the desire to hold back the destruction of the unipolar world order.

Given the United States' economic potential undermined by debt, its last resort is to continue the expansion of NATO's military infrastructure globally. It is noteworthy that the share in world GDP of Western countries that have imposed sanctions on Russia has decreased over the last twenty years by 20% and now slightly exceeds 50% (and if we do not count speculative financial markets, it is even less than that).<sup>2</sup> Meanwhile, the consumption of world resources by the U.S. and its NATO allies is incomparable to their role in the real global economy and exceeds that of the countries which have not supported the sanctions and which account for two-thirds of the world population.

## **CONSEQUENCES FOR THE EAEU**

If Russia achieves the goals of its special military operation, it will significantly strengthen its geopolitical prestige and bring its international position into line with its increased capability to protect

<sup>1</sup> Vedomosti, 2022. Borrel zayavil o voennom puti resheniya konflikta na Ukraine [Borrell Calls for a Military Solution of the Ukraine Conflict]. *Vedomosti*, 9 April [online]. Available at: [www.vedomosti.ru/politics/news/2022/04/09/917427-borrel-zayavil](http://www.vedomosti.ru/politics/news/2022/04/09/917427-borrel-zayavil) [Accessed 26 May 2022].

<sup>2</sup> WP, 2022. Henry Olsen. Opinion: Is This the Western Alliance's Last Hurrah? *The Washington Post*, 25 April [online]. Available at: [washingtonpost.com/opinions/2022/04/25/is-this-the-western-alliances-last-hurrah-ukraine-russia/zapada.html?utm\\_source=yxnews&utm\\_medium=desktop](https://www.washingtonpost.com/opinions/2022/04/25/is-this-the-western-alliances-last-hurrah-ukraine-russia/zapada.html?utm_source=yxnews&utm_medium=desktop) [Accessed 6 June 2022].

its interests in a systemic struggle against a strong adversary—the United States. Russia’s success will create a powerful incentive for new countries to join the EAEU.

Thanks to the infrastructure of the Eurasian Union, its member states have consistently reduced their dependence on the U.S. dollar in mutual trade; by 2020 the share of the ruble in mutual settlements had exceeded two-thirds of the total (70-75%).<sup>3</sup>

The imperative for the coming years is to build a non-dollar self-sufficient economic system with an independent base of critical material resources and components, as well as a secure financial infrastructure. The fulfillment of these tasks will make it possible to cushion the effects of the persisting confrontation between the United States and China.

Naturally, economic security is tightly linked with social security. As the recent events in Belarus and Kazakhstan have shown, the key countries of the region need Russia to ensure internal peace and the stability of their state institutions. Attempts of the governments of these countries to distance themselves from Russia (not so much for economic as for ideological reasons) are fraught with the risk of political destruction.

The stakes for Russia’s partners in the EAEU and the CIS have risen sharply. In the early 2000s, there were hopes for a soft “grinding” of a country through the purchase of elites by American multinational companies and NGOs. Those times are over: today, the only scenario is a violent overthrow of a country’s elites and the ensuing steep economic decline to the Third World level, as borne out by Ukraine’s economic downfall following the 2014 coup.

### **THE CRISIS AND NEW OPPORTUNITIES**

Western sanctions will exacerbate the global food and migration crises in the coming years. With the largest energy and food reserves and a

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<sup>3</sup> RG, 2022. Glazyev: Dolya rublya v torgovle stran EAES prevyshaet dve treti [Glazyev: The Share of the Ruble in the Trade among the EAEU Countries Exceeds Two Thirds]. *Rossiiskaya gazeta*, 4 April. [online]. Available at: [rg.ru/2022/04/04/glazyev-dolia-rublia-v-torgovle-stran-eaes-prevyshaet-dve-treti.html](https://rg.ru/2022/04/04/glazyev-dolia-rublia-v-torgovle-stran-eaes-prevyshaet-dve-treti.html) [Accessed 26 May 2022].

nearly 20 percent share of world wheat supply, Russia is essential for the global economy. The imposition of sanctions on Russia and Belarus, the world's largest producers of inexpensive fertilizers, coupled with gas price hikes, will take a heavy toll on harvests in the coming years.

Meanwhile, the beginning of 2022 already saw an unprecedented shortage of energy resources and metals on the world markets<sup>4</sup> and the highest level of inflation in the United States since 1982.<sup>5</sup> Rising prices for export commodities will allow Kazakhstan, Belarus, and other EAEU countries to increase export earnings.

Russia's experience in overcoming the 2014 sanctions and the accumulated economic potential will allow it to quickly adapt to the latest sanctions and the global economic crisis. In the coming years, Russia will complete building a self-sufficient industrial core, including in the defense industry, high-tech engineering, and the IT sector.

Russia will expand payments in the Russian ruble to loans and energy supplies. Payment in rubles for energy products will reduce the price for the EAEU importers. Belarus, for one, will save \$0.5 billion in 2022 in paying for gas at a fixed exchange rate of 75 rubles per dollar. On the whole, Minsk's savings on low gas prices (\$128.5 per a thousand cubic meters, compared with the price the EU had to pay in 2021) will amount to about \$5 billion per year.

The further reformatting of the Russian economy and the departure of Western brands will open windows of opportunity for partner countries in the EAEU to increase the export of services, food, and engineering products. New niches will be vacated on the Russian market, to which the EAEU countries will receive privileged access. At the same time, the export of labor resources to Russia will help reduce socioeconomic tension in neighboring countries.

<sup>4</sup> Bloomberg, 2022. The Commodity Gauges That Underpin Goldman's Uber-Bullish View: Top Goldman Sachs Analyst Says 'We're Out of Everything'. *Bloomberg*, 8 February [online]. Available at: [www.bloomberg.com/news/articles/2022-02-08/the-commodity-gauges-that-underpin-goldman-s-uber-bullish-view](http://www.bloomberg.com/news/articles/2022-02-08/the-commodity-gauges-that-underpin-goldman-s-uber-bullish-view) [Accessed 6 June 2022].

<sup>5</sup> FT, 2022. US Inflation Soars to 7% for First Time since 1982. *Financial Times*, 12 January [online]. Available at: [www.ft.com/content/b90f59e1-79c2-403d-94a9-776555c541fc](http://www.ft.com/content/b90f59e1-79c2-403d-94a9-776555c541fc) [Accessed 6 June 2022].

Russia will increase imports from neighboring countries to replace former supplies from unfriendly states. The construction of the West-East and North-South transport infrastructure corridors will gain a new impetus. The development of Russia's relations with China will create predictable and favorable conditions for the rise of Central Asia.

### **EQUIVALENCE TO REPLACE EXCEPTIONALISM**

By protecting its vital interests, Russia contributes to the disappearance of the world order based on the West's exclusivity.

This exclusivity lies in the West's unfair control of most of the world's resources, which do not belong to it. The U.S. is living beyond its means, "exporting" inflation to developing countries that rely on the dollar as the world's reserve currency. At the same time, over the last twenty years, the United States has become the largest debtor in the world; the cost of the dollar does not reflect its real value.

The West's dominance is supported by the U.S./NATO global military infrastructure used to contain China, Russia, the EAEU and BRICS+ countries. Such an asymmetric and unjust model is justified by the West, which claims to be exclusive and irreplaceable. But this is an illusion.

Asia's economic rise is causing growing concern and opposition from Washington. The military might of Russia, the only country in the world capable of destroying the United States, de facto protects this rise, as does the sovereignty of the EAEU countries. These factors create opportunities to build a more balanced world, without distortions to the benefit of the West, which since the 16th century (actually since the Portuguese naval expeditions demanded that Indian and Arab ships pay for the right to sail in the Indian Ocean (thus engaging in "sea racketeering")) has been ensured by the use of force, rent-seeking practices, and European colonialism.

It is time to recall alternative models, for example, the Eurasian idea of complementary economic spaces ("continental neighborhoods"). Russia is promoting this philosophy at the international level—in

the format of a multipolar world, that is, a world of equal cultures and civilizations.

The first sprouts of a new world order are already visible. Over the past twenty years, the U.S. debt has increased, and the share of the dollar has decreased from 71% to 59%, being supplanted by national currencies.<sup>6</sup> The process is likely to accelerate due to the loss of trust in the dollar as a result of the theft of Russia's foreign exchange reserves (which poses huge risks especially for China and India) and the growing role of developing countries in the global economy. De-dollarization will also be facilitated by the creation of an alternative settlement system, including new units of accounting (probably tied to real values and resources), as is currently being discussed between the EAEU and China.

This scenario holds prospects for a long-term peace and co-development of Eurasian countries, based on the principles of equivalence. Equivalence does not mean the erasure of differences—countries and their capabilities naturally differ. But it precludes external players from collecting unfair rent through military superiority, monetary loans and, more importantly, through cultural interventions that ruin societies.

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<sup>6</sup> Arslanalp, S., Eichengreen, B. and Simpson-Bell, Ch., 2022. The Stealth Erosion of Dollar Dominance: Active Diversifiers and the Rise of Nontraditional Reserve Currencies. *International Monetary Fund*, Working Paper No. 2022/058, 24 March [online]. Available at: [www.imf.org/en/Publications/WP/Issues/2022/03/24/The-Stealth-Erosion-of-Dollar-Dominance-Active-Diversifiers-and-the-Rise-of-Nontraditional-515150](http://www.imf.org/en/Publications/WP/Issues/2022/03/24/The-Stealth-Erosion-of-Dollar-Dominance-Active-Diversifiers-and-the-Rise-of-Nontraditional-515150) [Accessed 26 May 2022].