**The Conflict in Ukraine: Between Two Worlds**

The Ukrainian conflict has been a complex battle between numerous national and transnational political and economic interests. Unfortunately it's commonly understood solely through the framework of old cold war rivalries. The US and NATO versus Russia, borders and territorial control, a choice between joining the democratic west or continuing under the heel of authoritarian Russia. The struggle goes to the very concept of what constitutes the Ukrainian nation, with different nationalisms at odds within the country. All of these tensions are present and powerful. But also engaged are transnational economic ties that play a significant role in how the political battles have twisted and turned. These crosscurrents of interests are a major barrier to settling the crisis.

The Ukraine has become an unfortunate example of both old and new contradictions. A mixture of both national and transnational conflicts, and how they push and pull the upheaval. The Ukraine is caught in a transformative historic period. When the modern nation-centric system was established in Europe in 1648 with the Treaty of Westphalia, national sovereignty became a principal of co-existence. Non-interference in domestic affairs, alongside a balance of power was to be the basis for maintaining peace. Eventually the principal of sovereignty became central to international law, although constantly violated over the years, particularly with the advent of colonialism. Sovereignty also came to mean control of the national economy by each individual nation-state and its local capitalist class. But globalization means cross border flows of trillions of dollars, transnational production chains and world governance bodies. Consequently, the tension between national political legitimacy and transnational capital, has become a central contradiction that characterizes the current transformation period of capitalism.

**4.1 The National/Transnational Conflict**

Critics of transnational capitalist class theory often describe it as one-sided. They wrongly assert that TCC theory ignores the nation-state by arguing the world system is ruled by a unified transnational capitalist class whose hegemonic project is complete. Examples are offered of nationalist ideology and nation-state military power to prove that national interests are still primary and politically dominant. This analysis is evident in mainstream as well as left interpretations. But TCC theory has always understood history as a dialectic, a moving process of continuous transformation, impelled by ever present contradictions. Therefore, the world system is defined as a struggle between old and new forces. This offers a deeper comprehension of change. Rather than a march of stages lined-up in some historic queue, that demands we see the world in either or terms. Either as a self-contained nation-centric order, or a fully unified transnational structure.

Rather the current dialectic can be seen in national relationships and social structures that are in a constant state of struggle with emerging transnational forms. All the old forms of power, habits, identities and privileges fight to maintain their full existence. As a result class contradictions erupt between the working class and capitalist class, between different strata of the same class, and social forces embedded in old and new forms of production. This includes both progressive and reactionary tendencies from the industrial era that battle for position and influence as global capitalism seeks hegemony within nations and across borders. Additionally, there are religious fundamentalists that fight against the advances of cosmopolitanism. Neither the nation-centric nor transnational relationships exist in isolation from the other. They continually define and determine each other within a changing balance of forces. This unity of opposites in tension and conflict is what produces the historic transformation towards global capitalism. No outcome is predetermine, but produced by the dynamic itself. Consequently, what aspects of nation-centric relationships survive depends on the agency of political struggle. Although transnationalization is on the ascent, and the nation-centric system on decline, national forms can still become the dominant element in particular contradictions. The historic dialectic is much like the birth of a child. Each new being has the DNA of its parents, and as it grows it’s conditioned by the habits, culture and lessons that surround its development. Yet each new being is totally unique and much more than a reflection of its DNA and upbringing. The past exists in the present and the future. So too with social systems. One can always point to the old and argue it’s the totality of the present. But only at the risk of political folly, mistaking the parent for the child.

An additional consideration is that each country assimilates into global circuits of accumulation in its own unique manner and pace. Uneven development is a principal of the historic process. All the diverse elements that make-up the character of a country determine its transformation. Important elements include: the level of economic development, natural resources, history of class struggle, technological knowledge, the quality of the educational system, strength of the financial system, character of political democracy, role of the state and a country's place in the world system. As former national champions turn into global corporations the capitalist class reshapes the economy. In response the state must restructure its institutions and rules to house the new modes of accumulation. The relationship with private sector workers not only changes, but those working for government also come under neo-liberal coercion. Major trade arrangements, like the North American Free Trade Agreement, must be pushed through Congress, banks bailed out, corporate taxes cut, and workers fired. This mixture of national and transnational conditions creates a powerful vortex of pressure. Class conflicts are the responsibility of the nation-state, since political and social compliance are the tasks of national governments concerned with their own legitimacy. Therefore, national conditions are key to understanding how transnationalism is reshaping the world.

The dialectic between nation-centric beliefs and structures, and the powerful and rapid thrust of global capitalism creates a complex field of struggle. This is fully on display in the Ukraine, a prism of current contradictions. Perhaps the only peaceful resolution that could have been taken was a sanctioned vote on self-determination in both Crimea and eastern Ukraine. A referendum could have offered choices between a federated union, autonomy, independence, or annexation to Russia. This would have created a sovereign political process, limited outside interference and offered a democratic solution. Shortly after the Maidan protest overthrew Victor Yanukovych, groups in Donbass called for just such a referendum, but Kiev ignored their demands. Holding such elections were not farfetched. Similar elections on independence were held in Scotland and Quebec. In both elections the majority voted to continue their union with the national state. In Spain, Catalan and Basque have been demanding similar votes. Therefore, such a path to political resolution is well established in contemporary Western nations.

The Bolsheviks were the first modern political party to establish the right to self-determination, and carried out the policy by recognizing the independence of Finland. After Napoleon's disastrous eastern campaign, Finland came under Russian rule in 1812 in an agreement between Russia and France. A century later, with the overthrow of the Czar in 1917, Finland called for its independence. But the Cadet Party, which headed the government and represented the capitalist class, refused to recognize Finland's right to self-determination. Lenin reaffirmed the Bolshevik program stood "for the *right* of Finland, as of all the other underprivileged nations, to *secede from* Russia...If we are really against annexations, we should say: give Finland the *right of* secession!"[[1]](#endnote-1) (italicized in the original) On December 6, 1917 Finland declared independence. Shortly afterwards the Communists ratified Finland's freedom. The highest Soviet body, the All-Russian Central Executive Committee stated, "The people of Finland have by this step taken their fate in their own hands; a step both justified and demanded by present conditions. The people of Finland feel deeply that they cannot fulfill their national and international duty without complete sovereignty. The century-old desire for freedom awaits fulfillment now; Finland's people step forward as a free nation among the other nations in the world."[[2]](#endnote-2)

The situation in the Ukraine isn't fully similar to the historic position of Finland, which was an oppressed nation. Eastern and western Ukraine are competing regions with different national aspirations. But the problem does closely resemble Scotland, Quebec and the nationalist demands in Catalan. Therefore, a referendum on self-determination could be reasonable held within the current system of western sovereignty, and Finland remains a relevant historic experience.

**4.2 Things Fall Apart**

As many modern states, Ukraine had a long historic development. Important parts of modern day Ukraine were incorporated into Russia as early as 1654. The southern and eastern sections were added in 1920. The far western region integrated in the 1940s, after 200 years under Austrian-Hungarian rule. Finally Crimea was added in 1954. Until 1991 Ukraine never existed as a state. Consequently, regional divisions of history, language, identity, culture and religion have existed for many years. These differences have been manipulated by an economic and political ruling class that drove the country to ruin, while becoming fabulously wealthy.

After independence the economy revolved around the export of raw materials, such as agricultural goods, iron ore and coal. Although the eastern economy was industrialized it had been closely integrated with Russia. Now its aged technology made it uncompetitive in the global market. For example, a ton of steel required 52.8 hours of work in the Ukraine, compared to only 16.8 hours of labor in Germany. The western region, with the national capital Kiev, was largely agrarian and after independence looked increasing towards Europe. The dominant sector of the ruling class were the owners of these industries, coming to power through the privatization of state owned corporations. This oligarchy did little to develop the internal market, instead exporting $165 billion to offshore tax havens, mostly to banks in Cyprus. When the global economic crisis hit the bottom fell out of the export economy, with GDP falling 15 percent in 2009. The rise in foreign debt gives a clear picture of the economic collapse. In 2004 gross foreign debt stood at $23.8 billion, by 2013 it had grown to $126 billion. Millions left to find work in Russia and the EU causing a 13 percent drop in the population. By 2012 workers abroad sent home $7.5 billion dollars, more than the $6 billion in foreign direct investment. [[3]](#endnote-3)

It was the internal economic crisis and corruption of the ruling class that brought on the Ukrainian crisis. Although outside interference by Europe and US played an important role, the roots of the rebellion were to be found in domestic conditions. But widespread anger lacked progressive political direction, with no influential left party or social movement that could offer leadership on the scale of Syriza or Podemos. Instead nationalists inflamed regional identities on both sides, through which foreign interests took advantage.

Victor Shapinov, leader of the left-wing Ukrainian political organization Borotba, offers an insightful analysis of the transnational elites in the Ukraine. Shapinov argues the new billionaires had accumulated enough capital to buy into financial and industrial assets in the West, and abandon crisis ridden Ukraine. "This shift was so-called ‘Eurointegration’, through which the Ukrainian billionaires, in exchange for ending protection of the internal market and effectively surrendering it to international monopolies, received recognition from Europe. The fact that the price would be the destruction of various sectors of industry and a new spiral of deindustrialization, with an inevitable growth of unemployment and other social ills, did not trouble this peak ruling-class group in the least."[[4]](#endnote-4)

But the Eurointegration strategy lacked hegemony. It was questioned by national capitalists still attached to the internal economy, and lacked enough capital to join the transnational elite. This contradiction laid the groundwork for the explosion known as the Maiden movement. Maiden being Kiev's central plaza where the protest erupted. The initial crisis revolved around both the West and Russia offering Ukraine desperately needed loans to meet their debt obligations. President Victor Yanukovych vacillated between transnational and national interests, and the pull of the West and Russia. The Russian package of $15 billion lacked the neo-liberal reforms demanded by the IMF, which threaten important interest of the national bourgeoisie. Moreover, Yanukoych's political base was in pro-Russia eastern Ukraine, where he had received overwhelming electoral support. Finally Yanukovych backed out of signing the IMF agreement, setting off the protests in Kiev. For western Ukrainians, who looked to Europe as both a democratic and economic alternative to Russia, turning down the Western offer was a political choice they could not tolerate. This began the Maidan protests that the government moved to repress.

But these actions only radicalized the movement, in which reactionary nationalist now gained influence. Within western Ukraine a virulent anti-Russian narrative had been kept alive by right-wing groups, many of whom celebrated the pro-Nazi activities of Ukrainian fascists in World War II. With an ideological cohesive and motivated membership they were able to play a leadership role in the demonstrations, even though the majority were liberal pro-Western activists.

When Yanukovych was driven from office and fled to Russia, many people in the east felt betrayed and the democratic elections violated. Others had never fully accepted the split from Russia. Now an eastern movement began to advocate for autonomy or independence. Kiev launched armed attacks declaring an "anti-terrorist" offensive. Yet protests in the east were at that time no different from those that took place in the west. With growing armed conflicts, nationalists on both sides essentialized and emphasized regional differences. Eastern Ukrainians were characterized as vulgar, ignorant and less educated. The government in Kiev painted as a fascist junta, and a threat to Russian language and cultural rights. Both regional nationalisms feed off of each other, the result being greater violence and civil war.

**4.3 The Neo-Fascist Threat**

When the new government formed in Kiev six members from the Svoboda party received cabinet positions, including national security, military, prosecutorial and educational affairs. Svoboda claims the tradition of the pro-Nazi Ukrainian Insurgent Army, which participated in the mass killing of 70,000 Jewish and Polish citizens in World War II. Various reactionary nationalist parties hold about 20 percent of the seats in Parliament. Moreover, with a weak national army the oligarchical bureaucratic government turned to neo-Nazi and right-wing militias to launch attacks on the protest movement in the east. There are about 30 such militias engaging in battle. One of the most important is the Azov battalion which carries the Wolfsangel flag, formerly used by Hitler's SS divisions. In an interview their commander Andriy Biletsky stated, "The historic mission of our nation in this critical moment is to lead the White Races of the world in a final crusade for their survival. A crusade against the Semite-led Untermenschen (sub-humans).”[[5]](#endnote-5)

The Azov battalion eventually joined the official command structure of the Ukrainian army. But another powerful militia, the Right Sector, still operates independently. In a convoluted anti-Russian alliance, three battalions of Islamic Chechen nationalists crossed the Russian border and joined the battle under the leadership of the Right Sector. But fighting in eastern Ukraine is only part of the group's agenda. In 2015 the Right Sector engaged in a shoot-out with west Ukrainian police and rival groups over the control of the cigarette market. A market that was also a point of violent conflict between criminal gangs during Russia's rush to privatization. When Right Sector leaders threaten to hold armed protests in Kiev, the *New York Times* reported that officials were worried over a "possible second wave of the revolution in Ukraine, led by this extreme right wing of the country's politics, particularly as the economy unravels."[[6]](#endnote-6) Rival neo-Nazi leader Belitsky stated, "This is a gravely dangerous situation for our country. With the economy falling, social instability rising and a war in the east, the last thing we need is a second front."[[7]](#endnote-7) Right Sector leader Dmitro Yarosh received 127,000 votes in the 2014 election, but the party itself only won 1.6 percent of the total vote.

Reigning in various independent militias has been an ongoing problem for the Poroshenko regime. But control of the government is clearly in the hands of a neo-liberal pro-Western elite. The parties of President Petro O. Poroshenko and Prime Minister Arseniy P. Yatsenyuk won the largest number of seats in Parliament, with 21.4 and 21.7 percent respectively.

Whether or not a right-wing putsch occurs, proto fascist forces are an important part of the governing alliance. The situation is reminiscent of how the German bourgeoisie allied with the Nazis, only to lose control over their fascist friends. But Shapinov, who along with members of Borotba fled to Crimea, offers a different analysis. As he argues, "This situation does not exactly resemble classical German or Italian fascism. It’s more like the pro-fascist paramilitary movements of the 1970s and 1980s in Latin America. The oligarchs create paramilitary groups and use them to spread terror."[[8]](#endnote-8) No matter the exact state of fascism in the Ukraine, the West has largely ignored and covered up their role. The alliance between neo-liberal transnational capitalists and extreme right-wing nationalists may seem strange. But such politics are also present in the Republican Party with its Tea Party wing, in India in the BJP, with the ruling Justice and Development Party in Turkey, and the governing Liberal Democratic Party in Japan. It's an unstable alliance based in the transition of conservative politics between nation-centric and transnational capitalist eras. New and old forms of right-wing hegemony. The nationalist variety being the most reactionary because its linked to disappearing nation-centric structures, national modes of accumulation, racial myths and patriotic symbols. Aspects of which transnational capitalists find politically useful, but a strategic dead-end to their global aspirations. In the Ukraine the civil war is the cement that holds the coalition together. But continuing internal struggles are sure to unfold.

**4.4 Outside Interference**

Ukrainian nationalism and pro-Western elites provided the spark to reignite big power nationalism and competition over territorial alliances. Cold War rivalries were buried in a shallow grave, easy to revive in a battle over energy, raw materials, agricultural goods and border security. Russian control over Eastern Europe was an accepted arrangement in the balance of power among international realists who ruled foreign policy circles before the fall of the Berlin Wall. Since 1989 Russia has been eager to reassert influence over its former territorial regions, and viewed Western meddling in Georgia and the Ukraine as a threat to its border security. Powerful nations regard surrounding countries as their natural sphere of influence and their personal geostrategic buffer zone. No real consideration is given to the desire of their neighbors to chart their own independent paths. In this regards Russian chauvinism is no different from Western imperialism. Russia's most provocative act was their seizure of Crimea. Crimea had been a base for the Russian Black Sea fleet since 1783, and the seizure was popular among Crimea's Russian speaking population.

Nevertheless, it was a violation of national sovereignty, and increased Ukrainian nationalism and Western influence. As Alexander Buzgalin has pointed out, Russia has a "blatantly contradictory position ...on the right of peoples to self-determination. If the peoples of Crimea or Novorossiya want to secede from Ukraine, the Russian government maintains, they have a legitimate democratic right to do so. But if a particular national grouping *within* Russian aims to secede...then that is a criminal offence."[[9]](#endnote-9) In the long-term Russia's strategy seems to focus on keeping Ukraine out of NATO, protecting Russian language and cultural rights, and maintaining strong ties with the Ukrainian economy.

Russian political elites and private transnational capitalists have their own unique relationship. It centers on a balance between a historically strong state and a private capitalist class that became rich by looting state property. After the fire sale held by the Yeltsin regime, Putin reasserted central power by sending a number of oligarchs to jail, making energy a state dominated industry, and promoting certain financial institutions. Oligarchs who proved themselves political loyal, or at least not disruptive, became part of the ruling hegemonic bloc. Both state owned industries and banks, as well as private industries, became closely integrated with global capital. The result was a state lead process of transnationalization.[[10]](#endnote-10)

This presented a profound contradiction for the Russian political and economic elite. As Russian Marxist Boris Kagarlitsky has pointed out, "the situation confronting our elites in this respect is more or less straightforward, they cannot enter actively into confrontation with the West without dealing crushing blows to their own interests, to their own capital holdings and to their own networks, methods of rule and way of life."[[11]](#endnote-11) According to Credit Suisse Russia's 110 billionaires control 35 percent of the nation's wealth. There is no doubt that the economic boycott has hurt. FDI inflows fell from $69 billion in 2013 to $21 billion in 2014. This dropped Russia from the fifth place to number 16 in attracting global FDI. But oligarchy investments abroad still continued to occupy an important part of the Russian economy. In 2013 FDI outflows of $87 billion put the Russia TCC in fourth place among global investors. In 2014 the outflow were reduced to $56 billion, but the oligarchy still occupied sixth place as the world’s most important foreign investors.[[12]](#endnote-12)

In the west Gideon Rachman, the political editor for the *Financial Times,* made similar observations. As he stated, “The deep connections between politics and business in modern Russia mean that the country’s most powerful people often have a direct personal stake in the continued prosperity of Western Europe. They have business relationships to maintain, investments to protect, houses in the south of France, children at school in Britain…people with international business interests tend not be nationalists. They cannot afford to be.”[[13]](#endnote-13) But this also held true for western transnational capitalists, the ties are a two way street crossing borders and nationalist politics. Hurting Russian economic interests hurt Western interests as well.

Even so, the ghosts of superpower nationalism remains influential among those in top Kremlin positions, 58 percent of whom are former members of the security, police and military apparatus, as is Putin himself.Collectively this group is known as the siloviki, many who head major state owned industries and banks. While the siloviki represent great power nationalism within the state, their economic position ties them to transnational capital. The duality of their interests, as well as the global ties of the private sector oligarchs, is the contradiction at the heart of Russian politics. Nationalism still rears its head, particularly over issues that touch upon regions of the old Soviet Union. And no region has greater political and economic significance than the Ukraine. If Russia is to regain status as a core country in the world system, it needs the ecological and industrial resources available just across its border. Taking all these factors into account, a shifting balance between nationalism and transnationalism is a central dialectic within Russia itself, as it is between Russia and the EU and US.

Besides geostrategic concerns the Ukraine is a major consumer of Russian exports, including energy. It also acts as a major transshipment point for Russian energy to Western Europe, which receives 40 percent of its oil and gas from Russia. Additionally, the Ukraine has large shale gas and oil reserves, the majority located close to the Russian border, in Crimea, and along Crimea's Black Sea coastline. As part of its annexation Russia claimed a new maritime zone of 36,000 square miles, more than three times the size of the Crimean landmass. Western Ukraine has long been considered a breadbasket for Europe, being the world's third largest corn exporter and fifth largest exporter of wheat. In recent years foreign agro transnationals have purchased 1.6 million hectares of land. Lastly the Ukraine is a source of cheap labor, in 2014 the average net wage being 150 Euros, compared to the average EU wage of 1489 Euros.[[14]](#endnote-14) Given all these elements there is a lot at stake, and the unique divide politically and economically between western and eastern Ukraine plays to the old divisions between West and East.

Under attack and labeled as "terrorists," the people in eastern Ukraine organized armed self-defense militias to combat the western military offensive. But the battle did not remain an internal dispute. Russian arms and volunteers quickly crossed the border to join the fight. Participation of the Russian army has never been definitively proven, but many of the volunteers are clearly reactionary nationalists. Alexander Borodai, who became prime minister of the Donetsk People's Republic, came from a group of Pan-Slavic nationalists who published the far-right newspaper Zavtra. His rebel commander, Igor Strelkov, is known as a religious fundamentalist zealot. His militia of Russian volunteers carried the Middle Age banner of "Holy Rus," and look to the Russian Orthodox Church for inspiration and support. The head of the church, Patriarch Kirill I, characterized the conflict as a religious war with the breakaway Ukrainian Orthodox Church. Consequently, in the fighting the breakaway church became a target for Strelkov's militia. Russian Cossacks have also joined the battle with a religious nationalist identity, calling themselves the Cossack Orthodox Army. At one point they claimed to control 80 percent of the Luhansk region, including major towns, strategic roads and border crossings to Russia.

The Kremlin's relationship to these ultra- nationalists is similar to that of Kiev to the neo-fascists. Neither government exerts full control. Rather these are alliances of convenience. The strategies of Kiev and Moscow and the reactionary nationalists aligned only so far. Putin was willing to back-off supporting the Russian volunteers as a ceasefire came within reach. And the neo-fascist continue to fight Kiev's transnational capitalists over money, contracts and power. It's also important to note that the often repeated story of massive amounts of Russian arms flowing to the rebels is false. A careful study by Armament Research Services found the majority of weapons used by eastern militias did not come from Russia, but stockpiles of Ukrainian weapons. [[15]](#endnote-15)

As for the West, US and EU political interference openly and unsparingly encouraged Ukrainians to pursue an exclusive pro-Western direction. After the Maiden coup Western powers deepened their involvement by openly supporting the military offensive into the east while ignoring the influence of neo-fascist militias, and the sway of reactionary nationalists in the new government. The Western economic boycott against Russia revived cold war politics, and some Pentagon leaders labeled Russia as the main global threat to the US. Ukrainian left commenter Volodymyr Ishchenko noted that both Russia and the West promised better social conditions for their supporters, while the country became a "playground for Western and Russian imperialism."[[16]](#endnote-16)

Inside the Ukraine, American neo-conservative Victoria Nuland and US ambassador Geoff Pyatt, played important roles in financing and promoting pro-Western activists and organizations. Meddling directly into Ukrainian politics, a phone call by Nuland to Pyatt was caught on tape as they discussed getting rid of Yanukovych’s government. Nuland and Pyatt also helped to channel funds from The National Endowment for Democracy (NED) and the Agency for International Development (USAID) to pro-Western media groups and NGOs. This first came as a $48,533 grant to Hromadske TV. This was soon followed by $19,183 from the George Soros International Renaissance Foundation (IRF), and $95,168 from the Embassy of the Netherlands. Pro-western media became an important tool in promoting and mobilizing anti-government protests, and creating a narrative that played to US and European audiences. For its part, Western media has in large part failed to cover Kiev's repeated artillery and air attacks that struck residential buildings, shopping malls, parks, schools, kindergartens and hospitals. Conditions became so horrific that over 200,000 Ukrainians fled to Russia seeking shelter, jobs and in many cases residency.

Other important groups receiving financial support included the private non-profit contractor Pact, and a Ukrainian coalition of 150 NGOs called New Citizen. New Citizen acted as a hub for anti-government groups portraying itself as promoting civil society, democracy and good governance. Pact received over $7 million for USAID, while the Swiss and British embassies, the Swedish International Development Cooperation Agency, the Canadian International Development Agency, NED and IRF gave funds to PACT, New Citizen and associated organizations. [[17]](#endnote-17) Although the West provided money and political support, military support has been limited. Germany and France have even opposed sending defensive military systems, arguing that it would only result in a Russian escalation. And while the US provided military training for the National Guard, it refused to train and supply the neo-fascist militias.

On the international economic front there has been some interesting deals. One that saw little attention in the western press concerned Burisma, the Ukraine's largest independent gas producer. The company is controlled by Nikolai Zlochevsky, who served as secretary of Ukraine's National Security and Defense Council under the Yanukovych government. Zlochevsky is an example of how easy it is for the Ukrainian elite to move between Western and Eastern economic interests. Zlochevsky made Alan Apter, a US investment banker, chairman of the Burisma board. Apter then recruited Hunter Biden, Vice-President Joe Biden's youngest son, as a board member. Also joining the board was Devon Archer, a close family friend of Secretary of State John Kerry and a trustee of the Heinz Family Office that oversees the family business. Biden and Archer worked for the investment firm Rosemont Seneca Partners, a subsidiary of the private-equity firm Archer founded alongside his college roommate Christopher Heinz, heir to the Heinz Company family fortune.[[18]](#endnote-18)

**4.5 Transnational Bonds and Influence**

Russian and European economic ties are strong. This is less true for the US/Russian relationship, although ties with Western oil majors, including those headquartered in the US are important. The bonds between transnational capitalists created problems for the full implementation of the anti-Russian sanctions, most forcefully pushed by the US, but most deeply affecting Europe. In 2014 Russia imports from the US were just 3 percent of its totals, while imports from Germany, France and Italy totaled 22 percent. At the same time Russian exports to the US were 3.6 percent of their national total, while exports to the Netherlands, Germany and Italy were 22.4 percent. Petroleum, comprising 64 percent of exports, is overwhelmingly the most important Russian commodity. But imports and exports are just part of the story of transnational integration. They are an important economic indicator of older nation-centric relationships, than of today's global finance and manufacturing networks. At the *Financial Times* Rachman noted, "the defining difference with the crises of the cold war is that nowadays a confrontation with Russia, and potentially one day with China, involves economic relationships that did not exist when the world was divided into rival political and economic blocs."[[19]](#endnote-19)

A key aspect of the new relationships are cross border financial flows. Shortly before the Ukrainian crisis huge amounts of money flooded Russia as global investors rushed into emerging markets. Between 2005-2008 transnational capitalists sunk $325 billion into Russian corporations, with large amounts going to state owned entities like Sberbank and the energy giant Gazprom. Among the biggest investors were the financial giants JP Morgan, BlackRock and Pimco. [[20]](#endnote-20) Loans were also being made, reaching $400 billion from some of the biggest global banks including, Citigroup, HSBC, BNP Paribas and Deutsche Bank. Consequently, both debt and profits from Russian state owned companies meant profits for US and transnational investors the world over. More than 75 percent of foreign executives reported the operating environment was as good as or better than China, India or Brazil, and 90 percent were planning to expand before the crisis erupted. Russian transnationals have also been active raising capital abroad, particularly on the London Stock Exchange. In one of the most important IPOs Russian state bank VTB raised $8.2 billion and appointed James Wolfensohn, former head of the World Bank, as board adviser

Germany is the country most deeply tied to Russia, with about $30 billion in foreign direct investments and another $30 billion in exports. There are some 7,000 German companies active in Russia, from the biggest to numerous mid-size enterprises. Adidas, BASF, Siemens, Volkswagen, Opel (owned by GM) and Daimler all have major facilities, and all rank among the largest transnationals in the world. On the financial front all major German commercial banks are active in Russia with Deutsche Bank having the strongest market position. In terms of oil and gas, Germany’s biggest energy group Eon is the largest foreign shareholder in Gazprom. Moreover, Eon and BASF joined with Gazprom in building a $6.6 billion Baltic Sea pipeline. The Germans hold 20 percent of the joint venture known as Nord Stream with former chancellor Gerhard Schroder as chairman and Matthias Warnig of Dresdner Bank its chief executive. Germany relies on Russia for 35 percent of its oil and 50 percent of its gas. So it's no surprise that the business community has strongly opposed sanctions. Even after the seizure of Crimea, Siemens CEO Joe Kaeser met personally with Putin to confirm their long-term commitment to sell trains, energy infrastructure, medical technology and manufacturing automation to Russia. Important cross border deals continued as well, with German energy firm RWE selling its oil and gas subsidiary to Russia's LetterOne for over $7.5 billion. But sanctions have hurt. German trade with Russia dropped by 35 percent in early 2015, affecting the 300,000 jobs in Germany dependent on such economic activity.

In negotiations over the Ukraine Chancellor Angela Merkel was willing to take NATO membership off the table, a major concession to Russian concerns. Germany's deputy chancellor, Sigma Gabriel, further explained his country's negotiating position. According to Gabriel, "The goal was never to push Russia politically and economically into chaos. Whoever wants that will provoke a much more dangerous situation for all of us in Europe. We want to help solve the conflict in Ukraine, not to force Russia to its knees."[[21]](#endnote-21) French President Francois Hollande took an even softer stand, suggesting the possibility of lifting sanctions, and opposing their further tightening. A position supported by Italy, Austria, Finland, Spain, Slovakia, Hungary, Bulgaria, Greece and Cyprus. Heavy corporate lobbying was effective, particularly the warning that Russia could retaliate with sanctions against European business interests. The European Commission itself was sharply divided. Antonio Tajani, the industry commissioner, spoke for many when he stated, “We are not the US, we don’t have shale gas as they do, so any move to sanction them [Russia] would hurt our companies a lot. At a time when Europe is getting back on its feet after the worst crisis in decades we need to be very careful and use our judgment before shutting down important investment and trade relations such as the ones we have with Russia.”[[22]](#endnote-22)

As the sanction battle heated up the Italian government took a leading oppositional role. Italy is the second largest trading partner with Russia within the EU, its relationship worth over $30 billion per year. UniCredit, Italy's largest bank by assets, is also the second largest foreign owned bank in Russia. Investments moving from Russia to Italy are also important, Rosneft is the largest shareholder in Pirelli, a major Italian tire manufacturer. The energy sector is particularly well integrated between the two countries. Italian state owned energy company Eni is a major investor in the Russian pipeline project South Stream. Eni also buys energy from Gazprom and they share projects in both Russia and Africa. Eni and Enel, Italy's second major energy transnational, together hold a 20 percent stake in Gazpromneft, Gazprom’s oil arm. Enel also became the first foreign company to join Russia’s power sector, paying $1.5 billion for shares in OGK-5, and a 49 percent stake in the electricity distributor, Rusenergysbyt.

The U.K. has its own unique relationship to the Russian TCC because London is home to many of the oligarchs. In 2012 the number of Russian children in British schools rose by 25 percent, and the average cost of a London home bought by a Russian was $6.7 million. Some 50 Russian based corporations are listed on the London Stock Exchange, where they have raised more than $82 billion. Russian transnational capitalists have always looked abroad for safe offshore banks and property.[[23]](#endnote-23) New York has recently become another favorite site for property acquisitions and homes.

In implementing sanctions the US believed Russia's global business ties were too valuable to lose, and so economic pressure would force their retreat from eastern Ukraine. But from the other side of the mirror Putin believed global business ties to Russia were too valuable and would undercut Western sanctions. In important ways both were right. When the first sanctions hit they only affected a handful of Russian oligarchs close to Putin. But as the US continued to up the ante to "category three," which included Russian banks and energy companies, the Obama administration faced stiff resistance not only across Europe, but in the US as well. In opposition the two biggest business associations in the US, the National Association of Manufactures and the US Chamber of Commerce, began lobby efforts and took out critical ads in national newspapers. Also elite opposition insisted that sanctions should not hurt financial institutions that held significant Russian debt.As US Treasury Secretary Jacob Lew said, “Obviously, there’s two sides to every transaction. The goal is to have the maximum impact in Russia and to have as little damage done to the global economy."[[24]](#endnote-24)

A fascinating area of conflict was over US ties to the Russian space program. Since 2000 the Department of Defense has been buying Russian rocket engines to launch military and intelligence satellites. These satellites include some of the most important and secrete defense and intelligence technology held by the Pentagon. But after the annexation of Crimea, Congress banned the purchase of Russian engines, the sales worth about $300 million to the Kremlin. Soon after the Pentagon began a campaign to get Congress to back-off. America's two biggest defense contractors, Boeing and Lockheed Martin, added their considerable influence to ease the restrictions. Secretary of Defense, Ashton Carton and the Director of National Intelligence, James Clapper Jr., became directly involved sending a letter to senior congressmen to change the legislation. The pressure worked, and soon the Pentagon once again was able to purchase rockets made by the Russian company Energomash. As pointed out by Representative Duncan Hunter, Republican of California and member of the House Armed Services Committee, “Some of our biggest defense companies are lobbying on behalf of the Russians. That’s a strange position for the defense industry to have.”[[25]](#endnote-25)

Another important area was Russia's energy industry. Companies weren't banned from conducting business with Russian state owned gas giants Gazprom and Rosneft, although banks were sanctioned from making them loans. This arrangement allowed Exxon to keep a $3.2 billion Arctic offshore drilling contract, and in the deal Rosneft obtained minority stakes in the US Gulf of Mexico and oil fields in Texas. Tim Ash, an official at Standard Bank Group LTD wisely observed, "The U.S. government’s very, very eager that companies with traded assets are excluded" from the sanctions. The hands off Rosneft policy was also important to protect their many transnational institutional investors. But the US did move to sanction Rosneft's president, Igor Sechin. This prompted Jack Mack to resign from the Rosneft board. Mack was former chief executive of Morgan Stanley which had sold their global oil trading business to Rosneft. But US law didn't prohibit US citizens from sitting on the board, and so Donald Humphreys, former chief financial officer of Exxon Mobil, and BP chief executive Bob Dudley continued to serve. BP owns 20 percent of Rosneft. Furthermore, Rex Tillerson, chief executive of Exxon Mobile, received the Order of Friendship award from Putin in gratitude for Exxon's commitment to Russia.

The energy industry is the 900 pound gorilla of the Russian economy. For many years it worked with other oil majors and so deserves a more detailed analysis. Rosneft emerged as Russia’s largest oil producer when Putin dismantled Yukos, and sold its $90 billion assets for just $2 billion. Western banks then rushed in to loan Rosneft $22 billion as it upgraded to Russia's dominant energy company. Financial backing came from ABN Amro, Barclays, BNP Paribas, Citigroup, Goldman Sachs, JP Morgan and Morgan Stanley. Rosneft moved onto the transnational stage raising $10.7 billion in a huge IPO on the London Stock Exchange. Strategic investors were British Petroleum, Petronas (Malaysia) and CNPC (China), Russian oligarchs joined in with Roman Abramovich, Vladimir Lisin and Oleg Deripaska each investing $1 billion. As Joerg Rudloff, chairman of Barclays and board member of Rosneft noted, Russia was “on the track of international economic integration.”[[26]](#endnote-26) In 2006 Rosneft turned east joining with China’s Sinopec in a $13.7 billion buyout of Udmurtneft oil. In a key deal after the Crimea sanctions were imposed Rosneft signed a 30 year contract with the state owned China National Petroleum Corporation worth about $400 billion. Rosneft is an excellent example of statist transnational capitalism. As a state owned corporation it has lead transnational capitalist class integration, bringing together Russian private and state capitalists, alongside their European and Asian private and state counterparts.

Nevertheless, as Western sanctions tighten they did cause difficult problems for Rosneft, denying it important global resources. But at the same time, Rosneft turned to other transnationals to work around the sanctions. Rosneft had joint venture contracts to help exploit its vast Arctic holdings, but sanctions forced Eni, Exxon and Statoil to withdraw from a $20 billion exploration deal. To replace the loss of advance drilling technology Rosneft took a 30 percent stake in North Atlantic Drilling, a subsidiary of Seadrill, the world's largest offshore driller controlled by Norway's richest man, John Fredriksen. In turn Fredriksen bought a "significant portion" of Rosneft's land drilling operation. Rosneft also faced problems when sanctions cut access to foreign capital markets. To counteract the sanctions it arranged a series of prepayment deals with some of the largest western oil traders including Glencore, Trafigura and BP. Also Rosneft bought Morgan Stanley’s global oil merchant unit*.* This gave Rosneft an international network of oil tank storage contracts, supply agreements and freight shipping contracts as well as a 49 per cent stake in Heidmar, a manager of oil tankers. The acquisition put Rosneft in competition with Glencore and Vitol and other oil traders, opening new avenues to sell their energy on global oil markets. Obviously there is a constant push and pull between national sanctions and transnational economic networks. This tension continues to play out as the central dynamic in the Ukrainian crisis.

A brief look at Gazprom, the second state owned Russian energy giant, furthers our understanding of the depth of major transnational joint projects. In developing Shtokman, one of the world’s largest gas fields, Gazprom partnered with Total from France and StatoilHydro of Norway. Total has a close relationship with the Russians. The French oil major has investments in two other Russian oil fields, and a 16 per cent stake in Novatek, the country’s largest gas producer after Gazprom. In turn Gazprom is the number two gas supplier to France. The largest foreign investment project in Russia, the Sakhalin-2 oil field, involved the British and Japanese. Although Gazprom retains majority ownership, Shell holds 27.5 percent, Mitsui 15 percent and Mitsubishi 10 percent. The South Stream project which is building a pipeline for Gazprom through Bulgaria, Serbia, Hungary and into Austria had eleven groups bidding for contracts in the face of US opposition. This included corporations from Austria, Belgium, Germany, India, Italy, Japan, and Sweden. About one-third of the gas used in Europe comes from Gazprom, and South Stream will strengthen the Russian position even further.

One way to judge the success of the economic boycott is to see who attended the St. Petersburg International Economic Forum. In 2014 some 560 foreign executives and government officials came, down from 700 the year before. The French were well represented with the chief executive of Total, as well as leaders of Alstom, Danone, Suez GDF and Societe Generale. Besides Total other oil heavyweights included Shell, ExxonMobil, Statoil and BP. Rosneft signed more than a dozen contracts including a big multiyear deal with Venezuela's state owned oil group. US financial heavy weights JP Morgan Chase and TPG also attended. In total 70 US corporations were present. But a number of important US executives stayed away, including Lloyd Blankfein of Goldman Sachs and Indra Nooyi of PepsiCo.

**4.6 Between Two Worlds**

There can be no doubt that sanctions have hurt the Russian economy, hitting its exports, stock market, global financial ties and affecting the profits of transnationals operating inside its borders. By 2015 capital flight soared to over $100 billion, and the value of the ruble fell by a third. Additional economic pressure, perhaps even more important, was the deep drop in world oil prices. Western sanctions also caused the cancellation of an important military deal with France for $1.6 billion, over the grudging but yielding opposition of the French government. This was the biggest arms sale ever by a NATO country to Russia. But French/Russian military ties were renewed and strengthen with the terrorist attacks in Paris, and their mutual involvement in the Syrian conflict.

Putin has played to the politics of nationalism and gained an 80 percent approval rating among Russians, while the press promotes stories about the "neo-fascist junta" in the Ukraine. Moreover, Russia began its own sanctions against importing a range of food and agricultural goods from Europe and the US. The boycotts from both sides resulted in some Russian companies, from farms to banks, growing their internal markets. Yet overall growth is down and prices are up, creating stagflation.

The relationship between Russia’s private transnational capitalists and statist capitalist class continues to be a balancing act. Over the years Putin has swung from promoting cross border economic integration, to criticizing private capitalists for investing too much abroad. On one hand the Russian state spent billions to make the Sochi Winter Olympics a showcase for an international audience, and on the other is the current blast of nationalist rhetoric. In both cases it’s the statist fraction of the TCC that’s in charge, and a reminder that the state leads the pace of transnationalization according to its political needs. But Russia needs its transnational partners, whether from the West or from China. And perhaps these economic ties have been the key blockade to an all-out Russian military annexation of eastern Ukraine.

But the same dilemma confronts the West. Transnational capitalism is not about domination but integration. And so the pace and extent of economic sanctions has been cautious and opposed at every step by the Western TCC. This has also slowed military provocations by the US and Europe. The flow of new arms to western Ukraine has been limited and its membership in NATO put off. Both Russia and the West prefer to fight through their reactionary proxies. But it’s highly doubtful that ultra-nationalists will win political power in either western or eastern Ukraine.

Taking all the political and economic factors into consideration we can see the complex interplay between local nationalism, old Cold War superpower nationalism, and the powerful interests of transnational capitalism counteracting these forces. This is the current state of global capitalism. A period of transition in which the dialectic between nationalism and transnationalism is fully on display. Each opposition defines and limits the other. While the historic movement is towards a world system of global capitalism, nationalism can still play an important role, and in some cases become the dominant political element. In such a period the Ukraine is an important and useful example of how the contradictions unfold.

**References**

1. Lenin, V.I. (1964*) Lenin Collected Works*, Progress Publishers, Moscow, Volume 24. pages 335-338 [↑](#endnote-ref-1)
2. https://en.wikipedia.org/wiki/Finnish\_Declaration\_of\_Independence [↑](#endnote-ref-2)
3. Shapinov, Viktor. (2014). "A Class Analysis of the Ukrainian Crisis." *Links, International Journal of Socialist Renewal*. (June 13). [↑](#endnote-ref-3)
4. Ibid. [↑](#endnote-ref-4)
5. Parry, Robert. (2015). "Ignoring Ukraine's Neo-Nazi Storm Troopers." Consortium News, (August 14). [↑](#endnote-ref-5)
6. Kramer, Andrew E. (2015). "Police in Western Ukraine Clash With Paramilitary Group; 7 Are Hurt." *New York Times*, (July 12). [↑](#endnote-ref-6)
7. Ibid. [↑](#endnote-ref-7)
8. Shapinov, Viktor. (2014). "The Ukraine junta's fascist foot soldiers." http://www.workers.org/articles/2014/10/31/ukraine-juntas-fascist-foot-soldiers/ [↑](#endnote-ref-8)
9. Buzgalin, Alexander. (2015). "Ukraine: Anatomy of a Civil War." *International Critical Thought*, Vol. 5, No. 3. [↑](#endnote-ref-9)
10. Harris, Jerry. (2009). "Statist Globalization in China, Russia and the Gulf States." *Science & Society*, Vol. 73, No. 1 (January). [↑](#endnote-ref-10)
11. Kagarlitsky, Boris. (2015). "Crimea annexes Russia." *Links International Journal of Socialist Renewal* (April 9) [↑](#endnote-ref-11)
12. United Nations Conference on Trade and Development. World Investment Report 2015 Overview. UNCTD, New York. [↑](#endnote-ref-12)
13. Rachman, Gideon. (**2008). “Medvedev will not declare cold war.” *Financial Times*, (March 4).** [↑](#endnote-ref-13)
14. Figueroa Helland, Leonardo, Tim Lindgren & Tori Pfaeffle. (2015). "Civilization On a Crash Course? Imperialism, Subimperialism and the Political-Ecological Breaking Point of the Modern/Colonial World System." Paper given at the 14th Annual Global Studies Association Conference, Toledo University, July 13. [↑](#endnote-ref-14)
15. Ismay, John. (2015). "Tracking the Weapons Used to Fight Ukraine's War." New York Times (February 2). [↑](#endnote-ref-15)
16. Ischchenko, Volodymry. (2014). "The Maiden Uprising and Civil War in the Ukraine." http://www.socialistproject.ca/leftstream/Is238.php (November 2). [↑](#endnote-ref-16)
17. Weissman, Steve. (2015) Meet the Americans Who Put Together the Coup in Kiev. http://readersupportednews.org/opinion2/277-75/22758-meet-the-americans-who-put-together-the-coup-in-kieve? (March 25). [↑](#endnote-ref-17)
18. Sonne, Paul & James V. Grimaldi. (2014). "Joe Biden's Son Appointed to Board of Largest Gas Company In Ukraine." http://www.popularresistance.org/joe-bidens-son-appointed-to-board-of-largest-gas-company-in-ukraine. (May 18). [↑](#endnote-ref-18)
19. Rachman, Gideon. (2014). "If the Chinese leadership were ever to 'do a Putin', how could the US and allies react? *Financial Times*, (March 10). [↑](#endnote-ref-19)
20. Thomas Jr., Landon. (2014). "Foreign Investors in Russia Vital to Sanctions Debate. *New York Times* (March 17). [↑](#endnote-ref-20)
21. Euractiv.com. (2015) http://www.euractiv.com/sections/europes-east/france-germany-concerned-about-russia-sanctions-policy-311046. (June 1). [↑](#endnote-ref-21)
22. Oliver, Christian, James Fontanella-Khan, George Parker, & Stefan Wagstyl. (2014) "EU sanctions push on Russia falters amid big business lobbying." Financial Times, (April 16). [↑](#endnote-ref-22)
23. Schafer, Daniel. (2014). “City jobs ads importance of rich Russians to wealth sector.” *Financial Times*, (March 19). [↑](#endnote-ref-23)
24. Doff, Natasha. (2014). "Fitch Says U.S. Limiting Putin Sanctions to Help Bondholders." Bloomberg. (April 30). [↑](#endnote-ref-24)
25. Myers, Steven Lee. (2015) "Pentagon Seeks Easing of Ban on Russian Rockets for U.S. Space Missions." *New York Times* (June 3). [↑](#endnote-ref-25)
26. Wagstyl, Stefan. 2007. “Russian boom will end in pain, says banker.” *Financial Times,* April 24, p.5. [↑](#endnote-ref-26)