



GEORGIAN FOUNDATION FOR  
STRATEGIC AND INTERNATIONAL STUDIES

**COMPARATIVE ANALYSIS OF US AND RUSSIAN  
GEOPOLITICAL AND GEO-ECONOMIC INFLUENCE  
IN WORLD POLITICS**

**NIKA CHITADZE**

**112**

**EXPERT OPINION**





საქართველოს სტრატეგიისა და საერთაშორისო ურთიერთობათა კვლევის ფონდი  
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## INTRODUCTION

At the first stage of the finalization of the Cold War, a relatively warm relationship formed between Russia and the US. The two countries signed a number of agreements in the fields of politics, economics, military, security, culture and others, hence creating a legislative base for developing bilateral relations. However, already at the beginning of the 21<sup>st</sup> century, especially given the fact that the US was involved in wars in Afghanistan and Iraq while Russia started to re-assert its positions on the international arena through the growth of revenue from oil dollars, there appeared to be more differences between the two countries than there were common interests.

The main goal of this paper is to present a detailed analysis of the existing confrontation between the US and Russia as well as the economic potential of the two countries. Hence, several questions can be asked: is the world currently safer than it was during the Cold War? Is the US still a world hegemon? Is the current international system unipolar, bipolar or multipolar? Has Russia turned into a global geopolitical player? And so on.

## REALITIES AFTER THE COLD WAR – THE WEST’S GOOD WILL AND THE RUSSIAN RESPONSE

After the dissolution of the Soviet Union, the West was facilitating the process of democratization in Russia and the whole post-Soviet area in general. For understandable reasons, the West and the US especially, were paying special attention to Russia’s increased integration into the international democratic community. A clear confirmation of this fact is that at the first stage of the dissolution of the Soviet Union, Washington did not criticize Russia for forcefully intervening in conflicts taking place on the territories of Georgia and Moldova. More specifically, if we take the 1974 UN Resolution No. 3314 on the Definition of Aggression as a basis, by supporting separatist groupings in Transdnistria, Abkhazia and the former Autonomous Oblast of South Ossetia, Russia was exercising indirect aggression towards these two post-Soviet republics.<sup>1</sup>

Despite a bloody war waged on the territory of Chechnya in 1994-1996 which took the lives of tens of thousands of peaceful civilians,<sup>2</sup> Russia became a mem-

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<sup>1</sup> For details see: Definition of Aggression, United Nations General Assembly Resolution 3314 (XXIX). Available online at <http://hrlibrary.umn.edu/instree/GAres3314.html> (September 30, 2018)

<sup>2</sup> ვალერი მოდებაძე, ჩეჩენი ერის ბრძოლა თავისუფლებისათვის (თბილისი, 2015) [Fighting of the Chechen Nation for Freedom], გვ. 12-14

ber of the Council of Europe<sup>3</sup> in 1996 while an Act of Cooperation was signed between NATO and Russia<sup>4</sup> in 1997.

Since 1998, seven leading representatives of the Western democratic community, the G7, proposed Russia to create a 7+1 format.<sup>5</sup> Later, despite Russia's support towards the Milosevic authoritarian regime in Yugoslavia (when he was conducting genocide of the last remaining Albanian population in Kosovo) and a new and bloody military operation performed in Chechnya beginning from 1999, the NATO-Russia council started functioning in 2002<sup>6</sup> and the 7+1 format turned into the G8 where Russia was accepted as a full member.<sup>7</sup>

In 2004, the International Olympic Committee made a decision to hold the 2014 Winter Olympics in Sochi, Russia.<sup>8</sup> After 2008, following Russia's large-scale aggression in Georgia, the West did not impose any economic sanctions against Russia and the opinion in Western society was divided for years with regard to who started the war in 2008 – Russia or Georgia!!! And all of this given the fact that the war was taking place on the territory of Georgia – a sovereign state and a subject of international law and it was Russian armed forces that invaded Georgia. It must be pointed out that the first time the term “occupation” was used towards Russia was in the 2011 European Parliament Resolution.<sup>9</sup> In 2010, FIFA made a decision to hold the 2018 World Football Championship in Russia.<sup>10</sup>

Despite all of the abovementioned facts, Russia assessed these constructive steps taken by the West, including the US, to be signs of weakness and strengthened by oil dollars resulting from the growth of oil prices in the first decade of the 21<sup>st</sup> century, it took to demonstrating its power on the international arena.

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<sup>3</sup> Jean-Pierre Massias, “Russia and the Council of Europe: Ten Years Wasted?” (2007), [https://www.ifri.org/sites/default/files/atoms/files/ifri\\_CE\\_massias\\_ang\\_jan2007.pdf](https://www.ifri.org/sites/default/files/atoms/files/ifri_CE_massias_ang_jan2007.pdf) (October 2, 2018)

<sup>4</sup> NATO Handbook, NATO Public Diplomacy Division (Brussels, 2006). p. 32

<sup>5</sup> Council of Foreign Relations, “Group of Seven” (2017) at <https://www.cfr.org/background-er/group-seven-g7> (October 12, 2018)

<sup>6</sup> NATO Handbook, NATO Public Diplomacy Division (Brussels, 2006) p. 37

<sup>7</sup> Council of Foreign Relations, “Group of 8 Industrialized Nations”, <https://www.cfr.org/background-er/group-eight-g8-industrialized-nations> (October 5, 2018)

<sup>8</sup> Reuters, “Russia Awarded 2014 Winter Games” (2007), <https://www.reuters.com/article/us-olympics-vote-sochi/russia-awarded-2014-winter-games-idUSSP26557720070705> (October 15, 2018)

<sup>9</sup> Civil.ge. European Parliament Resolution on Georgia (2011) at <https://old.civil.ge/eng/article.php?id=24156> (October 17, 2018)

<sup>10</sup> The Guardian, How Russia Won the World Cup 2018 (2014), <https://www.theguardian.com/news/2018/jun/14/how-russia-won-the-world-cup> (7 October, 2018)

Consequently, one of the clear instances of Russia's aggressive policy at the beginning of the 21<sup>st</sup> century was the February 2007 Security Debate held in terms of the Munich Annual International Conference. During this event, Vladimir Putin accused the US of attempting to establish a unipolar world order. In his opinion, the process of NATO expansion had nothing to do with ensuring security in Europe. Later, Russia took another step on its road towards confronting the West; more specifically, the Kremlin made a decision to exit the Treaty on Conventional Armed Forces in Europe. It must be noted that this Treaty was signed in 1990 in order to achieve a balance of power between NATO and the Warsaw Pact. Nine years later, an adapted version of the Treaty was signed according to which the restrictions on weaponry would apply not on country blocs but individual countries. Since December 14, 2007, Russia already represented a military threat to the West, especially the US. This was the day when at midnight, Russia's moratorium on its participation in the Treaty on Conventional Armed Forces in Europe came into power. After removing the obligation on the reduction of arms, Russia placed new military technologies and machinery at the Russian bases in the regions bordering NATO member states.<sup>11</sup> Already in 2008, the situation reached its culmination when Western states recognized the independence of Kosovo (Kosovo declared independence on February 17, 2008) and at the same time stated that Kosovo would be an exception to the rule and that in other cases, including Georgia's conflict regions, its precedent would not be applicable. However, Russia was thinking differently. In response to the Western countries' recognition of Kosovo's independence, taking advantage of the soft position of several major European states towards Russia (a clear example of this is the denial by several states of the Membership Action Plan to Georgia and Ukraine at the NATO Bucharest summit and, in general, the lack of consensus within NATO about this issue), it performed aggression against Georgia in August 2008.

## **US-RUSSIA RELATIONS AND THE FAILURE OF THE RESET POLICY**

Despite the aggression performed by the Kremlin, after Barack Obama's victory in the US presidential elections, there was a noticeable warming in US-Russia relations already at the beginning of 2009 which was initially manifested with the so-called Reset Policy between the two countries. By taking this step, Washington hoped to solve several problems on the international political arena; however, it later became quite clear that the Reset Policy between Russia

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<sup>11</sup> ნიკა ჩიტაძე, ნ. ნატო-ჩრდილოატლანტიკური ალიანსი, მსოფლიოში მშვიდობისა და სტაბილურობის მთავარი გარანტი (თბილისი, 2008) [NATO-North Atlantic Alliance, Main Guarantee of the Peace and Security in the World], გვ. 147-148

and the US turned out to be unsuccessful due to the Kremlin's non-constructive policies. Moscow continued taking advantage of Western good will and this situation reached its culmination during the events in Ukraine when Russia occupied the Ukrainian territory of Crimea in March 2014 and started directly supporting armed terrorists in Eastern Ukraine.

## CURRENT SITUATION

At the current stage, when the new realities of the Cold War gather strength with incredible speed, the political, economic and ideological confrontation between Washington and Moscow has moved to a new level. Hence, the questions arise: what is today's world like? Will the US manage to maintain the status of a sole world superpower? What is the balance of power between the US and Russia, especially in terms of the economy?

## US AND RUSSIA TODAY

While comparing the geopolitical and geo-economic influences of Russia and the US in the modern world, it is necessary to take the following major factors into account:

- The US is the single strongest military power in the world. In 2014, the US allocated USD 682 billion for defense spending<sup>12</sup> while it has allocated USD 717 billion in 2018 which is four times higher than that of China.<sup>13</sup>
- The US has the largest economy in the world. In 2010, 162 out of the 500 largest transnational corporations were American. In 2011, the US and its European allies were producing about 60% of the world's GDP.<sup>14</sup>
- Given the economic potential, the GDP of the US, at USD 20,412 billion (second quarter of 2018)<sup>15</sup> is twice as large as that of China.

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<sup>12</sup> Tutor Hunt, Is The United States Still A Globally Hegemonic World Power? (2016), <https://www.tutorhunt.com/resource/11927/> (October 2, 2018)

<sup>13</sup> CNBC, "Trump gives \$717 billion defense bill a green light. Here's what the Pentagon is poised to get", <https://www.cnbc.com/2018/08/13/trump-signs-717-billion-defense-bill.html> (October 3, 2018)

<sup>14</sup> ზურაბ დავითაშვილი, ნოდარ ელიზბარაშვილი, გლობალური გეოგრაფია [Global Geography], (თბილისი, 2012) გვ. 24

<sup>15</sup> The Balance, "US GDP Statistics and How to use them?" (2018), <https://www.thebalance.com/u-s-gdp-5-latest-statistics-and-how-to-use-them-3306041> (October 5, 2018)

- The US also takes advantage of the “universal dollar” superiority (which constitutes 61.94% in world foreign reserves). In addition, it must be pointed out that the US has a great influence on international economic organizations. For example, the US possesses 16.75% of the votes in the International Monetary Fund and 12.87% in the World Bank.<sup>16</sup>
- More than 60% of scientific-technical research of the highest quality is published in the US and the UK.<sup>17</sup>
- There were about 3,000 universities functioning in the US at the beginning of the 21<sup>st</sup> century, educating up to 12 million students.<sup>18</sup>
- Cultural factor – the most popular TV and radio programs are broadcast in English. Out of 30 of the largest advertisement companies, 27 are US companies. Out of 44 large movie studios, 32 are either American or British. The US possesses 85% of the movie industry and English is definitely the “lingua franca” or the working language of the internet.<sup>19</sup>
- Despite the aforementioned factors, English is the native language for just 7.8% of the world’s population. At the same time, the number of those who speak English around the world is 1.5 billion and this number is constantly growing.<sup>20</sup>

## RUSSIA’S BASIC ECONOMIC INDICATORS

- Given the tensions in world politics today, connected with Russia’s aggressive politics, the question naturally arises – how high is the quality of life in this country? It should be pointed out that with a GDP of USD 2.6 trillion, Russia’s is the sixth in the world ranking of GDPs. However, if we take the GDP per capita indicator to determine the real economic situation (USD

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<sup>16</sup> Nika Chitadze, Natalia Beruashvili, N. “Globalization as One of the Main Indicators of the New World Order and the Role of U.S. in This Process. *Journal in Humanities*. Volume 6/ issue 2/ December/2017. Tbilisi, Georgia. pp. 23-31

<sup>17</sup> ზურაბ დავითაშვილი ზ., ნოდარ ელიზბარაშვილი., გლობალური გეოგრაფია [Global Geography], (თბილისი, 2012) გვ. 25.

<sup>18</sup> ალექსანდრე რონდელი, საერთაშორისო ურთიერთობები, [International relations] (თბილისი, 2003). გვ. 112

<sup>19</sup> ზურაბ დავითაშვილი ზ., ნოდარ ელიზბარაშვილი., გლობალური გეოგრაფია [Global Geography], (თბილისი, 2012) გვ. 27

<sup>20</sup> Saint George International. How Many People In The World Speak English? (2015), <http://www.stgeorges.co.uk/blog/learn-english/how-many-people-in-the-world-speak-english> (October 7, 2018)



17,884), Russia, which is one of the largest in the world in terms of territory and population (146 million people), is only 58<sup>th</sup> in the world ranking.<sup>21</sup>

- According to the data of the World Bank, the share of the shadow economy in the GDP of Russia is about 40%. It should also be noted that according to studies conducted by an authoritative international NGO, Transparency International, in the Corruption Perception Index, Russia occupies the 127<sup>th</sup> place between Pakistan and Bangladesh out of 177 countries of the world. Russia holds the 61<sup>st</sup> place (out of 142) in the Legatum Prosperity Index according to which about 78.6% of the Russian population believes that there is the existence of high-level corruption in business and government.<sup>22</sup>
- Other indicators of Russian quality of life also do not look any better. The inequality of income between various segments of Russian society is the highest among the OECD member states, excluding Mexico and the US. The wealth inequality is well manifested in the fact that Russia is third in the world with the number of billionaires. About 110 Russian billionaires possess 35% of the country's wealth. In comparison, in other countries billionaires usually control about 1-2% of the overall household wealth. Even in the US, despite significant wealth inequalities, about 40% of the overall wealth is still distributed among 3.17 million people.<sup>23</sup>
- Despite all of the aforementioned problems, due to its wealth of natural resources and nuclear potential, Russia plays an important role in world politics. About 20% of the world's oil and natural gas is on Russian territory.<sup>24</sup> In addition, Russia is the richest country in terms of the number of precious and industrial metals such as gold and platinum, as well as timber supply and so on. Hence, a logical question arises: why is it that Russia cannot turn into a more powerful economy than it is now?
- According to Radio Liberty, the growth in the number of Russian migrants has been noticeable since 2012. About 2,664 people from Russia applied

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<sup>21</sup> ISET Policy Institute, “რუსეთის ეკონომიკის საიდუმლო” (2014). [Mystery of Russian Economy] At: <http://iset-pi.ge/index.php/ka/iset-economist-blog/entry/e1-83-a0-e1-83-a3-e1-83-a1-e1-83-94-e1-83-97-e1-83-98-e1-83-a1-e1-83-94-e1-83-99-e1-83-9d-e1-83-9c-e1-83-9d-e1-83-9b-e1-83-98-e1-83-99-e1-83-98-e1-83-a1-e1-83-a1-e1-83-90-e1-83-98-e1-83-93-2> (September 27)

<sup>22</sup> Ibid

<sup>23</sup> Ibid

<sup>24</sup> ვაჟა ნეიძე, მსოფლიოს ეკონომიკური და სოციალური გეოგრაფია [World Economic and Social Geography], (თბილისი, 2004) გვ. 142

for asylum in the US in 2017 which is 39% higher than in 2016. Also, the 2017 data surpass the data of the 1990s when given the collapse of the USSR and the consequent social-economic crisis, Russian citizens were trying to go to the US in massive numbers. It should also be noted that about 4,885 Russians applied for asylum in Germany in 2017.<sup>25</sup>

- According to the opinion of certain specialists, the main problem of the Russian economy is the so-called Dutch Disease – and indeed, oil and natural gas exports constitute 70% of overall exports and 50% of the overall income of the country. The strengthening of the exchange rate caused by the expansion of these sectors also fueled the growth of prices on its export products, reducing its competitiveness on the international market.<sup>26</sup>
- In addition, the outflow of capital from Russia through the private sector amounted to USD 21 billion in January-April 2018 which is 17% more than in the same period of the previous year. In 2017, net capital outflows from Russia amounted to USD 31.3 billion. In 2016, this indicator was at USD 19.8 billion.<sup>27</sup>

## CONCLUSIONS AND RECOMMENDATIONS

One of the main guarantees of the US victory in its geopolitical struggle with Russia is the strengthening of trans-Atlantic ties between the democratic powers of the world, especially the US and Europe. Hence, taking various factors into account, it is necessary to formulate the following recommendations:

### ***Geopolitical Factors:***

In order to oppose anti-democratic trends, the US and its allies need to formulate a joint strategy, more specifically:

- Encouraging integration processes between the countries of the global north such as forming a common economic area of North America and

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<sup>25</sup> რეზონანსი., “რატომ ტოვებს მოსახლეობა რუსეთს?” [Why Population Leaves Russia] (2018 წლის 7 მაისი).

<sup>26</sup> ISET Policy Institute, “რუსეთის ეკონომიკის საიდუმლო” (2014) [Mystery of Russian Economy], <http://iset-pi.ge/index.php/ka/iset-economist-blog/entry/e1-83-a0-e1-83-a3-e1-83-a1-e1-83-94-e1-83-97-e1-83-98-e1-83-a1-e1-83-94-e1-83-99-e1-83-9d-e1-83-9c-e1-83-9d-e1-83-9b-e1-83-98-e1-83-99-e1-83-98-e1-83-a1-e1-83-a1-e1-83-90-e1-83-98-e1-83-93-2> (accessed September 27)

<sup>27</sup> მედია ბიზნესისთვის, “რუსეთიდან კაპიტალის გადინებამ 21 მილიარდ დოლარს მიაღწია” [The Capital outflow from Russia gained 21 billion USD] (2017), <https://m2b.ge/post/203132-rusetidan-kapitalis-gadinebam-4-tvesi-21-mlrd-s-miarwia> (October 7, 2018)

Europe. Reaching an agreement in terms of the TTIP – Transatlantic Trade and Investment Partnership would give both sides about USD 100 billion worth of additional revenues.<sup>28</sup>

- Reaching a general consensus among Western countries about relations with anti-Western unions (Shanghai Cooperation Organization, BRICS and so on).

### ***More Involvement of NATO and the EU in Global Processes:***

- The need for NATO to increase defense spending: as is known, NATO member states have an obligation that given the threats and challenges of the modern world, the defense budget of each member country must not be lower than 2% of its GDP. Only three members of the alliance meet this standard as of today. According to the plan, about 15 out of the 29 NATO members will meet the standard by 2024. Hence, it is important for negotiations between the US and the European allies about increased defense spending in the alliance to continue.<sup>29</sup>
- As for NATO-EU relations, the role of the EU in the issues of defense and security has significantly strengthened since the 2003 Berlin Plus and EU Lisbon Treaty. The Berlin Plus agreement enables the EU to use NATO's military potential, including military aviation in crisis situations.

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<sup>28</sup> European Commission. 2018. Transatlantic Trade and Investment Partnership. Retrieved from: <http://ec.europa.eu/trade/policy/in-focus/ttip/about-ttip/impact/>

<sup>29</sup> ნიკა ჩიტაძე, ქეთევან ჯეზისაშვილი, “საქართველოს ოკუპირებული ტერიტორიები და ახალი პერსპექტივები ქვეყნის ნატოში განწევრიანების გზაზე” [Occupied territories of Georgia and new perspectives on the way of integration to NATO] (2018), <http://centerforis.blogspot.com/search?updat d-max=2018-03-18T14:02:00-07:00&max-results=7&start=16&by-date=false> (October 1, 2018)

### ***Energy Aspects of Developing US-EU Cooperation and Russia:***

Cooperation between the US and the European Union in the energy sector and, particularly, the successful implementation of various energy projects bypassing Russia will contribute significantly to the strengthening of international peace. More specifically, Washington must take into account the developments in the field of energy that took place in the 1980s when the Reagan Administration convinced Saudi Arabia that they could deal the biggest joint blow to the USSR through the devaluation of oil. In 1985, Saudi Arabia tripled its oil production within six months. As a result, the price of one barrel of oil fell from USD 28 to USD 10 and this happened at the same time as Iran and Iraq, the two main oil producing countries, were at war with each other. The main source of revenue for the Soviet Empire at that time was oil exports. The reduction of prices on black gold in 1985-1988 caused the budget deficit of the USSR to grow about five times. This economic crisis was followed by the withdrawal of Soviet troops from Afghanistan and Eastern Europe, the unification of Germany, a reduction of military spending by the Communist regime and, ultimately, the collapse of the Soviet Union.<sup>30</sup>

Today, the Kremlin is forced to consider the fact that the so-called Shale Revolution launched in the US a couple of years ago is seriously threatening Russian positions. The growth of competition on the energy market and the appearance of additional amounts of oil and gas on the international and, especially, the European market will cause the prices of these resources to fall which will create serious problems for the authoritarian regimes relying on the exports of energy resources.

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<sup>30</sup> Полит Онлайн, “США предложили обанкротить Россию”, (2011) [US offered to bankrupt Russia]. at <http://www.politonline.ru/provocation/9379.html> (October 2, 2018)