

# /BOOK REVIEWS

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**Gustafson, Thane. 2025. *Perfect Storm: Russia's Failed Economic Opening, the Hurricane of War and Sanctions, and the Uncertain Future*. Oxford: Oxford University Press, 517.**

'Time present and time past  
Are both perhaps present in time future,  
And time future contained in the time past.'

T. S. Eliot, *Four Quartets*, *Burnt Norton*

## **1. INTRODUCTION: SETTING THE STAGE**

There is no doubt that Russian–Western relations today are hostile, and that the level of hostility is perhaps higher than at the height of the Cold War. The dispute starts with the attempt to answer the question: who or what is to blame? There is already abundant literature on the failure of Russian–Western geopolitical relations, with the first signs of it even in the 1990s, the origins and causes of the Russo–Ukrainian War, and the roles both militarily

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engaged sides and the West have played in it.<sup>1</sup> In the Introduction, the author points out that the book, whose review you are about to read, is not about geopolitics. Instead, the book is ‘an attempt to tell the broader story of Russia’s flawed opening to the West in its economic, technological, and social dimensions, and the roles these played in its ultimate failure. These are equally essential to an understanding of what happened, and what went wrong’ (p. 17). Since the author is Thane Gustafson, a renowned political scientist, a seasoned pundit on both the USSR and post-Soviet Russia, and a prolific author whose first major contribution on the topic dates back to the late 1970s, the reader’s expectations are high. In addition, the intriguing hypothesis of the ‘flawed opening’ elevates expectations even higher, especially for the reader who is sick and tired of geopolitical considerations of the historical inevitability of the Russia–West collision.

The author finds the core of Russia’s flawed opening in the 1990s in a straightforward contradiction. ‘The West saw itself as victorious against a defeated enemy, whereas Russians saw themselves as a great people defeated, not by the West, but by a home-grown dictatorship and ideology grown corrupt and weak’ (p. 18).<sup>2</sup> Because of that attitude, the clash of beliefs, and the gulf of perceptions and understandings between the two sides emerged, and that was a recipe, if not for a disaster, then perhaps for the failed opening. Nonetheless, as to the economic story, the author claims that Russia’s opening, however failed it may have been, produced far-reaching consequences. ‘Despite the mixed emotions it aroused, the opening

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<sup>1</sup> Without any ambition to list ample geopolitical literature on the topic, with some pieces of rather dubious quality, it is inevitable to point out that Sarotte (2021) provides a comprehensive and very balanced study of the geopolitical puzzles that eventually cleared the way for a fully-fledged war, especially since this contribution was published before the Russian invasion of Ukraine. In short, the geopolitical stage, including the domestic political scene in Russia (Walker 2018; Stoner 2021), was set for the invasion well before it was triggered.

<sup>2</sup> It is questionable, the reader ponders, to what extent Russians saw themselves defeated. Surely, many ordinary people felt humiliated, with their living standards dropping substantially during the 1990s, but being humiliated and being defeated are different things. Most of the military and security apparatus hardly saw themselves defeated. There was no decisive battle, though the country shrank a bit – the empire was gone – but Russia preserved its status as a nuclear power. The Russian military’s attitude can be compared, up to a point, with that of the German military after the Great War, holding the belief they were not defeated. In Russia, the delusion was not accompanied by the infamous ‘stab-in-the-back myth’ (*Dolchstosslegende*), but rather by the narrative of a treacherous West, which ostensibly promised not to enlarge NATO into countries in Eastern Europe and up to the Russian border (Sarotte 2021).

left one overwhelmingly positive legacy – the transformation of Russia into a market economy and an Internet-based society. These revolutionary changes are here to stay' (p. 19).

The book consists of three parts. The first describes the opening of Russia between 1992 and 2022, the movement of the West into Russia and that of Russia into the West, and asks: 'What went right and what went wrong? What was achieved, and what failed? And what was Putin's role?' (p. 20).

The second part of the book is about the end of this bout of opening of Russia, due to the Russian invasion of Ukraine, and the economic sanctions imposed by the West. The author labels them as 'the hurricane of sanctions', and they led to the dismantling of the financial and business relations built over the previous thirty years, followed by the exit of Westerners from Russia and the massive emigration of Russians to the West and the former Soviet Union, both of which are still ongoing at the time this book review goes to press. This part of the book asks: 'What has been the impact of these events on Russia in the short term, and what will it be over time?' (p. 20). With appallingly few reliable and unbiased reports on the impact of the sanctions imposed on Russia for the time being, the reader's appetite is on a steep climb.

The author has no second thoughts about whether sanctions are a desirable policy tool, viewing them as a form of containment policy, although 'in updated financial and economic dress'. Nonetheless, he points out that it is no longer the era of George Kennan, in which a powerful and united West, under the leadership of a United States at the height of its power, sought to contain a militant totalitarian ideology with global pretensions and great-power ambitions. In short, 'Containment in Kennan's sense is neither possible nor relevant. The enemy is no longer the Soviet Union, but Putinism, a perverted blend of vengeful Russian imperialism, kleptocracy, and a distorted reading of history. It is Putinism that must be contained' (p. 24).<sup>3</sup>

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<sup>3</sup> The author provides a reference to a dissenting view of Bergmann *et al.* (2024), who argue that the containment will remain both feasible and necessary after Putin's demise. Accordingly, contrary to the author, who subscribes to the Putinism containment, they recommend Russia's containment, irrespective of the predominant flavour of the Kremlin's ideology. In short, Russia should be contained, in Kennan's style, one way or the other, whatever the policy it is pursuing. This is a said echo of Sun Tzu's principle 'Do not consider what your enemy will do, but what your enemy can do', i.e. anticipate the enemy's capability, not intention. Both the implicit working assumption and bottom line of this approach are that Russia is an enemy – one way or the other.

The third and final part of the book looks ahead – it has the future in mind and explores the conditions under which Russia's reopening to the West might occur. Hence, the reader ponders, Gustafson's plan is to use Eliot's *time past* and *time present* to contemplate *time future*. Quite a novelty in books about Russia! And a stark reminder that, notwithstanding the contemporary declarations about who is morally right and who is wrong, it is a future we or perhaps the next generation should contemplate. 'Speculation about any reopening of Russia may seem premature today. But in human affairs nothing lasts forever' (p. 25).

Gustafson points out that '[t]he opening of Russia was ultimately about people – the politicians and diplomats, the entrepreneurs and managers, the experts and advisors, and the ordinary travelers and consumers – who interacted with one another over the course of thirty years. [...] They are in the end the real story of Russia's failed opening – and its possible reopening' (p. 21). An economist is thrilled by this approach: it is about individuals, their decisions and the incentives that drive them, it is a 'micro foundation of macro', in the big picture. What a refreshing approach, in contrast to those authors who paint a big picture in the air, without a canvas.

## 2. TIME PAST: RUSSIA EMBRACES CAPITALISM

Part One of the book ('Russia's Failed Opening') starts in the same way as the West's arrival in Russia – with the advent of McDonald's (Chapter I: 'Through the Cracked Looking-Glass').<sup>4</sup> The McDonald's story was a success story. The author provides the reasons for such an outcome. First, there was substantial improvisation in the materialisation of the endeavour, since, in the first decade of the opening, especially at the very beginning, the institutional and legal foundations for Western business did not yet exist, and the Soviet foundations had also collapsed, hence improvisation was the only way forward. Second, taking into account that in Russia politics and business are intertwined much more than in other countries, political support for the project was essential and appropriately ensured in advance. Third, the endeavour has encompassed a network of local Russian suppliers, to whom the technology and business model have been transferred, including painstaking training. Accordingly, indigenous Russian firms and entrepreneurs have had a skin in the game and every incentive to contribute

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<sup>4</sup> The first McDonald's restaurant in Russia, at that time still the USSR, started to operate in Moscow's Pushkin Square on 31 January 1990.

to the success of the endeavour. Fourth, also very important, the retail and consumer sector in Russia was virtually non-existent at the time of the opening, so there were no incumbents to create barriers to entry.

Nonetheless, even the success story, 'the arrival of McDonald's, the ultimate symbol of capitalism, aroused both enormous excitement among ordinary citizens, but also envy and resentment, a mix of emotions that characterized the Russian responses to the West over the next thirty years' (p. 31). To make things worse, 'disillusionment and resentment soon followed, as Russians became aware that many Westerners viewed Russia with contempt as the "losers" of the Cold War, a defeated country "in receivership"' (p. 32).<sup>5</sup> It does not help that foreign newcomers often knew little about Russia beyond the headlines and tended to exaggerate the chaos of the 'Wild East,' while underestimating the Russians' underlying capacities and skills.<sup>6</sup> On top of it, they typically spoke no Russian, apart from a handful with Russian family roots, and the turnover among the Western expatriates was high, which further amplified problems of mutual understanding. The author points out that the Russians' feelings were not improved by the fact that the Westerners

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<sup>5</sup> The derogatory notion of 'receivership' of Russia as a country was introduced by Brzezinski (1992). The notion is not only inaccurate, but it seems to tell more about Zbigniew Brzezinski's frustration than anything else. The USSR and communism in it did not collapse on Brzezinski's watch, as he was the National Security Advisor to Jimmy Carter, the 39<sup>th</sup> US President. At that time, America was still licking its wounds after the Vietnam debacle, Iran had taken US diplomatic staff hostage in Tehran (with disastrous US military attempts to rescue them, overseen by Brzezinski himself), the USSR had invaded Afghanistan with impunity, and the US response was mainly to cancel participation in the 1980 Summer Olympics in Moscow. It was the Republican administration of Ronald Reagan that brought the US back into the international relations business, and triggered the collapse of communism (with the George H. W. Bush administration finally winning the Cold War) – not Brzezinski and his Democrats. When the collapse happened, it seems that it was sheer envy and frustration that nudged Brzezinski to make the remark about 'receivership'. It is quite understandable, from a human point of view, though some people in Moscow have remembered those words very well. However, Brzezinski lived long enough to see the resurrected Russia come out of 'receivership' and invade and annex Crimea in 2014. The response of the incumbent US (Democratic) Administration was feeble, at most. Just like during Brzezinski's watch. That must have hurt again.

<sup>6</sup> As to the widespread and straightforward arrogance of Western expatriates, the author refers to the Russian/Georgian oligarch Kakha Bendukidze, who once exploded: 'I know you guys would like to come here and teach us heathens how to eat with a fork and knife and just to make sure we brush our teeth the right way' (p. 33), suggesting that many Russians, at all levels, felt the same as Bendukidze. By coincidence, the author of this book review met (at a conference in Tbilisi in 2006) colourful Bendukidze, a 1.80 meters + and 200 kilograms + imposing person, who shares the arrogance of Western expatriates and who does not know the meaning of words 'timid' or 'shy', and considers his quoted statement quite credible.

enjoyed fat pay packages and perks, compared to those of their Russian colleagues, especially since Russians were learning fast and rightfully feeling that they could do exactly the same jobs that the Westerners were doing, as Russians quickly mastered the skills the Westerners had brought.

The other problem was the applied type of transition reform, i.e. the introduction of market and capitalism in Russia. It was decided to go with a 'shock therapy', based on full liberalisation of prices and swift privatisation. This had been proven to work in Eastern European countries, but that was not the main reason for this model to be selected in Russia. As Åslund (2007) points out, the main motive was political – to swiftly dismantle socialism once and forever. The point is that the communist party in Russia (the successor of the mighty Communist Party of the Soviet Union, *KПCC*) was powerful, and sympathy for socialism was widespread in Russia.<sup>7</sup> So the first generation of Russian liberal reformers, Yegor Gaidar and Anatoly Chubais – under the auspices of Boris Yeltsin, who was more interested in politics, especially international, than economics – decided to go for shock therapy, precisely for political reasons. Short-term economic outcomes of the Russian reform in the 1990s were disastrous. What worked in Eastern Europe, for various reasons, did not work in Russia. Although the public perception has been that it was Western advisers who decided on this course of the reform, it was a political decision of the Russian reformers. 'Russia's market economy was fundamentally a Russian creation, but the "visible hand" of the West was present everywhere in the 1990s – largely at the invitation of the reformers – and especially in the fashioning of the privatization program' (p. 38). Nonetheless, public perception in Russia remained focused on the causality from the Western advisors' ideas to the failed economic reform.<sup>8</sup> Another blow to the West's reputation in Russia.

Nonetheless, Western companies realised the business opportunities and stepped into Russia, 'bringing missing ingredients essential to the post-Soviet market economy – new business models, new skills, new financial products

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<sup>7</sup> In the 1996 presidential elections in Russia, Gennady Zyuganov, the head of the Communist Party, entered the second round together with incumbent President Boris Yeltsin and won 40 per cent of the votes. Had these elections been free and fair, it is reasonable to assume that Zyuganov would have won even more votes. Furthermore, when the Russian transition to capitalism started, memories of the failed, although with a small margin, KGB putsch in August 1991 were still fresh. Zubok (2021) provides details about the putsch and its aftermath, since it triggered both the collapse of communism and the USSR.

<sup>8</sup> In the first half of the 1990s, the team of Western macroeconomic advisers included Anders Åslund, David Lipton and Jeffrey Sachs. It was Sachs's name that has been publicly associated with the Russian reform, i.e. with the 'shock therapy' and its consequences.

like mortgages and credit cards, venture capital and private equity, efficient management, and commercial problem-solving' (p. 45). This profoundly and irreversibly changed not only the Russian economy but also the country's society.

The transformation and development of the retail and consumer sectors were undoubtedly a success story. 'The number of Western companies expanded like a spring flood in the desert of the Russian consumer world, especially once global oil prices began rising at the end of the 1990s and oil-export revenues poured into Russia, raising the disposable incomes of Russian consumers to unprecedented heights' (p. 49). The author points out that the most significant accomplishment has been the development of modern telecommunications and the IT sector, encompassing Internet services based on optical fibre cables and smartphones. Gustafson describes this development as a game-changer, since Russia has become an IT-savvy society with the majority of people using smartphones to browse the Internet. However, the author adds that the Russian telecoms system and the Internet have had one major weakness: they remained almost entirely dependent on imported technology and services.

While things were going smoothly, both in terms of the pace of progress and relations with the West, in the retail and consumer sectors, as well as in professional services and banking, since these sectors virtually did not exist in Soviet times, things turned out more difficult in the case of Russian heavy industry, as the Soviet legacy was deeply entrenched in these sectors. The Western newcomers found the ground already occupied by powerful and well-connected Russian incumbents. Nonetheless, there was room for collaboration and success stories. The Western companies made their greatest contribution in the transportation sector, spanning both manufacturing and infrastructure. The author provides numerous examples of these contributions, including corporate household names such as Siemens, VW, Stellantis, and Renault. The author points out that in heavy industry, 'Western *presence* did not necessarily mean *domination*. The steel sector, for example, was rebuilt from its obsolete Soviet foundations by three leading [local] entrepreneurs' (p. 68, *italics in the original*). Even in cases involving Western corporate giants in heavy industry, there was a Russian partner playing an important role.

As expected, the biggest Western–Russian business clashes occurred in the energy sector. The author provides evidence of 'three contrasting cases from the energy sector that illustrate the theme of opportunity, ambivalence, and resistance' (p. 70). The first one is the story of French corporation Total in building a new LNG (Liquefied Natural Gas) business with a Russian private-sector start-up. The LNG business was new for the Russians. Accordingly,

this was an empty territory, meaning an opportunity, and thorough political support from the Kremlin was provided, perhaps because of that and the hunger for new technology transfer. The Total LNG Yamal business venture was a success story – at least until 24 February 2022. Nonetheless, as the author points out, the Yamal LNG project was the very symbol of Russia's dependence on foreign technology for new ventures.

The second saga – the one of ambivalence – is the roller-coaster epic of BP (British Petroleum) in the creation and subsequent loss of TNK-BP. It was the oil business, something Russians have been experienced in, with too many vested interests and only half-hearted political support.<sup>9</sup> The third case is that of nuclear energy. i.e. the resurrection of the Russian civilian nuclear industry under state-owned company Rosatom, through the Russians' own efforts and without any Western participation. For the time being, Rosatom has proven to be well-managed and competitive in the international market, though only in the select countries willing to close the deal with Russia in this industry. Considering the technological progress in the industry, especially among Chinese producers, Rosatom's future competitiveness remains doubtful.

Based on the numerous examples meticulously described in the book, the author provides several insights into the Russian opening to the West in the 1990s. First, the pattern of the opening was incomplete and uneven, precisely because of the pace at which it happened and the chaos out of which it was born. Furthermore, from the start, there were immense cultural and political differences between the Russians and the incoming Westerners, which led to conflicting approaches to doing business. Unfortunately, both sides had unrealistic expectations, hence disappointments were mutual. Finally – and very important for considering the effects of economic sanctions – the opening created hostages to the fortunes of politics. In particular, the willingness of Russian companies and state institutions to depend on Western technology, supply chains, and financial ties was, in retrospect, remarkable.

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<sup>9</sup> The saga ended with BP compensated for all the losses with a 19.75 per cent stake in Russian state-owned oil company Rosneft. After the Russian invasion of Ukraine, BP decided (implicitly encouraged by public recommendations from the executive and legislative branches of the UK Government) to divest, i.e. to sell its entire stake in Rosneft. Perhaps this political pressure was not decisive, but it certainly contributed to the voluntary corporate decision, which mitigated substantial reputational risk. It is estimated that this fire sale generated BP's capital loss of USD 24 billion. Begović (2024) provides further details on this capital transaction.

Without questioning the book's insights, the reader ponders that this dependence was quite expected. The introduction of the market economy and capitalism means profit maximisation as a goal, and that goal can be achieved only with superior technology, efficient supply chains, and abundant and reasonably priced finance for funding investments. Western technology has been superior to the Soviet/Russian one, international supply chains have been much more efficient than domestic ones, and, due to low domestic saving, savings/capital imports were necessary to fund the investments. Hence, this level of economic integration was necessary with the advent of the market economy.<sup>10</sup> Although the author suggests that 'the actions of Russian businessmen and bureaucrats alike suggested that they believed Russia's opening was there to stay' (p. 87), it seems they did not have much choice after all.<sup>11</sup>

Chapter 2 ('Black and White') is about Russians in the West, who, according to the author, encompass four main groups: Russian banks, large industrial corporations, oligarchs and other magnates, and finally tens of thousands of ordinary individuals. The author has no second thoughts. 'Whereas Russian public opinion responded to the presence of the West with a complex mixture of admiration and imitation, but also growing resentment and rejection, the reaction of Western opinion to the Russians in the West

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<sup>10</sup> A vivid illusion of this necessity is provided by the operations of the Russian airline industry. All major carriers, including Aeroflot, the flag carrier, have switched to Western civilian aircrafts, effectively Airbus and Boeing. They did it simply because these aircraft are far more efficient than the Soviet aircraft produced for decades. In short, the costs of passenger-kilometres – a basic unit of operational efficiency of airlines – of Western airliners have been far superior. Whoever stuck with the Soviet airliners – and there was no new generation of Russian airliners available – would not be competitive both on the domestic or the international markets and would exit the market due to bankruptcy. This has been a very strong incentive for the carriers to purchase or lease Western airliners, to arrange their maintenance in Western hubs, and to borrow money from Western banks for purchasing/leasing them. As simple as that! Whoever considers that decision an anti-Russian, anti-patriotic conspiracy (perhaps orchestrated by MI6), knows nothing about the economy and the airline industry. The example of such an ignorant attitude is seen in Todd (2024).

<sup>11</sup> As to the bureaucrats, the author refers to the Russian Central Bank (RCB), which parked half of its foreign reserves (indeed, most of its non-gold reserves) outside of Russia, considering them to be safer and more productive there than inside the country – an astonishingly optimistic wager on continued good relations. Be that as it may, the reader ponders that this is perhaps evidence that the Kremlin did not expect such comprehensive sanctions, including the freezing of the financial assets that the RCB had deposited in Western banks. Otherwise, since the invasion of Ukraine was planned for months (actually 11 months, according to the verbal slip of a Russian MP), there was ample time to withdraw these assets.

was largely negative from the first, and worsened over time – something that the Russians abroad perceived and resented' (pp. 88–89). According to Gustafson, this, together with the Russians' attitude towards the West, already described in the previous paragraphs, led to a climate of mutual mistrust and hostility, which reinforced the simultaneous deterioration of geopolitical relations. In short, the reader infers – a fertile breeding ground for economic sanctions.

The reasons for the negative attitude of the West to the Russians who came to the West are illustrated in the rich stories of oligarchs like Oleg Deripaska, Roman Abramovich and 'Londongrad', with substantial Russian impact on the real property and related services, and Russian mafia, which ostensibly took over the criminal world of the cities in the West. It is up to the reader to consider the justification of the negative attitude of the West towards Russia because of the oligarch, but the author is straightforward about the export of Russian crime. Referring to the findings of Galeotti (2018), the author claims that the supposed Russian tsunami of organised crime into the West, based on a globalised, universal criminal class, is a myth. Referring to Galeotti (2018), Gustafson compares Russian criminals (*vory*) to viruses, 'without any plan or central mind, but simply infecting those hosts which offered the right conditions and which lacked antibodies' (p. 115). The well-organised societies of the West found these antibodies rather swiftly.

According to the author, it is sensationalist media stories that painted a lurid picture of a massive invasion of Russian organised crime, and that perception was amplified by a steady stream of artistically poor Hollywood movies in which the Russian underworld provided plentiful absolute villains, bad guys for action-packed films<sup>12</sup> – a sad echo of *The Russians Are Coming, the Russians Are Coming*, the 1966 American comedy with substantial Cold War self-irony.<sup>13</sup> One way or the other, a substantial chunk of the Western public unconditionally believe what they see on the silver screen (or whichever screen these days), and take for granted that Russians are villains. Period!

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<sup>12</sup> A notable exception to this pattern is David Cronenberg's 2007 masterpiece movie *Eastern Promises*. The story is about the Russian criminal underworld in London, but the characters are very well developed and balanced, and the story is far from straightforward. Essentially, on the stage of the criminal underworld, the core of the story is about human tragedy. <https://www.imdb.com/title/tt0765443/>, last visited November 10, 2025.

<sup>13</sup> Directed by Norman Jewison. [https://www.imdb.com/title/tt0060921/?ref\\_=fn\\_all\\_ttl\\_1](https://www.imdb.com/title/tt0060921/?ref_=fn_all_ttl_1), last visited November 10, 2025.

Chapter 3 ('Coda') ends the first part of the book, focusing on reflections on Russia's failed two-way opening. The author sums up the legacy of Russia's two-way opening in three words: motives, beliefs, and emotions. The motives, according to the author, were different. *Grosso modo*, Westerners in Russia had a mission of changing Russia and earning some money, but Russians in the West had only opportunistic and short-term goals. The reader wonders about the motives of Russians in Russia – perhaps they should count for something in this matter.

As to the beliefs, the author refers to them as the shared optimism, as he claims that by and large both sides shared a common belief that Russia's opening would last, that the market liberal order had come to stay, and that good relations would endure. Well, the reader comments that may have been true before Vladimir Putin's 2007 Munich speech. After that, the relation became only bearable, with ice cubes poured into the jar in 2014, after the Russian invasion and annexation of Crimea.

The author claims that the emotions have been negative, since many aspects of the two-way opening engendered negative emotions, ranging from mistrust and suspicion (primarily in the West) to disappointment and disillusionment (mainly in Russia). 'The common consequence was that the opening of Russia, despite its *historic transformative impact* on Russian society and the economy, proved to be flawed and fragile' (p. 125, italics – BB). Nonetheless, 'historic transformative impact' is here to stay.

### **3. TIME PRESENT: STORM OF SANCTIONS UNLEASHED**

Part Two of the book ('Perfect Storm: Sanctions and Responses') starts in an appropriate way, by evaluating the starting point of the sanctions from the viewpoint of the Russian economy and the key political decision-maker in the two decades leading up to the 'the hurricane of war and sanction' struck (Chapter III: 'Putin and the Opening of Russia'). In short: What were Putin's roles in the opening of Russia before the Russo-Ukrainian war?

Putin's role was twofold. On the one hand, he supports fiscal conservatism, maintaining macroeconomic stability and flexibility. 'This Putin achieved by consistently supporting the economic "liberals" – the *finansisty* – in his macroeconomic, fiscal, and budgetary bodies, chiefly the ministries of finance and economy, and above all the Russian Central Bank' (p. 132). The result is that at the time of the invasion of Ukraine and introduction of the Western sanctions, Russia was, macroeconomically speaking, a sound economy, featuring a low debt/GDP ratio, abundant and recurring fiscal revenues (due

to oil and gas export), a balanced budget and balance of payment, a sound financial sector, and a low inflation rate. Above all, it was run by competent people, such as Elvira Nabiullina, Governor of the Russian Central Bank (RCB), who had a free hand to do whatever they considered important for maintaining macroeconomic stability. It was Putin who selected these people, appointed them, and gave them free rein to do their (macroeconomic) task.<sup>14</sup> That is one of his legacies.

On the other hand, control over rents and favours has been decisive for Putin's grip on power. The oil and gas revenues, which began (due to the price surge) to flood into Russia shortly after Putin's accession, provided him with a monumental lever for distributing substantial rents and favours.<sup>15</sup> The author points out that 'These are ultimately the keys to Putin's power over the various elites that make up his system' (p. 133). Effectively, the economic institutions in Russia are not 'inclusive' but deeply 'extractive', following the widespread distinction in institutional economics (Acemoglu, Robinson 2012), meaning that the Russian economy is dominated by vested interests, rent-seeking, and very few new entries and negligible innovation. The reader infers that it was the mechanism for the political power grip that made Russia – despite its high level of human capital – a natural resource-based, commodity-specialised, non-diversified economy, deeply integrated in the world economy as a commodity producer. That is also Putin's legacy.

This is the economy on which the Western sanctions were imposed. They are considered in Chapter IV ('The Hurricane of Western Sanctions'). Gustafson believes that the general feature of the sanctions is 'their complexity, which is compounded by the circumstances of the Russian invasion: The post-invasion sanctions were adopted in haste, driven by emotion, and largely improvised. The result is a confusing tangle of inconsistencies, exceptions, and walk-backs' (p. 153). Notwithstanding the character of the sanctions, the reader is not entirely convinced of this explanation. First, since the Western

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<sup>14</sup> Putin's motive for this policy, which he even subscribes to in the fourth year of the Russo-Ukrainian war, at least up to a point, remains elusive. A reasonable speculation is that the sheer horror of the 1998 financial crisis in Russia made him aware of the perils of macroeconomic instability. Some elements to support this hypothesis can be traced to his reactions to the 1998 financial crisis at a meeting with young Russian radical libertarian economist Andrei Illarionov (Short 2022, 259–260), who later became one of his advisers in the 2000s. Andrei Illarionov has since left both the office and Russia for the US. He was a senior fellow at the Cato Institute for a number of years, and is currently a senior fellow at the Center for Security Policy, in Washington, D.C.

<sup>15</sup> The mechanism of rents created and dissipated by the exploitation of natural resources in Russia, predominantly oil and gas, is well described and modelled in the literature (Gaddy, Ickes 2005).

intelligence services timely provided ample evidence of the Russian military buildup directed towards Ukraine, the Western political elite had enough time to prepare a response, the bottom line of which was: sanctions only, without any direct military engagement with Russia. Second, Western bureaucrats, if not politicians, were fully aware of Russia's major role in supplying many commodities and were mindful that a thorough, straightforward and watertight trade embargo would severely disrupt the global supply of many commodities and related downstream global markets.<sup>16</sup> That has been the reason for the very complex, complicated, selective and deferred sanctions. In some cases, the sanctions have been rather moderate, such as the American measure of introducing the price cap of Russian oil of USD 50 per barrel, without restriction of the export, keeping to a minimum the disturbances in the world oil market, where Russia is one of the major players.<sup>17</sup> Third, many Western companies were operating in Russia at the time that the sanctions were introduced, so the Western governments wanted to give them some latitude to adjust and avoid substantial capital losses – in the event that they left Russia. Some of these companies decided to stay.<sup>18</sup>

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<sup>16</sup> Building this awareness was a trial-and-error process. Demarais (2022, 92–94) demonstrates the adverse global effects of the ill-conceived US sanctions against Russian oligarch Oleg Deripaska and his corporation, Rusal. Not only was the global aluminium supply compromised and the market destabilised, but that shock was transmitted to the downstream markets, including aluminium can supply, hence the global beer and soft drinks industry was affected, due to the shortages of packaging. Consequently, the global beer and soft drinks supply was disrupted. When the US OFAC (Office of Foreign Assets Control) realised all these unintended and undesirable side effects, the sanctions were suspended. This episode is a testimony to the extent to which global supply chains are intertwined, and that action on one link of the chain impacts all other links and has comprehensive global effects. That knowledge, it seems, saved Russia from a strict and watertight trade embargo.

<sup>17</sup> This stage in the US attitude towards Russian oil export came to an end on 22 October 2025, after the book was published, just before this review's manuscript was submitted to the journal. The US Treasury, under orders of the US President, sanctioned the two biggest Russian oil producers and exporters: Rosneft and Lukoil. These two corporations account for about 80 per cent of Russia's oil exports. Not only is it prohibited for US companies to deal with the two, but the secondary sanctions are threatened for companies in third countries. The OFAC press release is rather straightforward about the secondary sanctions threat: US Department of Treasury, 2025, Press Release, 25 October, <https://home.treasury.gov/news/press-releases/sb0290>, last visited November 10, 2025.

<sup>18</sup> This is exactly the reason why there are still (at the time this review's manuscript was submitted to the journal) two Western banks (Raiffeisen and UniCredit) operating in Russia, to enable financial transactions regarding both the operations and the exit of the Western companies.

One way or the other, tough sanctions – although not thorough and watertight – were imposed on Russia, with the author claiming that Putin was surprised by them. ‘His behavior suggests that, where the United States was concerned, he anticipated how Washington would react, but discounted its reach. In contrast, the EU’s strongly negative reaction appears to have taken him by surprise. His calculation was apparently that with a quick conquest of Ukraine, he could present the West, and especially Europe, with a fait accompli, and he was prepared to weather the brief squall that would follow. But in both his military strategy and his economics, he miscalculated’ (p. 148).

Apart from Putin’s miscalculations, there were two blunders regarding the sanctions: the first was that sanctions would have immediate economic – if not political – effects, and that the collapse of the Russian economy would start to within months of their introduction. Nonetheless, the statements like ‘the sanctions have crushed the Russian economy’, less than a month after their introduction, were, at best, somewhat premature.<sup>19</sup> To rephrase Mark Twain’s quip: ‘The report of the sanctions’ success was an exaggeration’. The main reason for the blunder of the optimism regarding the impact of the sanctions was neglecting that, as already pointed out in this review, Russia was a macroeconomically sound, fiscally conservative, and sovereign-debt-aversion economy, very well managed by the *finansisty* from the RCB and the Ministry of Finance.

The other blunder was the miscomprehension that the sanctions would do no harm to the Russian economy at all, because it was well organised, based on natural resources, and had a viable real sector. It goes so far as to claim that Russia, for economic reasons, should be grateful for the sanctions. The main proposition of this view (Todd 2024) provides no evidence whatsoever, save that the mortality rate from alcoholism, the suicide rate, and the murder rate in Russia dropped after Putin’s advent to power, and that according to his model (not data) Russia produced more engineers per

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<sup>19</sup> This was stated by US President Joe Biden in early March 2022, and he added, ‘The ruble has been reduced to rubble’, as the Russian currency dropped momentarily by more than 70 per cent. Nonetheless, the Russian currency regained its value due to the swift, decisive and competent reaction of the RCB. In the same way, the appropriate and precise policy reaction of the RCB to the sanctions prevented a financial crisis in Russia. Hence, a horror (for Russians) scenario of the annual GDP drop of 15 per cent due to the financial meltdown was avoided. For more on these developments, see <https://www.politico.com/news/2022/03/31/ruble-recovery-russia-biden-sanctions-00021850>, last visited November 10, 2025.

year than the US (*sic*).<sup>20</sup> Nonetheless, the risk to the Russian economy is precisely that it is specialised in natural resource extraction, that it is not diversified, and that it lacks indigenous technological innovation, therefore it heavily depends on Western technology and know-how. The outcome was that the sanctions did not produce the swift effects that some had hoped for, but that does not mean that they did not produce any effects at all, especially in the already described rent-seeking society, depending on huge monetary inflows from commodity exports. All that is in a country that faces serious demographic problems, not only because of war casualties but also a massive exodus of people, most of them highly skilled – i.e. huge human capital moving out of Russia.<sup>21</sup>

Gustafson subscribes to neither of these fallacies. 'My key proposition is that if the sanctions are maintained and vigorously enforced, they will have increasingly severe long-term impacts on the Russian economy, causing its gradual degradation' (p. 152) Furthermore, the author refers to the view of Aleksandra Prokopenko, a former deputy director of the RCB, as she remarks that 'Putin's military adventure in Ukraine and the sanctions have not made a breach in Russia's economic fortress, but they put a time bomb under its foundations'.<sup>22</sup>

The author provides a comprehensive report on the West's sanctions imposed on Russia, analysing their mechanisms in different countries, the vagueness in many documents, and substantial latitude for decision-makers in their implementation, increasing uncertainty for both sides.<sup>23</sup> What makes

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<sup>20</sup> Emmanuel Todd is a prolific author of journalistic books dealing with global topics. His *Wikipedia* page specifies him as a 'French historian, anthropologist, demographer, sociologist and political scientist at the National Institute of Demographic Studies' ([https://en.wikipedia.org/wiki/Emmanuel\\_Todd](https://en.wikipedia.org/wiki/Emmanuel_Todd), last visited November 10, 2025). Whatever he may be out of these five, he is definitely not an economist. His 2024 contribution about the Russo-Ukrainian war, a book under the aspiring and pompous title *The Defeat of the West* (Todd 2024), vividly demonstrates his obvious lack of basic economic knowledge.

<sup>21</sup> It is estimated (Guriev 2025) that as of mid-2025, around 250,000 Russians have died in the Russo-Ukrainian war (with total Russian casualties coming close to 1 million), and a rough estimate is that 1 million people left Russia. There are no official Russian source for any of this data. It is telling that this year (2025), Russia has stopped publishing demographic data altogether, indicating that the demographics are not faring well in the country.

<sup>22</sup> <https://www.bloomberg.com/opinion/articles/2023-08-17/a-sickly-ruble-reveals-russian-economic-weakness-that-vladimir-putin-will-not>, last visited November 10, 2025.

<sup>23</sup> The author points out that vague provisions on sanctions provided incentives for firms to over-enforce the sanctions and/or to self-sanction. It is better to be safe than sorry has been a slogan of risk-averse firms. Furthermore, substantial

it even worse for Russia is that the West's sanctions do not have a clearly specified goal, but are considered as the only substitute for not engaging in a full-fledged war with Russia. 'Equally missing from the West's sanctions is clarity over their implementation and, above all, their eventual termination. [...] There is as yet no indication how the sanctions might be used in actual negotiations, and how they might eventually be dismantled. [...] There is no apparent endgame. Indeed, with each new Russian atrocity on the Ukrainian battlefield, the Western urge to punish only grows, new sanctions are adopted, and the hurricane gains in intensity' (p. 155).

Gusalfson's bottom line is straightforward: 'Economic sanctions are high-cost instruments with limited impact. They are difficult to apply and enforce. Yet the West has little choice but to persevere with them, while improving them wherever possible, until the right conditions for their removal are met. As Mairead McGuinness, the outgoing EU commissioner for finance, says "Sanctions are the only weapon we have." Other than war itself' (p. 207).

Chapter V ('Dancing in the Rain') is about Russian responses to sanctions. Perhaps it is the most enlightening chapter of the book, because it provides insights and details of what has been happening in Russia that (to the best of the knowledge of the author of this review) are quite new in the sanctions literature. Gustafson's picture is about both the forest and the trees. There are names of the key operators in different industries and institutions, their background, skills, strengths and limitations, successes and failures. In short, this chapter provides a comprehensive, detailed and precise anatomy of the Russian responses to the Western sanctions, as never seen before. Kudos!

The author starts with a useful taxonomy. 'Russia's responses to the Western sanctions have been of four sorts: macroeconomic and financial adaptations, evasion and workarounds, import substitutions, and retaliations' (p. 210). In short, macroeconomic and financial adaptation has worked rather well, so far. The reasons for that success are the country's good starting macroeconomic situation and competent people in charge of the job, with Putin's political support – for the time being. The reader infers that support from Putin should not be taken for granted in the future, as the war economy path that Russia has committed to brings on some difficult trade-offs, and like every other dictator, Putin must balance between rivals on the backstage, especially between the *finansisty* and the *siloviki* (those of military and security services, in charge of brutal force). Furthermore, a sound macroeconomic situation of the country cannot be achieved on a

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reputational risk made Western firms to break their business relations with the Russian counterparts, regardless of a specific provision in the sanctions documents.

deteriorating economic foundation, especially in its real sector. Hence, it is very doubtful that the Russian macroeconomic stability under sanctions is sustainable. The author is aware that, claiming 'So far, it has been creative and successful' (p. 211). It seems that the stress should be on 'so far'.

The notion of 'evasion and workarounds' is self-explanatory. It is about the resourcefulness of Russians, mainly in the economy at large – comprising of companies, traders, and individuals – that has responded to sanctions by developing parallel imports and exports via both legal and illicit channels, with a little help from the Government and chiefly through 'friendly' third countries. Gustafson claims that these, too, have been largely successful. Nonetheless, he provides evidence that these procedures inevitably increase costs for both producers and consumers, lead to inevitable delays in supply, and, in technologically advanced sectors, result in only the second generation of the product being available – not the latest one. Furthermore, the author explains how backwards some Russian industries are, especially those related to electronics and microcomponents. The reader's comment is that this is not surprising in a rent-seeking economy based on the exploitation of natural resources. Even indisputably high human capital cannot compensate for the basic flaws of 'extractive' economic institutions. One way or the other, regardless of the success of sanctions evasion, the backwardness of technologically savvy industries in Russia will only increase.

Import substitution as a response to sanctions is a misleading notion for two reasons. First, for a trained economist, the notion of 'import substitution' is associated with a strategy of economic development (Alexander 1967) that was applied in the 1950s, 1960s, and 1970s, especially in Latin America, with rather disappointing results. The essence of the strategy is to stop importing goods and, in time, with the development of domestic manufacturing, produce them locally. Nonetheless, in Russia's case, instead of importing goods into the country, which is not feasible under sanctions, they should be produced locally. Hence, this is not a deliberate development strategy, but an imposed one, i.e. only as a response to the sanctions. The only problem is that, in many cases, the Russian industry is either unable to produce such goods at all, or cannot produce them efficiently (high cost per unit), or can produce only inferior-quality goods. Considering these constraints, the obvious choice is to import these goods from 'friendly' countries, such as China. This is the second reason for the misleading notion of 'import substitution'. It is much more like 'importer substitution', i.e. substitution of the country of origin. It is, to some extent, followed by 'de-dollarisation', i.e. swapping the US dollar for another transactional currency.

For Russia, the favourite friendly country to trade with is China, a very dynamic and diversified economy, with the Chinese renminbi as the currency substitute for the US dollar for transaction finances. 'Russia is making progress in moving away from the dollar and the euro, mainly toward the Chinese renminbi. In contrast, it has made little headway with import substitution. But if pursued over the longer term, these two policies will reorient Russia's economy fundamentally, away from the dependence on the West that was the central feature of Russia's thirty-year opening, and toward an economy more oriented toward the East' (p. 243–244).

Gustafson is sceptical about this move (a 'Pivot to the East') and its beneficial effects for Russia. It is true that China, as a diversified economy, can offer Russia a wide range of products, but the decision-makers in the country, especially firm managers, are aware of the possibility of US secondary sanctions due to them violating export restrictions to Russia, resulting in losing access to the US market and preventing transactions in US dollars (by forbidding US banks from maintaining USD corresponding accounts for the firms, a necessary condition for USD transactions) with any other counterpart in the world.<sup>24</sup> The other problem, the author emphasises, is that China's firms are reluctant to export components to Russia, but rather export only finished goods (moving upward on the value chain), undermining the supply chains for Russian manufacturing. The corresponding problem is what would be the content of Russian exports to China, especially taking into account 'de-dollarisation' and switching to the Chinese renminbi as the transaction currency. Very few manufacturing goods, perhaps in military technology, and predominantly energy, oil and gas that are eligible for export to China. The main problem for the Russian export of hydrocarbon fuels is that China's energy transition has been radical. China is not switching from coal to gas and oil; it is switching directly to renewables – solar panels and wind turbines.<sup>25</sup> Massive investment in those capacities is a testament to this

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<sup>24</sup> Secondary sanctions are the US policy instrument towards companies in third countries, introduced in 2014 to boost the effectiveness of US sanctions against Iran. Effectively, this is extraterritorial enforcement of the US legal rules. Although there is a dispute over the legality of this approach, and the EU complained against it on legal grounds, the matter has been settled as the secondary sanctions are considered a fait accompli. Demarais (2022) provides the US rationale for the secondary sanctions, closing the loophole in cases when the sanctions are not international.

<sup>25</sup> Acemoglu *et al.* (2023) formulated a model of transition from dirty to clean energy technology, with gas as an intermediary in transition from oil/coal to renewables. The model specifies conditions for direct transition, bypassing gas as an intermediary. It seems that China meets these conditions.

pattern of energy transition.<sup>26</sup> Accordingly, it is reasonable to assume that Chinese demand for hydrocarbon fuels (oil and gas) will start to decrease, even in absolute terms, so the market will shrink. For the time being, China purchases Russian oil (at a heavy discount, a typical opportunistic behaviour) and gas, but predominantly LNG and the operational pipeline (Power of Siberia 1) is using only half of its capacity for Chinese customers. Obviously, China's energy strategy is to diversify its hydrocarbon fuel supply as much as possible and play the suppliers against each other.

Furthermore, the author believes that Russia and China are competitors in third markets for the manufacturing products that Russia still exports, with nuclear energy being an example. It is China that is gaining the upper hand with its newly developed Gen IV modular nuclear reactors, which are more advanced than what Rusatom can provide – in fact, more advanced than anyone in the world can supply. In short, 'no limits partnership' and 'ironclad friendship' are juicy political slogans, but without much economic substance. The reader feels that the author perhaps considers Russo-Chinese economic relations through a zero-sum game lens – definitely not a good one for foreign trade considerations. Nonetheless, these relations are not just about foreign trade; it is not the USA and Canada type of relation. There is also a substantial strategic component in relations between the two nations: a declining and rising global power. Furthermore, there is a troublesome history to these relations, with a resilient Chinese memory of the 19<sup>th</sup>-century period of Russian expansion to the Far East, when China was weak as a nation – the time when the present border between the two countries was set.<sup>27</sup> The reader speculates that contemporary nominal

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<sup>26</sup> There is a substantial shift in China's energy mix. At the end of 2024, the country's total generation capacity was 3.35 TW, with wind and solar making up 42 per cent and total non-fossil sources accounting for 58.2 per cent. China's total installed power generation capacity is expected to reach 3.99 TW by the end of 2025, up 19.2 per cent from a year earlier, with wind and solar accounting for nearly half of the total, due to massive investment in renewable capacity additions projected to exceed 500 GW in 2025. <https://www.pv-magazine.com/2025/07/10/china-on-track-to-deploy-380-gw-of-pv-in-2025/>, last visited November 10, 2025. It is beyond the scope of this review to analyse the reasons for such a shift, but it seems sustainable. This is a conclusion of *The Economist*, disclosed in its Special Report, published in November 2025. <https://www.economist.com/weeklyedition/2025-11-08>, last visited November 10, 2025.

<sup>27</sup> In his Amur River travelogue, Thubron (2021) provides grim details about the 19<sup>th</sup>-century history of the river, wars around it, border disputes, massacres and contemporary resentment of the Chinese people on the southern bank of the Amur about the river being the frontier between the two countries. Furthermore, economic growth on the southern bank of the river and stagnation, even degradation, on the northern bank testify to the changing balance of power.

‘ironclad friendship’ is just an aberration in a troublesome history of Russo-Chinese relations. And yet, Russia is turning to China to avoid the Western sanctions. Good luck to Russia with that choice, the reader sarcastically ponders, based on ample information and insights from Gustafson’s book.

The prospects of Russian retaliation, the fourth type of the Russian response to the sanction, is considered in Chapter VI (‘The Great Western Quasi-Exodus’), focusing on the developments regarding the Western companies in Russia, i.e. the assets of the Western investors in the country. The author labels these developments as ‘quasi-exodus’ because ‘only a small minority have actually left. According to the Kyiv School of Economics (KSE), out of nearly 4,000 foreign companies present in Russia at the time of the invasion, only about 425 are gone’ (p. 256).<sup>28</sup> The author explains this pattern, analyses the consequences of this development for Western investors and the Russian economy, and considers the long-term prospects for a return of Western businesses and investment ‘if and when Russia reopens to the West’.

As to the Russian policy towards the Western FDIs, the author points out that ‘[t]he ones that left first were usually able to make a clean exit. But those that delayed have increasingly found themselves trapped by obstacles of all kinds. Over time, the attitude of the Kremlin has shifted from a stance of “more in sorrow than in anger,” to one of punitive vengefulness, and with each passing month it has made it more and more difficult for the remaining Western companies to leave. Three years after the invasion, Russian policy toward the remaining Western companies has become increasingly one of thinly veiled expropriation’ (pp. 262–263). Gustafson provides all the details of this escalation of hostility (coming directly from the Kremlin) towards the Western companies, inflicting substantial capital losses for those who exited Russia one way or the other.

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<sup>28</sup> This refers to the situation in October 2024. The KSE runs a website ([www.leave-russia.org](http://www.leave-russia.org), last visited 10 November 2025) which provides all the information on FDIs in Russia. The review of the data on the website provides a picture somewhat different to the one painted by the author. At the time of the last visit to the site, out of 4,244 FDIs in Russia, 1,756 (41.1 per cent) had continued operations (business as usual), 111 (2.6 per cent) had paused investments, 490 (11.5 per cent) had scaled back operations, 770 (18.1 per cent) had suspended operations, 590 (13.9 per cent) were exiting Russia, and for 527 FDIs (12.4 per cent) the exit had been completed. So, less than 50 per cent of FDIs have continued operating in Russia. Furthermore, the data covers all FDIs in Russia (including those from China, Turkey, India, Belarus, Azerbaijan, Israel, etc.), not only Western investors. Accordingly, it is reasonable to assume that the percentage of Western companies that are currently exiting Russia or that have completed the exit is higher than 25 per cent. In short, it is doubtful whether this development should be labelled as ‘quasi-exodus’.

The author provides some clues about Putin's reasons for such a move. The rational motive is assets transfer at bargaining prices – or in some cases, negligible prices or no price at all – to selected Russian oligarchs, with the mutual understanding that such a favour will be returned to the Kremlin when the time comes. The reader, nonetheless, suspects that this was not the whole story, as the author claims that Putin was surprised by the decisions of the Western companies to exit Russia. Then, as he realised his blunder, perhaps he became furious with the Western companies and exacted rampant revenge on them. To rephrase Pushkin's famous line, that was 'a Russian revenge, senseless and merciless'.<sup>29</sup> In short, it seems the former KGB agent – meticulously trained to lie, to hold his composure, and hide his emotions<sup>30</sup> – demonstrated that he is actually a very emotional man. What the costs of his emotional outburst towards the Western companies for Russia will be in this case is another issue.

According to the author, Western FDIs in Russia brought what the country was missing in the post-Soviet era: new products (goods and especially services), new technologies, whole new ways of doing business, and new skills. With substantial spillover effects, these FDIs fundamentally changed the Russian economy and society, and that change is here to stay. Nonetheless, the exit of the Western FDIs 'symbolizes the dashed aspirations and illusions of an entire era' (p. 263).

As to the future, Gustafson has no second thoughts. 'Equally significant is the fate of the large number of Western companies that have so far remained in Russia, either by choice or under compulsion. The mounting pressure on them at all levels and in all forms, ranging from harassment to outright confiscation, is completing the destruction of Russia's image as a place for foreigners to do business. Even when a new generation of Russians comes to power and the Ukrainian war is settled – however and whenever that happens – it will be a long time before Western capital and businesses return to Russia' (p. 263).<sup>31</sup> Well, a dictators' rage has its own price, though it is usually the next generation that pays it.

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<sup>29</sup> The line 'God save us from seeing a Russian revolt, senseless and merciless' is from Pushkin's *The Captain's Daughter* (1836), a historical novel set in the time of Pugachev's Rebellion (1773–1775) against the rule of the Empress Catherine II (Catherine the Great).

<sup>30</sup> 'A trained Moscow Centre hood', to borrow a jargon of the British intelligence community, unveiled in dialogues in John Le Carre's novels.

<sup>31</sup> Money has had a long memory. In February 1918, the Soviet government of Russia declared the Russian sovereign debt, mostly owed to Western private lenders, null and void and refused to service it at all (Malik 2018). The consequence was that Soviet Russia, and later the USSR, were excluded from the international capital

Chapter VII ('The Balance Sheet') sums up both the effects of Russia's transition to capitalism and its opening to the West, and the effects of the sanctions on Russia. The bottom line of the 'balance sheet' is that the sanctions substantially reinforce the major flaws of the contemporary Russian state-capitalist economy. The author points out that there is still debate over the extent to which Russia's economy is isolated. His view in the debate is that 'Russia is indeed isolated in more fundamental ways – from the channels and flows that create efficient investment and innovation, from human transfers of technology and know-how, from the most efficient trade routes and patterns, and from a global communications web that remains largely centered in the United States' (p. 315). This is the reason why Gustafson refers to the sobering quip from the end of a documentary movie about young Russians who had left Russia and made it to California, right to Silicon Valley. 'The high-tech future of the world is Russian, but not in Russia' (p. 315).

#### **4. TIME FUTURE: NOTHING SHOULD BE RULED OUT**

The reader's utmost delight, a cherry on the top of the cake comes at the end of the book with its Part Three ('Looking into the future'), consisting of only one chapter (Chapter VIII): 'Around the Corners of History: Toward a Second Opening of Russia?'. The chapter is about the future. The author's assumption is that 'Someday, under circumstances we cannot yet foresee, Russia will seek to reopen to the West' (p. 339). That Gustafson specifies two scenarios. 'A reopening of Russia to the West can take two possible paths – good or bad. A "good" reopening would be based on the reaffirmation and recodification of mutual interests between Russia and the West, based on negotiation and concessions on both sides. A "bad" reopening is one in which Russia re-enters the world "through the back door," because of Western fatigue, inattention, attrition, and erosion of will and unity, which Russia exploits through evasion, manipulation, and subversion. In a good reopening, the Ukrainian war is settled by negotiation, fighting stops, and the sanctions are gradually removed, while in a bad reopening, there is no negotiation, the Ukrainian war grinds on, the sanctions remain in place, and

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market, unable to borrow any money from Western lenders until 1987, when an arrangement was made under which the USSR recognised all the claims of Western lenders. Before that, even during World War II, in which the US and the USSR were allies and the USSR was eligible for the US Lend-Lease Act assistance, it was only the lease component that was enforced, not the lend, i.e. the loan component was missing.

Russia works around the West, while seeking to weaken and undermine it. The bad path is the one we are on today. It is harmful and dangerous for both Russia and the West. It locks Russia and the West into a new Cold War, less stable and even more dangerous than the first one. Quite apart from geopolitical instability, the economic consequences are enormous' (pp. 339–340). These are two obvious, very well specified options, good and bad, and why the author labels the bad option as 'bad opening' is a mystery, since it is not an opening at all.

One way or the other, the reader is eager to hear about a 'good opening' and the preconditions for it. Even in the introduction of the book, the author spells out two conditions, both necessary, for the 'opening' of Russia. 'But before *any* reopening of Russia is possible, two things must happen. The first is the departure of Vladimir Putin. [...] The second precondition, however, is that Putin's chief legacy, the Ukrainian war, must end. Putin's departure will not by itself remove the many underlying causes of the Ukrainian conflict' (p. 26, italics – BB).<sup>32</sup> Both conditions are self-explanatory. Putin's credibility in the West is irreversibly compromised, and even the incumbent US President, Donald Trump, a person convinced of his deal-making genius, dropped the second meeting with Putin, at least for the time being.<sup>33</sup> The Russo-Ukrainian war is a political and economic conflict between Russia and the West, with military action only by proxy. There is no room for opening between foes.

As to the first condition, the author assumes that Putin will not leave office, save perhaps the last few months of his life. Putin will eventually die. Even the ardent Putinfiles acknowledge this, although reluctantly. The author set the stage for succession in the mid-2030s. According to Gustafson, it is a group of people (like those who gathered after Stalin's death, the reader ponders) who will decide who will run the country as the president and what the others' roles will be. The future political elite will, according to the author, recognise that the 'situation we face today is fragile and untenable.

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<sup>32</sup> At the beginning of the book, the author refers only to Russia opening to the West, without distinguishing between 'good' and 'bad' ones. This seems reasonable for the reader, since 'bad opening', as it is specified in the final chapter of the book, looks like *contradictio in adjecto*.

<sup>33</sup> The first one, in August 2025 in Alaska (these developments came after the book was published, just confirming *ex post* that the author was right), which was prepared in an inept way, was Trump's fiasco, labelled by *The Economist* as the 'Groucho Marx school of American diplomacy'. <https://www.economist.com/europe/2025/08/16/donald-trumps-gift-to-vladimir-putin>, last visited November 10, 2025. The second meeting was scheduled to be held in Budapest in October 2025, but it was 'postponed indefinitely' at the time this review goes to press. The official press release, with more diplomatic wording, stated that there were 'no immediate plans to reschedule the meeting'.

War and sanctions have worn the country down and left it increasingly impoverished and isolated from the West, which is still the financial and technological center of the globe' (p. 348). Hence, what has been learned?

According to Gustafson, the lessons could be '[w]e have learned three painful lessons. The first is that the path of revanchist imperialism is a dead end. It has brought NATO and the EU up to the very borders of Russia, precisely the result that Putin sought to prevent. The second is that Ukraine is not within our grasp at any acceptable price. Ukraine with its Western allies is too strong to lose the war, and we are too weak to win. The third is that an alliance with China leads only to our becoming a junior partner, locked into dependence on Chinese technology and investment, which have not been forthcoming on any significant scale' (p. 348). The author claims that, based on these three lessons, the conclusion is inescapable: Russia must turn back to the West, both to Europe and to the United States, and seek to develop a balanced economic relationship with all sides. The crucial question is whether a constructive economic reopening with the West is possible. Gustafson focuses on the economic reopening of Russia, implicitly downplaying political or cultural ones.<sup>34</sup> Taking that into account, the reader wonders whether economic reopening will inevitably produce some spill-over effects.

There may be a basis for renewed understandings, claims the author, 'if both sides seize the moment, and if realistic step-by-step concessions are made by both sides, on three fronts: Ukraine, sanctions, and strategic agreements' (p. 350).<sup>35</sup> Gustafson goes step by step, starting with the Ukraine issue. As to the future peace treaty, there will be three main issues: (1) the status of Crimea and the eastern provinces of Ukraine; (2) Ukrainian membership in the EU and NATO; and (3) the issues of reparations and reconstruction, and prosecution for war crimes. The author provides clues that the West will have to make concessions. His guess is: Crimea should be Russian territory, EU membership of Ukraine should not be ruled out, NATO

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<sup>34</sup> In the words of a future fictional Russian leader, 'I'm not talking about a return to political integration – joining NATO and the EU and so on. We will not repeat those illusions. We are a great power, and we have no need of burdensome alliances. But a great power requires a strong and competitive economy. And like it or not, the only way to get there is through economic reintegration with the West, which remains the center of world financial power' (pp. 348–349). Hence, a pragmatic Russian political elite attitude is foreseen, focusing on the lowest-hanging fruit (however high it may be).

<sup>35</sup> The author provides very little information about his view of strategic agreements, so they will not be further mentioned in this review.

membership of Ukraine is not indispensable, and as for the reparations, reconstruction and prosecution of war crimes – the author honestly admits that all of them are difficult issues.

As to the sanctions, the author considers that they cannot be lifted all at once – nor should they be, he believes, since they will be needed as bargaining chips – but they can be removed layer by layer, as the Ukrainian agenda moves forward. The first layer is the sanctions on consumer goods. The next layer is the financial sanctions. And then, step by step, all other sanctions, but the author does not suggest the conditions for those steps. The reader is convinced that these conditions will be imposed on Russia in the process. Even if things go smoothly, lifting the sanctions, the reader concludes, will be a lengthy and painstaking process, perhaps not even irreversible.

A cynical observer would probably evaluate these considerations as wishful thinking. Be that as it may, it is always good to have a yardstick – something desirable, even feasible – and then compare the actual developments with it. Furthermore, Gustafson is well aware that the trust between the two sides is at a very low level, perhaps at a historical minimum. Russia's credibility, more precisely that of its political elite, has been demolished in recent years. Gaining credibility and establishing trust takes time, and perhaps Russia's reopening, if any, should be the task for the next generation.

## 5. CONCLUSION: TO BE CONTINUED...

The author concludes the book with somewhat activist tone. 'Putin's departure and the advent of a new leadership will bring the opportunity to attempt a cautious but constructive reopening, beginning with the reestablishment of working commercial and financial relationships, which will bring benefits to both sides. The time to begin thinking about this is now' (pp. 356–357). The last sentence of the appeal is directed at the Western political and intellectual elite. The reader concludes that this book provides abundant and high-quality food for thought of this kind. Gustafson did his part of the job; it is now the time for others.

Gustafson's book is a groundbreaking contribution to studies of contemporary Russia and its relations with the West. The author skilfully combined Eliot's *time past* and *time present* to contemplate *time future*, and to provide the grounds for readers to make their conclusions. There are many answers in the book, but almost all of them lead to new questions, which the reader was not aware of before closing the final page. That is the wit of Gustafson's book. Written in a very readable style, almost like

a historical novel, the book is easy to swallow, but very hard to digest, as the new questions linger around the reader, gripping their mind for a considerable time after putting the book down, with no relaxation in sight. Just like relations between Russia and the West.

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