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Trump is being played by Putin – Russia will never accept a peace deal

The invasion of Ukraine wrecked Moscow's finances – but it's now the Kremlin's only source of growth



Full text :

“Vranyo” is a Russian word for a specific type of lying.

“I once translated it for one of our ministers as ‘epic, bare-faced whopper that we both know cannot possibly be true, but I’m going to tell you anyway’,” says Sir Laurie Bristow, who was the UK’s ambassador to Russia from January 2016 until January 2020.

It is a concept that sits at the heart of Vladimir Putin’s statecraft. And it is about power.

“I had it done to me repeatedly in meetings. It’s not necessarily to persuade you that their version is true. It’s to cast doubt on the truth, by putting around so much litter that you kind of lose the will to live, you just become demoralised,” says Sir Laurie.

In 2014, for example, after the Malaysian Airlines flight MH17 was hit by a Russian-made Buk missile over eastern Ukraine, killing all 298 people on board, the Kremlin fed myths to the press. These included first the claim that the plane was shot down by Ukraine, and then a story that the CIA had filled a plane with bodies and crashed it to discredit the state.

It is this type of vranyo that has fuelled Russia’s isolation on the world stage. Long before the full-scale invasion of Ukraine made Putin an international pariah, Moscow was kept at arm’s length by the West.

Donald Trump seems blissfully unaware of Russia’s track record – or at least doesn’t care. He has launched [a mission to reset ties with Moscow](#) and promised “to get that war over” in Ukraine. In doing so, he has shocked the international community by upending Western foreign policy, reopening ties with the Russian president and ruling out offering US security guarantees or Nato membership for Ukraine.

After he met with Sir Keir Starmer, the Prime Minister, on Thursday, Trump told reporters that Putin would “keep his word” if a peace deal is secured. But even a peace deal in Putin’s favour would not get around the fact that Russia has become economically and ideologically addicted to war.

Russia’s economy is creaking under the weight of war, wracked by labour shortages, sanctions, high inflation and record interest rates. But equally, the conflict is its only remaining engine of growth.

After three years of war, nationalist anti-Western propaganda has also become the basis of Putin’s power.

“Putin does not want peace and he’s not going to settle,” says Simon Johnson, MIT professor and former chief economist at the International Monetary Fund (IMF). “He’s enjoying the war. It’s awful. But he doesn’t want to end the war.”

Trump believes [forging economic links with Ukraine will be enough to deter future conflict](#). But a peace deal will not quell the imperialist fire in Putin's belly.

"Trump is greatly deceived by Mr Putin," says Johnson. "Trump wants a quick victory. He wants a triumph and a show and Putin is going to play him along. He's being played."

War machine

Russia is hooked on military spending. In 2019, Russia spent 5 trillion roubles (£45bn) on defence and security combined, or 28pc of its total government spending. This year, in nominal terms, the bill will be 17 trillion roubles – 41pc of all government spending.

The war economy now makes up between 8pc and 10pc of Russia's GDP. "For a country that is waging a war not on its own soil, that is a lot," says Alexander Kolyandr, of the Center for European Policy Analysis (CEPA). The war industry has become the main driver of the Russian economy.

On the surface at least, all this spending is fuelling a strong economy. Russia's real GDP grew by 3.6pc in 2024, according to the IMF – more than triple the growth seen in Britain last year. Real wages in Russia rose by 9.4pc in 2024, according to Rosstat, the Kremlin's statistics agency.

But only one business is booming: war.

"The manufacturing industry, which includes the defence industry, was the only sector that showed growth in 2024," says Alexandra Prokopenko, a fellow at the Carnegie Russia Eurasia Center who worked at Russia's Central Bank until 2022.

Russia has doubled production of armoured vehicles, while some ammunition manufacturers have quintupled their output. Manufacturing production jumped by 7.6pc in the first nine months of last year.

But outside sectors directly linked to the military, growth is anaemic at best, says Prokopenko.

"Consumer spending is driven by larger salaries to servicemen or even payouts to casualties," says Agnia Grigas, of the Atlantic Council's Eurasia Center.

The war effort is sucking investment and manpower away from the non-military sector, leaving the private sector to shrivel.

"Over time, Russia's ability to maintain and develop a dynamic non-military economy is being cannibalised," says Sir Laurie.

"If they ever come to unwinding the war economy, there won't be the civilian economy left to take up the slack."

Rather than prepare for peace, the Kremlin is doubling down on its war machine. In its autumn budget, the government raised its projections for military spending and cut nominal spending on social policy. "Military spending has started to become some kind of black hole," says Andrei Yakovlev, associate at Harvard's Davis Center for Russian and Eurasian Studies.

Meanwhile, prices are soaring, bringing misery for ordinary Russians. Inflation averaged 12.1pc in the last three months of 2024. Interest rates have soared to a post-Soviet high of 21pc as Russia's central bank scrambled to combat runaway price rises.

Yet the main problem is not something that can easily be solved by monetary policy: a lack of manpower.

By one estimate, 172,000 Russian soldiers have been killed in the war so far and a further 611,000 have been wounded. In September, Putin said he wanted to increase the size of the Russian army by 180,000 to 1.5m active servicemen. At least 650,000 emigres who fled Russia when the war began are still abroad, according to The Bell, a Russian independent economic news outlet.

There are not enough workers for the rest of the economy. Russia's unemployment rate has plunged to an all-time record low of 2.3pc. Even Kremlin-linked analysts calculate that Russia needs an additional 1.6m workers.

Removing the state-engine of war spending would plunge Russia into an economic stagnation on the scale not seen since the Soviet Union in the 1980s, says Kolyandr.

“They will continue to spend on military production not only to restock their arsenal but also to keep the economy from sliding into recession.”

Russia does not have any other levers to support the economy. Its services sector is not globally competitive and its technology sector is backward. “There is no way that they can export,” says Kolyandr.

The key strength of Russia’s economy has always been its oil and gas exports, but the world has turned away from its fossil fuel industry in the years since the war in Ukraine began. Europe has diversified, the US has emerged as a leading exporter of liquefied natural gas (LNG), and even Russia’s new energy buyers, India and China, would be hesitant to become dependent on the state for their supplies.

“The Russian leadership has boasted that its economy has been growing despite sanctions. That has been because of military production. So that would have to continue, because no alternatives have been figured out,” says Grigas.

A Russian economy without war will simply be a Russian economy preparing for war, says Johnson.

“Whether you call it war or whether you call it peace, it doesn’t matter. It’s still a militarised economy, funded by oil,” he says.

“Even if there is ‘peace’, Russia will scale up their armaments. This is the political economy equilibrium keeping Putin in power.”

‘Straight out of Machiavelli’

Until 2005, Sir Bill Browder was the largest foreign investor in Russia. Then he was banned from entering the country for exposing corruption in Russian state-owned companies.

In 2008, his lawyer [Sergei Magnitsky uncovered a huge fraud committed by Russian government officials](#) that involved the theft of \$230m (£180m) in state taxes. Magnitsky was arrested, imprisoned without trial, tortured and eventually died in prison in 2009.

Corruption goes to the heart of the Russian state, Sir Bill says. It has rotted out the country’s core and is now pushing Putin to launch attacks abroad to shore up his regime.

“Putin needs war very specifically as a way to stay in power. If you look at the history of his presidency, every time his popularity has started to diminish, he started a war,” says Sir Bill.

Take, for example, Russia’s wars with Chechnya in the run up to Putin’s first election as president in 2000, Russia’s five-day war with Georgia in 2008 (which an EU-backed report said was started by Georgia following Russian provocation), and Russia’s annexation of Crimea and eastern Ukraine in 2014.

In 2022, when Putin launched his full-scale invasion of Ukraine, his popularity had been hammered by the Covid pandemic.

“This is straight out of Machiavelli,” Sir Bill says. “If you’re worried about people being angry with you, you create a foreign enemy and you start a war.”

Russians are far more patriotic than Britons and opposition to the West unites nationalist sentiment, says Sir Tony Brenton, who was the UK’s ambassador to Russia from 2004 to 2008.

“In the current situation, everybody knows that Russia is up against the West, or believes that it is, and that is the sort of situation where Russians instinctively gather around their leader because they feel that the external threat is a direct threat to them,” he says.

The war may be hammering Russia’s economy, but it has also given Putin more licence to crack down on civic society, tightening personal liberties and freedom of expression.

Putin banned Facebook and Instagram in 2022 after labelling their parent company Meta “extremist”. In the same year, the Russian state revoked the media licence of one of the country’s few independent news outlets, Novaya Gazeta, forcing its closure. Various foreign reporters have been expelled.

“Wartime society and wartime politics is beneficial in keeping the current regime in power,” says Grigas.

War is also making some people very rich. The nephew of Chechen leader Ramzan Kadyrov was appointed head of the seized Russian subsidiary of French yoghurt maker Danone in 2023, for example, before being sold at a heavy discount to local businessmen in the region.

The Kovalchuk brothers, oligarchs with close ties to Putin, have also gained new influence, says Yakovlev. Umar Kremlev, who is now the owner of the Rolf company, the car dealer nationalised by the Russian government in 2023, similarly has new status.

“In my view war can be in their interests,” says Yakovlev.

“Putin needs one of two things in order to maintain the stability of the regime,” says Sir Laurie. “One is pretty much perpetual conflict with the West. The other is victory over the West.”

‘Rotten and corrupt’

Vranyo surfaces in many different ways in Russia. For a period of months while Sir Tony was ambassador, he was trailed by members of an aggressive pro-Kremlin youth group called Nashi.

“They were in groups of three or four. But it was all over the country. If I flew to give a speech somewhere, they knew where I was going, they’d get themselves there, into the meeting, and then they would shout abuse,” says Sir Tony.

“They were given free way by the traffic police. It was very clear they had authority from the Russian government to do what they were doing.”

State structures in Russia are not known for being honest and reliable.

“Nobody in Russia, certainly when I was there and I don’t think it has changed since, takes a driving test,” says Sir Tony. “What they do is they bribe the examiner. Because the system itself is so rotten and corrupt that it’s much easier to fork out small sums of money than to go through procedures that are not very dependable.”

The US president has suggested that a key motive for Russia to make peace in Europe would be the prospect of combined US-Russian business interests.

Marco Rubio, the US secretary of state, told Moscow delegates in Riyadh last month that the US and Russia could pursue “potentially historic economic partnerships” and “incredible opportunities” if Putin ends the war. US and Russian officials are reportedly in talks about joint exploration of natural resources in the Arctic.

However, Trump’s discussion of business ties with Russia are a fantasy, says Sir Bill. “Nobody in their right mind is going to invest in Russia right now, that’s insane. It is not going to happen in a million years.

“I can tell you, as previously the largest foreign investor in the country, nobody is going to put a penny into it. There’s no rule of law. [You’ll lose your money and you’ll get killed](#). That is what happens in Russia. It’s a toxic business environment. It’s uninvestable.”

Johnson at MIT is similarly blunt: “Any foreign investor in Russia is insane and should immediately be fired by their shareholders.”

Trump’s surrender

Trumpworld is blasé about all this. So far, it has granted a series of concessions to Russia in an attempt to draw Putin closer to peace.

[First came a prisoner exchange](#), during which US special envoy to the Middle East Steve Witkoff said he “spent a lot of time with President Putin, talking, developing a friendship, a relationship with him”.

Then came a 90-minute call between Trump and Putin, a meeting between US and Russian officials in Riyadh and then more talks last week in Istanbul.

Last month at the United Nations General Assembly, the US voted alongside Russia, Belarus and North Korea against a European resolution condemning Russia's full-scale invasion of Ukraine as an unprovoked attack – a vote which even China, Russia's most important ally, abstained from.

John Bolton, who served as Trump's national security adviser during his first administration, has described the US president as Putin's puppet.

“This is essentially surrendering to the Russian position,” says Bolton.

Trump thinks foreign policy is based on personal relations, but Putin is not moved by personal ties.

“He's as cold-blooded as it comes in pursuing Russia's national interests,” Bolton says. “Trump doesn't get it. He thinks he and Putin are friends.

“This former KGB agent has been manipulating him for the past couple of weeks to get what he wants and Trump doesn't even realise.”

The president may be able to secure a ceasefire but any kind of peace will only be temporary. Putin will only use the time to rearm.

“If you get a ceasefire across existing frontlines, I think that will freeze into a new border,” says Bolton.

Whatever happens next will have big geopolitical implications. Aside from Putin's own ambitions, China is watching closely for an indication of how much the West will care if it were to make a move on Taiwan.

“I think their calculus is if the US and Nato won't stand up against aggression on the continent of Europe, the US is very unlikely to do anything significant in a faraway place like Taiwan,” says Bolton. “It is very dangerous.”

Timothy Ash, of Chatham House's Russia and Eurasia programme, says Trump may simply not care. “For him, Ukraine is a European problem. I think Trump will agree anything to get a quick ceasefire and he won't really care about whether it's sustainable, that is for the Europeans to sort out.”

What should European leaders do? Starmer and Macron should step up cash support for Ukraine so that it can buy US weapons, says Johnson.

Sir Bill argues the best way to do this would be to seize \$300bn in frozen Russian assets – an idea that has been advocated by UK David Lammy, the Foreign Secretary, but which critics argue could undermine the legal system.

Bolton has an even cheaper, but perhaps more controversial suggestion. The best thing that European leaders can do is convince Trump that it is in his personal interests to support Ukraine, he says.

“It's not worth talking about what's going to happen in Ukraine. It won't even move him really talking about what US national interests are. Everything with Trump is personal and he wants the Nobel Peace Prize,” says Bolton. “Starmer ought to offer to nominate him.”

If Trump were to win the prize, there would almost certainly be a grim irony. As Russia's war machine chunters on, few are convinced that any peace deal would last.