

Future Prospects for the Russian Federation under President Vladimir Putin

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Kalev Stoicescu

Introduction

President Vladimir Putin has ruled Russia for more than 15 years. He and his inner circle of *siloviki*, oligarchs and nationalist ideologists have not seriously attempted to reform and modernise Russia's economy, which faces the prospect of continuous decline or even collapse in the next few years. On the contrary, President Putin has persistently struggled to divert domestic public attention from internal problems to the confrontation with the West and the external crises created or exacerbated by Russia in Ukraine and Syria. In addition, President Putin's regime has effectively zombified Russian society, forcing the vast majority of the population to trade their fragile political rights and liberties achieved under President Boris Yeltsin in the 1990s for an ostensible sense of rising prosperity and national pride. In return, the regime demands from its subjects iron-clad loyalty to virtually any of its political endeavours and submission to the total brainwashing conducted by the Kremlin's propaganda machine.

President Putin blames the West for Russia's misdeeds and mishaps, including the economic decline that has led to Russian oligarchs and giant state-owned enterprises losing big money, and has visibly deteriorated the living standard of common Russian citizens. The side-effect of Putin's regime's attempt to evade responsibility in this way is the increasing political, economic, cultural and human alienation of Russia and the Russians from the West. While it is very hard to predict – under present circumstances – a decisive shift in the Kremlin's policy towards the West to steadily replace antagonistic and provocative steps with cooperation and trustworthy initiatives, Russia's economic default and foreign-policy failure in the near term (2016–17) may ultimately exert sufficient pressure on the Russian elite to achieve that effect.

President Putin was elected in May 2012 for a six-year term that may not be his last, which means that he may – at least theoretically – hold the presidency until 2024 or even beyond. That may be the case if he and his inner circle somehow survive Russia's current deepening economic crisis and increasing international isolation. I can think of two main considerations that argue for the endurance of Putin's regime: oil prices do not remain significantly below USD 50 a barrel for more than two years, and at least some Western nations become worried about Russia's possible behaviour in critical situations, and are therefore willing to accommodate the Kremlin as far as abandoning economic sanctions or even coming to Russia's economic rescue. In fact, these wishful thoughts have recently been reflected in many speeches by President Putin and other senior Russian officials.

In addition, Russia has embarked on a very ambitious programme of military modernisation that quite clearly signals President Putin's intention to turn the national defence industry, and the related research and development sector, into the motor and backbone of Russia's economic revival, just as the Soviet Military Industrial Complex (MIC) was intended to be in "the good old days". This process of rapid militarisation is obviously meant not only to modernise and develop new military equipment for export and Russia's own use, but most importantly to re-establish Russia's position as a military superpower, achieving as much regional dominance as possible and parity with the United States.¹ Russia's armed forces, internal security

structures and foreign intelligence services, the very foundation of the regime, are generously funded from the shrinking state budget, even though these key structures also cannot avoid significant budget and personnel cuts. Russia constantly reminds NATO and other nations that it is one of the world's two nuclear superpowers, considering itself capable of destroying almost any adversary and pretending to defend its "vital interests," whatever it takes.

All this creates a rather grim picture of Russia's prospects under President Putin in the near future, if the Russian president and leadership do not drastically alter their economic and foreign policy – which most likely will not occur to the extent of making radical changes. Certain political and economic developments may unleash Russia's aggression against neighbouring countries and repression against its own citizens beyond conventional wisdom and rational predictions. Russia was, is and will be to a large extent unpredictable. Nevertheless, it is necessary to look at all the factors that will probably play a more or less decisive role in the survival of President Putin's regime and Russia's near-term prospects, in order to put aside illusions and wishful thinking, and be prepared for possible dark scenarios.

Russia's National Interests and Priorities

In December 2015, a new version of the Russian Federation's National Security Strategy was adopted by presidential edict (*ukaz*). The new strategy clearly sets out Russia's national interests in order of priority: national defence; state and public security; economic growth; science, technology and education; healthcare; culture; the ecology of living systems and the rational use of national resources; strategic stability and equal strategic partnership.²

The text of the Security Strategy includes – as usual – many distortions and euphemisms that require the language and interpretation skills of classical Sovietologists. For example, the "strategic stability and equal strategic partnership" obviously means Russia's quest for undisputed domination in its "near abroad" and the shaping of a "new polycentric model of the world order" instead of a globalised world under Western influence. NATO is defined as Russia's enemy number one,³ along with the US missile defence system and the "concept of global strike". In this context, Russia's route to confrontation with the West is made more clear than ever before.

The order of priority of national interests leaves no doubt that President Putin's regime is betting on Russia's power structures (the armed forces, internal security and law-enforcement forces, and special services) for its survival through the tough times ahead, allocating to these structures around 40% of the federal budget.⁴ These power structures must be efficient both as the regime's most capable foreign-policy instrument, and the ultimate guarantor of internal security. Economic growth sustained by science, technology and education (and obviously by fundamental reforms and innovation) comes only next in line, even if it is supposed to provide enormous wealth to finance the power structures. President Putin's latest speeches have rather left the impression that he and his advisers have no ideas or real determination to address problems in Russia's economy.⁵ Neither would it seem sensible to them to invest the hundreds of billions of dollars meant for the State

Armaments Programme to 2020 into projects designed to improve Russia's degraded infrastructure.⁶ Instead of promoting structural reforms and a free business environment, seeking transparency and the rule of law, as well as combating corruption, the Kremlin seemingly believes in magic wands in the form of new bureaucratic structures (government committees and agencies) in order to solve all major economic problems. The security strategy paper includes stipulations that can hardly be considered adequate or even serious, e.g. "54. The safeguarding of food security is ensured through ... achieving food independence for the Russian Federation".⁷

In short, Russia's new National Security Strategy sums up the policy and steps adopted by the Kremlin following the illegal annexation of Crimea with a special emphasis on Russia's confrontation with the West and the need to increase internal security still further.⁸

Russia's Economic Distress

Russia is essentially a petrodollar economy whose GDP, state budget and federal reserve funds are continuously shrinking because its economic and financial performance is highly dependent on oil prices in world markets. The good old times⁹ – which made the Putinist regime and Russia's oligarchs prosperous, raised the population's average standard of living somewhat, and created the illusion of the emergence of a solid middle class – are over, and there is little hope that anything similar will re-emerge any time soon.¹⁰ In fact, in January 2016 oil prices went below \$30 a barrel,¹¹ which is very close to what many experts describe as a potentially catastrophic scenario in which certain developments (bank defaults, hyperinflation, massive business bankruptcies etc.) may get out of control and eventually lead to the collapse of the Russian economy.¹²

Russian GDP reached its all-time high of \$2.08 trillion in 2013, followed by a substantial decrease to \$1.86 trillion in 2014 (when it accounted for about 3% of global GDP),¹³ and a further contraction of 4.6% in 2015. Russia used to run a significant trade surplus, primarily due to high exports of crude oil and natural gas, as well as arms sales, against imports of machinery and equipment, chemical products, foodstuffs, textiles etc. The trade surplus is a vital source of revenue to nourish the Russian federal reserves, serve the scheduled payment of national debt and cover the state budget deficit. However, Russia's trade surplus has been reduced to \$10 billion in October 2015, from \$14.7 billion a year earlier.¹⁴ From January to October 2015, Russia's imports fell by almost 37.9%, whereas its main trading partners were (in billions of dollars): China (52.5), Germany (38.1), the Netherlands (37.3), Italy (26.3), Turkey (19.8), Japan (17.8) and the United States (17.4).¹⁵ One may assume that trade between Russia and Turkey¹⁶ will suffer a significant decline due to Russia's imposition of sanctions following the incident on 24 November 2015. This data, provided by the Russian Central Bank, shows that, even if China's role as Russia's most important trading partner is growing, the Western nations (including Japan, and also Turkey) are invaluable and irreplaceable wealthy customers.

The Russian Central Bank announced in January 2016 that Russia's hard-currency reserves,¹⁷ which stood at \$509.4 billion in early 2014, fell by \$124 billion in 2014 and

a further \$17 billion (4.4%) in 2015, leaving some \$368.4 billion.¹⁸ Given the mounting economic difficulties Russia is struggling with and the opaqueness of the Russian political, economic and financial system, it is hard to believe that this statement reflects the reality¹⁹ and is not simply intended to calm domestic and international audiences by pretending that Russia has still most of its reserves intact. For instance, in 2015 China's reserves contracted seriously by a record \$512.6 billion (more than Russia's entire reserves), down to \$3.3 trillion – but, unlike Russia, China can afford it.

The Russian minister of finance, Anton Siluanov, stated that the 2016 Russian state budget²⁰ will probably lose some 3 trillion roubles (up to €40 billion), or 2.6% of GDP, if the oil price remains at around \$25 a barrel.²¹ Cuts of 10% in Russia's government spending will once again be inevitable, but these would only provide savings of up to 512 billion roubles (around €6 billion), which would cover only one-sixth of the deficit stemming from low oil prices. Russia is now really hungry for Western hard currency. It managed to increase its oil production in the first nine months of 2015 by a mere 0.5%,^{22, 23} in an attempt to earn as many petrodollars as possible. However, this increase in oil production seems to be close to Russia's maximum possible output in present circumstances, given severe shortages of investment in new technologies, as well as in exploration and exploitation of new oilfields (the increase in production is mostly due to reserves in old and depleting oilfields).²⁴

Russian enterprises in virtually all economic sectors now have to face tremendous problems, apart from some large exporting companies that tend to benefit from the devaluation of the rouble. The car manufacturing industry and domestic car market is a good example of the prevailing mood in the Russian economy. While ordinary Russians rushed to buy cars in order to spend their rapidly devaluing roubles in late 2014 and early 2015, they cannot do so now²⁵ because their purchasing power is significantly lower²⁶ and the prices for Western cars have been adjusted to the real value of the rouble. Foreign car manufacturers that have established themselves in Russia over the past two decades are now all in deep trouble: sales are plummeting²⁷ because imported spare parts are increasingly expensive, as are the cars manufactured in Russia. General Motors and SEAT have already shut down their factories in Russia, while Honda, Renault and many others have either significantly reduced or temporarily halted production of cars.²⁸

On one hand, the economic factor should not be overestimated in the Russian context. The Russian oligarchs that form President Putin's inner circle may lose billions of euros, but they are still rich, unless they don't go bankrupt or fall in Kremlin's disgrace. The vast majority of ordinary Russians have actually never really enjoyed prosperity in the Western sense of the word, they have lived miserable lives most of the time in Russia's history, and are supposedly prepared to bear more sacrifices (in terms of their living standard, down to basic food products) for the sake of Russia's glory. In a way, the Putinist regime is testing the patience and obedience of the population, e.g. considering the ban on Western food products that has resulted in certain shortages and considerably higher consumer prices.

On the other hand, the economic aspect should not be underestimated, as it may prove to be the decisive factor in the survival or collapse of the Putinist regime. A Russian economic collapse prior to the 2018 presidential elections would ultimately destroy President Putin's support in his inner circle, and among the country's population. Most Russians remember the 1990s under Yeltsin²⁹ as being a particularly

shameful and painful time when wages were not paid for many months in a row and people were impoverished almost to the extreme and had to barter for food and other basic necessities in the absence of real money. A domino effect in the current Russian economy, leading to the collapse of the banking system³⁰, massive bankruptcies etc., could create a similar situation that might bring angry people onto the streets, notwithstanding official propaganda and the tightening of internal security screws. President Putin may not be completely and fundamentally aware of the real situation in Russia's economy, but he certainly understands the possible repercussions of economic default (which cannot be excluded, or perhaps even prevented). One way or another, the Putinist regime does not seem to want to emphasise the crucial importance of Russian economic recovery, still less to link its own prospects of remaining in power to the success of economic initiatives.

Some leading Russian financial and economic experts believe that, while in 2016 Russia's economic situation will worsen to a certain degree, the country will be on its knees in 2017 – out of money and unable to make critical investments or payments.³¹ In December 2015, the Russian Central Bank acknowledged the possibility of future “stressing scenarios” assuming oil prices around \$40 a barrel – in which case the state budget deficit would be about 5.2% of GDP, and GDP would decrease (for the third consecutive year) by at least 2–3%, while inflation would remain around 7% a year and the exchange rate to the US dollar would not exceed 73 roubles. Already, in the second half of January 2016, this looks more like wishful thinking by the Kremlin.

Russia's Internal Political Scene

President Putin does not have to face (or fake) re-election this year, because in 2011 he managed to pass through the State Duma a constitutional amendment prolonging the presidential term from four years to six.³² However, there will be State Duma elections on 18 September 2016,³³ for which the campaign has already started.³⁴ Russia's parliament has been dominated since December 2003 by the ruling party, United Russia, which has transformed the country's internal political landscape virtually into a one-party system.³⁵ Gennady Zyuganov's Communist Party, Sergey Mironov's A Just Russia, and Vladimir Zhirinovskiy's LDPR – which between them hold the remaining seats in the State Duma³⁶ – can hardly be considered opposition forces that might turn against the regime, or even criticise it. Instead, the parliament seems to be a mere rubber stamp that is expected to officially approve presidential decisions, and occasionally perform ridiculous spectacles to please the czar, fool the domestic audience and “impress” the international audience. That is particularly true when it comes to expressing anti-Western sentiments.

The real opposition to the regime has been effectively wiped out from the national parliament, as well as from the power structures of the federal constituent entities. Russia's nine federal districts, groupings of federal entities established in 2000 for “the convenience of operation and governing by federal government agencies”³⁷, are all governed by cronies of President Putin and his inner circle. The same applies to virtually all oblasts and other federal entities, administrative and municipal divisions.

The Russian United Democratic Party *Yabloko* was effectively blocked³⁸ and did not reach the threshold to enter the State Duma at the last parliamentary elections in

December 2011 (it won 3.43% of votes). The People's Freedom Party (PARNAS) – now led solely by former prime minister Mikhail Kasyanov, as its other prominent co-leader, Boris Nemtsov, was murdered in February 2015 beneath the security cameras on the walls of the Kremlin – is even less popular among Russian voters. The fiercest critic of the Kremlin, Mikhail Khodorkovsky – who was pardoned by Putin and released from prison at the end of 2013 – now faces new fabricated charges of complicity to murder. His relaunched movement for democracy – Open Russia, which advocates e.g. healthcare reform and combating corruption in the course of a “peaceful revolution” – has been harassed by the Kremlin and faces being banned as a “foreign agent”.³⁹ The Progress Party of the self-described nationalist democrat Alexei Navalny, who has gathered much sympathy in the West for his criticism of Putin and Russia's rampant corruption,⁴⁰ holds no seats, even in the regional parliaments.⁴¹

Russia's electoral law has been changed to allow the election of candidates to the State Duma both from party lists and from the regions.⁴² This further reduces the chances of any liberal democratic parties and/or candidates⁴³ to enter the State Duma. Firstly, the liberal opposition forces (including PARNAS) are not united and cannot form a homogeneous coalition to support Yabloko – which is, by a long way, the only political force that has (at least theoretically) a chance of crossing the election threshold. Secondly, parties are not allowed to form coalitions and combine forces while running for parliamentary elections. Even if Yabloko and/or its possible election allies succeeded in gaining some seats in the lower house of the Russian parliament, this would hardly change anything. The regime would continue to act in the very same way. President Putin has apparently not managed to gain control over Yabloko and like-minded minor political forces, as he did (with instrumental assistance from the FSB) in the case of some other parties represented in the State Duma, and the regional power structures.⁴⁴ President Putin won't be happy to see genuine opposition deputies in the State Duma, however small their number, because they would enjoy immunity and would certainly criticise the regime on the country's top political stage. The deepening economic crisis may increase the popularity of Yabloko and its allies in the run-up to parliamentary elections, in which case the Kremlin may embark upon actions to take complete control over the Russian media⁴⁵ and all major political parties except United Russia. In addition, bringing the State Duma elections forward to September leaves virtually no time for Yabloko and other liberal parties to conduct successful election campaigns. On the other hand, President Putin may decide – depending on current developments and the need to “let off steam” internally and internationally – that it would be wiser and safer to “allow” just a few representatives of the real opposition to enter the State Duma, and thus prevent potential domestic turbulence and international criticism.

The few independent-minded and brave Russian journalists still able (i.e. allowed) to operate in Russia believe that President Putin has surrounded himself with loyal, but otherwise rather incompetent, aides and advisors who fail to understand present-day realities.⁴⁶ For instance, they bring out the fact that President Putin strongly advised Ukraine's ex-president Yanukovich to use force against the Maidan protesters without being able to foresee the probable consequences. This is seen as an indicator that President Putin will not hesitate to use force against his own people in case of mass protests in Russian cities. Actually, Putin severely tightened the screws following mass protests in 2011–13 demanding free and fair elections, fearing the beginning of a Russian “coloured revolution”. It was clear that the number of police sent to suppress

these demonstrations was at least the same as, if not greater than, the numbers of protesters.

It seems that Yabloko and other liberal parties will once again be barred from entering the Russian parliament, thus ensuring that Russia's political system remains sterile and void of any chances to undertake successful transformation or even initiate serious debate about the need for change. President Putin will certainly wish to avoid any major scandals surrounding the next State Duma elections that might affect his own "re-election" two years later. Russia's elite, with Vladimir Putin at its forefront, does not focus on or make any serious efforts to achieve positive results in the long term, i.e. after 2018.⁴⁷ They concentrate on their own survival until 2018 – after which, "we shall see".

Russia's Militarisation

In 2009, President Putin decided to launch a hugely ambitious plan for the modernisation of the Russian armed forces. In July 2014, at the peak of the crisis in the Donbas, he pledged to spend about \$400 billion up to 2020 to implement the State Armaments Program (SAP) and "modernise" up to 70% of Russia's weapons systems and military hardware, including the total modernisation of its nuclear forces and investment in "promising" MIC enterprises.⁴⁸ In Russia, the armed forces have a rather different meaning to any European or other Western-like nations. Together with the special forces and internal security services, they are the Kremlin's ultimate instrument of power, both internally and internationally, and the expression of Russian grandeur and distinction.

Following this traditional Russian way of thinking, President Putin has struggled to avoid reducing defence spending and to keep the SAP on track, betting on the MIC⁴⁹ as the main vehicle for Russia's economic revival. The MIC is currently performing surprisingly well, having helped Russia to become the world's second-biggest armaments exporter in 2015;⁵⁰ but, besides earning a few billion extra dollars to cover the government expenditure, it may never serve (as it was designed to be) as the backbone of the Russian economy and the vehicle for the reforms that are actually needed. In addition, increasing budgetary pressure and shrinking state reserves, high inflation, disruption of defence industrial cooperation with Ukraine, and Western sanctions⁵¹ have all exerted a negative impact on Putin's grandiose plans. Up to one-third of Russia's planned military procurement projects may have to be postponed or even cancelled.⁵²

One should not disregard the fact that, in the past six years, the Russian armed forces and MIC have achieved notable progress: the complete reorganisation of the territorial and functional command of the armed forces;⁵³ a sizeable reduction in and professionalisation of military personnel; a notable transformation of former Soviet-style army divisions into rapid-deployment brigades; clear emphasis on the formation, training and equipment of highly capable special forces units (*Spetsnaz*); and testing and deployment of modernised and latest-generation weapons systems and arms platforms.⁵⁴ Nevertheless, the chances that Russia will completely succeed in fulfilling its military modernisation plans by 2020 or 2025 are questionable, to say the least, even if the Kremlin stands ready to sacrifice virtually everything else.⁵⁵ Russia has

neither sufficiently developed its own high-tech industrial capabilities nor will it have enough financial resources to sustain increasingly expensive military projects (fifth-generation multirole fighter aircraft, etc.)

Russia's Alienation from the West

Russians have never seen themselves as true Europeans, for historical, cultural and even geographical reasons. In addition, they have always struggled with the question of their identity, not only in terms of multiple nationalities, language and the Eastern Orthodox faith, but also concerning the fluctuating boundaries of their civilisation and domination over their neighbours, as well as dealing with the spiritual and cultural distinction between Russia and the Western world.⁵⁶ Under President Putin, Russia has begun not only to stress its distinctive features and “own values” vis-à-vis the West, but also to clearly oppose and counteract European liberal freedoms and values. One might say that present-day *zapadniki*⁵⁷ (westernisers) are treated in Russia like traitors, while aggressive nationalists (who essentially claim to be the successors of classical *slavophiles*) and “eurasianists”⁵⁸ almost totally dominate Russia's political and social landscape. In this spirit, the Russian government has recently approved a state programme for the “Patriotic education of Russian citizens from 2016 to 2020,”⁵⁹ allocating for the purpose the equivalent of €20 million.⁶⁰

President Putin has managed not only to increase the Russian state's political and economic alienation from the Western world, but also to prevent and discourage millions of ordinary Russian citizens – not to mention state officials – from visiting Western countries or even having relations and contacts with Westerners.⁶¹ Hundreds of thousands of Russian citizens have left or are ready to leave their homeland for the West, including Russia's “arch-enemy”, the United States. Tens of thousands of Westerners who settled in Russia for business reasons in the past two decades are now leaving (mostly Finns).

Russia's political alienation from the West, which has continuously developed since late 2003,⁶² was seriously accentuated by its aggression against Ukraine, particularly the illegal annexation of Crimea and the shocking downing of flight MH17 in July 2014.⁶³ While there is obviously interest in continuing to do business (as usual) with Russia in certain European political and business circles,⁶⁴ it is equally clear that the general political environment of Russo–Western relations has been spoiled, and is most likely not going to improve decisively any time soon. EU sanctions against Russia were prolonged in December 2015 for a further seven months, an expression of continuing European solidarity and pressure on Russia in order to start moving towards an acceptable solution over Ukraine. On the other hand, Russia attaches particular importance to doing business in a politically favourable climate and pretends to offer partnership to Western powers (e.g. to fight ISIS) in exchange for the removal of sanctions and, implicitly, taking a more lenient stance on the Ukraine issue. However, the EU seems, slowly but steadily, to be gaining the upper hand in this situation, as it becomes more and more evident that Russia needs Europe much more than the other way round, especially given Russia's present economic and financial difficulties.⁶⁵ President Putin therefore cannot stick very long to the Kremlin's traditional position that Russia needs to do virtually nothing of what it is actually required to do (vis-à-vis

Ukraine) in order to improve political relations with Western nations and organisations.

Some analysts believe that Russian recklessness is aimed at coercing the West into accepting a grand bargain on the Kremlin's terms.⁶⁶ In fact, President Putin has repeatedly proposed a new world order and new rules of the game – a “Yalta-2” agreement.⁶⁷ The Kremlin's anti-West actions do not appear to be aimed only at emphasising Russia's independent policy and different culture and ideology, as well as its desire to consolidate its power in neighbouring countries. Moscow aims to break NATO and the EU, to literally push the US out of Europe, and to demonstrate to Europe how weak it is militarily and teach it a lesson on why and how it should fear Russia.⁶⁸ Last but not least, Moscow pretends that the West has treated Russia “unfairly,” and claims that it now has the right to redress this “humiliation and unfairness”.⁶⁹

President Putin needs to avoid serious failures in foreign policy. His and his team's lack of long-term vision has resulted in short-sighted adventures aimed at quick and spectacular tactical victories, which have sometimes worked out. These people, who actually run Russia's foreign policy⁷⁰, do not share the same spirit and political culture as their Western counterparts; they only stand ready to exploit the other side's weakness, turning every relationship essentially into matters that depend on the balance of forces, not hesitating to use military might whenever it may look promising.⁷¹ However, Russia's actions and principles in foreign policy vis-à-vis the West may turn out to be self-defeating. There is no easy exit strategy from the Syrian conflict and the fight against Daesh. Russia's only true ally in that matter is the criminal regime of Bashar al-Assad. Iran firmly follows its own interests, while Turkey has been turned into a literal enemy. In Ukraine, Russia is far from achieving its desired end-state. For the moment, it is clear that President Putin has shelved all aggressive scenarios and projects against Ukraine, from the “enlargement” of the occupied area of the Donbas to the creation of “New Russia”⁷² and the destabilisation and toppling of the legitimate Ukrainian government in Kyiv. However, these projects will certainly not be forgotten, and may be revived following President Putin's “re-election” in 2018, especially if Russia has by then more or less successfully survived the present economic crisis.

For us in the West, it is equally clear that this is not just temporary bad weather but a radical change of climate in relations between Russia and the West. This is going to last for years, perhaps longer. We have to learn to live in this new grim reality, which demands from us extreme vigilance and an understanding that Russia should not be underestimated, either in terms of intentions or its capabilities to pose serious threats to us.

Conclusions and Scenarios

All decisions made and actions taken by President Putin and his inner circle in the short term (from 2016 to 2018) in the domestic and international arena will be aimed at the successful survival of the regime. There will certainly be no *perestroika*-like process on the agenda in order to save Russia from economic, political and social doom, or to rebuild its relations with key Western neighbours and partners in a non-confrontational and civilised manner.⁷³ Such a process is unthinkable from the top, since President Putin and his cronies would rather resentfully agree to being shot than accept that their ideology and policy, in virtually all aspects, has been harmful to Russia and wrong all the way along. Yuri Andropov did not start *perestroika* at the dawn of Brezhnevist stagnation, nor will his docile pupil Vladimir Putin do anything similar. In present circumstances, it is equally improbable or even impossible that a new *perestroika* can be initiated and sustained from the grass roots, since the liberal political opposition has been effectively marginalised, if not eradicated. Contemporary Russian dissidents are even fewer in number and in greater difficulty than those at the end of the Soviet era. In addition, there are no charismatic Russian leaders with sufficient popularity and power base to replace President Putin and change (or at least try to change) Russia for the better, in the Western sense of the word. Most importantly, the vast majority of Russia's population has lost confidence or hope (if many of them ever had it) in liberal democratic values and freedoms, and has become more clearly chauvinist and anti-Western-minded. The events and developments that occurred from 1986 to 1991 in the former Soviet Union, and their results, will not be repeated because neither the Russian leadership nor the vast majority of the Russian people wish to make Russia a Western-like country, in spite of desiring a higher standard of living and international prestige. The prevailing Russian credo seems to be that well-being and worldwide authority is not only possible, but also necessary by antagonising the West and despising its liberal freedoms, and by bullying both Russia's neighbours and its own dissidents. Hence, there is almost no hope that a spontaneous politically driven process could emerge in Russia to change the political direction so that the Russian people can enjoy real democratic freedoms, state power can effectively fight corruption at all levels instead of continuing to rely on it for the personal benefit of the elite, and, finally, Russia can re-establish friendly relations with all its neighbours (including Ukraine) and the West, rather than continuously threatening other states and making new enemies.

Since there is no potential internal political driver for change and the West can effectively no longer do anything to influence Russia's internal everyday politics and political processes, the only serious challenges to the Putinist regime remain Russia's poor economic performance and prospects, coupled with potential foreign-policy failures.

The Putinist regime may face serious internal trouble only if Russia's economy collapses,⁷⁴ ruining the businesses of its key supporters (oligarchs) and the lives of practically all common Russian citizens. The question is to what extent and how long the Russian people will endure increasing hardship, and what might be the trigger for popular unrest. Russia seems incapable of reforming and modernising its petrodollar economy. Domestic production will probably never be sufficient to substitute, in terms of either quantity or quality, imported merchandise from the West, especially from the EU. Neither has Russia any chance or desire to replace the EU as its main export

customer. In fact, the EU represents half of Russia's imports and exports, and accounts for half of Russia's trade surplus.⁷⁵ Russia's actions in continually turning its back on the West – especially when world oil prices are dangerously low and seem unlikely to rise in the near future – is, therefore, a particularly irrational and risky choice by President Putin and the Kremlin elite. Western sanctions⁷⁶, if continued over the long term, will contribute to the possible overthrow of President Putin and part of Russia's top leadership in the event of massive social unrest provoked by economic hardship.

The West does not seem to have any more illusions about President Putin and the policy and aims of his regime, even if there are attempts to re-establish contact and find a new *modus vivendi* in this very unpleasant and uncomfortable situation. Relations between Russia and the West are approaching a moment of truth. A British judge recently stated that the operation to kill former KGB agent Alexander Litvinenko in London in 2006 “was probably approved by ... President Putin”. In the course of 2016, the criminal investigation of the shooting-down of flight MH17 in July 2014 will probably reach the conclusion that Russian armed forces handled the respective *Buk* missile system in the Donbas, and that Russia's military and political leaders should therefore be held responsible.

In spite of President Putin and Russia's elite being widely regarded in the West as in many respects criminal, dangerous and untrustworthy, these Russian leaders will struggle to survive until 2018 and for as long as possible beyond. The Russian people seem impotent to demand and initiate changes, because the vast majority of potential Russian liberal leaders at the state and local level are either complicit in corruption, marginalised and afraid of cruel repression, already imprisoned or severely harassed, or have already left the country.

This short analysis offers a rather gloomy picture of Russia today and in the near future. Miracles may happen, including a sudden and persistent rise of oil prices that would save President Putin's regime. After all, this seems to be one of Russia's main objectives in its military involvement and the exacerbation of the crisis in Syria. President Putin would then surely be ready to continue his unfinished business in Ukraine on even more severe terms. However, such miracles are about as likely as winning the lottery. Russia will therefore probably have to endure harsh economic times in the next two years, facing an increasing possibility of financial collapse. The West should not worry too much about such a situation: it will then have a perfect opportunity to come to Russia's rescue on its own terms.

¹ In respect of nuclear weapons and the latest generation of major conventional weapon systems and platforms.

² <http://csis.org/publication/unpacking-russias-new-national-security-strategy>

³ “The further expansion of the alliance, and the location of its military infrastructure closer to Russian borders are creating a threat to national security.”

⁴ This situation is described by many observers as if Russia were in a real state of war.

⁵ Including his statement to the State Duma in early December 2015.

⁶ The infrastructure for the Sochi Olympics certainly does not qualify in this respect, as huge sums were simply stolen by Putin's cronies or spent on facilities that are now virtually useless.

⁷ “Food independence” for Russia possible is not possible, nor can this – even theoretically – guarantee food security.

⁸ For example, “foreign and international non-governmental organisations” are mentioned alongside the special forces of foreign states and even terrorist organisations as the main threats to state and public security.

⁹ When oil prices were constantly well above \$100 a barrel.

¹⁰ E.g. Brent Crude (\$36.60 a barrel on 29 December 2015, down from \$44.50 on 29 November 2015) and WTI Crude (\$36.80 on 29 December 2015, down from \$42.00 on 29 November 2015). Source:

<http://www.oil-price.net>

¹¹ http://www.bbc.com/russian/news/2016/01/160115_markets_oil_falling_down [in Russian]

¹² <http://arileht.delfi.ee/news/uudised/venemaa-analuutikud-avaldasid-nafta-hinna-piiri-kust-labi-kukkudes-tuleb-majanduses-kaos?id=73319409>

¹³ <http://www.tradingeconomics.com/russia/gdp>

¹⁴ Exports shrank 34% to \$27.2 billion and imports decreased 36% to \$17.2 billion.

¹⁵ <http://www.tradingeconomics.com/russia/balance-of-trade>

¹⁶ Russia’s fifth-largest trading partner and significant investor.

¹⁷ These reserves are only partly liquid and usable for e.g. countering the devaluation of the rouble or rescuing state-owned and private banks.

¹⁸ http://www.bbc.com/russian/news/2016/01/160115_russian_reserves_falling

¹⁹ Suggesting that Russia still has rather large state reserves and that it had to use these reserves in 2015 only to an amount of \$17 billion.

²⁰ Approved by the State Duma in December 2015 and based on an oil price of \$50 a barrel.

²¹ <http://www.svoboda.org/content/article/27491661.html>

²² Compared to the same period in 2014.

²³ Saudi Arabia and the US increased their oil production in this period by 5.8% and 1.3% respectively. In addition, the US Congress decided after 40 years to end the ban of oil exports.

²⁴ <http://majandus24.postimees.ee/3443593/venemaa-ullatab-naftaturgu-suureneva-toodangu>

²⁵ In mid-January 2016, the exchange rate approached 90 roubles to 1 euro.

²⁶ Due to a general increase in consumer prices, including food products (by at least 20–30%).

²⁷ E.g. sales of Opel and Chevrolet fell in the 1st quarter of 2015 by 80% and 72% respectively.

²⁸ <http://arileht.delfi.ee/news/uudised/odavnev-rubla-vahenev-noudlus-ja-majanduslangus-ehk-venemaa-autotootjate-kannatuste-aastad?id=73383263>

²⁹ Negatively affected by low oil prices.

³⁰ There are some indicators, e.g. the recent moratorium of Bank Rossiya to creditors of OOO Vneshkombank;

http://www.bbc.com/russian/news/2015/12/151222_vneshprombank_loan_moratorium

³¹ <http://www.svoboda.org/content/article/27489792.html>

³² With effect from 2012.

³³ The State Duma, following an initiative by the United Russia faction and the Speaker, Sergey Naryshkin, voted for “early elections” (instead of 4 December 2016), raising speculation of yet another attempt to hinder the prospects of opposition parties campaigning successfully. Only seven parties have been registered for the elections, four of them (UR, CPRF, JR and LDPR) constituting the present composition of the State Duma, and three others (Yabloko, PARNAS and the Right Cause) being outsiders and more or less critical of the regime. The Right Cause is a somewhat marginal party, widely considered to be pro-Kremlin.

³⁴ <http://maaleht.delfi.ee/news/maaleht/arvamus/venemaa-2016-on-valimisaasta?id=73280773>

³⁵ UR currently has 238 seats out of 450 in the State Duma.

³⁶ 92, 64 and 56 seats respectively.

³⁷ https://en.wikipedia.org/wiki/Federal_districts_of_Russia

³⁸ At least in terms of not having been granted equal airtime for its election campaign on the mainly state-owned and controlled television channels

³⁹ <http://arvamus.postimees.ee/3436633/andrei-kuzitskin-miks-hodorkovski-jalle-putinile-ette-jai>

⁴⁰ Western sympathy turns a blind eye to Navalny’s open support for the illegal annexation of Crimea.

⁴¹ Even Yabloko has only 11 of the 3,928 seats in the parliaments of the 85 Russian federal entities, having surprisingly established ruling coalitions in St. Petersburg (six seats) and Karelia (four seats) with CPRF and JR against UR (which rules alone in all other entities apart from Sebastopol and the Amur oblast).

⁴² Half of the 450 seats will be elected by proportional representation from party lists with a 5% electoral threshold, and the other half in single-member constituencies using the first-past-the-post system.

⁴³ Not in the LDPR sense of the word.

⁴⁴ *Putin’s Russia. Past imperfect, future uncertain.*

<https://rowman.com/ISBN/9781442239180/Putin's-Russia-Past-Imperfect-Future-Uncertain-Sixth-Edition>

⁴⁵ By obstructing or even closing down the very few opposition media channels – e.g. radio station Ekho Moskvy and the independent TV channel Dozhd.

⁴⁶ <http://www.svoboda.org/content/article/27424064.html>

⁴⁷ Except for the planned military modernisation.

⁴⁸ <http://tass.ru/en/russia/738863>

⁴⁹ Headed by the Deputy Prime Minister, Dmitry Rogozin.

⁵⁰ <http://arileht.delfi.ee/news/uudised/venemaa-on-maailma-suuruselt-teine-relvaeksportoor?id=73290175>

⁵¹ Including imports of dual-use products and technologies.

⁵² <http://www.janes.com/article/50965/russian-armaments-programme-facing-course-correction-report-states>

⁵³ Establishment of five Military Districts (Western, Central, Southern, Eastern and Arctic), the Aerospace Forces etc.

⁵⁴ E.g. SLBM *Bulava*, SRBM *Iskander*, AshM and LACM *Kalibr*, S-400 *Triumf* anti-aircraft missile system, Armata Universal Combat Platform (T-14 MBT and T-15 IFV), Sukhoi PAK FA fifth-generation fighter aircraft, SU-34 strike fighters, *Borei*-class strategic nuclear submarines.

⁵⁵ For example, it seems that pension funds (for future pensioners, not present recipients) have been “frozen”, and the funds largely used to implement the planned military modernisation.

⁵⁶ This was never really achieved by the Renaissance.

⁵⁷ *Zapadniki* (“westernisers”) historically took the opposite view to the Slavophiles. They believed that in order for Russia to succeed and take its rightful place on the world stage, it needed to adopt western industrial, cultural and economic reforms.

⁵⁸ Who stress that the Russian civilisation is not European, and in political and economic terms advocate the establishment of the Eurasian Union and close relations between Russia and China, as well as other non-Western nations.

⁵⁹ <http://government.ru/docs/21341>

⁶⁰ This – over five years – is not comparable to the financing of e.g. the propaganda channel Russia Today (€276 million in 2016), but it is nevertheless significant in terms of the political importance attached by the Kremlin to the subject, in order to “educate” the Russian population even deeper and inevitably cultivate further anti-Western sentiment.

⁶¹ <http://www.themoscowtimes.com/opinion/article/controlling-russians-through-travel-bans/500914.html>

⁶² At this juncture, for the first time since the Cold War, the West was openly critical of the faked elections to the State Duma, in which the liberal opposition was wiped out of the Russian parliament; the US invaded Iraq and toppled Saddam Hussein’s regime, etc.

⁶³ The report produced by the Dutch Safety Board in October 2015 does not directly state that Russia was responsible for the downing of MH17 with a missile fired from a *Buk* missile system, but the criminal investigation is ongoing. But evidence of Russia’s responsibility is mounting and top-ranking Russian generals (who may be held responsible in the chain of command) die in mysterious circumstances (e.g. GRU chief Igor Sergun, who was probably heavily engaged in Russian operations in Donbas, and Deputy Chief of Staff of Russian Airborne Troops Major-General Alexander Shushukin, who was in charge of airborne troops during the occupation of Crimea).

<http://www.unian.info/world/1225845-russian-general-chief-of-operation-on-crimeas-annexation-dies.html>

⁶⁴ The best example is the Nord Stream 2 pipeline agreement signed in June 2015 between Gazprom, Royal Dutch Shell, EON, OMV and Engie (formerly GDF Suez), in stark contrast to the stated principles and goals of the EU’s Energy Union. <http://www.energypost.eu/case-nord-stream-2/>

⁶⁵ As its biggest commercial partner, especially in terms of natural gas and oil sales, which are the Russian government’s principle sources of revenue.

⁶⁶ <http://www.the-american-interest.com/2015/12/14/deadlock/>

⁶⁷ Lev Shlosberg at an ICDS seminar on 20 January 2016.

⁶⁸ In Russian terms, “fear” means “respect”.

⁶⁹ Tomas Ries at an ICDS seminar on 20 January 2016.

⁷⁰ E.g. Vladislav Surkov, one of the main advisors to President Putin, deemed to have been the mastermind of the occupation of Crimea, who now negotiates with US representatives over Donbas.

⁷¹ As in the case of Donbas.

⁷² To connect Crimea to Russia by land.

⁷³ That is, by respecting international law and the agreements that have constituted the basis of European and Transatlantic security architecture since the end of the Cold War.

⁷⁴ Economic collapse = state reserves depleted, banking system in default, hyperinflation, wages cannot be paid, severe shortages of basic commodities, etc. – something akin to what happened to oil-rich Venezuela after the fall of the Chavez regime.

⁷⁵ <http://ec.europa.eu/trade/policy/countries-and-regions/countries/russia/>

⁷⁶ In strict connection with Russia’s performance in the implementation of the Minsk agreements.

International Centre for Defence and Security

Narva mnt 63/4 East, 10152 Tallinn, Estonia

info@icds.ee, www.icds.ee

Tel.: +372 6949 340