EUROPEAN UNION Institute for Security Studies

RUSSIAN FUTURES 2030

The shape of things to come

Edited by
Sinikukka Saari and Stanislav Secrieru

With contributions from
Marcin Kaczmarski, Janis Kluge, András Rácz,
Tatiana Stanovaya and Andrew Wilson

CHAILLOT PAPER / 159
August 2020

European Union Institute for Security Studies (EUISS)

100, avenue de Suffren
75015 Paris

http://www.iss.europa.eu
Director: Gustav Lindstrom

print
ISBN 978-92-9198-964-5
CATALOGUE NUMBER QN-AA-20-003-EN-C
ISSN 1017-7566
DOI 10.2815/436970

online
ISBN 978-92-9198-965-2
CATALOGUE NUMBER QN-AA-20-003-EN-N
ISSN 1683-4917
DOI 10.2815/880622

Published by the EU Institute for Security Studies and printed in Belgium by Bietlot.
Luxembourg: Publications Office of the European Union, 2020.
Cover image credit: Peter Usher/unsplash

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The EUISS Chaillot Paper series

The *Chaillot Paper* series, launched in 1991, takes its name from the Chaillot hill in the Trocadéro area of Paris, where the Institute's first premises were located in the building occupied by the Western European Union (WEU). The hill is particularly known for the Palais de Chaillot which was the site of the signing of the UN Universal Declaration of Human Rights in 1948, and housed NATO's provisional headquarters from 1952 until 1959.

CONTENTS

EXECUTIVE SUMMARY

This *Chaillot Paper* looks at Russia on the horizon of 2030. It offers analytical insights into the twists and turns that may characterise the country's path in the upcoming decade, and explores how a number of critical uncertainties may have a significant impact on Russia's future trajectory. These key uncertainties work as 'catalysts' that may speed up the pace and alter the direction of change in Russia.

The global megatrends which are the focus of the opening chapter in this volume set the broader context of Russian futures. The Russian leaders of tomorrow – whoever they may be – are likely to attempt to take maximum advantage of the crisis of Western liberalism and the shifting global order, and try to shape the digital revolution in Russia in such a way as to reinforce the authoritarian political system. On the other hand, the domestic *status quo* will be challenged indirectly by societal and media fragmentation as well as by the ongoing global energy transition which is set to put in question the viability of Russia's extractive economic model.

The following chapters focus on five distinct dimensions of Russia's future domestic and foreign policy: Russian state-society relations; economic development; Russia's military power; Russia's relations with the post-Soviet neighbours; and its relationship with China.

The central premise of Tatiana Stanovaya's chapter on the Russian state and society at a crossroads is that the Russia of today may seem stagnant on the surface but underneath the ground is shifting. Latent but widespread discontent might erupt in intra-elite infighting and fragmentation. The chapter points towards fundamental contradictions in the Putin-driven system; on the one hand Putin plays an essential role in the current political order, of which he is the architect and personification, but on the other hand he is increasingly withdrawn from the day-to-day governance of the country, and this may lead to strife in the future.

In the next chapter, Janis Kluge argues that the Russian economy has been surprisingly resilient but shows this may not be the case during the next ten years. A decade is not enough to completely change the basis of an economy but in that time a course towards a more market-driven or more state-dominated and securitised economic system will certainly be set. Furthermore, the quality of future decision-makers and governance will play a crucial role in determining Russia's economic competitiveness – and performance.

The Russian military is likely to continue to play an important role during the next decade. András Rácz shows that while military engagement abroad will still be used by the Kremlin as part of its strategy to assert its claim to great power status, the nature and intensity of Russia's military engagements may change in a variety of ways; these changes are likely to reflect the degree of actual and perceived success as well as shifting budgetary resources.

In the fifth and sixth chapters, Andrew Wilson and Marcin Kaczmarski examine Russia's relations with the Eastern Partnership states and China respectively. Russian foreign policy will be dependent on the wider context of global competition and transforming alliances as well as on decisions and developments in these countries themselves. In particular, in Eastern Europe there are many contradictory and competing drivers at play, which suggests some turbulent times ahead. Russia's strategic partnership with China benefits the country in many ways but in the future its economic and political dependency on China could turn into a critical vulnerability.

The insights into Russian futures contained in this volume will hopefully guide Russia watchers – and the policymakers of today and tomorrow – as they start preparing for the risks as well as the openings that lie ahead.

INTRODUCTION

by
SINIKUKKA SAARI AND STANISLAV SECRIERU*

'The only certain thing about the future is that it will surprise even those who have seen furthest into it.'[1]

The historian Eric Hobsbawm ended his seminal work *The Age of Empire* with a sentence that many might assume to be discouraging for researchers engaged in foresight. However, this maxim has served as an inspiration for this *Chaillot Paper:* it is taken as an encouragement to avoid the trap of the conventional extrapolation of current developments and trends, and instead to combine structural analysis with the power of imagination to produce a series of plausible future scenarios for Russia in 2030. The contributors to this collective volume have aimed to see as far as possible into the future by analysing the available data on changes taking place in Russia, but they have also invoked 'wild card' elements of surprise and weaved them into the analysis. The element of surprise is particularly important in a country like Russia whose leadership has dedicated much effort and resources to eliminating factors of contingency and unpredictability internally, yet that attempts to leverage effects of surprise in the foreign and security policy arena. Furthermore, as the history of Russia would suggest, attempts to stonewall change may eventually lead to even more dramatic – and often violent – surprises.

In fact, not only did Hobsbawm's reflection guide this research – it also summarises rather nicely the essence of foresight. Strategic foresight is not about forecasting or making exact predictions about future events but, rather, it is about building our capacity to deal with future surprises. While there is no way of knowing exactly what kinds of political decisions future leaders will make – nor, indeed, who those leaders will be – it is nevertheless possible to identify and analyse the critical uncertainties related to future developments, and pinpoint the variation between potential futures that those drivers of change enable.

The point of this publication is not to predict if Putin will be replaced and by whom in 2024 or some other date – in fact the scenarios in this *Chaillot Paper* include eight possible outcomes to this question. The emphasis of this publication is on more fundamental and long-term uncertainties that will matter regardless of whether Putin remains in power or not. This is what this publication is all about: scanning the horizon, identifying the key uncertainties and preparing for the surprises that the future holds in store.

The complexity and the number of social scientific variables should not be underestimated, however. For instance, back in 2010 several analysts were pointing out – and rightly so – that Russia's leadership would very likely be unable to carry out significant reforms and diversify the resource-dependent economy, which led the analysts to predict some kind of political

* The authors are grateful to Karol Luczka for his invaluable assistance in carrying out the research for this publication.

1 Eric Hobsbawm, *The Age of Empire 1875–1914* (New York: Vintage Books, 1989), p. 340.

instability arising from economic stagnation. What the 2010s actually brought was economic decline (as predicted), non-reform (as predicted), the annexation of Crimea and the war in Donbas (unpredicted) and the highest popularity ratings that Putin had ever enjoyed during his presidency (unpredicted).[2] The anticipated political upheaval did not materialise, due to the consolidation of patriotic sentiment and the 'Crimean consensus' – which now seems to be weakening. Interestingly, the annexation of Crimea was not commonly expected or predicted ten years ago but it was sometimes included in analyses as a possible although not likely future scenario.[3] One can only wish that more countries and organisations – such as the EU – would have planned and prepared for this wild-card scenario before it actually unfolded in 2014.

This *Chaillot Paper* sets the scene in the opening chapter by highlighting a set of key megatrends that will shape and influence Russia's evolution in various ways in the 2020s. The publication then delves deeper into how these trends may play out in selected key areas in the years leading up to 2030. The following chapters examine the possible future trajectories of state-society relations in Russia, perspectives for Russia's economic development, how Russia's military power could be employed in the future, and how Russia's relations with the EU's eastern neighbours and China may evolve by 2030. Each of these chapters present three possible future scenarios and explain the drivers of change underpinning those scenarios. While these chapters focus in detail on specific themes and sectors, the concluding chapter offers a panoramic view of Russia's potential future trajectory – combining elements of all of the thematic chapters to create three contrasting snapshots of Russia in 2030. Furthermore, the conclusions point towards the ways in which the publication can be used to nurture thinking about and policymaking on Russia-related issues and – in particular – how to be prepared for the surprises that Russia's future will inevitably deliver.

2 See e.g. transcript of the event, "Russia in 2020", Carnegie Moscow Center, November 21, 2011, https://carnegie.ru/2011/11/21/russia-in-2020-event-3464.

3 "EVAn globaalit skenaariot: Tulevaisuuden pelikentät" [EVA's global scenarios: Playing fields of the future], Finnish Business and Policy Forum, April 7, 2009, https://www.eva.fi/wp-content/uploads/files/2442_Tulevaisuuden_pelikentat.pdf; "Russia's invasion of Georgia in August 2008 and its *de facto* occupation of two separatist enclaves – South Ossetia and Abkhazia – set a potential precedent for the annexation of other separatist enclaves in the former USSR, such as the Crimea": Taras Kuzio, "The Crimea: Europe's Next Flashpoint?", Jamestown Foundation, November 2010, https://www.peacepalacelibrary.nl/ebooks/files/372451918.pdf.

CHAPTER 1

GLOBAL TRENDS IN THE RUSSIAN CONTEXT

The interplay that will shape the decade ahead

by
SINIKUKKA SAARI AND STANISLAV SECRIERU

The myth of Russian exceptionalism is widespread both within Russia and outside of the country. Russian conservative intellectuals are the strongest advocates of the concept of Russia's unique path of historical development – a narrative that is also supported by the Russian governing elite.[1] Russian political leaders employ this discourse often to justify the failure to implement reforms or the slow pace of implementation. Yet Russia is not alone in its claims for uniqueness – in fact, such exceptionalist claims are a global phenomenon of our times.

This chapter – and indeed the entire volume – posits that Russia is not any less or more distinctive than any other country in the international system that is facing global challenges and opportunities from its own unique perspective. Russia is by no means immune to global trends such as digitalisation or energy transition. Yet Russia is not a passive absorber of megatrends: it analyses, shapes, reacts to and resists them from its own specific political, cultural, economic and societal vantage points. It is simultaneously a trendsetter, trend-follower and trend-shaper.

The chapter analyses Russia's reactions and attempts to adjust to six global megatrends: societal polarisation and media fragmentation; digitalisation; energy transition; the shifting international order; and the crisis of Western liberalism. The chapter considers the state of play and the logic behind Russia's approaches to these trends. It also attempts to project the trends into the future and to envision how these might play out in the Russian context during the next decade. As many of these trends are tightly interlinked, some of them are considered and analysed together.

1 Marcin Skladanowski, "The Myth of Russian Exceptionalism: Russia as a Civilization and Its Uniqueness in Aleksandr G. Dugin's Thought," *Politics, Religion & Ideology*, vol. 20, no. 1 (2019), https://www.tandfonline.com/doi/abs/10.1080/21567689.2019.1697870?journalCode=ftmp21, pp. 1–24.

SOCIETAL POLARISATION AND MEDIA FRAGMENTATION

The last decade has witnessed growing societal fragmentation and polarisation worldwide. This trend is fuelled by multiple vectors (migration, urbanisation and digitalisation) and is reflected on many fronts: a growing income gap between rich and poor and heightened awareness of inequality,[2] low levels of social trust[3] and the fragmentation of the media space. In the last decade, Russia has been in lockstep with this global trend on many levels.

Polarisation and fragmentation have become more marked in the socio-economic realm. For instance, Russia currently has one of the highest wealth inequality rates in the world, with 1% of the population owning 58% of the wealth and 10% of the richest Russians controlling 77% of the nation's wealth.[4] This disparity is reflected in opinion polls: poverty, inflation and corruption are citizens' top three concerns.[5] This high rate of inequality is matched by a high level of social mistrust in Russia; this has remained above 60% over the last decade.[6] Compared to the global average Russia also scores lowest among 26 states in terms of institutional trust.[7] Due to this fragmentation, social transaction costs are higher: a public opinion survey indicates that 43% of Russians do not initially trust new acquaintances.[8]

The causes of these social fractures may ebb and flow in the coming decade but they are unlikely to disappear. How will this trend play out in the next ten years, and what factors might accelerate it? Alternatively, what factors or developments might counter this trend towards increasing fragmentation?

Migration mixed with the 'politics of fear'[9] can deepen social divisions along racial lines. In the next decade Russia will need to admit more economic migrants to offset the country's projected natural demographic decline. Medium scenario forecasts indicate that by 2030 Russia will most likely lose 7 million of its working-age population.[10] With the pool of available human capital shrinking in Ukraine, Belarus and Moldova – all suffering from demographic decline too[11] – the main source of migrant flows into Russia in the 2020s will be neighbouring states and regions with positive demographic growth (e.g. Azerbaijan in the South Caucasus, Uzbekistan and Tajikistan in Central Asia and Vietnam and China in South-East Asia). These immigrant communities tend to live in Russia in

2 "Rising inequality affecting more than 2/3 of globe, but it's not inevitable: new UN report", *UN News,* January 21, 2020, https://news.un.org/en/story/2020/01/1055681.

3 "2020 Edelman Trust Barometer", *Edelman.com*, January 19, 2020, https://www.edelman.com/trustbarometer.

4 Crédit Suisse, "Global Wealth Report 2019", October 2019, https://www.credit-suisse.com/about-us/en/reports-research/global-wealth-report.html ; "Inequality in Russia. Part One: Wealth and income distribution in Russia compared to other countries", *iq.hse.ru*, May 28, 2019, https://iq.hse.ru/en/news/278197269.html; "Richest 3% Russians Hold 90% of Country's Financial Assets – Study", *The Moscow Times*, April 12, 2019, https://www.themoscowtimes.com/2019/04/12/richest-3-russians-hold-90-of-countrys-financial-assets-study-a65213.

5 Olga Soloviova, "Bednost' i nizkiye zarplaty – glavnye razdrahateli grazhdan" [Poverty and low wages are the main points of citizens' irritation], February 19, 2020, http://www.ng.ru/economics/2020-02-19/1_7798_statistics.html.

6 Public Opinion Foundation, "Mezhlichnostnoye doveriye" [Interpersonal trust], June 6, 2019, https://fom.ru/TSennosti/14215.

7 Op. Cit., "2020 Edelman Trust Barometer."

8 Op.Cit., Public Opinion Foundation.

9 Ruth Wodak, *The Politics of Fear* (London: Sage, 2015).

10 Pavel Aptekari, "Kto rabotati Budet [Who Will Work?]", *Vedomosti*, March 20, 2018, https://www.vedomosti.ru/pinion/articles/2018/03/21/754378-kto-rabotat.

11 Tim Judah, "Moldova faces 'existential' population crisis", *Balkan Insight,* January 16, 2020, https://balkaninsight.com/2020/01/16/moldova-faces-existential-population-crisis/ ; "Belarus population in decline over last 20 years", *Belsat.eu,* September 5, 2017, https://belsat.eu/en/news/belarus-population-in-decline-over-last-20-years/ ; "Ukraine's Population Shrinks By Nearly A Quarter", *Radio Free Europe/Radio Liberty,* January 23, 2020, https://www.rferl.org/a/ukraine--population-shrinks-23-percent-2001/30393838.html.

ethnic clusters. Thus the size of 'ethnic islands' in urban centres is poised to increase. An influx of more non-Slavic migrants may fuel racial tensions. Surveys in Russia show not only an overall rise in anti-immigration sentiment (from 58% in 2017 to 72% in 2019),[12] but also greater intolerance towards immigrants from other racial groups: foremost among these are Chinese (39% of Russians would like to limit their inflow into the country) and Vietnamese nationals (34%), and immigrants from Central Asia (32%) and the Caucasus (31%).[13]

While urbanisation may in some cases lead to increased social cohesion, it can also accentuate fragmentation.

This social mood may tempt politicians from different camps to exploit anti-immigration sentiment to score political points and mobilise support; this happened in the 2010s and can happen again in the 2020s. In the coming years the authorities may again resort to scapegoating migrants in order to shore up their domestic legitimacy and divert attention from economic recession or stagnation. Police raids against illegal migrants, that receive high media coverage and are staged for publicity purposes, but which do not lead to a reduction in the real inflow of migrants (whose presence is essential for the Russian economy) is one possible scenario. At the same time, elements among the opposition (with nationalistic undertones) may play the anti-immigrant card to attack the government, accusing it of lax migration policies and of depriving ethnic Russians of economic opportunities. Both sides may assume that anti-immigration rhetoric is a useful political tool that they can use to their advantage without this necessarily having dangerous social consequences. It nevertheless may encourage mass violence against immigrants. In the next decade another *Biruyulyovo* – violent anti-immigrant riots that took place in a suburb of Moscow in 2013[14] – cannot be ruled out.

However, hardening anti-immigrant attitudes in Russia should not be regarded as inevitable: the 2020s might also see a gradual change in this regard. During the Covid-19 crisis volunteers in Moscow organised food packages for immigrants who had lost their jobs and were not able to return home.[15] The number of volunteers expanded in the 2010s; whereas in 2014 only 2% of the population in Russia were involved in volunteer work, by 2019 17% confirmed participation in volunteer activities. It is noteworthy that young people in the age cohort 18-24 are more likely to get involved than other age categories.[16] Studies show that volunteers in Russia are primarily (34.5%) engaged in initiatives and campaigns supporting disadvantaged and vulnerable categories of people.[17] Volunteers tend to rely heavily on social media (Instagram, VKontakte, Telegram, Facebook) to self-organise.[18] In Russia's big cities access to education, better-paid jobs, digital technology and higher living standards has had the effect of making increasing numbers of citizens more socially

12 "Monitoring of Xenophobic Attitudes", Levada Center, September 18, 2019, https://www.levada.ru/2019/09/18/monitoring-ksenofobskih-nastroenij-2/

13 Ibid.

14 "Over 1.600 migrants rounded up after ethnic riots in Moscow", *Reuters,* October 14, 2013, https://www.reuters.com/article/us-russia-migrants/over-1600-migrants-rounded-up-after-ethnic-riots-in-moscow-idUSBRE99D0A320131014.

15 Ray Furlong, "Feeding Hungry Migrants Amid Moscow's COVID-19 Lockdown", *Radio Free Europe/Radio Liberty,* May 4, 2020, https://www.rferl.org/a/feeding-hungry-migrants-amid-moscow-s-covid-19-lockdown/30592217.html.

16 "Russia Giving 2014", Charities Aid Foundation, October 2014, https://www.cafonline.org/docs/default-source/about-us-publications/caf_russia_givingreport_eng_final_web.pdf ; "Russia Giving 2019", Charities Aid Foundation, February 2019, https://www.cafonline.org/docs/default-source/about-us-publications/caf-russia-report-web20master.pdf?sfvrsn=67de9740_2.

17 "Volonterskoye dvizheniye obyedinyayet bolee chem 2,7 millionov rossiyan", [Volunteer movement unites more than 2.7 million Russians], Analytical Center for the Government of the Russian Federation, March 26, 2019, https://ac.gov.ru/news/page/volonterskoe-dvizenie-obedinaet-bolee-27-millionov-rossian-21340.

18 Andreas Rossbach, "Grassroots Volunteer Programs Help Battle Coronavirus in Russia", *The Moscow Times,* April 2, 2020, https://www.themoscowtimes.com/2020/04/02/grassroots-volunteer-programs-help-battle-coronavirus-in-russia-a69831.

and environmentally aware: activisim in volunteer work and organisations is one feature of this change. The growing volunteer movement may prove to be a positive force that by 2030 will begin to heal social fragmentation and help to rebuild social trust.

But while urbanisation may in some cases lead to increased social cohesion, it can also accentuate fragmentation. In the next decade urbanisation in Russia will gather speed, exacerbating disparities in economic development between regions and widening income inequality. According to UN estimates the share of the Russian population living in cities is expected to keep growing, from 74.7% in 2020 to 77% in 2030.[19] But urbanisation will come at a cost, entailing the depopulation of rural areas and small towns. 80% of Russian towns have a population of 100,000 and under, and 90% of these towns have negative population growth.[20] Economic opportunities and better living conditions in big urban centres drive the process of internal migration, especially among young people. Moody's predicts that the impact of the Covid-19 crisis will accelerate this process in the next two years.[21]

The number of Russian cities with over a million inhabitants grew to 15 by 2019: in the coming decade at least four more cities may join the club.

Urbanisation will increasingly benefit cities with populations of around and above one million people; many of them have become the main magnets for state and private investments and the digital economy. In 2017 such big cities contributed 32% of Russia's GDP and registered the highest income levels.[22] The number of Russian cities with over one million inhabitants grew to 15 by 2019; in the coming decade at least four more cities may join the club.[23] This type of urbanisation is also supported by the state's Strategy for Spatial Development in Russia up until 2025; the document sets out the objective of creating around 40 big agglomerations each with a population of half a million and more. The Strategy however, neglects the problem of declining small towns.[24] This approach will increase the rift in Russia between decaying backwaters facing problems typical of third world countries on the one hand and booming post-modern metropolises, on the other hand. A multispeed Russia will mean parts of the country will lag behind in terms of economic and social development, and lead to a growing gap between haves and have-nots.

The rise of big cities combined with generational changes may further amplify the polarisation of public opinion in Russia. For example, preferences regarding the vote on constitutional amendments (including the one resetting Vladimir Putin's presidential terms) is a case in point. On the one hand, the results of the vote (which took place in the midst of the Covid-19 pandemic and was characterised by

19 United Nations, Department of Economic and Social Affairs, "World Urbanization Prospects 2018 – Russian Federation", 2018, https://population.un.org/wup/Country-Profiles/

20 Mariya Gun'ko and Yelena Batunova, "Kak otvetit' na depopulatsiyu rossiyskikh gorodov" [How to respond to the depopulation of Russian cities], *Vedomosti.ru*, 22 December, 2019, https://www.vedomosti.ru/opinion/articles/2019/12/22/819389-depopulyatsiyu-gorodov.

21 "Moody's experts Predicted Growth of Migration within Russia Due to Pandemic", *Corona24News*, May 20, 2020, https://www.corona24news/c/2020/05/20/moodys-experts-predicted-growth-of-migration-within-russia-due-to-pandemic-economy-rbc.html.

22 "The Economy of million-plus cities: the right to develop", *Media.strelka-kb.com*, May 2019, https://media.strelka-kb.com/gdpcities-en.

23 "Goroda millioniki Rossii 2020, 2019", [Million-plus cities of Russia 2020, 2019], *statdata.ru,* January 30, 2020, http://www.statdata.ru/goroda-millionniki-rossii-po-naseleniu.

24 Anatoliy Komrakov, "Prostranstvennoe razvitie trebuyet zhertv", *Nezavisimaya Gazeta,* February 18, 2019, http://www.ng.ru/economics/2019-02-18/1_5_7511_development.html.

multiple irregularities)[25] paint a picture of social consensus, with 78% for and 21% against.[26] On the other hand, surveys conducted by the Russian independent pollster Levada Center ahead of the vote revealed that voters were sharply divided: according to their findings, 47% of Russians would vote for and 31% against the amendments. Moreover, a breakdown of the poll results by age and locality demonstrates that young people (38% vs 41%) and citizens living in Moscow (31% vs 45%) are visibly out of step with opinion in other parts of the country.[27]

Some may argue that today the overwhelming majority of young people in Russia are not interested in politics[28] and that Moscow does not necessarily reflect opinion dynamics in other big cities. Still, it is significant that 71% of young people disapprove of authoritarian methods of governance, while Yaroslavl and Yekaterinburg are two big cities which diverged from the Kremlin in 2012 and in 2013 when opposition candidates defeated the government's candidates in mayoral and gubernatorial elections. Thus, by 2030 big cities attracting more and more young people may serve not only as laboratories where new models of cooperation emerge (like volunteer networks), but also provide fertile soil where alternative opinions challenging the mainstream will germinate.

Societal divisions in Russia may increase as the diversification and fragmentation of the information landcape gathers pace in the 2020s.

Societal divisions in Russia may increase as the diversification and fragmentation of the information landcape, driven by changing patterns of information consumption among Russians, in particular young people, gathers pace in the 2020s.[29] Russia has already opportunistically exploited this trend in the West (exacerbating existing divisions in public opinion in the US and Europe), but in the next decade this will become Russia's problem too. From the outset, the control of the media space has been an essential pillar of the current regime's stability; subjugation of the state broadcasters and the print media have helped the Kremlin to control the narrative and the flow of information. But many Russians have begun to doubt the reliability of the news they get from the state-controlled media and are opting to get their information from more varied sources, including the few media outlets that still have an independent editorial policy. During the last decade TV declined as the main source of news from 94% to 72% and trust in TV news fell from 79% to 54%. The second most popular source of news is the internet and social media, slightly above 30%, and this trend is increasing.[30]

The rise of vloggers with millions of subscribers and high view counts of the content they produce is an additional challenge for the Russian state's quasi-monopoly of the media space. The most popular Russian vlogger, Yuri Dud, has more than twice as many subscribers (6.45 million) as Russia's main TV channel Rossyia1 (2.17 million) and its outspoken

25 Matthew Luxmoore, "Election Monitors Find 'Unprecedented' Levels Of Fraud In Russian Vote On Extending Putin's Rule", *RFE*, July 3, 2020, https://www.rferl.org/a/election-monitors-find-unprecedented-levels-of-fraud-in-russian-vote-on-extending-putin-s-rule/30704791.html.

26 Russian Central Election Commission, July 3, 2020, http://www.vybory.izbirkom.ru/region/region/izbirkom?action=show&root=1&tvd=100100163596969&vrn=100100163596966&region=0&global=1&sub_region=0&prver=0&pronetvd=null&vibid=100100163596969&type=232.

27 Yelena Mukhametshina, "Polovina rossiyan gotovy poddzerzhat' popravki v konstitutsiyu" [Half of Russians would support constitutional amendments], *Vedomosti*, May 5, 2020, https://www.vedomosti.ru/society/articles/2020/05/05/829616-polovina-rossiyan-gotovi-podderzhat.

28 Lev Gudkov, Natalia Zorkaya, Ekaterina Kochergina, Karina Pipiya and Alexandra Ryseva, "Russia's Generation Z: Attitudes and Values," Friedrich Ebert Stiftung, April 2019, http://library.fes.de/pdf-files/bueros/moskau/16134.pdf.

29 "Media consumption in Russia 2018", Deloitte CIS Research Center, 2018, https://www2.deloitte.com/content/dam/Deloitte/ru/Documents/research-center/media-consumption-in-russia-2018-en.pdf.

30 "'Levada-Tsentr': za 10 let doveriat' novostyam na TV perestali chetvert' rossiyan" [Levada Center: in 10 years one quarter of Russians ceased to trust TV news], *Novaya Gazeta*, August 1, 2019.

pro-Kremlin talk-show host Vladimir Solovyov (782,000) combined. One third of Russians follow vloggers at least once per week. Dud's recent two-hour documentary about the HIV epidemic in Russia gained some 8 million views in 48 hours and in 9 days gathered over 14 million views.[31] The content vloggers produce can be influential. Shortly after the release of Dud's documentary about the HIV epidemic, medical institutions reported a sharp spike in demand for HIV tests in Russia.[32]

The long-term fragmentation of the information sphere is difficult to reverse. Thus, in the coming decade, the government will struggle to control an increasingly diversified media space. The government may counter the trend towards fragmentation by silencing online voices, filtering internet content more severely (perhaps by borrowing some of China's 'best practices')[33] and flooding the digital space with a mix of patriotic content[34] and trolling, but on a much bigger scale than in previous years. The Kremlin's attitude seems to be that if it cannot fully control the information space, then it will do all in its power to prevent that space being occupied by others. The rapid decentralisation and diversification of the media environment, which governments around the world have to deal with, would not be possible without the digital revolution; the next section will explore how disruptive technologies may reshape Russia in the years leading up to 2030.

DIGITAL DISRUPTION

Digitalisation is a key element of the Fourth Industrial Revolution which, just like previous ones, will have far-reaching repercussions in the economic, political and societal spheres, as well as for the conduct of warfare. Digitalisation has many facets: the rapid spread of internet penetration; the increasing capacities and miniaturisation of mobile devices; storage and use of big data; changing work patterns; digitalisation of government and public services; the radical transformation of people's personal lives by digital and smart technologies; the automatisation of production processes and of warfare; and conflation of physical space with cyberspace, to name just a few. The unfolding global digital revolution has not stopped at Russia's doorstep. If anything, so far the revolution has demonstrated that Russians have been among the most enthusiastic participants, eager to acquire, absorb and adapt new technologies to make life more comfortable. And although the Russian leadership has been marked by increasing conservatism in the ideological field, it has nevertheless embraced and widely leveraged post-modern technologies for security and political purposes.

The number of internet users in Russia has made an impressive leap in two decades from 3.1 million to 116.3 million users (80.9% of the population). With an internet penetration growth rate of 3,751%, Russia today ranks among the top 10 countries in the world in terms of number of internet users.[35] Russians are increasingly shifting to smartphones to navigate the internet: the number of smartphone users rose from 12% in 2013 to 59% in

31 "VICH v Rossii/HIV in Russia (Eng & Rus subtitles)", *Youtube.com,* February 11, 2020, https://www.youtube.com/watch?v=GTRAEpllGZo; "Google Searches for HIV Tests Soar by 5,000% After Russian Blogger's Doc", *themoscowtimes.com,* Februrary 13, 2020, https://www.themoscowtimes.com/2020/02/13/google-searches-for-hiv-tests-soar-by-5000-after-russian-bloggers-doc-a69275.

32 Kseniya Virchenko, "Fil'm Dudya sprovotsiroval rost sprosa na testy VICH" [Dud's film leads to spike in demand for HIV tests], *Vedomosti.ru,* February 17, 2020, https://www.vedomosti.ru/technology/articles/2020/02/17/823253-film-dudya.

33 Tami Abdollah, "Russia is succeeding in censoring the internet, study shows", *The Times of Israel,* November 7, 2019, https://www.timesofisrael.com/study-details-how-russia-succeeds-in-censoring-the-internet/

34 Andrey Vinokurov and Kseniya Veretennikova, "Dayosh' na molodzezh'" [Come on, young people], *Kommersant,* October 3, 2019, https://www.kommersant.ru/doc/4111843.

35 "Top 20 countries with the highest number of internet users" *Internetworldstatts.com*, March 26, 2020, https://www.internetworldstats.com/top20.htm.

2018.[36] Smartphones allowing easy access to the internet mean that Russians are spending more time online: 6 hours and 29 minutes per day in 2019, which is only 2 minutes less than the average daily amount of time spent online in the country in which the internet originated, the US.[37] The 'virtualisation' of life – even before the advent of Covid-19 – in 2020 is the 'new normal'. This trend manifests in three key areas: social media, the digital economy and e-governance. Russia is among the few countries in the world to have its own extremely popular social media networks and online search engine. In 2019 in terms of monthly traffic Russian search engine Yandex exceeded by far Google.com, while VKontakte and Odnoklassniki, two social media networks, featured among the top 10 websites in Russia.[38] The growth of online shopping and use of contactless payments in Russia has been equally strong. In 2020 the number of e-commerce users reached 100.8 million, compared to 91.6 in 2017.[39] Russia also became in 2018 the biggest e-wallet market in Europe.[40] According to a survey, 30% of big Russian companies rely on Artificial Intelligence (AI), while 70% plan to introduce AI in their business processes in the next 1-2 years.[41] Last but not least, efforts in the 2010s to create an integrated system of governmental e-services began to pay off too. According to the Russian government in 2019, 1.7 million people use government e-services online platforms daily and in 2020 the overall number of users of governmental e-services portals is expected to exceed 100 million (equivalent to nearly 70% of the population).[42]

As Russia emerges from the 2010s, on balance it looks like it has been a net winner of the digital revolution.

Russia may be a long way from becoming a high-tech exports powerhouse (high-tech accounted for 11% of all manufactured exports in 2018),[43] but it is incontestably highly-skilled when it comes to coercive cyber capabilities. The Russian state has developed digital surveillance tools to monitor citizens' online activities and hence ensure internal stability. The Russian authorities were prompted to develop and deploy such tools not only in response to terrorist attacks on public transport and by the need to monitor political opponents, but due to Russia's hosting of two big sporting events (the 2014 Sochi Olympic Games and the 2018 World Cup). On the external front, throughout the 2010s Russia created cyber troops, recruited cyber proxies and launched numerous cyber espionage operations, complex digital disinformation campaigns and attacks on critical infrastructure. One study has revealed that since 2005 Russia, China, Iran and North Korea between them have accounted for 77% of hostile cyber operations conducted worldwide.[44] By 2018 40% of the

36 "Proniknovenie interneta v Rossii: itogi 2018 goda" [Internet penetration in Russia: 2018 conclusions], *Gfk.com*, December 2018, https://www.gfk.com/fileadmin/user_upload/dyna_content/RU/Documents/Press_Releases/2019/GfK_Rus_Internet_Audience_in_Russia_2018.pdf.

37 Alyssa Yorgan, "10 key statistics on internet usage in Russia (2019)", *Russiansearchmarketing.com*, February 20, 2019, https://russiansearchmarketing.com/internet-usage-russia-2019-10-key-statistics/

38 Ibid.

39 "Number of e-commerce users in Russia from 2017 to 2024", *Statista.com*, March 26, 2020, https://www.statista.com/statistics/251656/e-commerce-users-in-russia/

40 "Rossiyu priznali mirovym liderom po chislu bezkontaktnykh platezhey cherez smartfon" [Russia becomes world leader by amount of contactless payments with smartphones], *TASS*, October 3, 2019, https://tass.ru/ekonomika/6957904.

41 Egor Sonin, "Kak Intellektualinaya Obrabotka Ddannyh Pomogaet Auditoram, Aviatoram i Bankiram [How Big Data Analysis Helps Auditors, Aviators and Bankers]" *Vedomosti*, April 21, 2020, https://www.vedomosti.ru/partner/articles/2020/04/21/828519-pomogaet-auditoram.

42 "O novykh funktsyakh Edinogo portala gosudarstvehnnykh uslug" [On the new functions of the unified state and municipal services portal], *Government.ru,* November 18, 2019, http://government.ru/news/38374/

43 The World Bank, "High-technology exports (% of manufactured exports) - Russian Federation", 2018.

44 Patryk Pawlak, Eneken Tikk and Mika Kerttunen, "Cyber Conflict Uncoded", *EUISS Brief* no. 7, European Union Institute for Security Studies, April 7, 2020, https://www.iss.europa.eu/content/cyber-conflict-uncoded.

world's internet traffic was driven by bots.[45] Russia has made a significant contribution to the rise of bad bots: according to Twitter over 50,000 automated accounts linked to Russia tweeted about the US election during the 2016 presidential campaign.[46]

The examples above show that as Russia emerges from the 2010s, on balance it looks like it has been a net winner of the digital revolution. It has not been an innovator in this field but it has been successful in converting new technologies to its own advantage. But how will the digital revolution play out for Russia in the decade ahead? What elements or developments may accelerate the diffusion of digital technology and what may impede the process? What advantages might it bring and what are the potential dangers for Russia around the corner?

Few factors are likely to hold back the speed of the digital revolution in Russia in the next decade. Sectoral sanctions and a more aggressive Russian foreign policy (if the Kremlin keeps on this path) will continue to limit Russia's access to Western dual-use technologies. At the same time, Russia may pursue closer technological cooperation with China, helping to fill some tech gaps.[47] The downside of this for Russia could be increasing digital dependence on China, thus deepening the already visible asymmetry between Moscow and Beijing.[48]

Another obstacle is the vision of a patriotic Russian economy upheld by the Kremlin.

Another obstacle is the vision of a patriotic Russian economy upheld by the Kremlin. Under this set-up, large parts of the economy are controlled by mega-state corporations, while innovation is mainly a state-driven enterprise. Although this model has had some successes in the sphere of the defence industry, space and nuclear energy, this was due primarily to the fact that the innovations took the form of a mere upgrade of existing products or technologies. In other domains, where it is necessary to build industrial infrastructure or technologies from scratch, state-led innovative projects have failed to deliver (e.g, Skolkovo).[49] Thus, the expansion of Russian state companies in the IT sector (e.g., Sberbank in Yandex, Rambler.ru and Mail.ru Group) – a relatively new tendency – may not yield the expected results; more state intervention may inhibit the sector's performance instead of boosting it. Furthermore, the state-sponsored innovation policy in combination with weak rule of law and poor protection of property rights reduces incentives for Russian private entrepreneurs to engage in technologically innovative activities. The story of Pavel Durov, who set up a multimillion online business – VKontakte – only later to be forced out of both his business and country, may serve as a warning to others.[50] Russia's failure to retain such talents will feed innovation in the 2020s, but overseas.

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45 Matthew Hughes, "Bots drove nearly 40% of internet traffic last year — and the naughty ones are getting smarter", *Thenextweb.com*, April 17, 2019, https://thenextweb.com/security/2019/04/17/bots-drove-nearly-40-of-internet-traffic-last-year-and-the-naughty-ones-are-getting-smarter/

46 United States Select Committee on Intelligence, "Russian active measures, campaigns and interference in the 2016 U.S. election – Volume 2: Russia's use of social media with additional views", October 2019, p.18.

47 Steven Feldstein, "When it comes to digital authoritarianism, China is a challenge – but not the only challenge", *War on the Rocks*, February 12, 2020, https://warontherocks.com/2020/02/when-it-comes-to-digital-authoritarianism-china-is-a-challenge-but-not-the-only-challenge/

48 Reid Standish, "Pandemic Partnership: Coronavirus Cleans Path for Deeper China-Russia Ties in Hi-Tech", *RFE*, May 18, 2020, https://www.rferl.org/a/pandemic-partnership-coronavirus-clears-for-deeper-china-russia-ties-in-hi-tech/30619246.html.

49 Founded in 2010 with the support of public funds, the Skolkovo Innovation Centre (located on the outskirts of Moscow) was planned to become a Russian Silicon Valley. Despite over 100 billion rubles worth of investments, the Skolkovo project yielded no major technological innovations and is largely seen as a failure. See e.g.: James Appell, "The Short Life and Speedy Death of Russia's Silicon Valley", *Foreign Policy*, May 6, 2015, https://foreignpolicy.com/2015/05/06/the-short-life-and-speedy-death-of-russias-silicon-valley-medvedev-go-russia-skolkovo/

50 Elizaveta Osetinskaya, "Why It Was Time for Pavel Durov to Bid Russia Goodbye (Op-ed)", *The Moscow Times.com*, March 4, 2018, https://www.themoscowtimes.com/2018/05/04/it-was-time-for-pavel-durov-to-bid-russia-goodbye-telegram-a61348.

The dominance of security thinking over economic benefits – another feature of the patriotic economy – may impede digitalisation too. For example, one of the reasons the roll-out of 5G has been delayed in Russia is because most optimal frequencies for this type of communication are used by the ministry of defence and the Federal Space Agency, who successfully lobbied to preserve them. Russian experts estimate that the allocation of alternative frequencies will cause delays, increase the costs and render 5G performance suboptimal.[51] Under this scenario full-scale 5G roll-out in Russia might begin in 2024-2026.[52] In 2019 Russia adopted a law which banned sales of smartphones which do not have exclusively Russian software preinstalled.[53] If the local software performance proves to be sub-optimal then customers will have difficulties navigating smoothly online.

All these issues have the potential to hold back but not ultimately stop the digital revolution in Russia; the country will continue its march towards greater digitalisation in the 2020s, and this will inevitably generate various consequences – not all of them intended – for both state and society.

As digitalisation grows exponentially, it will keep driving up the number of internet users in Russia. With the young and tech-savvy already online (90% and over), the increase in numbers by 2030 will mainly reflect the absorption of older generations. In 2019 66% in the 50-64 age bracket were connected online (+3% in one year) and 36% in the 65- and-older age group (+10% in one year).[54] This growth will be accompanied by the expansion of cyber infrastructure necessary to sustain the growing demand for online services. Thus, the 'cyber surface area' that the Russian state and companies will have to police and guard against potential cyberattacks and cyber-crimes will expand too. In 2019 alone cybercrime rose by 69%; the share of cyber crimes in the number of overall crimes committed in Russia went up from 9% to 15%.[55] With Covid-19 hitting Russia hard and growing reliance on digital platforms for work and shopping, opportunities for cyber criminals are increasing proportionally. The spike in cyber crime in 2019 may be a portent of what is to come in the future; and will require more resources to be devoted to cyber investigation units within law enforcement bodies.

More funds and human resources will have to be dedicated to ensure the security of critical digital networks and online customers. This may also create a deficit of IT specialists. One study shows that by 2027 Russia will face a shortfall of two million IT specialists unless the country's educational system adjusts to the growing demand for professionals in this sector and increases the number of computer programmers it trains from the current 60,000 to 100,000 per year.[56] In addition to this, the government and companies will have to solve the problem of retaining IT specialists in Russia by offering more attractive financial packages than in the US or the EU.[57] Throughout the 2010s Western powers, the frontrunners in the digital revolution, had to deal with these issues and find solutions. However, in the 2020s, as digitalisation gathers

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51 Svetlana Yastrebova, "Putin ne otdayet operatoram popularnye chastoty dla 5G" [Putin does not give popular 5G frequencies to mobile phone operators], *Vedomosti.ru*, August 14, 2020, https://www.vedomosti.ru/technology/articles/2019/08/14/808820-putin-ne-otdaet.

52 Ekaterina Kinyakina, "Sankt-Peterburg mozhet ostatsya bez svyazi 5go pokolenia" [Saint Petersburg might be left without 5G], *Vedomosti.ru*, April 2, 2020, https://www.vedomosti.ru/technology/articles/2020/04/03/827043-sankt-petersburg-mozhet.

53 "Russia bans sale of gadgets without Russian-made software", *BBC News*, November 21, 2019, https://www.bbc.com/news/world-europe-50507849.

54 "Prirost internet auditorii v 2019 godu obespechili pensionery" [Internet auditory growth in 2019 guaranteed by pensioners], *Rbc.ru*, January 13, 2019, https://www.rbc.ru/technology_and_media/13/01/2020/5e1876549a7947210b5ef636.

55 , "Chislo kiberprestupleniy v Rossii vyroslo pochti na 70 protsentov" [Cybercrime in Russia grows by nearly 70%], *RIA Novosti*, January 27, 2020, https://ria.ru/20200127/1563946596.html.

56 "Rossii predrekli defitsit programmistov" [Deficit of programmers announced in Russia], *Lenta.ru*, January 31, 2018, https://lenta.ru/news/2018/01/31/it/

57 "'Za defitsitom IT spetsialistov mozhet posledovat' nekhvatka rabochikh'" [After the lack of IT specialists, a lack of workers could follow], *Rbc.ru*, March 25, 2019, https://plus.rbc.ru/news/5c9827ad7a8aa92a5dea09a6.

pace in Russia, it will increasingly face similar cybersecurity challenges.

In the economic field the automatisation of production processes may help Russia to offset demographic decline and the anticipated shortage of labour (see analysis in the section on page 7). As the flow of migrants from some post-Soviet states dries up[58] and anti-immigration sentiment rises, automatisation might be good news for the Russian economy. However, the opposite may also be true. If robotisation is pursued aggressively without retraining and reintegration programmes for those who have lost their jobs, the outcome could be mass unemployment which may put social stability at risk. One study has calculated that by 2030 robotisation in Russia may render the skills of 45.5% of workers redundant: the biggest job losses are envisioned in the hotel and restaurant sector (73%), manufacturing (60%) agriculture (58%), retail (53%) and in the extractive industry (51%).[59]

A key challenge for the Russian government in the next decade is how to harvest the dividends of automatisation without triggering a massive social and political crisis. To prevent an escalation of social discontent the Russian state may be tempted to leverage its dominant position in the national economy to slow down the process of robotisation, thereby ensuring a longer period of transition from human labour to automated labour. It may win some time and manage to preserve political stability up to 2030, but at a high cost for Russia – widening the productivity gap with the most advanced economies.[60] Throughout the 2010s the Russian political leadership consistently avoided implementing general structural reforms in order not to jeopardise social stability. This approach may also shape its response in regulating the rhythm at which automatisation is introduced into the economy.

The penetration rate of e-commerce is projected to grow from 69.1% of the population in 2020 to 73.3% in 2024.[61] A report by Pricewaterhouse Coopers (PwC) estimates that the share of online-shopping in retail sales in Russia is estimated to increase from 4% in 2019 to over 10% in 2030. This in turn has the potential to lead to a decline in shopping malls and may force retailers to cut the number of physical outlets as well as reduce rented space.[62] This may bring about a change in the urban landscape of major Russian cities, currently dominated by shopping centres and plazas. E-commerce will continue to spread at an accelerating pace in the 2020s; while in the previous decade it was concentrated in big cities, the consolidation of digital infrastructure and reduction of delivery costs (for example, through the use of commercial drones) will bring e-commerce to small towns and inaccessible areas.[63]

There is ruthless competition between e-commerce platforms: this is a highly competitive commercial environment where customers can choose from a range of available options. As Russian consumers will increasingly get used to being able to pick and choose in this way, this may trickle into politics too: although this is by no means an inevitable outcome it is possible that by 2030 Russian voters may want to make a real choice between several competing candidates during elections. The

58 Tatiana Lomskaya, "U zhiteley stran byvshego SSSR ne ostalos' stimulov nadolgo pereezhat'" [Citizens of former USSR no longer feel stimulus to move abroad for long], *Vedomosti*, July 3, 2017, https://www.vedomosti.ru/economics/articles/2017/07/04/707863-bivshego-sssr-pereezzhat.

59 "Total'naia robotizatsia rossiiyskoi ekonomiki privedet k sotsianol'nomu vzryvu ?" [Full robotisation of Russian economy will lead to social tensions?], *Gr-sily.ru*, April 30, 2020, https://gr-sily.ru/obshestvo/total-naya-robotizaciya-rossijskoj-ekonomiki-privedet-k-social-nomu-vzryvu-28999.html.

60 International Federation of Robotics, "The Impact of Robots on Productivity, Employment and Jobs", April 2017, https://ifr.org/downloads/papers/IFR_The_Impact_of_Robots_on_Employment_Positioning_Paper_updated_version_2018.pdf.

61 "E-commerce Russia", *Statista Market Forecast*, https://www.statista.com/outlook/243/149/ecommerce/russia#market-globalRevenue.

62 "Dolia onlayn-torgovli v riteile RF mozhet prevysit' 10% k 2030 godu: PWC" [Share of online sales in Russian retail market could exceed 10% by 2030], February 26, 2020, https://anrt.info/news/prognoz/92605-dolya-onlayntorgovli-v-riteyle-rf.

63 "E-commerce and cross-border sales in Russia", *Edostavka.am*, January 2014, https://edostavka.am/website/edostavka/upload/custom/files/about/cdek.pdf.

potential transposition of consumer culture into politics may pose a challenge for the government. As one Muscovite protesting in the summer of 2019 against the non-registration of non-systemic opposition candidates put it: 'I am here because there is no choice in Moscow.'[64] This may very well be a harbinger of change to come, occurring first perhaps in big cities.

Nevertheless the outlook for the political regime is not as bleak as it may appear on the surface. The utility of e-governance for citizens is undeniable. It reduces red tape and has the potential to reduce corruption to some extent by minimising contact between citizens and bureaucrats. It also provides fast and efficient access to services, as well as saving citizens valuable time. E-governance is a golden opportunity for the Russian state too, as it enables it to collect massive amounts of data about citizens, their behaviour and needs. If this is amalgamated with e-commerce data (gleaned from online footprints) and e-security data (gathered from surveillance systems) and put through big data analytics, the Russian state could potentially have a better insight into citizens' minds and elaborate more or less subtle forms of social control.

While many Western countries are moving away from e-elections, Russia is moving in the opposite direction.

Although Russia has a personal data protection law in place,[65] it is poorly applied: stolen data is often available for sale on the black market. But a weak regulatory regime opens opportunities not only for illegal commoditisation of data.[66] Non-existent effective parliamentary control over government, a politically subservient judiciary and the pre-eminence of the majority state-owned telecommunications company Rostelekom (which stores and transfers data and is also the state's privileged partner in e-governance), opens a wide range of possibilities for the government in accessing and misusing citizens' personal data for political purposes. The draft law on setting up a uniform federal database, which according to human rights NGOs would imperil rights to privacy and data protection, testifies to the government's increasing interest in harvesting and instrumentalising big data.[67]

The digital revolution may transform the way the Russian leadership conducts elections and rigs their results (as the authorities are concerned about voters, particularly in big cities, voting for oppositional parties or candidates). While many Western countries are moving away from e-elections because of the risk of systems being hacked and results being manipulated (a trend to which Russia has largely contributed),[68] Russia is moving in the opposite direction. In 2019 e-voting was tested in Moscow local elections in a few electoral districts: subsequently, some of the results gave rise to a few raised eyebrows.[69] E-voting was used in Moscow and Nizhni Novgorod during the national vote to approve constitutional amendments, revealing more irregularities in

64 "Thousands March In Moscow Protest Defying Authorities", *Radio Free Europe/Radio Liberty,* August 31, 2019, https://www.rferl.org/a/russia-s-liberals-vow-to-push-forward-with-moscow-protests-amid-warnings/30139130.html.

65 "Federal'nyy zakon 'O personal'nykh dannykh'" [Federal law 'On personal data'], *Pravo.gov.ru,* July 27, 2006, http://pravo.gov.ru/proxy/ips/?docbody&nd=102108261.

66 "Russia's Stolen-Data Industry", *Meduza*, April 26, 2019, https://meduza.io/en/feature/2019/04/26/russia-s-stolen-data-industry.

67 "HRW: Russia's Proposed 'Uniform Federal Database' Would Threaten Right to Privacy", *RFE*, May 26, 2020, https://www.rferl.org/a/hrw-russia-s-proposed-uniform-federal-database-would-threaten-right-to-privacy/30636065.html.

68 Select Committee on Intelligence of the United States Senate, "Russian active measures campaigns and interference in the 2016 U.S. Election, Volume 1: Russian efforts against election infrastructure with additional views", August 1, 2019, https://www.intelligence.senate.gov/sites/default/files/documents/Report_Volume1.pdf.

69 "Statistical abnormalities cast suspicion on Moscow's first blockchain e-voting", *Eastwest Digital News*, September 13, 2019, https://www.ewdn.com/2019/09/13/statistical-abnormalities-cast-doubt-on-moscows-first-e-voting/

e-voting procedures.[70] In May Russian lawmakers passed a bill which introduced online voting for federal elections too.[71]

By 2030 online voting is likely to be widespread in Russia. In theory, e-voting has the potential to enhance the democratic process by ensuring greater voter participation, as with only one click and without having to leave home and spend time queueing in polling stations, citizens can cast their vote. But in a state with no effective separation of powers, a weak judiciary and captured institutions e-voting may turn elections into a farce. In a state with few checks and balances, e-voting does not guarantee two key aspects: ballot secrecy and the irreversibility of the vote. Uncertainty about secrecy can in itself influence voter behaviour. Even if the person voted for the opposition, they cannot be sure whether the vote will be counted as cast in favour of the candidate of their choice or shifted as a vote for pro-governmental political forces. E-voting opens plenty of opportunities for rigging elections in a more clandestine way and without attracting the controversy that practices such as ballot stuffing or *karusel*[72] may generate.

Last but not least, the digital revolution will continue to provide Russia with opportunities and tools to fine-tune its cyber operations in the digital space. The disinformation campaign launched during the Covid-19 crisis is an indication that Russia has no intention of giving up on its cyber toolkit. But as Western societies and online platforms will try to limit the scope for such abusive activities, it seems likely that in the 2020s Russia will respond by devising new ways of bypassing these obstacles. Deep fake technologies offer many opportunities in this regard. For example, if the AI system which can write news and longer stories (‘deep fakes for text’)[73] becomes widely accessible in the next decade, Russia may employ it to automatise the writing process and production of false stories. AI deep fake may even leave cohorts of Russian trolls unemployed. While inauthentic Facebook pages and Twitter accounts managed from Russia are frequently identified and blocked by social media platforms, Russian ‘info warriors’ may increasingly move to rent pages and accounts from genuine users residing in targeted states.[74] Ultimately, if left with few opportunities on social media platforms, Russia online operatives might increasingly use encrypted communication apps to reach out to targeted communities to spread disinformation.[75] While these examples show how Russia can adapt digital tools and technologies to its advantage, the following trend – energy transition – challenges the fundamentals which underpin Russian domestic stability and its power projection overseas.

ENERGY TRANSITION

The fourth energy revolution – the shift from fossil fuels towards renewable energy sources – is a megadriver that will impact the future of the world for decades to come in several important ways. The three previous transitions – the first from biomass to coal, the second to the increased dominance of oil, and third, the partial replacement of coal and oil by natural gas – took several decades and were driven primarily by the availability of different fuels and economic considerations. The current energy

70 ‘Look after yourself — vote electronically!’, *Meduza*, June 12, 2020, https://meduza.io/en/feature/2020/06/12/look-after-yourself-vote-electronically.

71 “Putin Signs Law on Remote Online Vote at Federal Level”, *Itar-Tass*, May 23, 2020, https://tass.com/politics/1159665.

72 *Karusel’* (carrousel) is an expression widely used in the post-Soviet space to describe multiple voting by citizens, with some form of organisational support (often, bussing voters from one voting district to another) provided by the authorities.

73 “New AI fake text generator may be too dangerous to release, say creators”, *The Guardian*, February 14, 2019, https://www.theguardian.com/technology/2019/feb/14/elon-musk-backed-ai-writes-convincing-news-fiction.

74 Michael Schwirtz and Sheera Frenkel, “In Ukraine Russia tests new Facebook tactic in election tampering”, *The New York Times*, March 29, 2019, https://www.nytimes.com/2019/03/29/world/europe/ukraine-russia-election-tampering-propaganda.html.

75 Samuel Woolley, “Encrypted messaging apps are the future of propaganda”, The Brookings Institution, May 1, 2020, https://www.brookings.edu/techstream/encrypted-messaging-apps-are-the-future-of-propaganda/

transition is different: accelerating climate change adds to the sense of urgency and political decisions on investments and restrictions play a significant role. At least in the more developed parts of the world, the transition is likely to be faster than the previous transitions. According to an optimistic transition scenario, the share of renewables in the world's primary energy supply will make up two-thirds of total energy consumption in 2050, whereas this figure is today close to one-sixth.[76]

Four key trends connected with energy transition can be summarised as the 'four Ds': decarbonisation, decentralisation, deflation of fossil fuels and digitalisation.[77] All of these four energy megatrends will shape Russia's future either directly or indirectly.

It is thus very likely that European demand for Russian energy products will be reduced and Russia will need to redirect its energy exports.

Russia wants to see itself as an 'energy superpower': in the past 20 years, the country has fought to become the world's largest exporter of energy resources – today, it is the world's leading gas exporter, second-ranking oil exporter, and third-ranking exporter of coal – and the world's leading exporter of nuclear power plants.[78] Furthermore, when it comes to carbon dioxide emissions, Russia ranks in fourth place after China, the US and India. Much of this is due to lax practices in energy production; over half of the emissions come from burning fuel and almost 27% from evaporation and leakage of oil and gas.[79]

In the case of decarbonisation and decentralisation, Russia's current policy is cautious and defensive – due in large part to, on the one hand, the economy's heavy reliance on hydrocarbons and the distribution and redistribution of rents deriving from natural resources,[80] and, on the other hand, to an international competition strategy based on its relative strengths in this domain. From the latter perspective, Russia's role as a significant energy exporter, and its state-driven, centralised economic structure are seen as its unique strengths that set it apart from its international competitors.[81] Furthermore, an entrenched transactional mindset and widespread climate change scepticism make it very difficult for Russian leaders to take energy transition and foreign pledges on future carbon neutrality seriously. Although Russia does cooperate on international climate issues, its policy is geared towards achieving other external policy goals.[82]

Russia's current energy strategy is based on credible predictions that global energy consumption will continue growing at least until 2050 – even if renewable technologies develop rapidly, there will still be high global demand

76 International Renewable Energy Agency, "Global Energy Transformation: a Roadmap to 2050", April 9, 2019, https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2019/Apr/IRENA_Global_Energy_Transformation_2019.pdf.

77 Tatiana Mitrova and Yuriy Melnikov, "Energy Transition in Russia", *Energy Transitions,* vol. 3 (2019), p. 73, https://link.springer.com/content/pdf/10.1007/s41825-019-00016-8.pdf; Matthias Buck, Andreas Graf and Patrick Graichen, "European Energy Transition 2030: The Big Picture", *Agora Energiewende,* March 2019, p. 4, https://www.agora-energiewende.de/fileadmin2/Projekte/2019/EU_Big_Picture/153_EU-Big-Pic_WEB.pdf; Government of the Russian Federation, "Energetitseskaya strategiya Rossiyskoy Federatsii na period do 2035 goda" [Energy Strategy of the Russian Federation until 2035], June 9, 2020, http://static.government.ru/media/files/w4sigFOiDjGVDYT4IgsApssm6mZRb7wx.pdf.

78 See e.g. Op. Cit., "Energy Transition in Russia", p. 7 and "The World Relies on Russia to Build its Nuclear Power Plants", *The Economist,* August 2, 2018, https://www.economist.com/europe/2018/08/02/the-world-relies-on-russia-to-build-its-nuclear-power-plants.

79 Ben Aris, "The Cost of Carbon in Russia", *The Moscow Times,* September 30, 2019, https://www.themoscowtimes.com/2019/09/30/the-cost-of-carbon-in-russia-a67496.

80 See e.g. Veli-Pekka Tynkkynen, *The Energy of Russia: Hydrocarbon Culture and Climate Change* (Cheltenham: Edward Elgar, 2019) and Alexander Etkind, *Priroda zla. Syr'io i gosudarstvo* [The Nature of Evil: Resources and the State], (Moscow: Novoye Literaturnoye Obozreniye, 2020).

81 Stephen Blank, "Moscow's Competitive Strategy", The Lexington Institute, July 25, 2018, https://www.lexingtoninstitute.org/moscows-competitive-strategy/.

82 Op. Cit., "Energy Transition in Russia".

for fossil fuels, too.[83] The energy transition will progress at a different pace in different regions; it will happen first and foremost in developed countries, whereas the emerging powers and developing countries will demand significantly more fossil fuels. It is thus very likely that European demand for Russian energy products will be reduced and Russia will need to redirect its energy exports. Russia's growing volumes of oil exports and cubic metres of gas deliveries to China is part of this strategy. For now, Russia's adjustment to Europe's decarbonisation policy is mostly a new marketing strategy for old products; it is trying to market natural gas as an environmentally responsible choice for its customers in Europe.[84]

However, the coronavirus crisis has demonstrated that the Russian economy's overreliance on hydrocarbons is a significant vulnerability as external shocks can profoundly shake the foundations of its economy. Although the oil price crash caused by the Covid-19 pandemic will be a temporary one, in the future oil prices are predicted to remain moderate or low, and the volatility of the oil price is expected to be significant.[85] It is thus likely that price shocks similar to the one produced by the coronavirus crisis will take place in the future. This third 'D' – deflation of fossil fuels – casts a shadow over Russia's current strategy of foot-dragging in diversification efforts and could lead to economic – and possibly political – turbulence in future.

One of the key questions for the next ten years is whether Russia will start to credibly diversify the structure of its economy and reduce its current carbon-dependency. As the diagram opposite shows, Russia has neither significantly increased the share of renewable energy in its energy mix in the past decade nor does it have plans to do so in the future.[86] Today the share of renewables (almost all of which is represented by hydropower) in Russia's energy mix is around 6%.[87] For comparison, the EU's binding target for 2030 is 32% (with an option to correct the estimate upwards).[88] Although Russia has enormous potential as a renewable energy giant, progress in this sector remains modest due to low rates of domestic investment, and shrinking space for foreign investors.[89] Russia is now considering banning foreign companies from having a prominent role in designing and building the green energy infrastructure.[90]

This is another case in point of how Russia's 'patriotic economy' is affecting Russia's economic competitiveness negatively. The main angle from which Russia approaches energy transition and renewables is the fourth 'D' – digitalisation and development of new technologies. The leadership is aware of and takes seriously the risk that Russia may fall behind its competitors in new technology. This is its main motivation driving the development of smart grids, and its interest in developing manufacturing capacity for renewables, import substitution and high tariffs in the renewable energy field. The problem with the strategy is

83 Scott Nyquist, "Energy 2050: Insights from the ground up", *McKinsey & Company,* November 4, 2016, https://www.mckinsey.com/industries/oil-and-gas/our-insights/energy-2050-insights-from-the-ground-up.

84 "Putin attacks 'strange' European plans to reduce gas usage", *Euractiv,* November 21, 2019, https://www.euractiv.com/section/energy-environment/news/putin-attacks-strange-european-plans-to-reduce-gas-usage/

85 "Remember the 1980s glut: Ex-BP boss Browne warns oil will stay low", *Reuters*, April 21, 2020, https://www.reuters.com/article/us-global-oil-browne/remember-the-1980s-glut-ex-bp-boss-browne-warns-oil-will-stay-low-idUSKBN2230P3; Op.Cit., "European Energy Transition 2030: The Big Picture".

86 See "Russia's energy market in 2018", *BP Statistical Review 2019*, https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2019-russia-insights.pdf; and Government of the Russian Federation, "Energetitseskaya strategiya Rossiyskoy Federatsii na period do 2035 goda" [Energy Strategy of the Russian Federation until 2035], June 9, 2020, http://static.government.ru/media/files/w4sigFOiDjGVDYT4IgsApssm6mZRb7wx.pdf.

87 Op.Cit., "Russia's energy market in 2018".

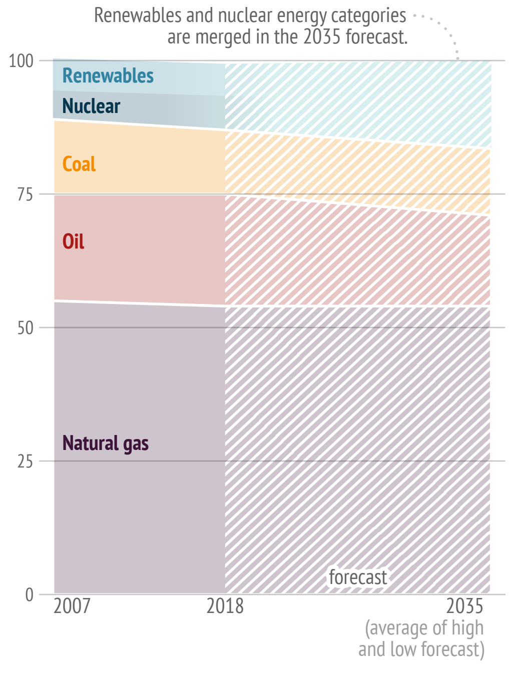
88 European Commission, "2030 climate & energy framework", December 6, 2019, https://ec.europa.eu/clima/policies/strategies/2030_en.

89 Veli-Pekka Tynkkynen, *The Energy of Russia Hydrocarbon Culture and Climate Change* (Cheltenham: Edward Elgar, 2019).

90 Yelena Vavina, "Vlasti khotyat zapretit' inostrantsam proektirovat' v 'zelenye' elektrostantsii" [Government plans to forbid foreigners designing green electricity plants], *Vedomosti*, October 15, 2019, https://www.vedomosti.ru/business/articles/2019/10/15/813827-vlasti-hotyat-proektirovat-elektrostantsii.

Russian energy mix

2007, 2018 and 2035 consumption forecast, % of energy mix



Data: BP, 2019; Ministry of Energy of Russia, 2020

that domestic investment remains very low,[91] and capacity to scale up such investment is limited.

Reflecting the Kremlin's asymmetric competition strategy, investment has mainly concentrated in fossil fuel production. Russia is building on something that it is already good at. Furthermore, falling fossil fuel prices are also pushing Russia to digitalise the industry in order to get more value for its products. Domestic actors are more enthusiastic about investing in digitalisation and introducing innovative techniques in hydrocarbon production and processing.[92] This is also a field where Western sanctions and import substitution have made a difference (unlike in the nuclear and renewable energy field).[93] Specifically, the sanctions target access to foreign capital and Arctic offshore and deep water projects.[94] The sanctions prevent the sale, supply, transfer or export of certain items (including many items that can be used in the exploration or production of oil, for example, drill pipes and well casing). Second, they prohibit the direct or indirect provision of associated services (such as drilling, logging and completion services).[95] Russian authorities estimate that in the case of failure to substitute these technologies Russia's oil production may decline by 40% in the next 15 years.[96] However, cooperation continues in many energy-related fields, such as LNG, nuclear, renewables, and natural gas pipeline construction. For instance, the most rapidly growing area in the Russian hydrocarbons industry, LNG, still relies on foreign technology.[97] But regardless of the progress Russia may achieve in extracting and selling more gas, oil and petroleum products remain by far the main source of revenues in the Russian budget.[98] Thus gas exports are unlikely to offset a decline in oil-generated revenues.

Russia is badly equipped to meet the global energy transition, and most of its efforts in this field concentrate on getting 'more bang for its

91 Op.Cit., "Energy Transition in Russia".

92 See Government of the Russian Federation, "Energetitseskaya strategiya Rossiyskoy Federatsii na period do 2035 goda" [Energy Strategy of the Russian Federation until 2035], June 9, 2020, http://static.government.ru/media/files/w4sigFOiDjGVDYT4IgsApssm6mZRb7wx.pdf; Op.Cit., "Energy Transition in Russia".

93 Nastassia Astrasheuskaya, "US and EU sanctions take toll on Russian oil and gas exploration", *Financial Times*, November 11, 2019, https://www.ft.com/content/d255fa46-ee9e-11e9-a55a-30afa498db1b.

94 Ibid.

95 Robert Meade and Joshua C. Zive, "International Sanctions and the Energy Sector – Part 2: Russia", November 14, 2018, https://www.natlawreview.com/article/international-sanctions-and-the-energy-sector-part-2-russia.

96 Maria Shagina, "Drifting East: Russia's Import Substitution and Its Pivot to Asia", CEES Working Paper no.3, April 2020, p.8.

97 "TechnipFMC Awarded a Major Contract for the Arctic LNG 2 Project in West Siberia", TechnipFMC, July 23, 2019, https://www.technipfmc.com/en/media/press-releases/2019/07/technipfmc-awarded-a-major-contract-for-the-arctic-lng-2-project-in-west-siberia.

98 Op.Cit., "Energy Transition in Russia".

buck' by digitalising its hydrocarbon production while its huge potential in renewable energy resources remains underdeveloped. While in the long term, the global energy transition will question the sustainability of Russia's whole economy and social stability, a ten-year timeframe is a short one in energy development. However, the success of Russia's energy strategy until 2030 is highly dependent on other countries' progress in energy transition, as well as exposed to the risk of increasing external shocks: this will produce significant volatility in Russia's potential trajectories in the decade leading up to 2030. For example, low oil prices or abrupt oscillations in the next decade will impede Russia from amassing huge financial reserves as it did in the 2010s. Thus, Russia may face future crises that may arise in the 2020s with a significantly thinner financial pillow to cushion the effects of global economic turbulence.

It is quite likely that within the ten-year timeframe, Russia will need to revisit its policy on energy transition – either because it is forced to do so by external events or in an attempt to anticipate future changes outside of Russia. In either case, the policy shift will have significant implications for Russia's power structure and the symbiotic relationship between the state-driven economy and the political regime. Energy transition may also undermine the foundations of Russian coercive capabilities and influence Russia's status in a chaotic world of multiple power centres.

A SHIFTING INTERNATIONAL ORDER AND THE CRISIS OF WESTERN LIBERALISM

The past decade has been marked by a shifting international order and the not unrelated phenomenon of the crisis of Western liberalism. The first trend in particular – and very likely the second one as well – will continue long into the future.[99] In recent years, Russia has been able to take advantage of and benefit from both of these megatrends. However, as global geopolitical competition toughens and as Moscow's first-mover advantage in international politics evaporates, this may turn out to be more difficult than was previously the case for Russia.[100]

The liberal international order – which at the time was clearly a Western order – was constructed after World War II on the basis of 'economic openness, multilateral institutions, security cooperation and democratic solidarity'.[101] The post-Cold War era witnessed the global expansion of this order, but its maintenance rested mainly on the US and its Western allies.

Since then, the balance of global economic power has shifted considerably, and reflecting this shift, the so-called rising powers are contesting Western dominance in the international arena.[102] It has been estimated that by 2050 the economic power (in terms of GDP PPP) of the E7 (Brazil, China, India, Indonesia, Mexico, Russia and Turkey) could be double that of the G7 (Canada, France, Germany, Italy, Japan,

99 Michael J. Mazarr *et al.*, "Measuring the health of the international liberal order", Rand Corporation, March 20, 2017, https://www.rand.org/content/dam/rand/pubs/research_reports/RR1900/RR1994/RAND_RR1994.pdf.

100 Michael J. Mazarr *et al.*, , "Understanding the emerging era of international competition", Rand Corporation, May 30, 2018, https://www.rand.org/content/dam/rand/pubs/research_reports/RR2700/RR2726/RAND_RR2726.pdf.

101 John Ikenberry, "The Future of the Liberal Order", *Foreign Affairs*, May/June 2011, https://www.foreignaffairs.com/articles/2011-05-01/future-liberal-world-order.

102 "The Long View: How will the global economic order change by 2050?", *PWC,* February 2017, https://www.pwc.com/gx/en/world-2050/assets/pwc-world-in-2050-summary-report-feb-2017.pdf.

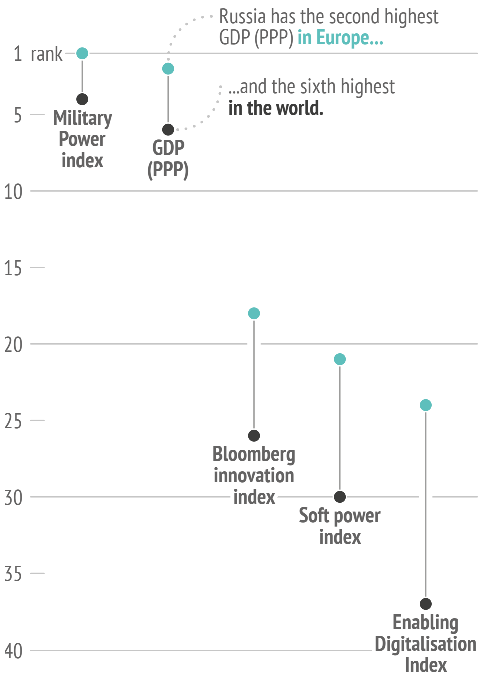
the UK and the US). The change has happened swiftly: in 1995 the E7's economic power was half that of the G7 and in 2015 the E7 and the G7 were approximately the same size. Russia identifies itself with the global challengers but its power rests more on its military and geopolitical might than on its economic performance. In recent years, Russia's economic growth figures have been falling behind the global average, and its relative economic power has been diminishing rather than increasing.[103] Its GDP in PPP terms is still the second-biggest in Europe after Germany (but in nominal GDP terms its economy ranks behind Germany, the UK, France and Italy).

However, accumulation of resources alone does not translate into a higher ranking among the great powers. For this to happen resources need to be operationalised. China and Russia have been the most active in converting resources into geopolitical power; they have challenged the liberal foundations of the international order and demanded greater authority within the system.[104] Perceiving the West as divided and weakened, this contestation is likely to continue in the coming decade. Based on current tendencies it could concentrate on three goals: challenging Western dominance in existing organisations; introducing normative change within the existing institutions; and the creation of alternative non-Western institutions. As liberal democracy is increasingly challenged and contested, Russia and China are likely to offer legitimation and protection in international forums to fellow autocratic regimes.

The Foreign Policy Concept adopted by the Kremlin in 2016 recognises the trend towards growing contestation of the international order explicitly and Moscow clearly intends to capitalise on this: 'the struggle for dominance in shaping the key principles of the future

Dimensions of Russia's strength

In Europe and the world



Data: Powermetric Research Network, 2019; Bloomberg, 2020; World Bank, 2019; *Soft Power 30*, 2019; Euler Hermes, 2019

international system has become a key trend at the current stage of international development.'[105] This international context has led the Russian leadership to construct a powerful anti-Western narrative to back its aggressive foreign policy – for example in Ukraine, Syria and Libya – which has allowed it to draw international support from other emerging powers. It has been able to legitimise its international behaviour through an anti-American, anti-Western discourse. Its foreign policy is increasingly supported by China and sometimes by BRICS or Shanghai Cooperation Organisation (SCO) states.

103 Janis Kluge, "Russia's economy until 2030: Falling behind", *The Atlantic Community*, July 24, 2019, https://atlantic-community.org/russias-economy-until-2030-falling-behind/#

104 Andrew Radin and Clint Reach, "Russian views of the international world order", Rand Corporation, 2017, https://www.rand.org/pubs/research_reports/RR1826.html; Michael J. Mazarr, Timothy R. Heath, and Astrid Stuth Cevallos, "China and the international order", Rand Corporation, 2018, https://www.rand.org/pubs/research_reports/RR2423.html.

105 Ministry of Foreign Affairs of the Russian Federation, "Foreign Policy Concept of the Russian Federation", December 1, 2016, https://www.mid.ru/en/foreign_policy/official_documents/-/asset_publisher/CptICkB6BZ29/content/id/2542248.

The liberal Western democracies and their core values are not only challenged from the outside but also from within. As the old left-right political paradigm has collapsed and traditional party loyalties have waned, populist and exclusionary ideas, fuelled by ultranationalism and xenophobia, have filled the vacuum in many Western countries.[106] This trend has manifested itself in particular in Europe and in the US. Furthermore, key liberal economic principles such as free trade and economic openness that spearheaded globalisation in the past couple of decades have come under increasing criticism. The US, once the global advocate of free trade, has increasingly resorted to protectionist measures under President Trump, also implementing such policies against its close European allies.

Overall, there is less support for globalisation, and global trade has slowed down since 2008 and new barriers to trade have been introduced.[107] The trend predates Trump and is not dependent on any single leader of a state; the number of discriminatory trade barriers imposed by G20 economies has risen steadily since 2012; furthermore, this has been complemented by various indirect protectionist measures. The future of globalisation is even more uncertain than before; the coronavirus pandemic could strengthen anti-globalisation sentiment and we could even see significant movement away from globally dispersed production chains and from interdependence of economies.[108] Most likely, the future will be even more of a mixed bag of globalisation and selective protectionist measures and state intervention. A return to globalisation in its extreme neo-liberal form is, however, highly unlikely.

Russia's current regime was an early rider on the wave of exclusionary ideas and economic protectionism; its state-dominated economy has tightened its grip on 'strategic industries' over the past 20 years. While these measures may have strengthened Russia's geopolitical standing, they have not improved its economic performance or society's prosperity – rather the opposite is true. For instance, Russia is one of the least economically productive 'moderately rich countries' in the world, ranking 39 out of the 42 monitored by the Organisation for Economic Cooperation and Development (OECD). Economists believe that this is a result of a toxic mix of state capitalism, corruption, low investment and poor infrastructure and an ageing population. [109] This could put into question Moscow's current political and economic choices in the future and lead to a shift towards a more pragmatic and competitive economic policy – or, on the contrary, produce an even more confrontational and antagonistic reaction. Declining powers can be more aggressive than rising ones.[110] The behaviour of an economically weakening yet externally highly status-driven actor such as Russia is extremely hard to predict.

The behaviour of an economically weakening yet externally highly status-driven actor such as Russia is extremely hard to predict.

In the past decade Russia has developed an asymmetric foreign policy strategy that uses a combination of conventional (military force, economic coercion, diplomatic power in international institutions) and unconventional instruments (trolling in social media, spreading

106 See e.g. Edward Luce, *The Retreat of Western Liberalism* (New York: Grove Atlantic, 2017).

107 Vanessa Gunnella and Lucia Quaglietti, "The Economic implications of rising protectionism: a euro area and global perspective", European Central Bank, April 24, 2019, https://www.ecb.europa.eu/pub/economic-bulletin/articles/2019/html/ecb.ebart201903_01~e589a502e5.en.html#toc1.

108 Frederik van Til, "Three scenarios for globalization in a post-COVID world", *Clingendael Spectator*, April 1, 2020, https://spectator.clingendael.org/en/publication/three-scenarios-globalisation-post-covid-19-world.

109 Jake Cordell, "Why Is Russia So Unproductive?", *The Moscow Times*, September 23, 2019,https://www.themoscowtimes.com/2019/09/23/why-is-russia-so-unproductive-a67397.

110 Alex Weisiger, *Logics of War: Explanations for Limited and Unlimited Conflicts* (Ithaca: Cornell University Press, 2013), p. 26.

disinformation to manipulate public opinion during election campaigns). This influencing strategy that aims to keep the hostile action just below the threshold of reaction has proved to be relatively cheap (both politically and financially) and to a certain extent efficient. Russia has benefited from the advantage of surprise; many countries or neighbours only woke up to manipulation and other types of Russian covert infiltration *post factum*.[111]

Besides meddling in elections, Russia has also challenged Western liberalism more directly and openly, echoing the anti-liberal discourse often used by populists in Western countries. For instance, in a *Financial Times* interview in 2019 Vladimir Putin insisted that in the West liberalism had gone too far in its acceptance of LGBT rights and uncontrolled immigration. According to him liberalism has become 'obsolete' and goes against 'the interests of the overwhelming majority of the population'.[112] In many right-wing circles in Western Europe, Putin is today seen as a hero who rejects the dogma of political correctness.[113]

In the context of a changing international order and political turbulence in Western democracies, Moscow's expansionist and aggressive foreign policy has resulted in a strengthening of Russia's role on the international stage. This, and the increasing confrontation with the West, has been used to bolster the regime's legitimacy internally with considerable success during the past decade. Russia's 'great powerness' – *velikoderzhavnost'* – has become even more deeply intertwined with national identity and the wider Russian public subscribes to this notion.[114] Although there are emerging signs that the public's attention is currently shifting more to domestic issues (see chapter 2), it is nevertheless unlikely that this foreign policy discourse will evaporate regardless of who may be in power in the Kremlin in the future. In particular the annexation of Crimea and the war in Donbas have left a very poisonous legacy for any Russian leader who would like to put relations with Europe and the US on a different footing. The assertive foreign policy that Putin has made the centrepiece of his presidency may not be the number one priority for Russians in the future but, for now, it continues to be supported by most Russians, even within the younger generation.[115] In order for this trend to be reversed, the basis and entire composition of the regime would need to change. Putin sees the acquisition of Crimea and Russia's rise on the international stage as his historic legacy; there will be no changes on this score at least as long as he continues to play a significant role in Russian politics.

Thus, instead of a dramatic change in Russia's foreign policy priorities, it is more likely that in the coming decade Russian foreign policy may gradually lose some of its edge, for example if other actors adjust their policies to Russia's aggressive behaviour. In 2014 and in the years following Russia's annexation of Crimea, other international actors were unprepared for its unconventional methods of manipulation and its asymmetric, provocative foreign policy strategy. Gradually, however, these actors are adjusting their policies to Russia's disruptive behaviour. If this pattern continues in future (which is likely) Russia's strategy might become less effective – unless the Kremlin is able to keep on innovating in the use of its foreign policy toolkit. Today, all major European countries are better prepared for potential external

111 "Russia's election interference is no longer a surprise. It should still infuriate", *The Washington Post*, June 19, 2019, https://www.washingtonpost.com/gdpr-consent/?next_url=https%3a%2f%2fwww.washingtonpost.com%2fopinions%2frussias-election-interference-is-no-longer-a-surprise-it-should-still-infuriate%2f2019%2f06%2f18%2f76fa6cd6-9142-11e9-aadb-74e6b-2b46f6a_story.html.

112 "Interview with The Financial Times", *kremlin.ru*, June 27, 2019, http://en.kremlin.ru/events/president/news/60836.

113 Anton Shekhovtsov, *Russia and the Western Far Right: Tango Noir* (New York: Routledge, 2017).

114 When Russians were asked to name first associations with the word 'Russia' in a June 2019 poll, most popular answers were 'my country/motherland' and 'great power': "O Natsional'noy gordosti velikorossov" [On the national pride of great-Russians], *Wciom.ru*, June 11, 2019, https://wciom.ru/index.php?id=236&uid=9750.

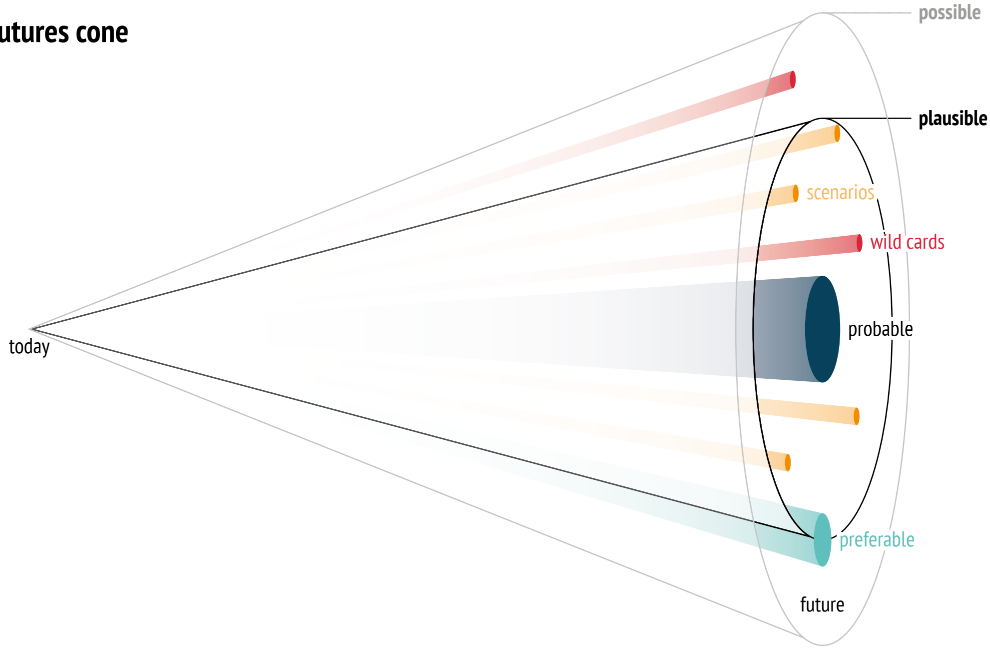
115 "Keep Crimea, Or Sanctions: What Do Russia's Youth Think?", *Radio Free Europe/Radio Liberty*, April 30, 2020, https://www.rferl.org/a/what-do-russias-youth-think/30585406.html.

interference in their elections, and the general public – the voters – are also more aware of this possibility. For instance, the EU and NATO have improved their cooperation on hybrid threats significantly since 2014, member states' national strategies have been updated and upgraded, national and international exercises covering hybrid threat scenarios have been conducted and chains of communication and action countering disinformation revised.[116] While governments have begun to pay more attention to cybersecurity, global social media platforms have scaled up measures to detect and block inauthentic actors and behaviour.

In the future, therefore, Russia is likely to attempt to develop more stealthy and sophisticated manipulation techniques by taking advantage of big data and AI, potentially in co-operation with China, which is technically more advanced. Russia's disruptive capacities in cyberspace may be boosted in the coming decade also by the convergence of AI and quantum computing.[117] How effective Russia will be on this front is currently hard to predict. The bottom line is that Russia's asymmetric competition strategy works only as long as other actors react in the way that it expects.

Another uncertainty connected with Russia's international posture is related to increasing global competition. So far Russia's asymmetric strategy has benefited from the support of emerging powers' – in particular China. However, Russia's own economy is fragile and ill-adapted to the future of energy transition. Although Russia has significant potential in technology development, the economic (and political) system currently in place will thwart the realisation of this potential in its fullest. This means, among other things, that Russia's dependency on China in the technological and economic domains (as European demand for Russian energy products will decrease) may grow significantly in future. Ironically, given the Russian emphasis on its sovereignty, many of the decisions impacting on Russia's future fortunes will, in fact, be shaped directly or

The futures cone



Data: Voros, 2003 and 2017

116 Daniel Fiott and Roderick Parkes, "Protecting Europe", *Chaillot Paper* no. 151, EUISS, April 30, 2019, https://www.iss.europa.eu/content/protecting-europe-0.

117 Richard A. Clarke and Robert K. Knake, *The Fifth Domain: Defending Our Country, Our Companies, and Ourselves in the Age of Cyber Threats* (New York: Penguin Press, 2019), pp.259-260.

indirectly by Beijing. Some of the key questions which this raises are whether in the future Russia can rely on China's goodwill and, for that matter, self-restraint (for more on this see chapter 6).

Two other vectors can affect Russia's future course, and the way it operates overseas by 2030. Domestic vulnerabilities bringing into question the sustainability of the regime might turn out to be a game changer in foreign and security policy and in the economy. A period of domestic chaos may lead the Kremlin to scale back its hyperactive foreign policy ambitions. It equally might lead to a more erratic and aggressive foreign policy. Alternatively, a resounding defeat or major military debacle abroad could also drive home the message that Russia has to pare back its forward presence.

A period of domestic chaos may lead the Kremlin to scale back its hyperactive foreign policy ambitions.

INTO THE UNKNOWN

This chapter has set the scene for this entire publication by analysing Russia's reactions and attempts to adjust to the six global megatrends described at the outset. These six megatrends will influence Russia's future trajectory but they do not determine what kind of future lies ahead. The fluctuating context elicits different kinds of policy choices but, in one way or another, Russia's political leadership needs to take these trends into account and to react to them.

Indeed, the analysis points towards numerous conflicting dynamics that these trends could unleash in the future. Digitalisation may make Russian citizens' lives more comfortable, but also empower their government to enhance and fine-tune mechanisms of social and political control. Urbanisation may lead to deepening social divisions but also plant seeds of greater civic engagement and activism in Russia. Energy transition may imperil Russia's resource-based economy and undermine social stability, but at the same time, offer Russia an incentive to reform and innovate. The decay of the liberal global order elevates Russia's standing on the international stage, but the emerging new multipolarity may prove more dangerous for Russia's great power ambitions.

Describing these trends and highlighting a range of other drivers of change, interspersed with unpredictable 'wild cards', the following chapters will build scenarios of Russia's futures looking ahead to 2030. These scenarios are like snapshots of potential Russian futures and they will be followed by an analysis of the key components and triggers of each of these developmental paths. This publication aims to look beyond the stagnation in which Russia currently appears to be mired; the future is rarely just a linear extension of the present. With or without Vladimir Putin in power, in ten years' time Russia will be a different kind of place than it is today.

CHAPTER 2

THE RUSSIAN STATE AND SOCIETY AT A CROSSROADS

The twilight zone

by
TATIANA STANOVAYA

State-society relations

Three scenarios

For some Russia may seem a 'quiet swamp'[1] – a country with a resilient, albeit stagnating, economy and a highly controlled political system. This fosters the perception that Russia is a society in the grip of powerful forces of inertia fundamentally incapable of change, destined to continue to be ruled by the incumbent political regime for the foreseeable future. On the other hand, the image may suggest that there are tensions lurking beneath the surface of Russian society, carrying a latent risk of sudden explosion. In this vein, there is indeed widespread speculation within the opposition camp about when and how fast the ruling regime may implode. According to this viewpoint, behind its façade of authoritarian strength the Russian political establishment is being gradually eroded by internal schisms and fragmentation. One of the big questions concerning the future of Russia is exactly this: is the current political system capable of change and, if so, what kind of change might we see in the future and what role will society play in these transformations?

This chapter argues that the future of Russia's political regime and its interaction with society will be shaped by four drivers: the erosion of the regime's legitimacy; the ideologisation of the political regime; a crisis in the country's

1 See Sergei Medvedev and Andrei Movchan in the radio programme 'Archeology: Future', *Radio Svoboda*, December 14, 2019. https://www.svoboda.org/a/30322301.html.

political institutions; and the 'depersonalisation' of power and of the political system. Economic factors are likely to play an auxiliary role in any potential political transformations. Based on these drivers the chapter will first sketch three alternative future scenarios for Russia, entitled respectively 'Digital authoritarianism', 'The great dismantling' and 'Slow decay'. The first one sees the rise of digital authoritarianism and the strengthening of conservative forces in society; the second depicts a Russia of competing elites, economic turbulence and the rise of chaotic pluralism; and the third paints a picture of how the political regime may muddle through while becoming more vulnerable and fragile by the end of the 2020s. In the second part, the chapter analyses the four main drivers and explores the different ways in which these may play out by 2030.

THREE SCENARIOS FOR 2030

1. Digital authoritarianism

Seven months have passed since the presidential elections in March 2030 in which Vladimir Putin, now aged 78, received 81.2% of the vote – his best result ever. The president rarely appears in public nowadays. Most decisions are taken either by the shadowy presidential administration, or the stronger and more public Security Council. The Cabinet of Ministers remains merely a technocratic institution that consists of young professionals without much political clout. By 2030 Russia has consolidated as an authoritarian state with extremely limited opportunities for society to influence or to participate in political life. The political regime has completed the transition from relying on the 'power of authority' (based on popular legitimacy) to the 'authority of power' (implying a deficit of legitimacy and reliance on repressive measures rather than constructive and convincing strategies).

The composition of the ruling elite had changed in the 2020s, with all systemic liberals being definitively excluded from the vertical of power and real power shifting to the 'protectors' – an alliance of *siloviki* and conservative forces who, in turn, now rely on a weak technocratic government. Putin's close friends and associates – or now often their sons and daughters – own sizeable assets in the private sector and manage most domestic policy issues. Figures like Yuri Kovalchuk (now in his seventies) or the Rotenbergs and their offspring work closely with the presidential administration, carving out niches of control and influence and infiltrating it with their appointees. The Kremlin's 'power vertical' is managed by these puppet masters – powerful external players who manipulate the technocrats. These technocrats, who do not have much political experience and simply carry out orders, occupy most official positions in the bureaucracy, having largely ousted the systemic liberals, who have lost much of their previous prestige and influence. The power of two systemic liberal heavyweights, the CEO of the biggest Russian bank Sberbank, German Gref, and the long-standing President of the Court of Auditors, Alexey Kudrin, both with some access to Putin's ear, has dissolved in the new more conservative reality. Most second and third-tier positions in the public administration are filled by young managers.

Finally the 'protectors', made up of the *siloviki* and conservatives – most of whom have a common background in the security services – have become the driving force behind the regime as it approaches its 'political autumn'.[2] But turnover is taking place even among the ranks of this group, as ageing heads of the Federal Security Service (FSB) and Security Council are replaced by top-ranking officers who were only starting their career in the intelligence services when

2 'Political autumn' is commonly used as a metaphor for the current state of the Russian regime. See e.g.: Alexandr Rubtsov, "Osen' Patriarkhata" [The Autumn of the Patriarchy], *Vedomosti*, October 3, 2019, https://www.vedomosti.ru/opinion/articles/2019/10/03/812829-osen-patriarhata.

Putin came to power in 2000. Most important civilian positions, like the head of the foreign ministry or the minister of industry, are filled by figures close to the intelligence services (FSB and GRU), presidential Federal Protective Service (FSO) or ministry of defence.

Russian domestic policies have become ultra-conservative and anti-Western, focused on rooting out 'foreign agents' and increased surveillance of citizens' private lives. To this end, ultra-conservatism goes hand-in-hand with the extensive use of post-modern surveillance technologies which track people's movements and monitor online behaviour, enabling the authorities to effectively clamp down on opposition, curb freedom of speech and prevent protests. This digital infrastructure significantly expanded after the coronavirus crisis, when Moscow tested a mandatory tracking-app to monitor how patients observed self-isolation.[3]

The ruling party United Russia, which rebranded itself as the Front of Patriotic Forces (*Front patrioticheskikh syl*) in the 2026 elections, has maintained its position as a key political force at the service of the presidential administration. It was revamped into a wider, catch-all party with two wings – on the one hand, the former All Russia Popular Front, representing the technocratic elite and overseeing the civil society sector, and on the other hand, the patriotic conservative wing, representing in particular the politicised Orthodox movement and military veterans of the wars in Donbas, Syria and Libya. It controls both chambers of the parliament – the State Duma and the Federation Council.

The dominance of the Front of Patriotic Forces has inevitably led to an even greater restriction of opportunities for citizens to contest political decisions and hold the authorities accountable. The non-systemic opposition – forces not loyal to or controlled by the Kremlin – has been virtually wiped out. Popular vlogger and politician Alexei Navalny was able to return to Russia after his poisoning in 2020, but only two years later he had to leave the country for good as the number of threats against his family multiplied. Furthermore, many of his supporters in the regions were arrested and sentenced to jail for allegedly colluding with foreign governments or on charges of financial fraud. Navalny continues to inspire political activities and conduct anti-corruption investigations from abroad.

The systemic 'opposition' camp – which sometimes voices criticism but ultimately remains loyal to the Kremlin – has also followed a downward path. The Communist Party appointed a new leader – a radical Stalinist who argued for a hardcore communist regime and purged the party of any proponents of social democracy. Following its poor performance in elections, mostly due to frequent changes of leadership, the Liberal Democratic Party lost ground and its appeal as a provocative oppositional political force dedicated to protest faded. By 2030 it has become a marginalised party advocating a radical conservative, anti-Western ideology. Both parties, Communists and Liberal Democrats, barely won the State Duma elections in 2026 with the minimum number of votes necessary to overcome the 5% threshold. Behind their facades of political activism both parties have become hollow shells.

Any political party or candidate wishing to run in elections, whether federal or regional, has to sign the Patriotic Charter – a document listing Russia's national values, to which signatories must subscribe, and highlighting the country's historical achievements. Among other things, the charter includes mandatory support for the annexation of Crimea, adherence to the 'official' interpretation of World War II, and a pledge to abide by and promote traditional values (e.g. heterosexual marriage and the nuclear family). This charter, adopted in early 2024, just before Putin's previous reelection to

3 Thomas Brewster, "Remember FindFace? The Russian Facial Recognition Company Just Turned On A Massive, Multimillion-Dollar Moscow Surveillance System", *Forbes*, January 29, 2020, https://www.forbes.com/sites/thomasbrewster/2020/01/29/findface-rolls-out-huge-facial-recognition-surveillance-in-moscow-russia/#1b632fe4463b; "Moscow rolls out tracking app to 'ensure self-discipline' during coronavirus lockdown", *France* 24, April 1, 2020, https://www.france24.com/en/20200401-moscow-rolls-out-tracking-app-to-ensure-self-discipline-during-coronavirus-lockdown.

the presidency, marked the institutionalisation of a quasi-state ideology in the country. Such a new order provided an extra guarantee for the Kremlin that no alternative political force challenging the ruling regime's grip on power would run for elections.

The Kremlin again reformed the method of electing governors, reverting to the system that had been in force between 2004 and 2011 before the direct election of governors was introduced in 2012, whereby the presidential administration – i.e. Putin – chooses a candidate and the regional legislature approves his decision. The return to the old ways of appointing governors was explained by the necessity to prevent criminals from penetrating official bodies via direct elections-– the Kremlin used as a pretext the case of governor Sergey Furgal, who was arrested in 2020 and sentenced to 20 years of imprisonment on charges of involvement in a series of assassinations. Finally, the Kremlin decided to abolish direct elections following the failure of several pro-Putin candidates to be elected in 2020 and 2021 – the authorities could no longer manage growing social discontent.

All political demonstrations and rallies have to be approved by the authorities. Participants in such demonstrations now have to register on a special state-controlled website – the state having succeeded in setting up a nationwide database with detailed profiles of every Russian citizen. Unauthorised protests (which the authorities failed to prevent via cyber surveillance technologies[4]) entail custodial prison sentences (regardless of whether the accused is an organiser or simply a participant).

The economic situation in the country had stabilised after Russia bounced back in the mid-2020s. After the devastating coronavirus crisis and the historic collapse in oil prices in 2020, the government gradually managed to replenish its coffers (as oil prices recovered) and pull the economy back from the brink. It was primarily due to this success on the economic front that the government was able to reestablish its political authority. But it was during this period of 2021-2023, following the pandemic crisis, that a new wave of mass protests took place in the aftermath of the 2021 Duma elections; the demonstrators denounced electoral fraud and called for Putin's re-election in 2024 to be opposed. These protests were ultimately suppressed, and many leaders and participants were arrested and sentenced. However, the crackdown was accompanied by a package of economic reforms that among other things introduced more e-services for citizens and businesses and important packages of social measures for ordinary Russians. Prime minister Mikhail Mishustin succeeded in moving forward with his project to introduce large-scale digitalisation of state services, designed to replace the system of social patronage. This made everyday life more convenient for ordinary Russians but opened up increased possibilities for the government to gather personal data on citizens and information concerning their online activities. Economic recovery was also characterised by the increased presence of the state in the economy and citizens' dependence on the state for their livelihood. The fact that by 2024-2025 the Kremlin had succeeded in accumulating financial resources again, managed to keep the elites on board and initiated the widespread use of cyber tools and technologies to restore stability, had significantly contributed to the reemergence of the vertical of power.

2. The great dismantling

In 2030 Russia is in the throes of a severe political and socio-economic crisis. The new president – a young technocrat called Ivan Semenov who had replaced Vladimir Putin two years ago – barely won in the second round, despite the widespread incidence of ballot stuffing during the election. It has been a difficult decade. After the devastating impact of the coronavirus crisis and a long period of volatile oil prices, the country's economic fortunes have deteriorated

4 Andrea Kendall-Taylor, Erica Frantz and Joseph Wright, "The Digital Dictators: How Technology Strengthens Autocracy", *Foreign Affairs*, March/April 2020, https://www.foreignaffairs.com/articles/china/2020-02-06/digital-dictators.

radically. The Kremlin lost several regional elections in the far eastern and central parts of Russia and mass protests across the country have grown in number and scale. The implosion of the power vertical in the Kremlin has brought more chaotic pluralism and intra-elite conflicts.

Putin's approval rating began to drastically decline in 2022 and fell to a historic low by the end of 2025, a year after presidential elections in which he had barely scraped through. Unemployment hit 20%, while employees in the public sector had not been paid for almost a year and a half. The devalued rouble and high inflation had eroded pensioners' purchasing power. But even pensions had been paid irregularly. Poverty rates reached 30%. It looked like the turbulent 1990s all over again.

In December 2027 Putin decided to step down – the announcement was made during the annual congress of the United Russia Party just before the winter holidays. He confirmed his support for the candidacy of the technocrat Semenov. One of the first tasks for the new president after his swift election victory in March 2028 was to undertake a wholesale reform of the country's education, social and healthcare systems. This entailed radical cuts in social spending, and the closure of a number of schools and hospitals. To survive and generate extra revenue to plug the budget deficit, the government had to orchestrate a massive campaign of privatisation of state-owned companies.

This triggered fierce intra-elite infighting. Attempts to replace long-serving Rosneft CEO Igor Sechin resulted in a storm of *kompromat* – compromising materials – being published targeting key members of the government. The media became increasingly embroiled in '*kompromat* wars'. The home and office of the deputy prime minister – a close friend of President Semenov – were searched by the Investigative Committee and FSB officers and an investigation into 'fraudulent privatisation auctions' was launched against him. Although the president had promised Putin that he would refrain from any major rotation of cadres, he soon began to promote his own people to important posts, using this opportunity to place new appointees even in the security agencies – traditionally the strongholds of influence of Putin's close circle. Some of the former president's proxies opted to ally with Russia's new leader, leading to an upsurge in tensions between the old conservative elites and the new generation of young political managers. Despite opposition, the privatisation campaign continued unabated. The gas monopoly Gazprom was also split into two parts (production and transportation) and privatised, while Rosneft had to sell some of its important subsidiaries. Job losses and austerity measures sparked mass protests.

The introduction of painful reforms and privatisation, accompanied by high inflation, bankruptcies and public unrest, resulted in a deep political crisis in Russia. The ruling party, United Russia, was falling apart and Semenov feared the results of the upcoming parliamentary elections. In 2026 United Russia had lost its majority in parliament and had to make deals with the systemic opposition in order to pass key legislation. By 2030 the most prominent figures had left the party and created their own alternative political parties, each hoping to win large numbers of seats in the forthcoming elections. The president himself deliberated whether to keep investing in a dying project or throw his weight behind a new one.

As the party of power was in free fall, the systemic opposition camp was gaining ground and had more room for manoeuvre with the Kremlin. A conflict between president and parliament which threatened to paralyse the political system loomed on the horizon. After a change in leadership at the top, the Communist Party became more popular and less rigid and doctrinaire, and began to resemble certain European social democratic political parties. Its cohort of new, younger and more modern leaders had seized control of several regional legislatures in the European part of Russia. The Just Russia party ceased to exist, while the Liberal Democratic Party of Russia (LDPR) was beset by contradictory trends. On the one hand its old leadership was bogged down in internal conflicts and suffering from falling approval ratings, while on the other hand some regional branches of the party unexpectedly succeeded in winning a large number of seats in regional legislatures. Some politicians who were becoming increasingly popular in the regions questioned decisions taken at the party's last annual congress where Vladimir Zhirinovsky presented his successor and demanded that they be annulled. The party began to transform into a real oppositional force in the regions, while the federal party's leadership was still trying to bet on cooperation with the Kremlin.

In the 2020s, as a result of the coronavirus crisis, the leadership also granted the governors a degree of greater autonomy – many regional governors had more leeway to develop their regions based on their specific needs and particular local problems. This limited but still tightly controlled decentralisation of power made many regions more prosperous and better governed. However, Chechnya, which had been pacified in the 2000s after two bloody wars, stood out from other regions. The former warlord Ramzan Kadyrov, its longstanding ruthless ruler, still ran Chechnya as a part of Russia; however, following the retirement of Putin, the republic became independent *de facto*. The Kremlin had to sign a federal treaty with Grozny that transferred larger competences to the republic, including in justice and home affairs, but also in foreign and security policy. That was the price that Russia had to pay to secure its *de jure* territorial integrity and avoid a conflict that could jeopardise the stability of the restored power vertical.

3. Slow decay

Russia seems much the same as it was a decade ago – it is still governed by its eternal president Vladimir Putin, who registers formally stable, though not very high, approval ratings, the ruling party United Russia, which has continued to win national and regional elections, and a more or less loyal elite that keep playing the old game while getting even richer. On the surface it looks like a projection of the *status quo* from 2020. However, that impression is misleading, as after a decade-long process of decay, the political regime is vulnerable, fragile and barely functioning by 2030.

Putin has turned into an aloof symbolic figure: although he still wears the mantle of 'national leader', in reality he has distanced himself from day-to-day decision-making, focusing mostly on his favourite topics – geopolitics, historical archives, space exploration, and genetic and bio-engineering. He hardly ever appears in public and plays more of a background role, rarely getting involved in everyday policymaking.

In practice, the government is composed of a diverse array of internally competing centres of decision-making: competition and factional confrontation have been developing within the Cabinet, between the Cabinet and some regional leaders, between the *siloviki* and the presidential administration and even within the Kremlin. The different bodies and groupings represent many players whose conflicting agendas prevent the state from conducting a coherent, consistent and predictable domestic policy. Government decisions contradict each other and often are simply not implemented. Russia has succumbed to juridical chaos. At the same time the 'vertical of power' in the Kremlin has been 'privatised' by Putin's friends and associates whose influence has become decisive. The political regime resembles an oligarchy but one based on state-owned rather than private assets, *de facto* managed as private fiefdoms.

Just as the Russian economy was damaged by the coronavirus crisis, the political class had not emerged unscathed either. The government's approval ratings had been falling steadily, while not yet having reached abysmal levels. A year after the crisis, the authorities managed to stabilise the situation, although the economy was mired in stagnation. The most optimistic forecasts projected meagre economic growth. People's incomes continued to fall year-on-year and even though unemployment levels had dropped by 4%, the social situation remained rather tense.

The United Russia party lost its absolute majority in the State Duma 2021 elections. Nevertheless, the party succeeded in securing *de facto* control of the lower house of parliament through close cooperation with independent deputies who won in the single mandate districts. However, for the next election cycle of 2026, it was unable to use such tactics to secure control of the legislature. By the time of the next election campaign, United Russia was virtually replaced by a conglomerate of pro-Kremlin politicians and 'technologists',[5] often representing political adventurists or businessmen proposing political services to the Kremlin and seeking to extract benefits in return. In 2025 the Kremlin reformed the State Duma election rules – it excluded party lists, establishing a purely single-mandate system. This helped to minimise the influence of the unpopular United Russia party and gave more scope to candidates running as independents or representing small start-up parties. In 2026 the Kremlin was able to obtain a relative majority but relations with new lawmakers were based on purely pragmatic calculations and thus marked by opportunism rather than loyalty. In just two years, many of those who were elected as 'pro-Kremlin' candidates began to play their own political games and bargain with the presidential administration to broker political deals. The Kremlin has found itself obliged to bargain with the Communists from time to time to obtain support for politically important government bills or motions.

Vladimir Putin managed to get reelected in 2024, although he obtained the minimum acceptable score – just below 60% of the vote. According to independent pollsters, the actual level of Putin's approval rating did not exceed 25% and allegations of massive electoral fraud led thousands of people to take to the streets. As a result, Putin's legitimacy was fatally undermined and the president began losing his aura of authority both among the elites and ordinary Russians.

The growing number of protests met with increasingly harsh penalties. The criminal prosecution of protesters put the country's legal system under strain and widened splits within the elite. Even loyal representatives of the government began questioning the activities and expanding influence of the *siloviki*. The FSB initially tried to ratchet up the pressure by lobbying for more severe and repressive measures to suppress the opposition. But in spite of advocating for harsher repression, the FSB had to back down more frequently due to public outrage over the prosecutions of citizens who had taken part in protests.

The so-called systemic opposition had transformed through leadership rotation: new blood at the top and a revamped image enabled it to ameliorate its electoral results throughout the 2020s. However the Kremlin had been careful to manipulate the electoral rules so as to keep the systemic opposition at bay. Some non-systemic opposition figures like Alexei Navalny continued to be hounded: he was never allowed to stand as a candidate in elections but it became gradually more and more unlikely – and eventually unthinkable – that anything comparable to the poisoning in 2020 would happen to him again. However, activists close to him began to feature more prominently in the political system – at least at local levels or in collaboration with regional branches of the systemic opposition. In other words, the line between systemic and non-systemic opposition began to become increasingly blurred. Furthermore, a new generation of young progressive-minded leaders appeared, who proved to be increasingly popular with ordinary people.

This new reality prevailing since the mid-2020s seems highly ambiguous. On the one hand, the regime remains deeply conservative and resistant to change; it is still characterised by growing ideologisation, an anti-liberal discourse and authoritarian practices used to control elections. But at the same time, the political regime faces more and more setbacks and challenges. The Kremlin has had to contend with some losses in regional elections even though these are not yet severe. In some regions the systemic opposition have taken control of the regional legislatures. While the protectors advocate repressive initiatives designed to intimidate civil

5 'Political technologist' is a term used in modern Russia to refer to specialists who 'construct' desired political outcomes and results, be it in elections or other political campaigns, using not democratic, but often administrative resources (official prerogatives etc). They also create artificial political parties and then sell these to sponsors.

society, the authorities have difficulty implementing such measures consistently. Despite the government's efforts to control the private sphere and citizens' personal lives, people are increasingly taking to the streets to protest and voice their discontent in an atmosphere of growing political contestation.

In the second half of the decade, the inherent contradictions in this situation have deepened. A growing number of prominent public figures uphold and promote Putin's conservative nationalist ideology which glorifies Russia's historic achievements and seek to advance an anti-liberal agenda. But on the other hand Putinism has become increasingly marginalised as Putin's vision appears disconnected from people's everyday concerns. The president's image has become tarnished: he is no longer venerated as the sacred national leader but increasingly regarded as a relic of another era. Another feature of the new emerging reality is that previously loyal elites are beginning to question and criticise President Putin. Putin is no longer untouchable; more and more voices among the elites dare to argue for alternative policies and decisions and criticise previous ones, considered to be mistaken.

PUSH AND PULL DRIVERS

Erosion of the regime's legitimacy

One of the anomalies of the current political regime is that while on the surface it is not changing much, due to internal shifts and dynamics it is in fact changing significantly. The biggest uncertainty for the regime is President Putin. Lately the president's capacity to perform a stabilising role has been declining due to the combined effect of the 'three 'D's': *desacralisation*, *delegitimation* and the political *devaluation* of Putin's leadership. Two intertwined factors explain this phenomenon: policies pursued in the wake of the annexation of Crimea, and changing perceptions within the country of President's Putin's leadership.

The year 2014 witnessed the peak of Putin's popular legitimacy and political stature:[6] this was a moment that unified the state authorities and society. However, from 2016-2017 onwards, the 'Crimea effect' began to slowly wane and with it the president's legitimacy. One of the main reasons for this reversal of trends was the president's inability to answer the question 'what now?' Firstly, the authorities failed to create a positive expectation about the future, or domestic policies responding to the needs of Russians whose incomes had been falling for five years in a row.[7] Secondly, the official rhetoric transformed from patriotism to an aggressive discourse centred on narratives about the West conspiring against Russia. Thirdly, this was followed by a painful and unexpected reform of the pension system which weakened the Kremlin's original contract with society (more prosperity in exchange for political loyalty). The proposals to amend the constitution and re-set presidential term limits (allowing the incumbent to run again for office), and Putin's hesitant and inadequate response during the coronavirus pandemic, have exacerbated social tensions[8] and revealed the extent to which Putin's political mindset has changed over the last decade.

Thus, a major reason for the erosion of popular support for the regime is the altered character and direction of Putin's leadership. The Russian

6 "Russians' Positive Opinions of Putin Fall for 3rd Straight Year – Poll", *The Moscow Times,* April 14, 2020, https://www.themoscowtimes.com/2020/04/14/russians-positive-opinions-of-putin-fall-for-3rd-straight-year-poll-a69981.

7 Henry Foy and Max Seddon, "Russians feel the pain of Vladimir Putin's regime", *Financial Times*, August 7, 2019, https://www.ft.com/content/8f487b02-b861-11e9-96bd-8e884d3ea203.

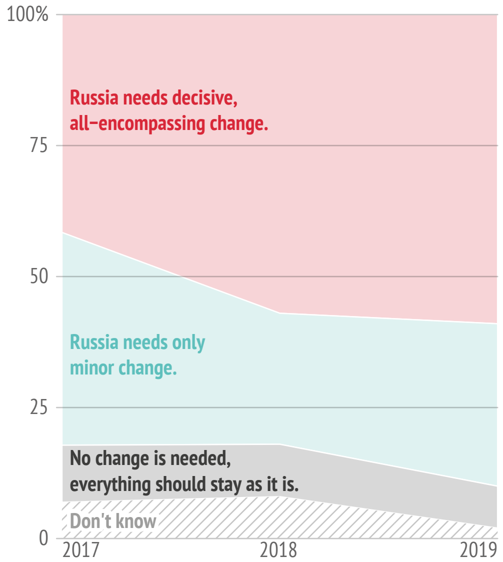
8 Leon Aron, "The Coronavirus Could Imperil Putin's Presidency", *Wall Street Journal*, April 23, 2020, https://www.wsj.com/articles/the-coronavirus-could-imperil-putins-presidency-11587682524.

leader's image and public role have changed dramatically from the 2000s to the 2020s: at the beginning he behaved as the people's hero, who was extremely close to ordinary Russians, speaking the same language as them and listening to their concerns. He stabilised the political system, reaffirmed the social commitments of the state, and revived a sense of national pride. But in the years after the annexation of Crimea the 'people's hero' metamorphosed into a supercilious autocrat obsessed with a messianic mission to restore Russia's power – a leader absorbed in geopolitics, who neglected social and economic priorities, and who became increasingly remote from the people while imposing unpopular decisions. Whereas before Putin had appeared to serve the people, he now appears to put the state above all else. Seen as increasingly aloof and distant from society, he has defended loyal elites and rewarded them with positions of power and influence in the state bureaucracy, creating informal institutions of governance and tolerating corrupt enrichment schemes. This change has not gone unnoticed by the Russian public; asked in 2020 whose interests Putin represents, 38% of Russians pointed to oligarchs, bankers and big businesses; this is the highest number to voice such an opinion in two decades.[9] Changing public perceptions have led to Putin's 'desacralisation': in the eyes of the people he has lost the aura of a saviour.[10]

By 2018-2020 the 'people's servant' (as he once described himself)[11] has transformed into an authoritarian figure driven by a form of geopolitical missionary zeal and gradually lost connection with day-to-day reality,[12] while obsessed with historical themes, particularly in relation to Russia's role in World War II, genetics and space.[13] While the Kremlin praises and promotes spiritual bonds and traditional values, ordinary citizens struggle to obtain decent living standards.[14] The authorities continue to push an assertive and ambitious foreign policy agenda, but ordinary Russians are concerned about falling incomes and poverty. This divergence, if it persists, risks diminishing the regime's legitimacy even more, and seriously testing its stability in the course of the 2020s.

Does Russia need change?

Survey results, % of respondents



Data: Denis Volkov, Andrey Kolesnikov, 2019

The discrepancy between Putin's priorities and plans and people's needs has resulted in a growing gulf between the authorities and the people. Putin's geopolitical successes no longer

9 "Otnosheniye k Vladimiru Putinu" [Attitude towards Vladimir Putin], Levada Center, April 14, 2020, https://www.levada.ru/2020/04/14/otnoshenie-k-vladimiru-putinu-4/

10 Sergey Smirnov, "Rossiyane perestali nadeyat'sya na Putina" [Russians no longer hope for Putin], *thebell.io*, July 30, 2019, https://thebell.io/rossiyane-perestali-nadeyatsya-na-putina.

11 Fiona Hill and Clifford G. Gaddy, *Mr.Putin: Operative in the Kremlin* (Washington, D.C.: Brookings Institution Press: Washington, DC, 2013).

12 "Ukraine crisis: Vladimir Putin has lost the plot, says German chancellor", *The Guardian*, March 3, 2014, https://www.theguardian.com/world/2014/mar/03/ukraine-vladimir-putin-angela-merkel-russian.

13 Leonid Bershidsky, "Putin's Latest Obsession: Rewriting World War II", *Bloomberg*, January 10, 2020, https://www.bloomberg.com/opinion/articles/2020-01-10/putin-s-latest-obsession-rewriting-world-war-ii.

14 Angelina Galanina, "Rossiyane bol'she zakhoteli zhit' luchshe" [Russians increasingly want to live better], *Kommersant*, January 17, 2020, https://www.kommersant.ru/doc/4221353.

unite the nation. Social discontent is growing, and attitudes to Putin are becoming more critical, although the absence of an alternative and fear of a return to the chaos of the 1990s helps the Kremlin to keep control. It appears clear that the regime cannot continue 'as before'. Thus it has to shift from the 'power of authority' to the 'authority of power', which means that the government needs to review its strategies for managing political and social challenges.

Vectors of stability and change

One possible way to ensure stability in the 2020s is to fuel anxiety and suspicion among the population, portraying Russia as a besieged fortress surrounded by enemies, and pushing a narrative of fear. While the Kremlin may try to use this tactic more in the coming decade, the problem is that this narrative is losing its credibility and hence its potency. Numerous polls reveal that fewer and fewer Russians believe in a hostile West or see NATO as a threat.[15] Furthermore, a poll conducted by the Levada Center in February 2020 shows that almost 80% of Russians believe that Russia and the West should become friends or partners.[16] Thus, while not impossible, it will be increasingly difficult for the Kremlin to consolidate Russian society by invoking an external threat.

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An alternative option for the regime is to resort more intensively to coercion. In Russia, several coercive instruments have already been developed and applied in the past decade: adoption of more restrictive legislation, extensive repressive measures and increasing surveillance of citizens' political activities.[17] Looking into the future, it is clear that the constitutional amendments introduced in 2020 lay the ground for power abuses. The amended constitution grants new rights to the president to impeach judges and override parliament's veto – measures which appear to be designed to create more opportunities for the Kremlin to impose its authority and suppress dissent.

While updating legislation and instigating repressive measures, the regime is also investing in digitalisation. The increasing digitalisation of the economy has given the authorities ample opportunities to engage in cyber surveillance, accompanied by extremely weak protection of personal data and the tendency of the *siloviki* to abuse or violate the law. The internet is virtually the only platform where citizens can publicly express discontent and mobilise anti-regime sentiment. But the state, in turn, has turned its attention to online activities with contradictory results: its heavy-handed efforts at censorship often either result in excessive repression (e.g. prosecution for fake news) or just do not work properly (e.g. clumsy and finally abandoned attempts to block Telegram). Digital platforms inevitably become a battleground between the state authorities and society.

Overall, Russia's political trajectory in the coming decade will depend on how assertive and successful the regime will be in tightening the screws on society and freedom of speech, and in curtailing political competition. And this will be shaped by several factors – the availability of

15 "'Levada-Tsentr': pochti 80% rossiyan schitayut, chto Rossiya i Zapad dolzhny druzhit'" [Nearly 80% of Russians consider Russia and the West should be friends], *znak.com*, February 18, 2020, https://www.znak.com/2020-02-18/levada_centr_pochti_80_rossiyan_schitayut_chto_rossiya_i_zapad_dolzhny_druzhit.

16 Ibid.

17 For example see "The Yarovaya Law: One Year After", *DR Analytica,* April 2017, https://analytica.digital.report/wp-content/uploads/2017/07/The-Yarovaya-Law.pdf; Ivan Davydov, "Why does Russia need a new "foreign agent" law?", *Open Democracy,* December 4, 2019, https://www.opendemocracy.net/en/odr/why-does-russia-need-a-new-foreign-agent-law/; "Most Russians Charged for 'Disrespecting' Authorities Insulted Putin – Rights Group", *The Moscow Times,* September 30, 2019, https://www.themoscowtimes.com/2019/09/30/most-russians-charged-for-disrespecting-authorities-insulted-putin-study-a67504.

resources, the coherence of elites and society's readiness to protest.

Faced with growing social discontent in a context of difficult economic conditions, and amid growing fragmentation of the elites, the political regime may opt for a less repressive way to manage the political situation. We may not see full-scale liberalisation, but some form of political *détente* cannot be ruled out. Further tightening of the screws might turn out to be too costly for the regime and thus it would have to combine surgical repression with concessions to protestors.[18] The Kremlin may keep tight control but also slightly relax its grip on regional governance by endowing governors with more freedom of action (thus improving the quality of governance at the local level). That would be a way of facilitating informal bargaining between the state and society. It may take a controlled form and lead to moderate, local easing of political restrictions. But if the state fails to address social grievances, such a strategy might backfire against the government, leading to the destabilisation of the regime. It also cannot be ruled out that, under increasing pressure and with the economy in a shambles, Putin will cease to exert a dominant influence in the 2020s and Russia will enter a period of chaotic pluralism, with various elite clans and parties vying for power as the Putin era draws to a close.

The regime has become hostage to Putinism as an ideology, as it depends on conservative forces for its survival.

But the erosion of the regime's legitimacy is only one vector of change in a more complex game between state and society. Another driver impacting political and societal dynamics in the next decade is the ideologisation of the regime.

Ideologisation of the regime

By 2020 the political regime has become *more conservative* and thus *more ideological.* Ideologisation has been a response to the increasing challenge emanating from society and Putin has sought to use it as an instrument to consolidate Russian society around his leadership; this conservative ideology has also gained traction among part of the ruling elites.

Up until 2012 the political regime was officially ideologically neutral and Russia was trying to become as developed as the West, albeit in its own way. That began to change in 2012, when Medvedev stepped down and Putin returned to the presidency. What followed was the first significant wave of mass protests that Putin faced during his rule. To reclaim internal legitimacy, in December 2012, the president set about developing and articulating a conservative ideology, announcing the importance of 'spiritual bonds' and traditional values.[19] For the first time the representatives of the political regime started, in mainstream discourse, contrasting its values with those of the 'decadent West'. From 2016, the Kremlin began promoting this new ideological narrative overseas too.[20]

Putin's fourth term started in 2018 and saw the emergence of 'Putinism' as an ideology that has its own logic, discourse and adherents. Its main pillars are: the cult of the state and its security – affirming the predominance of the state's interests over those of individuals; traditional values (family, spirituality, patriotism); and anti-liberal and anti-Western

18 See e.g. case of *Meduza* journalist Ivan Golunov, arrested for alleged possession of drugs following his research for a story revealing corruption in Moscow's undertaking business: "Ivan Golunov arrest: Russian reporter is freed after public outcry", *BBC News*, June 11, 2019, https://www.bbc.com/news/world-europe-48600233.

19 See e.g. Olga Malinova, "'Spiritual Bonds' as State Ideology", *Russia in Global Affairs*, December 18, 2014, https://eng.globalaffairs.ru/articles/spiritual-bonds-as-state-ideology/

20 Olivier Faye, "La Russie, un modèle sociétal et un allié stratégique pour le FN", *Le Monde*, March 25, 2017, https://www.lemonde.fr/election-presidentielle-2017/article/2017/03/25/la-russie-un-modele-societal-et-un-allie-strategique-pour-le-fn_5100824_4854003.html.

narratives. Putinism as an ideology has begun to take on a life of its own, regardless of what Putin himself wants. In a sense, the regime has become hostage to this ideology, as it depends on conservative forces for its survival.

Vectors of stability and change

The increasingly conservative ideological orientation of the regime has enhanced the standing of a key group in the elite charged with protecting the system from unwelcome pressures from both overseas and within different levels of Russian society – the 'protectors'.

To understand better the conservative drivers and underpinnings of the regime, it is important to have a look at the typology of Putin's entourage in the Kremlin. This is composed of five elite groups, which may be differentiated according to function: the technocrats manage public administration; Putin's retinue provides services to the president in his everyday needs; Putin's close friends and associates deal with state assets; political technocrats manage important government's missions.[21] But the most important and influential group are the protectors – an ideological alliance of *siloviki* (security service officials) and conservative forces (intellectuals, religious leaders, journalists, members of parliament, and business entrepreneurs who are close to the Kremlin). The protectors have become the key purveyors and proponents of the conservative ideology that has become the foundation of the regime.

The 'protectors' represent a prominent part of the elite that (i) has direct access to the repressive apparatus; (b) has seized the initiative in setting the domestic political agenda; and (iii) faces no significant opposition within the elite which politically has become pro-Putin and largely anti-liberal. The hallmark of the protectors is that they share a conservative, conspirationist, anti-Western ideology, argue for more repressive policies, and use aggressive political rhetoric.[22] In the 2020s, they are the main engine behind the systematic ideologisation of the political regime – a process that was ultimately reflected in the revamped constitution which has become much more explicitly conservative. The more vulnerable the regime feels itself to be, and thus the more uncertain the protectors' future appears, the more assertive they will be in propounding this ideology.

Ideologically, the political regime and society are moving in opposite directions.

But it is not a given that ideology alone will be enough to restore Putin's legitimacy in the 2020s. The Kremlin's harsh approach to its political opponents and protesters, as well as its conservative inclinations, do not benefit from overwhelming public support. Russian society at large remains predominantly left-minded, but it is reluctant to embrace the Kremlin's vision of current political challenges – depicted as originating from abroad. Last year's shift in the climate of public opinion, just after the surprise political protests in Moscow that took place in the summer, was significant – people expressed more concern for basic human rights than ever before during the last 20 years. A survey conducted by the Levada Center in 2019[23] showed that there was an across-the-board rise in the number of people who saw human rights as important compared to the last such poll conducted in 2017, with a particularly significant increase in concerns about freedom of speech (from 34% to 58%), independent courts (from 50% to 64%), and the right to leisure and holidays (from 39% to 52%). The most important right for Russians remained the right to life and freedom, which

21 Tatiana Stanovaya, "Unconsolidated: The Five Russian Elites Shaping Putin's Transition", Carnegie Moscow Center, February 11, 2020, https://carnegie.ru/commentary/81037.

22 Ibid.

23 Levada Center, "Human Rights", November 20, 2019, https://www.levada.ru/2019/11/20/prava-cheloveka/

78% considered important compared to 72% in 2017. This represented the first pivot towards human rights values after years of consensus around the need for a so-called 'strong hand', cultivated by the political regime.

This increased awareness of and interest in human rights should not however be taken as a sign that Russian society has become more liberal – this is not what is happening. But such a shift in attitudes should be interpreted as reflecting an acute anxiety among Russians and their increasing sense of vulnerability in the face of the state acting more aggressively against its own citizens. Ideologically, the political regime and society are moving in opposite directions. Thus in the coming decade civil society's increasing preoccupation with issues of freedom and growing distrust of the state may lead to declining support for Putin's regime. The big uncertainty remains whether the Kremlin will try to coerce society into supporting pro-Kremlin candidates only or whether it will have to make some concessions, allowing at least loyal opposition figures to capture the mood of public dissatisfaction and channel the demands for change.

The crisis of political institutions

What is most striking about the current state of affairs is that citizens are demanding more political options to choose from while the Kremlin, on the contrary, is seeking to narrow the options available and resorts to coercive tactics to impose its own choice. Thus Russia is entering the 2020s with an acute crisis of party politics where the systemic opposition has been losing its relevance even as a moderate oppositional voice and the non-systemic opposition, represented mostly by Alexei Navalny and his activists, remains excluded from elections and is considered by the Kremlin as an illegal force. Interestingly, the declining approval ratings of the ruling party United Russia have not resulted in a concomitant increase in the popularity of the systemic opposition:[24] support for the three State Duma parties – Communists, Just Russia and the Liberal Democrats – is stagnating. Voting for 'in-system' parties is often perceived as a way to vote in support of the regime in power.

The regime is keenly aware of how deep-seated people's fears are of a return to the chaos and poverty of the 1990s, financial crisis, and losing their jobs or savings – and this legitimises the Kremlin's adversarial attitude to all liberals and remains the regime's strongest insurance against a protest vote. But it is not a safe bet; if Covid-19 hits the country hard and economic decline deepens, the Kremlin cannot simply rely on a default strategy of fear. More than that, if 'Putinism' is to flourish and sustain the current regime it will need a re-invigorated party of power, which carries the flag and supports this ideology.

The key question that will shape Russia's political future in the 2020s is which political force will be able to respond most effectively to growing discontent and demand for change? Will the Kremlin resort to the old coercive methods and tactics of the ruling party? Thus in the 2020s United Russia might be rebranded and repackaged in order to fit better with the new political reality.[25] Or will the in-system opposition seek to capitalise on the Kremlin's failure to deal with the situation? To become an agent of change it will have to go through internal transformation and gain more political influence (and with this more independence from the Kremlin). Or finally will we see the rise of a new generation of young and self-confident politicians, new agents of change, ready to challenge the regime beyond its formal political institutions and long-established political parties? The answer to these questions will depend

24 Yelena Mukhametshina, "Summarnyy reyting parlamentskikh partiy opustilsya do 51%" [Total support of parties represented in parliament falls to 51%], *Vedomosti,* August 13, 2019, https://www.vedomosti.ru/politics/articles/2019/08/13/808754-summarnii-reiting.

25 Andrey Pertsev and Hilah Kohen, "United Russia's Makeover", *Meduza*, February 25, 2020, https://meduza.io/en/feature/2020/02/26/united-russia-s-makeover.

on how adaptable the regime will prove to be – the more conservative and aloof it becomes, the less capable it will be of dialogue and understanding the real needs of society.

Vectors of stability and change

So far, the beginning of Putin's fourth term in office has shown that the Kremlin prefers to resort to repressive tactics rather than engage in dialogue; this has been visible in changing approaches towards elections, which have transformed from heavily state-controlled campaigns with limited competition into plebiscites for Putin. This implies that the electorate has only one option – to confirm the Kremlin's choice or to stay away from the polls.

That strategy was already visible in the 2018 presidential campaign when the presidential administration harassed communist candidate Nikolay Grudinin (whose candidacy, initially, had been authorised by the Kremlin) in order to minimise his electoral score. Having appeared as a weak and unpromising politician, during the election campaign Grudinin revealed himself to be an interesting and politically 'lively' figure who suddenly attracted more support than was expected by the Kremlin. As a result, he was targeted with a negative campaign orchestrated by the authorities, and then after the elections lost his municipal deputy mandate while his business was attacked and raided by assailants linked to conservative elements close to the Kremlin.[26] This was the first striking example of the Kremlin appearing to be destabilised by a hand-picked candidate from the systemic opposition and opting to secure the result by eliminating even the vestiges of formal political competition.

Several months down the road, the Kremlin was faced with another setback – four defeats during the regional elections in September 2018, when a disgruntled electorate suddenly began to vote for any opposition candidate, even those playing the role of spoilers.[27] That was the final straw and in 2019 the Kremlin enforced more rigidly state-controlled elections, ousting more or less all opponents it deemed politically dangerous. Since 2019 the Kremlin has abandoned the tactics of previous years when it admitted a moderate degree of political competition. The presidential administration has shifted to tightly controlled elections, eliminating any undesired surprise results, where the elections become not an expression of political choices, even if manipulated, but a result of political 'engineering' – staged campaigns in which the 'winner' was known in advance.

There are no signs that the Kremlin will soften or change this tactic in the upcoming decade. Quite the contrary in fact – fearing any competition and popular high-profile candidates, the Kremlin will exercise strict control over the electoral process, allowing only extremely weak players to participate in elections. This *modus operandi* poses two problems for the future of the political regime. On the one hand, it deprives the authorities of an important albeit imperfect way of gauging the public mood. As a result the regime will have an impaired understanding of the real social climate, which risks deepening the gap between the authorities and citizens. On the other hand, it deprives the Kremlin of a useful function of elections, whereby they provide voters with an opportunity to 'let off steam'. Inability to voice their dissatisfaction at the ballot box may lead citizens to take to the streets to protest as the only way of voicing discontent. This has already been demonstrated in the unexpected mass protests that took place in Khabarovsk in July 2020, following

26 Andrey Pertsev, "Kremlin Scapegoat: Russia's In-System Opposition Under Attack", Carnegie Moscow Center, April 9, 2019, https://carnegie.ru/commentary/78813 ; Rinat Tairov and Sergey Titov, "'Ni milliarda, ni sta millionov u menya net': Grudinin prokommentiroval vzyskanie s nego 1 mld rubley" ['I have neither a billion, nor 100 million': Grudinin comments on 1 billion ruble penalty imposed on him], *Forbes.ru*, October 29, 2019, https://www.forbes.ru/newsroom/biznes/386425-ni-milliarda-ni-sta-millionov-u-menya-net-grudinin-prokommentiroval-vzyskanie.

27 "Support for Russia's Ruling Party Slips in Regional Elections Amid Pension Protests", *The Moscow Times,* September 10, 2018, https://www.themoscowtimes.com/2018/09/10/support-russias-ruling-party-slips-regional-elections-amid-pension-protests-a62830.

the decision of the Kremlin to arrest regional governor Sergey Furgal, who unexpectedly won the gubernatorial elections in 2018. Thus, the risk of street politics will increase in the 2020s, leading to disorderly pluralism, as currently opposition-minded activists are often disoriented and confused. However, one crucial factor which will influence whether the regime will retain its monopoly on power or adapt to a more pluralist political order, will be contingent on the interaction between Putin and the elites.

Depersonalisation of the regime

The careful balancing between the elite groups ensured by President Putin is crucial to the maintenance in power of the current political regime. If the president reduces his involvement in everyday governance (leading to further depersonalisation of the regime) and fails in his role as arbiter, the political dynamics in Russia will change and pose both risks and opportunities for the future.

Russian elites are far from being a monolithic bloc. Previously we have described five distinct elite groups within Putin's entourage, differentiated according to their functions. However, there is another dimension which is essential to take into account in order to understand their dynamics – the typology of inter-elite conflicts, which demonstrates how deep and irreconcilable are the splits and clashes between various factions. There are divisions along ideological lines: progressive-minded players versus conservatives; rivalries over the management of state functions (e.g. between domestic policy overseers in the Kremlin and the State Duma Speaker); and competition between or inside state bodies for prerogatives (e.g. competing for influence over Arctic policy[28] or infighting[29] among the *siloviki*). There are also various battles between corporations (like Transnet and Rosneft for example.)[30]

All these conflicts mean that the Russian leadership has been deeply split over such questions as whether to go down the path of normalisation of relations with the West or on the contrary move towards further confrontation, whether to implement policies of liberalisation or repression, or whether to embrace progress or conservatism. While the 'protectors' have achieved dominance and extract benefits from Russia's prolonged confrontation with the West, they lead the isolationist trend and the repressive policies (attacks on the media or mass arrests) aimed at suppressing all forms of opposition to the regime. Meanwhile, this causes irritation and resentment among the more progressive-minded parts of the elites: chiefly technocrats and businessmen, including many CEOs of state corporations.[31] The protectors' hardline approach, and readiness to indiscriminately prosecute individuals belonging to the ranks of the elite (including high-level officials),[32] is becoming a source of growing anxiety and is leading to further divisions within elite circles.

With Putin increasingly absent from everyday decision-making and rarely available to intervene and arbitrate in these intra-elite battles, the regime is riven by internal conflict. This

28 See: for example: Anastasiya Vedeneeva, "Plan 'Rosatoma' sochli slishkom ledokol'nym" [Rosatom's plan considered too much of an ice-breaker], *Kommersant*, July 25, 2019, https://www.kommersant.ru/doc/4041443 ; 'Podveshennye za sostoyannya' [Tied to their wealth], *Novaya Gazeta*, April 21, 2019, https://novayagazeta.ru/articles/2019/04/21/80304-podveshennye-za-sostoyaniya.

29 See Nikolay Petrov, "20 let Putina: transformatsiya silovikov" [20 years of Putin: the transformation of the *siloviki*], *Vedomosti,* August 20, 2019, https://www.vedomosti.ru/opinion/articles/2019/08/21/809260-transformatsiya-eliti.

30 See for example: "Politicheski popytka 'Rosnefti' poglotit' 'Tatneft' byla by ochen' opasna" ['Rosneft' trying to swallow 'Tatneft' would be politically dangerous], *business-gazeta.ru*, October 24, 2016, https://www.business-gazeta.ru/article/326414 ; Isabel Gorst, "Rosneft and Gazprom: two behemoths battle it out", *Financial Times,* July 2, 2014, https://www.ft.com/content/3cccbf80-bbd1-3065-876e-a40c16a7a06e.

31 See for example: "Chemezov prokommentiroval aktsii protesta v Moskve" [Chemezov comments on protests in Moscow], *rbc.ru*, August 19, 2019, https://www.rbc.ru/politics/19/08/2019/5d5a4ba89a794795cedd9bbf.

32 This was the case of the Ulyukayev affair. See: "Russian ex-Minister Ulyukayev gets eight years for bribery", *BBC News,* December 15, 2017, https://www.bbc.com/news/world-europe-42365041.

means that government policy is becoming more and more contradictory: decisions conflict with each other, and it is becoming harder to formulate an overall joint strategy.

Even within the circle of Putin's proxies there are numerous splits and divisions: prominent players have differences in priorities, tactics and visions, while the president's failure to balance between them puts the future of the regime and the coherence of its political course in jeopardy. Such difficulties to manage disagreements are not due to an inability on Putin's part to act decisively – the challenge is that most of these conflicts involve figures who are very close to the president, and this proximity makes it hard to find solutions that are satisfactory for all sides. As a rule, the president tends to rely on technocrats to manage social-economic policies while leaning to the *siloviki* when it comes to security issues.[33] He also entrusts important areas of work to his old friends and associates[34] and counts on them in managing the economy. Although this may appear strange to Russia watchers, Putin prefers to delegate more and more functions, with the result that it is becoming increasingly difficult to implement a coherent state policy, given the degree of fragmentation within the government.

The economic fallout from the Covid-19 crisis and risks of destabilisation on the world oil market represent the most serious challenge for the regime.

Current trends suggest that the internal splits and conflicts will deepen with time and Putin's personal role will inevitably become less prominent. Even if one day the presidential administration decides to reassert its control over the everyday decision-making process, it is far from sure that it will be able to do so – many strong players now have their own strategies and priorities.

The economic fallout from the Covid-19 pandemic crisis and risks of destabilisation on the world oil market represent the most serious challenge for the political regime in the last 20 years; among other divisive issues, this lays the ground for more intra-elite schisms.

What lies ahead?

After the annexation of Crimea in 2014 Russia projected the image of a personalised authoritarian regime. But what is striking in this context is Putin's declining political stature. The transformation of Putin's leadership has not only meant that he has become increasingly remote from society but also from the state bureaucracy and his associates, while focusing on his own geopolitical agenda. He increasingly avoids exercising his functions as an arbiter against a backdrop of never-ending intra-elite squabbles.

The depersonalisation of the regime means that Putin is retreating from presidential authority and leaving his staff more and more to deal with routine matters of government (which have drastically increased in volume) and this has resulted in the state becoming more technocratic. Political heavyweights, including Putin's old friends and associates, are gradually being replaced by more malleable and inexperienced young technocrats: it is more comfortable for the president to work with subordinates who do not argue with him, but just obediently implement his orders. This newly-formed technocratic elite is emerging as one of the main pillars of the regime and is becoming its main executive arm. This transformation however is not problem-free. Technocrats lack their own power base, and this makes them politically weak and

33 Jorgen Staun, "Siloviki versus liberal-technocrats: the fight for Russia and its foreign policy", Danish Institute for International Studies, July 2007, https://www.files.ethz.ch/isn/35135/diisreport-2007-9.pdf.

34 "Oil Chief Asks Putin to Exempt Genetic Tech Funding From Taxes", *The Moscow Times*, May 15, 2020, https://www.themoscowtimes.com/2020/05/15/oil-chief-asks-putin-to-exempt-genetic-tech-funding-from-taxes-a70280.

susceptible to pressure from informal but strong political players who have remained in the system, be it 'protectors' or close friends of the president. During the last few years, the 'official' state has been weakening while the 'deep state' has been gaining ground.

The depersonalisation of the regime has two practical consequences: it deprives officials of initiative, and means that they have a diminished sense of political responsibility. Unlike politicians, technocrats often ignore the wider social context, and tend to make socially and politically insensitive statements.[35] They are accountable to their bosses, not to the electorate. On the other hand the fact that they are reduced to a purely implementing role, rather than engaged in formulating new approaches or policies, means that technocrats are hampered by a lack of initiative. The recent coronavirus crisis has clearly exposed this. While the federal government hesitated, and Putin expected the cohort of young technocrats to implement decisive measures concerning the lockdown, regional leaders had to take control of the situation acting on their own. In other words, the more technocratic the government becomes, the less capable it is of tackling a crisis and acting in a concerted manner.

The more technocratic the government becomes, the less capable it is of tackling a crisis and acting in a concerted manner.

What does all this mean for the future of the political regime? Looking ahead, it should be borne in mind that Putin's role in the system has been becoming gradually less prominent. If this trend continues, the future of the political regime will depend increasingly on the intensity of intra-elite conflicts. These may push the country's political system to a critical crossroads – either the regime will opt for harsher repression (but this will be contingent on it disposing of the resources to implement such a policy) or it will have to accept a more plural political landscape, but at the risk of losing ultimate political control.

Elites will have to learn to manage conflicts in new circumstances themselves, which will lead the regime to become more polycentric and hence less coherent. Sooner or later Putin's increasing disengagement will pose the question – who is best placed to lead Russia into the future? The most intriguing issue here is whether and when one of Putin's heirs apparent will dare to challenge Putin himself, questioning his policy and demanding changes. The need for more convincing leadership combined with popular demand for social change may completely reshape Russian politics in the coming years.

35 See for example, "Jump for it Russian governor draws criticism for forcing firefighter to leap for keys to new fire-engine", *Meduza*, January 24, 2020, https://meduza.io/en/feature/2020/01/24/jump-for-it.

CHAPTER 3

RUSSIA'S ECONOMY

From dusk till dawn?

by
JANIS KLUGE

Economy
Three scenarios

Singapore of steel — Russia conducts bold economic reforms and opens up to foreign investment without political liberalisation. Wage cuts and unemployment lead to protests that are firmly suppressed by the regime.

Big hangover — Structural reforms are postponed and economic depression forces Moscow to turn to China for political-strings-attached credit and investments.

Bleak solitude — Russia isolates itself from the West and China. Weakening economic performance brings about massive brain drain and Moscow loses its grip on the post-Soviet states.

Russia's economy is commonly seen as its weak point, casting a shadow over any assessment of the country's future prospects. While booming oil prices led to fast economic growth in the 2000s despite a lack of structural reforms, Russia's economy lost its impetus when energy revenues began to stagnate in the 2010s. The country's rather bleak long-term economic outlook creates risks for domestic stability and may have negative implications for its foreign and military policy. Whether Russia will move beyond its current economic model in the decade leading up to 2030 depends mainly on political developments in both the domestic and the international arena. Technological and environmental changes, in contrast, can be expected to have a more gradual impact, but they play an important role as a catalyst of political developments. In the upcoming decade, the combination of these factors could set Russia on a course to economic isolation and decline, or alternatively lead to closer integration with the international economy.

This chapter opens the discussion on Russian futures by presenting three possible scenarios for the Russian economy in 2030. It then looks briefly back at where Russia was in 2020 and in the final section it analyses the trends and critical uncertainties upon which the three scenarios are based.

THREE SCENARIOS FOR 2030

1. Singapore of steel

As Russia prepares to celebrate the New Year's Eve of 2029, it has successfully set its economy on the path of authoritarian capitalism and embraced innovation and digital technology. It all began with the nomination of Mikhail Mishustin as prime minister in January 2020.

While observers within Russia and abroad were waiting to see what President Putin would decide regarding his future, nobody noticed the creeping decline in Putin's political stature in Moscow. In 2020, after recovering from a Covid-19 infection, Mishustin gained in popularity due to his efficient management of the pandemic crisis while trust in Putin further diminished. Mishustin skillfully exploited the growing uncertainty among Russian elites about a possible shift in power at the top of the Kremlin. During his time at the helm of Russia's tax administration, Mishustin had systematically gathered masses of financial data about prominent figures among Russia's leadership. By skilfully using this *kompromat* and by warning that Russia would never recover economically from the crisis unless drastic changes were initiated, he lured a faction of the security services into a coalition to form a new power centre in Moscow. It became increasingly clear that Mishustin was not only a freemarket capitalist ideologue but a ruthless political operator. A portrait of Singapore's long-standing prime minister Lee Kuan Yew hung over his desk.

By 2022, after Russia had gone through two years of recession, Putin's 'National Projects' programme disappeared from the news. There was speculation on several Telegram channels that state media journalists had been muzzled to ensure that the Russian public were not reminded of the complete failure of Putin's 2018 initiative. Instead, as plummeting oil prices in 2020 had once again exposed the perils of Russia's oil dependence, Mishustin began advertising a new grand strategy that was supposed to create an efficient economy purely driven by private investment, featuring a small state and zero reliance on oil and gas revenue. The official name of the policy was '*Vozderzhaniye* 2030', but in the Western media it became known as 'withdrawal therapy'. Key elements of the plan included raising the domestic prices of petrol and natural gas to the level of export prices and building up a National Welfare Fund to 100% of GDP until 2030, following Norway's example. To achieve this result, the fiscal rule implemented in 2018 was continuously tightened each year. The mandatory break-even oil price for Russia's budget was reduced by 5 USD per year, meaning that after eight years, in 2030, the Russian government's budget would break even without a single barrel of oil having been exported.

For the average Russian citizen, the 2020s were an economically difficult time. The implementation and acceleration of pension reform and the clampdown on the informal economy put severe pressure on the population in Russia's smaller cities and villages. The drastic cuts in state subsidies, including the abandonment of import substitution in all civilian sectors of the economy, led to bankruptcies and widespread unemployment in many of the country's provincial manufacturing towns. Once again, echoing the hardship that had accompanied the 2020 pandemic crisis, the official unemployment rate began to rise across Russia, with a concomitant increase in poverty.

In the years from 2022 to 2025, frequent and violent social protests became the norm, but as Moscow employed increasingly sophisticated surveillance methods and technologies, combined with severe penalties and repression, popular resistance was kept in check. Economic growth continued to hover around zero due to the government's highly restrictive budget policy. As the National Welfare Fund grew year after year, it was invested in international stocks and bonds, leading to a systematic weakening of the rouble. By 2025, the US dollar stood at 125 roubles. As imported goods became more expensive, the population's purchasing power declined; however, some parts of Russia's agriculture and food industry started to come back to life.

In 2023, Mishustin offered Vladimir Putin retirement with full honours and immunity from prosecution. Putin designated Mishustin as his successor, and the new president was voted into office in 2024. The declining influence of Putin meant that the CEOs of state-owned enterprises, who had always relied on having privileged access to him, came under increasing pressure. Mishustin used every opportunity to reduce their clout in economic policy. To undermine once powerful executives such as Igor Sechin, Aleksey Miller, Sergey Chemezov and Nikolay Tokarev, he strengthened Rosneft's and Gazprom's commercial competitors and deprived the state companies of any special privileges. Gazprom lost its monopoly over pipeline gas exports which had already been undermined by the mushrooming of LNG projects led by both Rosneft and Novatek. Arms and technology conglomerate Rostec as well as the oil pipeline operator Transneft were broken up into dozens of smaller companies. In 2028, most of the stocks in state-owned companies held by the state were sold to further increase the volume of the National Welfare Fund. At the same time, the rules for public procurement became significantly stricter. Placing orders without competitive bidding became virtually impossible, a rule that hurt the Rotenberg family particularly hard and let to its disappearance from the Forbes list of the richest Russians.

Foreign investors, on the other hand, were treated like kings in Mishustin's Russia. Whoever invested more than 10 million USD in the country was granted a status similar to diplomatic immunity. This helped to limit some of the risks of corruption that continued to plague Russia. Inward foreign direct investment from the EU, but also from the US and China, began to grow in the late 2020s. Because of the weaker exchange rate, wages in Russia had fallen below the level of Poland and even Romania. At the same time, Moscow had begun lowering its previously protectionist import tariffs. In 2028, Russia's GDP growth rates exceeded 3% for the first time since 2012. More importantly, the forecast for Russia's economy began to look brighter. It was clear that Russia's 'withdrawal therapy' had turned out to be a success. But it had also deprived a whole generation of the living standards and most of the individual freedoms that had still been common in the early 2010s.

2. Russia's big hangover

In late 2029, Russia is looking ahead to an uncertain future. After a consumption boom fuelled by lavish fiscal spending, it has dawned on most analysts that economic problems will continue to increase, and the country, encumbered by high levels of debt, inflation and a large budget deficit, is ill-prepared to face the challenges ahead. There has been an exodus of foreign capital from Russia after an expropriation scandal that rattled the investor community, and as oil revenues are slowly shrinking, Moscow is looking to the East for help.

In 2020, Russia was hit by the Covid-19 crisis in the middle of a major constitutional overhaul, while the economy was stagnating and the population had grown increasingly frustrated with deteriorating living standards. Neither the National Projects nor the modest increases in social spending initiated in 2020 had any palpable effect on people's incomes, which plummeted as a result of the Covid-19 crisis. After the vaccines arrived, and people were no longer afraid to gather in large crowds, protests became more frequent; and attempts to suppress these led to even more unrest. As the Duma election of 2021 was approaching, the Kremlin realised that it had to increase public spending and compensate for some of the economic pain the crisis had inflicted on Russia's citizens. Polls indicated an embarrassing result for the party in power, United Russia. After the party managed to barely eke out an absolute majority in the election, President Putin dismissed Prime Minister Mikhail Mishustin, who until the end had supported a stricter fiscal policy. Instead, the economic interventionist Andrey Belousov was appointed to the second-highest position in the Russian state.

After Covid-19 was finally eradicated in 2022 with worldwide availability of vaccines, oil consumption began to rapidly recover, underinvestment in previous years having limited global supply. Forecasts of oil prices soaring to $90 a barrel prompted the finance ministry to spend the remaining liquid reserves in the National Welfare Fund, which were depleted to 5% of GDP. However, the funds did not end up directly in the state budget: after several weeks of closed-door negotiations, it was agreed that the state-owned oil company Rosneft would offer big discounts at its petrol stations, while in exchange the National Welfare Fund would be used to finance the acquisition of Russia's most valuable private oil company, Lukoil, by Rosneft. Gas giant Gazprom struck a similar deal, allotting a quota of free natural gas for every Russian household, in return for state financing of the Trans-Altai pipeline to China and the construction of a new giant petrochemicals production complex in the Far East.

Lower domestic petrol prices and cheaper utility bills relieved the economic pressure on households and increased people's disposable income. Crude oil prices momentarily soared to $90 on international markets in 2023, strengthening the rouble despite Russia's loose fiscal policy. Russian consumer confidence was riding high, as imported goods became available at more affordable prices. The use of the National Welfare Fund and the high price of oil drove annual GDP growth up to 4.5%, bringing back memories of the economic boom of the 2000s.

In this climate of economic optimism, in October 2023, Vladimir Putin was expected to announce the start of his presidential election campaign before an ecstatic crowd. Instead, he shocked the world by announcing his retreat from the Kremlin, although he declared that he would keep his place on the Security Council. He presented a younger, but well-known, successor: Dmitri Medvedev, who had expanded his influence while serving as deputy chair in the Security Council. Medvedev began his second term as Russia's president with the announcement that the ongoing pension reform, which had led to rising grievances among the older working population, would be frozen until further notice, because the fiscal situation had altered significantly .

Under Medvedev, food import restrictions were lifted, as their enforcement had become increasingly sporadic. Russian farmers were compensated for the decision with direct subsidies. Once again, Muscovites flocked to buy imported delicatessen foods as well as the latest electronic gadgets from the West. Russia again became a magnet for guest workers from Central Asia, but also from Eastern Europe. The workers were urgently needed, as an ageing population and the suspended pension reform meant that there was a labour shortage in all of Russia except the North Caucasus. Annual immigration rose to 500,000, more than compensating for natural population decline. The strengthening rouble allowed Russians to travel abroad again more often, and communities of Russian pensioners enjoying the European lifestyle started appearing in EU countries such as Bulgaria, Serbia and Greece.

While Russia was enjoying what would be its last oil bonanza, climate change policies gained more and more momentum each year in the West. The CEO of British Petroleum (BP), which still held 19.75% of Rosneft's shares, came under immense pressure in late 2025 to make progress on BP's ambitious climate goals. He began to pressure the Russian oil giant to lower its carbon footprint to help BP fulfil its targets. As these attempts failed and Rosneft's management showed no intention of following BP's green energy guidelines, BP tried to gather support among other Rosneft shareholders to replace CEO Igor Sechin with a more understanding executive. In what was clearly a reaction to this, in October 2026, masked men carried out a raid on BP's Moscow office, confiscating computers and troves of documents. A money laundering investigation into the 2013 sale of TNK-BP to Rosneft was initiated. By December 2026, BP's shares were frozen by Moscow's Basmanny district court and later auctioned off. An unknown offshore firm was the only bidder, as all other prospective buyers failed to submit the complex paperwork in time, which had to be presented within 48 hours of the auction being announced.

After what most observers perceived as an expropriation of BP, capital flight from Russia intensified. At the same time, oil prices began retreating, as US shale production soared while technological breakthroughs in battery technology and stringent new climate protection measures introduced by the EU began to dent oil demand. In 2027, Russia's budget balance deteriorated and the rouble sank within months to a new low of 200 per US dollar. To staunch the outflow of funds and to attract fresh capital, the finance ministry announced the issuance of 60 billion worth of USD-denominated Eurobonds. However, Western investors were reluctant to buy Russian debt and demanded high risk premiums. Capital had also become extremely scarce in the West, which was fighting a wave of inflation and high levels of state debt as a consequence of the Covid-19 crisis. Overcoming its initial reservations, Moscow began looking to the East. China, which had suffered less from the Covid-19 pandemic early in the 2020s, signalled its willingness to step in and stabilise Russia's finances. The loans came with strings attached: shares in state companies and untapped mineral resources needed for battery production were requested from Russia as a collateral for loans given by Chinese state banks.

3. Bleak solitude

By the year 2030, Russia has significantly reduced its economy's international linkages. Trade and foreign investments have retreated to levels not seen since the early 2000s. Russia has failed to develop its own alternatives to foreign technologies and relies on outdated equipment in many sectors of the economy, including natural resources. Oil is more important than ever for the economy, but Russia's production capacity has declined to around 6 million barrels per day, as new oil reservoirs are out of reach for Russian energy firms. Printing roubles has become the answer to most problems – and a problem itself, as galloping inflation testifies.

Russia's economic isolation began early in the decade, when its relationship with the US deteriorated. After the 2020 presidential elections in the United States gave the Democrats control of the White House and the Senate, reports appeared claiming that Russia had again tried to influence the US elections. A new sanctions bill was drafted, based on the 'Defending American Security from Kremlin Aggression Act' of 2018. In the new version, the bill contained a provision aimed at limiting the amount of oil the US and its allies can buy from Russia's Rosneft. Although the import limits were to be coordinated with NATO partners, Rosneft's stock and the Russian rouble plummeted at the news. International oil prices shot up, but Saudi Arabia and other Organisation of the Petroleum-Exporting Countries (OPEC) nations promised to quickly fill the supply gap.

While Moscow called the restrictions on Rosneft a declaration of economic war, within Russia a conflict over the future of the company erupted. Technocrats in the government proposed transferring some of Rosneft's assets to competing Russian oil firms to renew the exports of oil, but Rosneft CEO Igor Sechin was lobbying for an aggressive response to Washington. The Kremlin decided to impose a new round of countersanctions on the US, despite the expected negative effects on Russia's own economy. The export of titanium to US airplane manufacturer Boeing was banned and cooperation on space programmes was discontinued. Simultaneously, investigations against US internet giants Facebook and Google were launched that ended in large fines being imposed on both firms for anti-competitive behaviour. The import of US computer chips and the use of American software were restricted for security reasons. Sanctions were quickly undermined by shadowy businessmen who managed to find ways around the restrictions. At the same time, China volunteered to supply some of the hardware that Russia needed.

While it first seemed that Sino-Russian economic relations would flourish as a result, the Russian leadership grew increasingly suspicious of China as well. China's handling of the Covid-19 crisis had accelerated its economic and geopolitical rise, while Russia had struggled until vaccines arrived. The balance of power had fully shifted in Beijing's favour. The Kremlin was sceptical about China's willingness to help Russia develop its own high-tech equipment. After fruitless years engaged in the joint development of a Sino-Russian 5G platform by Rostec and Huawei, the Russian side pulled out in 2024, accusing the Chinese of sabotaging progress and mainly using the project to headhunt the best Russian engineers to work for Chinese firms. As relations between Beijing and Moscow soured, cracks appeared in the Eurasian Economic Union (EAEU). Kazakhstan had secretly entered into bilateral negotiations with Beijing over a possible free trade deal in preparation for its 'Kazaxit': Nur-Sultan had long recognised that economic alignment with China was inevitable, and it needed to keep its markets open to Chinese trade and investment.

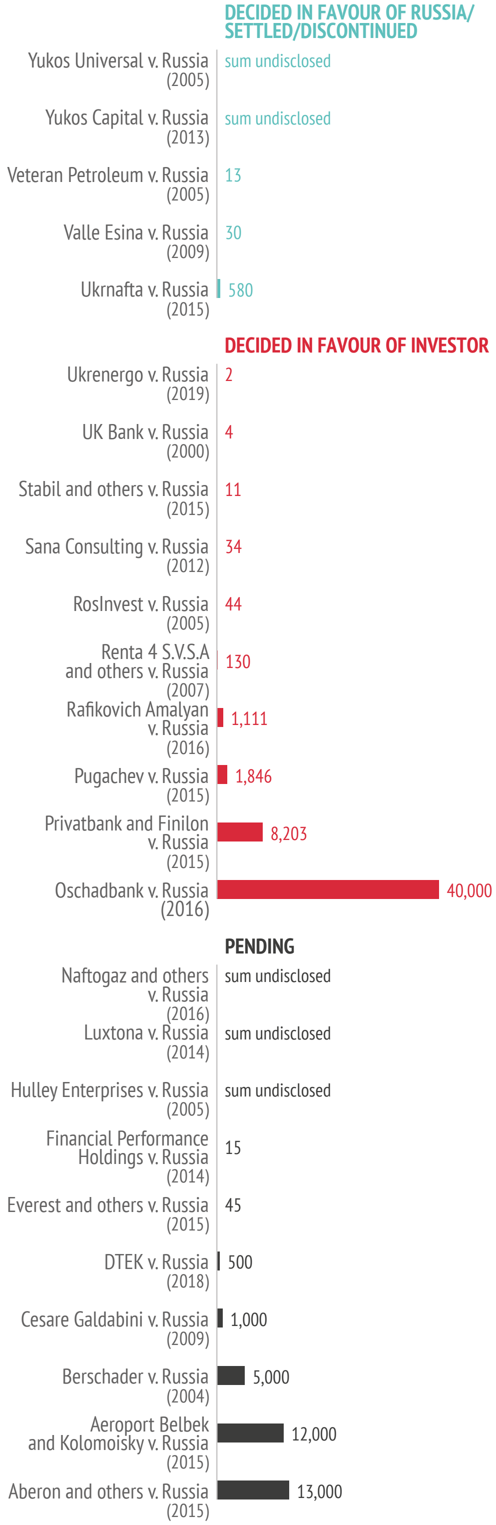
In 2025, a group of former shareholders in Mikhail Khodorkovsky's YUKOS oil company launched a concerted campaign to confiscate Russian state property all over the world, in an attempt to claim $50 billion in compensation that they had been awarded by the Permanent Court of Arbitration in The Hague. Moscow immediately announced that it intended to freeze the assets of investors from any country that cooperated in such confiscations. At the same time, verdicts were reached in a number of smaller investor-state disputes linked to the annexation of Crimea, adding another $30 billion to be paid to different Ukrainian firms that had been expropriated in 2014. Lambasting the 'completely politicised nature' of the international arbitration system, Russia announced its withdrawal from the New York Convention on the Recognition and Enforcement of Arbitral Awards. The Russian constitutional court had concluded that the convention was incompatible with Russia's 2020 constitution, which gives ultimate precedence to Russian domestic law. For Russian businessmen, Russia's withdrawal from international arbitration caused a major loss of trust in international commerce. Foreign business partners started demanding advance payments and guarantees from foreign governments for larger transactions or investments.

All elections in Russia had been postponed for two years due to the Covid-19 crisis. Vladimir Putin was re-elected as Russia's president in 2026. After an election campaign that centred on foreign 'economic aggression', Putin appointed economist and former Kremlin advisor Sergey Glazyev to head a new commission that was tasked with developing a comprehensive economic security strategy.

The first recommendation of the Glazyev commission was that the Central Bank should start directly financing Russia's industry to help it invest in infrastructure and increase production. Glazyev's idea was greeted with poorly hidden condescension by the remaining technocrats in the government, internationally

International arbitrage

Russian cases since 2000, year of initiation of case and sum of compensation or claim, $ million



Data: Macrotrends.net, 2020

renowned Central Bank chair Elvira Nabiullina and finance minister Anton Siluanov. However, when Nabiullina was dismissed by Putin a few weeks later, it became clear that the government was serious about steering economic policy in this new direction. Pressure was also mounting on the finance minister, who was under investigation for undermining national security by blocking subsidies for the struggling arms industry. Both Nabiullina and Siluanov were replaced with men who had little experience in fiscal and monetary policy, but a background in Russia's security services.

Following Glazyev's recommendations, the Central Bank of Russia began directly financing Russian firms and the government with a sizeable loan programme in 2027. The regulator also returned to controlling the exchange rate to protect Russia's rouble, which had fallen by 30% in reaction to the policy. To support the rouble while saving the country's remaining currency reserves, Moscow began implementing capital controls. Soon after, US dollars could be sold at a 30% premium to the official exchange rate on informal currency exchanges throughout the country.

In a second round of recommendations, Glazyev proposed that Russia's telecommunications regulator, Roskomnadzor, should finally carry out a long-planned experiment and temporarily disconnect Russia's internet from the outside world. The plan was rather hastily put into action in 2028, but proved to be more difficult than anticipated, as it turned out that the domestic infrastructure was incompatible and too decentralised. Despite the preparations undertaken after Russia's 'Sovereign Internet Law' was adopted in 2019, this resulted in extensive malfunctions: many cities in Russia could only sporadically access the internet for weeks in late 2028, leading to economic turmoil in the affected regions.

For many of the younger and university-educated Russians from urban areas, the failed internet disconnect experiment was the proverbial straw that broke the camel's neck. In the following months, thousands left Russia to work or start their own business in Europe and the US, but also in Asian countries such as Singapore and Thailand. The trickle turned into an avalanche when rumours began to spread that the Kremlin planned to restrict travel for certain categories of 'high-tech professionals' to rein in the loss of qualified labour.

THE STATE OF PLAY IN 2020

The Russian economy has begun the 2020s with a very low growth dynamic, but its external debt is low and fiscal and monetary reserves are expected to support stability in the medium term.[1] In March 2020, Russia's National Welfare Fund stood at 11.3% of GDP (165 billion USD),[2] while the Central Bank's international reserves (which include the Welfare Fund) amounted to 581 billion USD.[3] By switching to a floating exchange rate, tightening budget spending, raising taxes and increasing the retirement age, the Kremlin has improved Russia's macroeconomic resilience since the recession of 2014/2015. Economic sanctions have become a chronic problem, however, and Russia's counter-measures have further limited its potential to catch up with the rest of the world technologically. In an attempt to restart growth, Russia launched 13 National Projects at the beginning of Putin's third term in 2018. The

1 World Bank Group, "Modest Growth - Focus on Informality", *Russia Economic Report,* no. 41, June 2019, https://openknowledge.worldbank.org/handle/10986/31933.

2 Russian Finance Ministry, "Fond natsional'nogo blagosostoyaniya/Statistika" [Volume of the National Wealth Fund], https://www.minfin.ru/en/key/nationalwealthfund/statistics/?id__65=104686-volume__of__the__national__wealth__fund#, https://www.minfin.ru/ru/perfomance/nationalwealthfund/statistics/?id__65=93488-dannye__o__dvizhenii__sredstv__i__rezultatakh__upravleniya__sredstvami__fonda__natsionalnogo__blagosostoyaniya#

3 Bank of Russia, "International Reserves of the Russian Federation (End of period)", December 2017-June 2020, http://cbr.ru/eng/hd__base/mrrf/mrrf__7d/

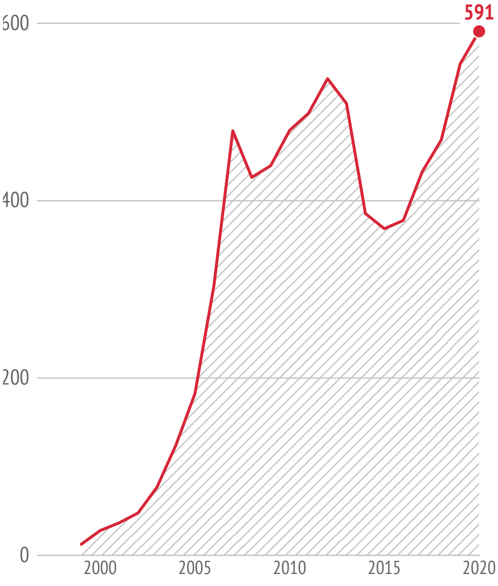
investment programme got off to a slow start, and so far, tangible effects are expected to be rather small.[4] No significant fiscal impulse from budget policy was planned for 2020-2022.[5]

This was before the Covid-19 pandemic hit Russia. Since then, plunging oil prices and an economic recession have subjected the country's economic stability to the most severe strain since the global financial crisis in 2009. In line with international forecasts, Russia's Central Bank expects a 4%-6% decline in Russia's GDP and a federal budget deficit of up to 6%.[6] As incomes are falling and many smaller firms are struggling to stay afloat, registered unemployment doubled to 1.4 million between March and mid-May 2020.[7] Despite the dramatic economic fallout from the Covid-19 lockdown, the Kremlin has been reluctant to initiate a large-scale rescue package for businesses and citizens, due to its concern that this might jeopardise Russia's fiscal strength.[8] While the overall magnitude of the Covid-19 crisis is not yet clear, firms and private households are expected to bear most of the economic pain.

Apart from the acute Covid-19 crisis, the fundamental long-term problems of Russia's economy remain unresolved: the threefold challenge of resource dependency, state dominance and corruption is still endemic.[9] As of 2020, many industries outside the energy sector are dependent on state and energy subsidies

Russia's international currency reserves

Value at 31 Dec (21 Aug for 2020), $ billion



Data: Bank of Russia, 2020

as well as protectionist trade barriers.[10] The only glimmer of hope for businesses is Russia's fast-moving digitalisation of state services,[11] which has smoothed some aspects of the notoriously bureaucratic business-state interaction procedures (such as tax collection through online declarations) and, arguably, earned Mikhail Mishustin, the former head of Russia's

4 "Putin's $400Bln National Projects Will Barely Boost Russian Economy, Study Finds", *The Moscow Times,* October 31, 2019, https://www.themoscowtimes.com/2019/10/31/putin-national-projects-boost-russia-economy-a67989.

5 Ivan Tkachev, "Russia's new budget: are there any development incentives?", *ridl.io*, November 12, 2019, https://www.ridl.io/en/russia-s-new-budget-are-there-any-development-incentives/

6 Bank of Russia, Statement by Bank of Russia Governor Elvira Nabiullina in follow-up to Board of Directors meeting on 24 April 2020, http://www.cbr.ru/eng/press/event/?id=6676.

7 "Unemployment in Russia doubles", *TASS*, May 12, 2020, https://tass.com/society/1155591. Registered unemployment is always extremely low, the actual unemployment rate (~5%) is based on surveys.

8 Ivan Tkachev, "Russia's fiscal wellbeing is suddenly melting away", *ridl.io*, May 2, 2020, https://www.ridl.io/en/russia-s-fiscal-wellbeing-is-suddenly-melting-away/

9 Noah Buckley, "Corruption and Power in Russia", Foreign Policy Research Institute, April 10, 2018, https://www.fpri.org/article/2018/04/corruption-and-power-in-russia/; "Russia Corruption Rank 1996-2019 Data | 2020-2022 Forecast | Historical | Chart", *Trading Economics,* https://tradingeconomics.com/russia/corruption-rank.

10 In 2018, Russian customers paid Gazprom €53.7 per 1000 m3 of natural gas, while export prices to Europe were € 209.1 per 1000 m3. https://www.gazprom.com/about/marketing/. Russia ranks 68 out of 86 analyzed countries in terms of trade barriers: https://www.tradebarrierindex.org/country/russian-federation.

11 In the 2018 UN E-Government Survey, Russia ranked 25 out of 193 in the Online Public Services category, ahead of many EU countries (including Estonia). It's overall E-Government Development Index was the highest of all upper middle-income economies: https://www.un.org/development/desa/publications/2018-un-e-government-survey.html

tax agency, his promotion to the office of prime minister.[12]

PREDICTABLE FUTURE TRENDS

The experience of other countries suggest that Russia's fundamental economic problems will in all likelihood still be there in 2030. Even if Russia's government today were willing to pull out all the stops to fight corruption, ten years would be a very short timeframe in which to significantly improve the rule of law and subsequently the country's business climate. Georgia's success in limiting corruption from 2003 to 2009 is often seen as a best-case scenario. However, high-level corruption still persists in Georgia, and key factors in Tbilisi's success, such as the post-revolutionary setting and the aspiration to become more Western, do not apply to Russia.[13] Instead, the situation in Russia seems to have deteriorated over the last few years, as attested by the first arrest in Russia's history of an acting minister, Aleksey Ulyukaev, in 2016, and the prosecution of the founder of Russia's largest private equity fund, Michael Calvey, in 2019.[14] As with the fight against corruption, shrinking the state's footprint in the economy takes time and dedication. Although the 1990s showed that privatisation is possible in Russia if it aligns with the interests of the country's elites, it exposed the weakness of the central state and eventually created the preconditions for the rise of a 'strong hand' and renationalisation under Vladimir Putin.[15]

The oil price will continue to be a key factor in Russia's economic fortunes and, by extension, its political stability.

Another prediction that can be made with relative certainty is that in 2030, oil and gas will still be Russia's primary exports.[16] While the fight against climate change in Europe and elsewhere is set to intensify, most societies are still structurally dependent on hydrocarbon imports, and the developing and emerging economies are growing too fast for global demand to shrink significantly within a decade.[17] The oil price will continue to be a key factor in Russia's economic fortunes and, by extension, its political stability. The Covid-19 crisis has shown that in the short term, extreme price swings are possible, and the onset of the new energy era is beginning to affect the oil market. To mitigate the effects of price fluctuations, Russia introduced a fiscal rule in 2018, which saves oil and gas revenue when the oil price is above 42 USD and supports the budget when it falls below that level. Additionally, the US shale oil industry can be expected to anchor the oil price in the medium term at around 50 USD. With its short

12 Yelizaveta Bazanova and Filipp Sterkin, "Mikhail Mishustin: tsifrovaya model' prem'er-ministra" [Mikhail Mishustin: the prime minister's digital model], *Vedomosti*, January 16, 2020, https://www.vedomosti.ru/economics/articles/2020/01/16/820807-mihail-mishustin-tsifrovaya-model-premer-ministra; "Russia's role in producing the taxman of the future", *Financial Times*, July 29, 2019, https://www.ft.com/content/38967766-aec8-11e9-8030-530adfa879c2. There are also so-called 'pockets of effectiveness' in the economy, in which governance is improved locally through digitalisation. See Yury Kabanov and Andrey V. Chugunov, "Electronic 'Pockets of Effectiveness': E-governance and Institutional Change in St. Petersburg, Russia", International Conference on Electronic Government, August 4, 2017, https://link.springer.com/chapter/10.1007/978-3-319-64677-0_32.

13 Alexander Kupatadze, "Explaining Georgia's anti-corruption drive", *European Security*, vol. 21, no. 1 (2012), pp. 16-36, https://www.tandfonline.com/doi/full/10.1080/09662839.2012.656597.

14 See Alan Cullison and Thomas Grove, "'Last Man Standing': An American Investor in Russia Takes a Fall", *Wall Street Journal,* July 31, 2019, https://www.wsj.com/articles/last-man-standing-an-american-investor-in-russia-takes-a-fall-11564603365.

15 Andrei Yakovlev, "The Evolution of Business: State Interaction in Russia: From State Capture to Business Capture?", *Europe-Asia Studies,* vol. 58, no. 7 (2006), pp. 1033-1056, https://www.jstor.org/stable/20451287?seq=1.

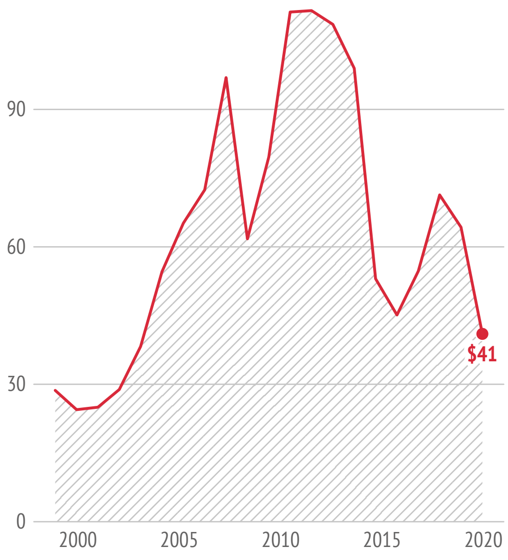
16 The Russian government expects total energy exports in 2035 to be 16.1-32.4 percent higher than 2018. See Tatiana Mitrova and Vitaly Yermakov, "Russia's Energy Strategy-2035: Struggling to Remain Relevant", *Russie.Nei. Reports* no. 28, Ifri, December 2019, https://www.ifri.org/en/publications/etudes-de-lifri/russieneireports/russias-energy-strategy-2035-struggling-remain, p. 15.

17 In the International Energy Agency's *World Energy Outlook 2019*, even in an ambitious sustainable development scenario, oil demand will only decline from 96.9 million barrels per day in 2018 to 87.1 million barrels per day in 2030. International Energy Agency, *World Energy Outlook 2019*, November 2019, p. 132, https://www.iea.org/reports/world-energy-outlook-2019/oil#abstract.

investment cycles, it reacts much more quickly to price changes than traditional oil producers, compensating changes in supply and demand if OPEC+ or similar oil agreements fail to balance the market.

Brent oil

Barrel average price, 2000–2020, $



Data: Macrotrends.net, 2020

A number of global megatrends are certain to affect Russia's economy over the next decade, but are also unlikely to singlehandedly alter its development path. An ageing population will lead to lower growth and a shrinking labour force, but Russia's pension reform has mitigated some of the expected damage, increasing the economically active population by 2 million until 2030 and raising the average GDP growth rate by 0.4 percentage points.[18] The economic rise of Asia will continue to gradually shift Russia's trade and investment links to the East.[19] At the same time, Russia's population is increasingly drawn towards the European parts of the country, which will remain the economic centre of gravity.[20] Global warming is expected to keep the Northern Sea Route through the Arctic navigable 1.5-3 days longer each year and slowly enhance its attractiveness for shipping, but it requires significant investments in infrastructure and will not rival traditional shipping routes until 2040.[21] Finally, the software industry has been a bright spot in Russia's economy and means that the country could benefit from the digitalisation megatrend, on condition that it manages to put the right political framework in place.

UNCERTAIN DRIVERS OF CHANGE

Despite its deficiencies and a strong presence of the state, Russia's economy today is a market economy and hence able to absorb and overcome a number of economic shocks. The less predictable, yet decisive factors for Russia's economic development until 2030 are connected to political developments. Here, the downside risks are especially important. Destabilisation and crisis caused by political events can happen overnight, while sustainable positive development is a constant marathon. The political context of Russia's economic development is presented below, with the analysis focusing on two particularly important factors: the future mode of governance in Russia, and the Russian leadership's attitude towards economic interdependency with the rest of the world.

18 Maria Ivanova, Aleksey Balaev and Evsey Gurvich, "The Implications of Raising the Retirement Age for the Russian Workforce", *Problems of Economic Transition*, vol. 59, no. 11-12 (2017), p. 883.

19 From 2008 to 2018, the EU's share in Russia's trade turnover shrank from 57% to 40%, while China's share doubled from 8% to 16%. Author's calculations based on trade data from: https://comtrade.un.org/data/.

20 From 2010 to 2018, more than 1.4 million Russians have migrated to Russia's westernmost federal districts (North-Western, Central and Southern), while all other districts have negative net internal migration: https://showdata.gks.ru/report/276654/

21 Carsten Ørts Hansen, Peter Grønsedt, Christian Lindstrøm Graversen and Christian Hendriksen, *Arctic Shipping: Commercial Opportunities and Challenges* (Frederiksberg : CBS Maritime, 2016), https://research.cbs.dk/files/58711152/Arctic_Shipping_Commercial_Opportunities_and_Challenges.pdf.

Governance by day or by night?

In an article published in 2018, Russian analyst Konstantin Gaaze asked if Putin's fourth term in power would be controlled by 'daylight rulers' or by 'night rulers'.[22] The daylight rulers denoted Russian officials who fulfil their duties mostly in accordance with their formal job description, and are under the centralised control of the Kremlin. They are neither democratic nor liberal, and like to see themselves as apolitical technocrats. While important economic decisions are made in the Kremlin, well-known daylight rulers are responsible for the day-to-day management of official economic governance, such as the ministers of finance or economic development, or the governor of the Central Bank.

Russia's night rulers are less well-known or visible. Yet, their impact on the economy is paramount. Night rulers are often, but not necessarily, state officials, usually have close ties to the security apparatus and use these links to pursue their private political agendas and business interests. They ruthlessly compete against anyone that stands in their way, be it the daylight rulers, private businessmen or other night rulers. Russia's highest-ranking night rulers have direct access to Putin, both within the walls of the Kremlin and in more mundane settings, such as playing with the president in the Night Hockey League, an amateur league founded by Putin which organises VIP matches.

A Russian state run by an amorphous group of night rulers would be less stable and less predictable.

The night rulers' names occasionally surface when conflicts over economic assets escalate and lead to arrests. Some names can also be found on Western sanctions lists, such as that of Yevgeny Prigozhin, a murky figure who represents the shadowy side of Russia's 'privatisation' foreign policy. A particularly dominant actor who has repeatedly used his personal influence and connections in the secret services to undermine and discredit competitors is Rosneft CEO Igor Sechin. He accomplished his most notorious feat in 2016, when he personally orchestrated a sinister trap that sent then-minister for economic development, Alexey Ulyukayev, to jail for eight years.[23] The 2019 arrest of US investor Michael Calvey, which severely damaged Russia's image as an investment destination, is another example of night rulers (in this case Artyom Avetisyan) manipulating events from behind the scenes.[24]

For the state of Russia's economy in 2030, it is of immense importance if 'daytime governance' prevails, or if shadowy figures manage to expand their influence. At the negative end of the possibility spectrum, dominant night rulers could emerge and take on key roles where so far technocrats have been in charge, such as the finance ministry or the Central Bank. Narrow interests would become even more dominant and effective implementation of stringent economic policies all but impossible. A Russian state run by an amorphous group of night rulers would be less stable and less predictable. As different groups struggle for power, high-profile arrests such as that of Ulyukayev would become more frequent. At the positive end of the spectrum, daylight rulers would hold on to and possibly expand their role in Russia's government. This certainly will not turn Russia into a democracy, but it would allow for a more coherent and coordinated economic policy that could enable limited economic development. A key characteristic of Putin's rule is its 'hybrid' character, favouring a technocratic approach to macroeconomic policy, which he sees

22 Konstantin Gaaze, "Between Night and Day: Who Will Control Putin's Fourth Term?", Carnegie Moscow Center, December 21, 2017, https://carnegie.ru/commentary/75087.

23 Andrew E. Kramer, "Fancy Sausages and a $2 Million Bribe: A Trial Uncovers Kremlin Infighting", *The New York Times,* December 15, 2017, https://www.nytimes.com/2017/12/15/world/europe/russia-ulyukayev-bribery.html.

24 Op.Cit., "'Last Man Standing': An American Investor in Russia Takes a Fall."

as the foundation of his power, but also having deep roots in the secret services and relying heavily on a close circle of night rulers to secure his power. Because of the dominant role of the presidency in Russia's political system, whoever is in charge of the Kremlin in 2030 will define the parameters of both positive and negative change.

An open or securitised economy?

In 2020, Russia still has a relatively open economy.[25] It is bolstered by strong international ties in trade, finance, digital infrastructure and the information space. Initially, the radical opening-up of the economy in the 1990s to foreign capital and international trade and travel set post-Soviet Russia on a course towards internationalisation, but openness would not have been sustained if it was not also in the personal interest of Russia's economic and political elites. It is the Côte d'Azur – the favourite playground of Russian oligarchs – that makes corruption worthwhile.

However, in over two decades of Putin's rule, Russia has moved more and more towards isolation and retrenchment. This tendency began as attempts by the Kremlin to strengthen its control over the domestic economy, but it has spread into the information sphere as well. The expropriation of YUKOS in 2004 marked a turning point for the regime's attitude to economic openness which was followed by the subsequent re-nationalisation of Russia's oil industry and a new law limiting 'Foreign Investment in Strategic Sectors'.[26] Openness in the information sphere has been curtailed by a law prohibiting foreign investors from owning more than a 20% stake in the Russian media sector[27] and, potentially very significantly, by Russia's new law on the 'sovereign internet.'[28] Further steps to securitise Russia's economy were undertaken after 2014, after Russia's annexation of Crimea and its destabilisation of Donbas triggered international sanctions.[29]

Additional limits to openness will come at a steep price for the Russian population. Russia does not possess the necessary resources or the experience to modernise on its own and cannot replicate the technologies on which tomorrow's economy will be based. From computer chips, to 5G technology, to civil aviation, the Kremlin will have to accept dependencies on foreign economies (and as a consequence their governments) if it wants to have a chance to keep up with the rest of the world. Even Russia's most important business sector, the energy industry, will grow increasingly dependent on foreign technology to access tight and offshore oil, as the output from conventional oil production slowly declines.[30]

The three scenarios outlined in the first part of this chapter are built around different possible outcomes *vis-à-vis* the two drivers presented above, i.e. whether the daytime or night rulers will be in the ascendant, and whether Russia will have an open economy or a more 'securitised' economy. 'The 'Singapore of steel' scenario assumes an economy that is run by daytime rulers who are oriented towards development based

25 Economic openness is often measured as the relation of total goods trade (exports and imports) and GDP. For Russia, this indicator is close to 50%, which is the highest value among the BRICS countries. The World Bank Group, "Trade (% of GDP) - Russian Federation, Brazil, India, China", https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?locations=RU-BR-IN-CN

26 William E. Pomeranz, "Russian Protectionism and the Strategic Sectors Law", *The American University International Law Review*, vol. 25, no. 2 (2010), pp. 213-224, https://heinonline.org/HOL/LandingPage?handle=hein.journals/amuilr25&div=15&id=&page.

27 "Russia moves to limit foreign ownership of news outlets", *Financial Times*, September 23, 2014, https://www.ft.com/content/f83e04ee-4339-11e4-be3f-00144feabdc0.

28 Alena Epifanova, "Deciphering Russia's Sovereign Internet Law", German Council on Foreign Relations, January 16, 2020, https://dgap.org/de/node/33332.

29 Richard Connolly, *Russia's Response to Sanctions: How Western Economic Statecraft is Reshaping Political Economy in Russia* (Cambridge: Cambridge University Press, 2018).

30 Tatiana Mitrova, Ekaterina Grushevenko, and Artyom Malov, "The Future of Oil Production in Russia: Life under Sanctions", Skolkovo Moscow School of Management, March 2018, https://energy.skolkovo.ru/downloads/documents/SEneC/research04-en.pdf.

on economic openness. The 'Russia's big hangover' scenario assumes a decline in the role of the daytime rulers, while the Russian economy still remains open. The 'Bleak solitude' scenario posits a combination of strong night rulers and a Kremlin that strictly prioritises economic security over openness. All three scenarios build on trends that to some degree exist in Russia's political economy today.

CHAPTER 4

RUSSIA'S MILITARY POWER

Fast and furious – or failing?

by
ANDRÁS RÁCZ

Military power plays a key role both in Russia's claim for great power status and in the country's self-perception.[1] The present chapter offers three scenarios on how Russia's military power may develop and what capabilities it might reach by the end of the upcoming decade. Analysis is based on factoring in two main and two secondary drivers that may influence and shape how Russia uses its military might in a decade from now.

There are plenty of analyses on the future development of Russia's armed forces.[2] In addition to actual situation assessment, a number of forecasts have also already been made looking ahead to the state of play in 2030.[3] However, the objective in this chapter is not to *forecast* capabilities but to engage in *foresight* and offer several possible scenarios outlining how Russia may actually *use* its armed forces in the future. An important methodological detail is that, while each scenario is possible, their probability is not evaluated. Furthermore, this chapter looks beyond the capabilities aspect of Russia's military power and aims to explain Russia's military power in action. The three scenarios presented all include significant changes compared to the situation in 2020. In other words, these scenarios are not based on the linear extrapolation of current trends, but on unforeseen events that may occur in the 2020s and induce far-reaching and transformative changes.

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1 Background research for the present study has been conducted with the support of research grant no. 129243, entitled "Tradition and Flexibility in Russia's Security and Defense Policy", provided by the National Research, Development and Innovation Office of Hungary.

2 See, for example: Keir Giles, "Assessing Russia's Reorganized and Rearmed Military", Carnegie Endowment for International Peace, 2017, https://carnegieendowment.org/files/5.4.2017_Keir_Giles_RussiaMilitary.pdf; Oscar Jonsson, *The Russian Understanding of War: Blurring the Lines Between War and Peace* (Washington D.C.: Georgetown University Press, 2019); James Sherr, "The Militarization of Russian Policy", *Transatlantic Academy Paper Series*, no. 10., 2017, https://euagenda.eu/upload/publications/untitled-135828-ea.pdf; Igor Sutyagin, "Russia's Military Reform: Why the Kremlin Needs the West", *RUSI Newsbrief*, vol. 36, no. 6, November 2016, https://rusi.org/sites/default/files/sutyagin_revised.pdf. The Defense Intelligence Agency of the United States also published a long and detailed analysis in 2017 on the actual state of Russia's military power: Defense Intelligence Agency, *Russia Military Power. Bulding a Military to Support Great Power Ambitions*, 2017, https://www.dia.mil/Portals/27/Documents/News/Military%20Power%20Publications/Russia%20Military%20Power%20Report%202017.pdf, as did the Institute for the Study of War on Russia's military posture in 2018: Catherine Harris and Fredrerick W. Kagan, *Russia's Military Posture: Ground Forces Order of Battle*, Institute for the Study of War, March 2018, http://www.understandingwar.org/sites/default/files/Russian%20Ground%20Forces%20OOB_ISW%20CTP_0.pdf. Besides, *The Military Balance*, published annually by the International Institute for Strategic Studies, provides valuable details and data on Russia's armed forces.

3 Experts of the Swedish Defence Research Agency (FOI) regularly prepare an in-depth assessment of Russia's military in a ten years' perspective. One of the most recent of these analyses, *Russian Military Capability in a Ten-Year Perspective – 2019*, edited by Fredrik Westerlund and Susanne Oxenstierna, was published in 2019. Also in 2019, the RAND Corporation prepared a forecast focusing on Russia's ground forces by using an ambitious, 20-year perspective: Andrew Radin et al., *The Future of Russian Military. Russia's Ground Combat Capabilities and Implications for U.S. – Russia Competition*, RAND Corporation, Santa Monica, California, 2019, https://www.rand.org/pubs/research_reports/RR3099.html.

Military power
Three scenarios

This analysis aims to provide a comprehensive picture of Russian military power in 2030. Therefore, it factors in not only the regular military forces, i.e. the Armed Forces of the Russian Federation (*Vooruzhonnie sili Rossiyskoy Federatsii*), but also the various paramilitary and proxy formations, including private military companies (PMCs).

The chapter is structured in three parts and follows an inverse logic. The first section, which explores various possible combinations of key drivers of change, outlines three scenarios of how Russian military power may evolve by 2030: 'Calm after the storm', 'Tired Goliath' and 'Military superpower by default'. The second section travels back to 2020 and briefly describes the present state of play of Russia's armed forces and how the Kremlin has been using them. The third and final section analyses various factors which may impact on how Russia uses its military force in a decade from now.

SCENARIOS FOR RUSSIA'S MILITARY IN 2030

1. Calm after the storm

In 2030 Russia is still recovering from the political, economic and military shock of the unintended military escalation against the West which had taken place in 2025. Moscow now refrains from using its military for assertive foreign policy purposes; instead, it has even undertaken some important trust-building steps regarding the transparency of its military exercises, as well as in the fields of arms control and disarmament. However, the composition of Russia's security and defence elites remains the same. They considered the second half of the 2020s as a period that they needed to weather out, while waiting for better times to come.

In the spring of 2025 the worst fears of military analysts since Cold War times were suddenly realised, when an unintended escalation took place between US and Russian forces. In the Arctic Ocean a US frigate sailed close to the border of Russia's territorial waters. A single Russian fighter from a formation of two, sent up to monitor the activities of the ship, attempted to 'buzz' the US vessel by flying dangerously close to it. Such incidents had already happened many times in the past;[4] however, this time the jet accidentally collided with the frigate's superstructure, causing massive damage to the ship and disabling its communication devices. In a rapid reaction of self-defence, the US frigate shot down the other Russian fighter, killing its pilot before he even had time to report back to his base about the collision incident. To make things worse, the inexperienced crew of a newly deployed Russian coastal missile battery that witnessed the event, panicked and opened fire on the US vessel, almost immediately sinking

4 Ivan Whatson and Sebastian Shukla, "Russian fighter jets 'buzz' U.S. warship in Black Sea, photos show", *CNN*, February 17, 2017, https://edition.cnn.com/2017/02/16/us/russia-us-ship-fly-by/index.html.

the ship which was already half-incapacitated by the collision. There was no time to launch rescue boats, as the whole incident took place in less than three minutes. The icy waves left no survivors.

The newly sworn-in Democrat US administration invoked Article 5 of the Washington Treaty the same day. All NATO members agreed to put their forces on the highest alert, in order to conduct the necessary de-escalation negotiations with Russia from a position of strength. However, the ageing, increasingly paranoid security elites in the Kremlin assessed the collision incident as the result of a provocation by the American navy, the loss of the US frigate as unavoidable collateral necessary for the credibility of the US provocation, and NATO's mobilisation as a preparation for a surprise attack. They only got one thing right: Russia's army, still underfunded due to the impact of low oil prices on the Russian economy, was evidently not ready to repel an all-out NATO attack. Hence, in a bold, high-risk move Kremlin *siloviki,* authorised by President Vladimir Putin himself, decided to use a tactical nuclear weapon for de-escalation purposes.[5] In order to deter NATO from pushing any further, a tactical charge was detonated over unpopulated Arctic waters, intended to demonstrate that Russia was ready to use nuclear weapons, should it become necessary. The blast was followed by an immediate, mass mobilisation of all Russia's military districts and the rapid deployment of tens of thousands of troops to the country's western border. Russia's economy crumbled immediately, but the *siloviki* elites considered this as an inevitable price to pay.

Western policymakers, to the Kremlin's utter surprise, decided on an asymmetric, but nevertheless effective, response. Instead of risking further military escalation, all NATO and EU countries activated their contingency plans, which had already been elaborated after the so-called Ivashkin case. (In 2022 Russian security operatives murdered Sergei Ivashkin, a Russian intelligence officer who had defected to the US). Contingency plans included the immediate freeze and lockdown of the assets of all Russian oligarchs, pro-Kremlin businessmen and their family members, as well as of their frontmen everywhere in the Western hemisphere. Conditions for lifting the freeze of these assets were firm and clear: immediate de-escalation, a full and complete investigation into the Arctic Ocean incident and bringing those responsible to international justice. Due to the concerted efforts of US diplomacy and the European External Action Service (EEAS), most Middle Eastern countries joined the action a few days later. China decided to wait and see, not supporting either of the sides.

Only the assets belonging to President Vladimir Putin himself remained untouched, together with the properties of a few trusted *siloviki* in the president's close circle. However, many high-ranking leaders of the security apparatus and the armed forces, national and regional oligarchs, and prominent figures in the state media sector lost fortunes. This created major cracks within the system, as many powerful figures felt that the president had betrayed them. Pictures of the opulent properties that had been seized, as well as detailed information on hidden bank accounts and other assets, were relayed to the Russian public. The contrast with the country's crumbling healthcare system, decimated by the Covic-19 crisis a few years earlier, as well as by the chronic shortage and misuse of resources, was blatant. The Kremlin's desperate efforts to isolate the Russian internet from the outside world,[6] thereby keeping the damaging information hidden from the domestic audience, were thwarted by the creativity of the country's young and dynamic IT-intelligentsia, who were outraged by the clampdown on the internet.

5 Olga Oliker and Andrey Baklitskiy, "The Nuclear Posture Review and Russian 'De-escalation': A Dangerous Solution to a Nonexistent Problem", *War on the Rocks*, February 20, 2018, https://warontherocks.com/2018/02/nuclear-posture-review-russian-de-escalation-dangerous-solution-nonexistent-problem/

6 Alena Epifanova, "Deciphering Russia's Sovereign Internet Law", German Council on Foreign Relations, January 16, 2020, https://dgap.org/en/research/publications/deciphering-russias-sovereign-internet-law.

Furious oligarchs, together with many powerful figures in the Kremlin, supported by desperate leaders of the security and propaganda apparatus, were all determined to retrieve their wealth by whatever means necessary. Public opinion polls showed that support for the president and the ruling party evaporated in a few days. The situation was made even more tense by the hundreds of large-scale demonstrations that erupted in the regions, accompanied by occasional violence. The army, as well as most units of the *Rosgvardiya*, Russia's National Guard, remained passive, while the scattering of detachments loyal to the president were too few and too far away to handle the crisis. The secret services were largely incapacitated due to exacerbated inter-agency rivalries.

Two weeks after the first incident, President Putin announced his resignation for reasons of ill-health. The snap elections held shortly afterwards brought to power an unknown bureaucrat, Grigory Kuznetsov, whose candidacy was favoured by all the strata of the ruling elite, oligarchs and *siloviki* alike, and whose first act upon taking office was to immediately grant the former president full impunity from potential future prosecution. President Kuznetsov was given two main tasks by his backers: to save Russia's economy from collapsing and to normalise relations with the West so that their frozen assets could be recovered. However, the impunity granted to Putin complicated negotiations, as did internal resistance from the Russian bureaucracy.

Hence, in a gesture obviously designed to rebuild trust, as well as redirect financial resources, the Kremlin decided to downscale its military activities abroad, and quickly withdrew from Eastern Ukraine, as well as from Transnistria. In response, the West was quick to lift all sanctions related to Eastern Ukraine. In 2030, Crimea, Abkhazia and South Ossetia are still under Russian control, as the Kremlin decided not to cede any further territories in order to limit the blow to Russian prestige, and also because the West refrained from pushing any harder than it did before the escalation. Russia's military presence in Syria has been downscaled to a symbolic level, while bases in Libya, Algeria and Venezuela are no longer maintained.

In another conciliatory move, Russia adopted a new national security concept and military doctrine, with both emphasising the need for closer international security cooperation and according a much less important role to the use of military force for political purposes than any of the previous Russian documents did. Russia also returned to international arms control negotiations that it had abandoned in the late 2010s.[7] Development and production of fifth-generation weapons systems were put on hold, and so was the military space programme. However, personnel and structural changes in the ministry of defence and in the armed forces remain limited. This serves a double purpose: to learn from the 2025 fiasco and to make sure that President Kuznetsov does not weaken the army too much. Changes in the Kremlin did not result in any major transformation of the core composition of the security and defence elites.

2. Tired Goliath

In 2030, budgetary constraints and a fundamentally changed external threat environment have forced Russia to concentrate its resources on deterrence and territorial defence. Although Russia still maintains its military presence in the post-Soviet region, and minimal forces are stationed in Syria and Libya, in general the Russian military is in the process of withdrawal from all other engagements. It seems highly unlikely that the expansionist, expeditionary era of the 2010s will return any time soon.

Vladimir Putin won the presidential elections in 2024, and in 2030, approaching the age of 78, he is just about to finally retire. Although Russia

7 Lara Seligman and Robbie Gramer, "What Does the Demise of the INF Treaty Mean for Nuclear Arms Control?", *Foreign Policy*, August 2, 2019, https://foreignpolicy.com/2019/08/02/what-does-the-demise-of-the-i-n-f-treaty-mean-for-nuclear-arms-control-intermediate-nuclear-forces-new-start-strategic-arms-limitation-nonproliferation-trump-russia-arms-control-explained/

managed to recover from the economic slump caused by low oil prices in the early 2020s, and the regime succeeded in using the Covid-19 pandemic to create a rally-around-the-flag effect, the modernisation of Russia's fundamentally obsolete and raw material-dependent economy has still not materialised, despite the efforts of the minister for the economy Aleksei Kudrin. The stagnating economy resulted in the gradual downscaling of the defence budget, which, combined with the astronomical prices of new weapon systems, created a seriously resource-scarce environment for the armed forces.

Furthermore, the nature of the external threats Russia was facing had also changed fundamentally, and not in Moscow's favour. In the second half of the 2020s, the US, led by Democrat presidents since 2020, brought into service a whole new generation of hypersonic and electromagnetic weapon systems, to which Russia was unable to respond symmetrically due to technological limitations. Meanwhile, China made substantial progress in developing nuclear-capable tactical missiles, as well as high-precision, conventional weapons systems, including stealth-capable, long-range drones. These developments led the Kremlin to continuously spend an increasing share of its defence budget on maintaining at least sufficient deterrence capabilities *vis-à-vis* both the US and China.

Simultaneously, Moscow had to accelerate and step up the reform of its territorial defence capabilities, in order to secure not only the border with China, but increasingly also the Arctic shorelines, as climate change had been gradually opening up polar waters for shipping. What Russia had perceived as an opportunity in the 2010s, namely the advantage of controlling the longest shorelines of the Arctic Ocean, turned into a liability in the resource-scarce environment of the 2020s. Against an increasingly ambitious and assertive China, Russia has had to spend more and more on coastal defences and rapidly deployable territorial defence forces.

All of this leaves the Kremlin with little resources for using the Russian military anywhere else on the globe other than in Russia's direct vicinity. While Moscow maintains a moderate military presence in Syria, the outpost in Libya has been downgraded to a minimum. Longer expeditionary operations have been put on hold already since 2025, after one of Russia's major warships was sunk off the coast of Yemen by an attack of swarming drones. The loss of the ship, as well as the lengthy and humiliating negotiations with local warlords for the lives of the surviving Russian sailors, inflicted major damage on the Kremlin's prestige, equalled only by the humiliation it had experienced thirty years earlier, when then president Boris Yeltsin had to directly negotiate with a Chechen warlord, Shamil Basayev, during the Budyonnovsk hospital hostage crisis. The Yemen incident also demonstrated the inability of Russian warships to counter drone attacks, despite the several spectacular air exercises regularly held in previous years and broadcast worldwide by Russia's state media. After the Yemen fiasco, the defence minister Dmitry Patrushev convinced Putin that until the relevant defence systems are upgraded, no long-range expeditionary missions are possible, as the necessary logistics and support cannot be ensured.

By the mid-2020s the use of proxy forces, particularly PMCs, to project Russia's interests abroad while allowing Moscow to maintain plausible deniability has also been gradually coming to an end, due to two main reasons. First, both the Wagner Group and other smaller, but ambitious PMCs have pushed their luck too far a number of times in Africa. The horrendous footage of how the lives of some captured Russian PMC operatives ended at the hands of local militants, delivered a massive blow to the morale of PMC personnel, and also decimated the recruitment base of these companies. Second, after years of trying and failing to counter the operations of Russian PMCs, many countries decided to adopt the strategy used by the United States back in 2018 in Syria, at Deir ez-Zor.[8] In the late 2020s half a dozen Middle Eastern and African countries, in a dramatic reversal of the logic of plausible deniability, directly attacked Russian PMCs with regular military forces, including artillery and air strikes, wherever they showed up. As these operational theatres were simply too far away from Russia, Moscow could not provide any help, apart from evacuating the few survivors. As a result of all these factors, by 2030 Russian PMCs have practically disappeared from regions outside of Russia and the post-Soviet space.

3. Military superpower by default

In a decade from now Russia has become one of the world's major military powers with a significant global presence. This achievement, however, is only partly a result of Russia's own efforts, and more a consequence of a series of external, global changes. The downscaling of the US strategic presence on the world stage had left a major power vacuum behind, which Moscow was eager to fill. Russia's military capabilities are still inferior to those of the US. However, Moscow's eagerness to use its military in expeditionary operations is in sharp contrast to Washington's reluctant, often inert, isolationist approach.

This has constituted a decisive advantage in Russia's favour. In the 2020s, the Kremlin has been successful in utilising its military to fill the power vacuum in many corners of the world and secure lasting political, economic and military footholds there. As a result, Moscow's relative military power and the benefits it could gain by deploying it in various theatres have both increased significantly, despite its vast inferiority to the US in terms of absolute military capabilities.

The US, after the end of the second presidency of Donald Trump in 2024, has had two Democrat Administrations, the second one just preparing for mid-term elections in 2030. In the six years that have passed since the end of Trump's second term, the US has mainly been concentrating on domestic issues, channelling extensive resources into a long-term targeted policy aimed at mending the economic and social fault lines within the country. In foreign policy, Washington has scaled down its global military presence, focusing on revitalising the alliance systems of the late 2010s – the NATO alliance in Europe, and the alliance with Japan, Taiwan and South Korea in Asia. In the latter region the essential objective of US policy is to contain China's ever-growing military power and increasingly assertive posture.

Hence, in 2030 Washington has neither the resources nor sufficient political will to get engaged in other parts of the world. This essentially isolationist approach has been further strengthened by the fact that the green economy revolution has made the US significantly less dependent on oil imported from the Middle East. This has fundamentally reduced the region's overall importance for US policymakers, except for Washington's continued support to Israel. Meanwhile, other, lesser developed parts of the world still largely rely on oil, so Russia's most important source of income remains secure. In the 2020s Europe's share in Russian energy exports decreased markedly.

The EU, while it has managed to integrate most of the Western Balkans, has been decisively weakened from within, due to the populist challenges that emerged following the coronavirus pandemic in 2020-2021, a turbulent Brexit and a significantly reduced common budget for 2020-2027, in which only very limited resources remained available for foreign

8 In February 2018 the US carried out a series of air and artillery strikes on Wagner Group operatives in Syria at Deir ez-Zor, thus putting Moscow in a situation where the Kremlin had only two choices: either to risk a direct military confrontation with the US while trying to protect its PMC operatives on the ground, or to abandon them – and Moscow choose the latter. Kimberly Marten "The Puzzle of Russian Behaviour at Deir al-Zour", *War on the Rocks*, July 5, 2018, https://warontherocks.com/2018/07/the-puzzle-of-russian-behavior-in-deir-al-zour/

policy purposes. Moreover, even these resources had to be largely concentrated on managing migration from those regions of Africa and the wider Middle East which had been particularly affected by accelerating climate change. Regional and local conflicts break out with growing frequency, particularly in the MENA region and Africa, fuelled by acute resource scarcity, and exacerbated by the power vacuum described above.

Hence, the decade preceding 2030 has provided the Kremlin with several tempting opportunities to leverage its military power globally, and gain significant political, economic and military benefits, besides maintaining and upgrading its core deterrence and territorial defence capabilities too. A core element of capitalising on the opportunities emerging abroad has been a tacit agreement with China on the delineation of spheres of interest, ensuring that clashes between Moscow and Beijing could be avoided.

Russia's reliance on military means is also a result of the lack of alternatives.

By an ingenious combinations of lucrative arms exports and energy contracts benefiting well-chosen local allies, whom Moscow provided with military assistance and occasionally also fighting power on the ground, in the decade preceding 2030 Russia managed to secure lasting military presence and political influence in more than a dozen countries in Africa, the Middle East and even South America, including Yemen, Sudan, Ethiopia, Eritrea, Iran, Mozambique, Venezuela and others. The military bases to which Russia gained access are able to efficiently make up for the lack of aircraft carriers, and serve as springboards for further power projection in the given regions. Besides, lucrative oil and mineral-extraction contracts contribute significantly to strengthening Russia's economy.

In the volatile international context described above, Russia's PMCs have turned out to be a highly efficient and valuable tool for exerting influence and projecting power. The strategy of plausible deniability employed by Moscow has been especially hard to counter in the unstable regions of Africa and the wider Middle East, particularly because weak states under pressure from Russia could not count either on US or on European help.

Russia has also been successful in avoiding both major, spectacular military defeats that could have eroded domestic support for its adventurous and assertive foreign policy. The weakened EU and the inward-looking United States have been unwilling and unable to adopt any further costly sanctions against Russia, and thus could not deter Moscow from relentlessly pursuing its objectives globally. While the most important inherent element of Russia's success has been a meticulous analysis of the global and regional geopolitical situation and the willingness to act, Moscow has also been lucky in having largely managed to avoid unforeseen hardships. As a result, in the decade that preceded 2030 Russia could use its military to advance its foreign policy and economic interests without incurring intolerable costs.

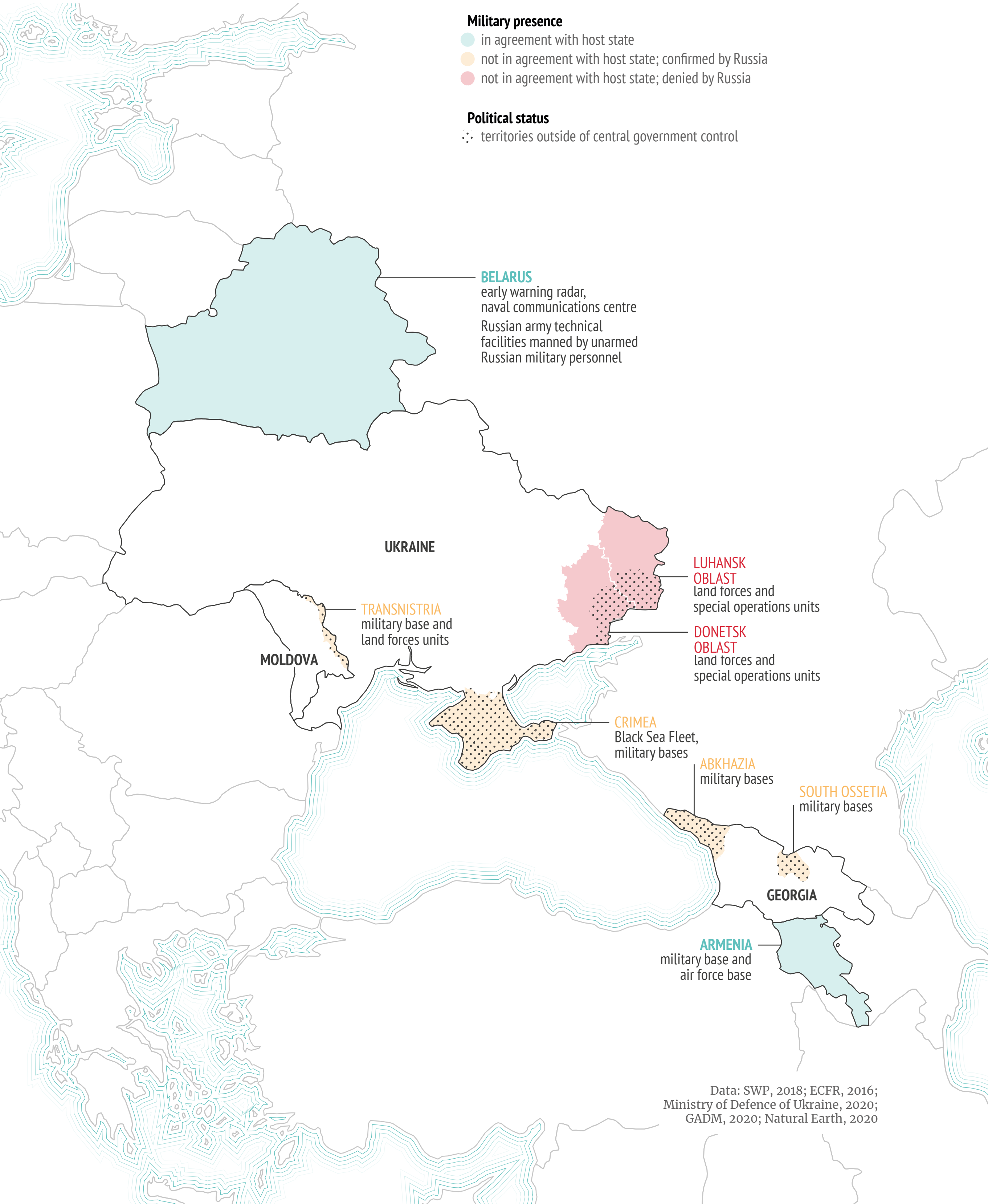
THE STATE OF PLAY: RUSSIA'S MILITARY IN 2020

In order to understand the future scenarios described above and the logic behind them, it is necessary to define the current state of play, i.e. the present circumstances in which Russia has been using military force, as well as to analyse the potential drivers of change.

One of the main factors characterising the Kremlin's attitude to its military and warfare is

Dissimilar deployments

Russian military presence in Eastern Partnership countries



Data: SWP, 2018; ECFR, 2016; Ministry of Defence of Ukraine, 2020; GADM, 2020; Natural Earth, 2020

Moscow's overall readiness to use military force for political purposes.[9] Unless no decisive change happens, this is likely to prevail also in the upcoming decade, due to two main reasons. First, from Moscow's perspective relying decisively on military force to handle political problems has been highly successful in the last 10-12 years. This strategy, which started in 2008 with the war against Georgia, includes the attack on Ukraine in 2014, Russia's high-profile involvement in the war in Syria from 2015 on, as well as the increasing use of proxy forces (mostly PMCs) in various conflicts around the globe, ranging from Venezuela to Libya. Second, Russia is generally short of tools and options other than hard power. Hence, Russia's reliance on military means is also a result of the lack of alternatives.

Military in this context, however, needs to be interpreted in a wide sense. It means not only the direct deployment of regular forces, but also exercising influence via arms exports, as well as by providing military assistance. Russia's current engagement in several African countries provide a whole array of examples,[10] including the growing use of PMCs for assistance, support, and sometimes also high-intensity operations. In other words, Russia is increasingly outsourcing part of its traditional military tasks to private military companies. This trend is likely to continue, unless fundamental changes take place (as discussed in the fourth and final section of this chapter.)

Russia is increasingly outsourcing part of its traditional military tasks to private military companies.

Regarding the regular military, Russia's armed forces have been evolving in an environment constrained both by financial limitations, as well as by the series of US and EU sanctions which block Russia's access to Western military and dual-use technologies.[11] Besides, from 2014 on Russia has also lost access to Ukraine's defence industry, even though there still exist numerous interdependencies between the two military-industrial complexes. This phenomenon affects mostly the shipbuilding industry, as well as the availability of helicopter engines and ballistic missile components. These limitations, made even more serious by the collapsing oil price in early 2020, also significantly constrain the future development of Russia's armed forces.

In order to provide a brief overview of the present situation, the three traditional tasks of Russia's armed forces, namely deterrence, territorial defence and force projection, will be the focus of the analytical framework. Maintaining nuclear and conventional deterrence capabilities is a crucial task of Russia's armed forces, and will remain so in the foreseeable future, including in 2030 too. Russia's development of nuclear capabilities is focused on increasing the penetration ability and survivability of nuclear weapon systems, as a way to bridge the increasingly wide technological gap between Western and Russian military technologies. This applies to all elements of the nuclear triad, i.e. to missiles, submarines and strategic bombers.

The ongoing defence reform, started by Anatoly Serdyukov in 2008 and re-shaped by defence minister Sergei Shoigu from 2012 on, started to bear fruit with regard to territorial defence capabilities already by the mid-2010s. The

9 Mark Galeotti, "Heavy Metal Diplomacy: Russia's Political Use of Its Military in Europe since 2014", European Council on Foreign Relations (ECFR), *Policy Brief*, December 2016, https://www.ecfr.eu/page/-/Heavy_Metal_Diplomacy_Final_2.pdf ; James Sherr, "The Militarization of Russian Policy", Transatlantic Academy Paper Series, no. 10, The German Marshall Fund of the United States, August 21, 2017, http://www.gmfus.org/sites/default/files/publications/pdf/Militarization%20edited.pdf

10 Paul Stronski, "Late to the Party: Russia´s Return to Africa", Carnegie Endowment for International Peace Paper, October 16, 2019, https://carnegieendowment.org/2019/10/16/late-to-party-russia-s-return-to-africa-pub-80056?fbclid=IwAR2zf3MBIvdAU3uoEcSlAinuSJGMGRVEUHJ_xQZoy84td4-yeEVx-veuB9E.

11 Igor Sutyagin, "Russia's Military Reform: Why the Kremlin Needs the West", *RUSI Newsbrief*, Royal United Services Institute, December 9, 2016, https://rusi.org/sites/default/files/sutyagin_revised.pdf.

transformation process focused on improving readiness, mobility, flexibility and command and control. The increasingly integrated use of military and non-military tools and means, as well as the growing emphasis on information, electronic warfare and cyber operations have significantly contributed to improving the capabilities of the Russian military. All these tasks are regularly rehearsed in a series of large-scale military exercises.[12]

Regarding power projection, in the post-Soviet region Russia enjoys full military superiority with regard to both the numbers and the capabilities of its forces, including also the fact that Russia is the sole nuclear power on the territory of the former Soviet Union. Meanwhile, in the Arctic Russia is highly likely to enjoy relative military superiority to all other parties interested in the region, including both the US and China. This applies particularly to conventional capabilities stationed in and deployable into the region, concerning especially A2AD assets, as well as aviation and military ice-breaker ships.[13]

The volatility of global oil prices will continue to strongly impact Russia's financial and economic situation.

Russia's current military presence abroad is highly likely to be maintained in the post-Soviet region also in the upcoming decade. It also clearly intends to maintain a long-term military presence in the Mediterranean. This applies particularly to the bases in Syria, as both the port of Tartus and the Kheimim air base are leased by Russia for 49 years.[14] Russia's ongoing operation in Syria indicates that Moscow is indeed able to project power well beyond its borders and maintain it for a long time, albeit only on a relatively small scale.

Meanwhile, Russia's power projection capabilities to other parts of the world are limited. As of 2020 Russia lacks a deployable aircraft carrier.[15] Present trends indicate that Russia is gradually downgrading the construction of large surface combatants in general due to their high cost, as well as the lack of necessary shipbuilding capacity, including particularly propulsion systems. Instead, Moscow increasingly prefers to build smaller, but more modern and capable warships, which are, however, less suitable for global scale power projection.

Hence, Russia's global power projection capabilities to regions outside of the Mediterranean are likely to remain limited to assets that can be deployed and maintained predominantly via airlift, meaning in practice light infantry and special operation forces, whether these be regular units, paramilitary or proxy formations, such as PMCs. It is important to note, however, that Russia is able to efficiently use even relatively small forces to decisively alter the course of political developments in a given country, as happened recently in Venezuela and Libya.

DRIVERS OF CHANGE

There are several long-term factors which are unlikely to fundamentally change in the upcoming decade. Hence, they constitute constants, when it comes to their impact on how Russia is likely to use its military. These constants include, first and foremost, Russia's

12 Johan Norberg, "Training for War. Russia's Strategic-level Military Exercises 2009–2017", Swedish Defence Research Agency (FOI), November 5, 2018, https://www.foi.se/rest-api/report/FOI-R--4627--SE.

13 Sergey Sukhankin, "The 'Military Pillar' of Russia's Arctic Policy", *Eurasia Daily Monitor,* The Jamestown Foundation, March 16, 2020, https://jamestown.org/program/the-military-pillar-of-russias-arctic-policy/?mc_cid=50ace53498&mc_eid=4acec0b71b.

14 "For Moscow a win in Syria but fraught with risks", *France 24*, October 15, 2019, https://www.france24.com/en/20191015-for-moscow-a-win-in-syria-but-fraught-with-risks.

15 Russia's sole such ship, the outdated, Soviet-built *Admiral Kuznetsov* has been undergoing a major overhaul in Murmansk since 2017. The process has been hampered by a series of accidents, thus the vessel's originally planned return to service in 2021 is highly unrealistic. However, even if the *Admiral Kuznetsov* gets completed, it is unlikely that Russia would be able to build another aircraft carrier, although there are even two competing projects for a new vessel.

geographic location, which largely shapes Moscow's threat perceptions and assessment. Second, the very structure of Russia's economy constitutes another limitation. The Russian economy is highly likely to remain massively dependent on the export of hydrocarbons even in a decade from now, and this is unlikely to change in the near future. Consequently, the volatility of global oil prices will continue to strongly impact Russia's financial and economic situation, as well as the government's ability to spend on defence. Third, the foundations of Russia's industrial-technological sector also decisively impact the future development of its armed forces, concerning the military-technological aspects in particular. Russia's technological backwardness compared to the West (and increasingly also to China), its continuing dependence on Western technology in the production of many weapon systems,[16] the emigration of its scientific-technological elites,[17] as well as its chronic inability to comprehensively modernise the military-industrial complex[18] are all such factors which constrain the development of Russia's military capabilities, and are likely to keep doing so also in the upcoming decade.

However, instead of studying these constants in detail, this chapter focuses on those variables which might actually alter the way in which Russia deploys its military by 2030. The analysis builds on four drivers of potential change: two key ones and another two secondary ones. The first key driver is the Kremlin's political will and readiness to use military force for political purposes: domestic support for doing so must also be factored into the equation here. The second key driver is the availability of financial and other resources that can be allocated for military purposes.

Meanwhile, one of the secondary drivers concerns the actual level of success with which the military is used. This needs to be interpreted in the broader sense, both in terms of actors and types of operations. Regarding actors, the use of the military applies both to the regular armed forces and proxy formations. Concerning the types of operations, these may range from wars in the neighbourhood to expeditionary deployments, and from opening bases abroad to the demonstrative use of military force for political purposes.

The other secondary driver is the reaction of the outside world to Russia's use of its military. While the 2008 war in Georgia did not entail any serious international repercussions for Russia, as no sanctions were imposed, the 2014 attack on Ukraine clearly did. Although exact causality is hard to prove, sanctions probably played an important role in Russia's decision not to continue its military advance in Eastern Ukraine, particularly because the effects of the Ukraine-related sanctions increased over time.[19]

If a fundamental change takes place in any of the primary drivers, Russia's overall approach to the use of its military force may change. If unexpected, far-reaching political changes take place in the Kremlin, and the new leadership decides to refrain in future from using the military as an instrument in the conduct of international relations, this would have such an effect. However, the recent constitutional changes in Russia and the possibility of Vladimir Putin staying in power for two more presidential terms make this scenario highly unlikely.

16 Op.cit., "Russia's Military Reform: Why the Kremlin Needs the West"

17 " « Lekarstva ot utechki umov net i ne budet »" [« There is no cure for brain drain and there shall be none »], *Lenta.ru*, June 18, 2018, https://lenta.ru/articles/2018/06/18/poravalit/

18 "Modernizatsiya VPK: dengi na veter, ili ryvok vpered?" [Military-industrial complex modernisation: money wasted or a leap ahead?], *RBK*, February 29, 2012, https://www.rbc.ru/economics/29/02/2012/5703f3f19a7947ac81a65570. The severity of the situation is recognised even by official assessments, for example: Council of the Russian Federation, "O sostoyanii i perspektivakh razvitiya oboronno-promyshlennogo kompleksa Rossiyskoy Federatsii" [On the status and development perspectives of the Military-industrial complex of the Russian Federation], December 11, 2018, /http://council.gov.ru/activity/documents/99488/

19 Nigel Gould-Davies, "Economic effects and political impacts: Assessing Western sanctions on Russia", *BOFIT Policy Brief* no. 8, Bank of Finland Institute for Economies in Transition (BOFIT), August 9, 2018, https://helda.helsinki.fi/bof/bitstream/handle/123456789/15832/bpb0818.pdf?sequence=1.

Another possibility that may radically transform the use of military power is if dramatic changes in economic conditions force a policy change. In practice, this could mean that oil prices remain so low that the Kremlin would be forced to substantially decrease its military expenditures. As maintaining deterrence capabilities is traditionally a top priority for Russian military decision-makers, budgetary cuts would principally affect territorial defence capabilities, and particularly power projection capabilities. This alone could lead to a major transformation in how Russia uses its military, even if both secondary drivers remain unchanged.

Spill-over effect of secondary drivers

Although it is unlikely that either of the secondary drivers alone would induce a fundamental change in the Kremlin's use of military force, a secondary driver may gradually create changes in the primary drivers. In other words, secondary drivers may have a spill-over effect on the primary drivers. This could happen, for instance, if domestic costs of foreign military operations rise to a level that becomes intolerable for Moscow. In practice this could mean for example that Russian forces abroad suffer extremely serious losses, which are revealed to the public, and the subsequent public outcry forces the Kremlin to reconsider the widespread use of its military. It is important to note that both components are important, i.e. the magnitude of the losses themselves and their public disclosure. As long as losses can be hidden (either by concealing them, or by denying them, as happened many times in Eastern Ukraine in 2014-2015),[20] there cannot be any major effect on public opinion. In other words, even if a military operation fails, this alone does not necessarily induce a change in a primary driver.

However, if losses become public, they might have a considerable influence on policymaking, thus on the primary drivers: the war in Chechnya and the activities of the Committee of the Soldiers' Mothers of Russia at that time provide good examples of this phenomenon.[21] Regarding more recent developments, losses occurring during Russia's military campaign in Syria had an apparent negative effect on the overall level of public support for the whole operation already in 2016-2017.[22] However, of course, in order to induce a massive reaction of public discontent that would lead the government to change its policy, losses of much greater magnitude would have to occur and become public.

Another possibility of a secondary driver affecting a primary one would be if a major, catastrophic military defeat were to force Russia to refrain from using its military force as an instrument of foreign policy in the foreseeable future. At present, the most probable way in which such a military confrontation could take place is a massive, unintended escalation between Russia and one or more great powers. The opposite is true as well: if Russia were to emerge victorious from an undesired military escalation, this would probably increase the Kremlin's appetite for further use of military force abroad. An unintended escalation scenario would be particularly severe if NATO got involved. Although at present in Syria there is a well-established de-confliction channel between Russian and US military forces operating in that theatre, in other regions there is still a lot of room for improvement in this field.[23]

20 Ilya Yashin and Olga Shorina, "Nezavisimyi ekspertnyi doklad « Putin. Voyna »" [Putin. War. An independent experts' report], *Open Russia*, May 2015, https://openrussia.org/post/view/4803/

21 Valerie Zawilski, "Saving Russia's Sons: the Soldiers' Mothers and the Russian–Chechen wars", *Military and Society in Post-Soviet Russia* (Manchester: Manchester University Press, 2006), pp. 228-239.

22 Andrei Sharogradskiy, "Noviy Afganistan? Shchto dumayut rossiyane o voyne v Sirii?" [A new Afghanistan? What do Russians think about the war in Syria?], *Radio Free Europe/Radio Liberty*, September 6, 2017, https://ru.krymr.com/a/28720699.html.

23 Andrew S. Weiss and Nicole Ng, "Collision Avoidance: Lessons of US and Russian Operations in Syria", Carnegie Endowment for International Peace, March 20, 2019, https://carnegieendowment.org/2019/03/20/collision-avoidance-lessons-of-u.s.-and-russian-operations-in-syria-pub-78571.

The Kremlin's willingness to use military force could be changed also by the other secondary driver, namely by the international repercussions of a Russian military intervention. Russia could be led to either fully cease, or significantly decrease, its use of military force, if the international costs of doing so were to become unbearably high. This could mean that international reaction begins to affect the political will of the elites to use military force, e.g. by using personalised sanctions against the competent Russian decision-makers, as well as against strategically important Russian companies.

Nevertheless, such a scenario would require the EU and the United States to adopt sanctions that are significantly more severe than the ones currently in place. Punitive measures would need to be so extensive and comprehensive that they would decisively impede the basic functioning of the Russian state and economy, thus affecting both the first and the second primary drivers, namely public support for the Kremlin's actions and the availability of resources. Such measures would massively harm Western economies as well, hence the probability of their being enacted is very low, particularly in the context of the economic damage inflicted by the coronavirus pandemic. However, if the EU's dependence on Russia's oil and gas resources starts to diminish due to the Green Deal and due to an abundance of oil and gas from the MENA region and from the United States, by 2030 the likelihood of such sanctions may increase, as in such circumstances they incur much less cost for the EU.

CHAPTER 5

RUSSIA AND ITS POST-SOVIET 'FRENEMIES'

Breaking free from the post-Soviet time loop?

by
ANDREW WILSON

Relations withEaP states

Three scenarios

The western parts of the former Soviet Union – a region that now consists of the six countries of the Eastern Partnership (EaP) – will remain a primary arena of geopolitical contestation for Russia in the next decade. In the 2020s the EaP six will become an increasingly heterogeneous group of states; yet their trajectories will all be defined by three key uncertainties.

The first of these has two dimensions: (i) the degree to which Russia's coercive tactics, albeit applied to different degrees in the respective countries, will impact on the future evolution of each EaP state. The determining elements in this equation are domestic weaknesses stemming from political/economic crises or a combination of both; (ii) the degree of European/Western engagement in the region. This chapter is based on the assumption that this dichotomy – for better or worse – cannot be escaped in the region in the next decade. The other key uncertainties are internal ones although these are intertwined with external dynamics. The future evolution of the EaP states will depend on the balance between traditional post-Soviet patronal politics – based on informal power networks and state capture – and, on the other hand, the push for more open and competitive politics and societies. The main drivers of this uncertainty are the potential for and sustainability of elite renewal in these states and the degree to which the new elites are able to enact meaningful institutional reform. The last uncertainty is how economically dependent or independent these states will be *vis-à-vis* the traditional regional hegemon Russia. The main unknowns within this field concern the EaP six's ability to break free from energy dependency, their changing market orientation and migration patterns.

These critical uncertainties are the basis for the regional scenarios set in 2030 with which the chapter begins. The first scenario, 'Downward spiral', describes how economic dependence on Russia and the post-Soviet patronal networks increases, in particular in Ukraine – partly as a result of the failure of the old/new elite to break free from traditional informal politics and pursue meaningful reforms, partially as a result of the failure of Western policies. In this scenario Russian coercion plays a less significant role. In contrast, the second scenario, 'Belarus is ours!', is based on the strengthening of Russia's coercive power in the region – not only in military terms but even more in terms of increased economic and civilisational dependency – primarily in Belarus, but also in Georgia, Moldova and in Ukraine. The third scenario – the most positive one – is called 'Grandmother's footsteps' (after the children's game) where Ukraine first, but also other EaP states, make staccato progress economically and politically away from a temporarily distracted Russia. Elite renewal and sustainable reforms combine with economic growth, strengthening political and economic resilience.

The justification for including such a multifaceted and diverse region in a single chapter is that the EaP region is more than the sum of its parts. While every state develops their bilateral relations with Russia in principle independently of others, there is also a more general regional dimension in both Russia's and EaP states' policies – and in the EU's policies for that matter.

THREE REGIONAL SCENARIOS FOR 2030

1. Downward spiral

It was a bright spring day when the Russian president, Igor Sechin, welcomed his counterparts from Ukraine, Moldova and Georgia – Arsen Avakov, Igor Dodon and Uta Ivanishvili – to his residence at Cape Idokopas by the Black Sea. This was the first high-level meeting of the four like-minded leaders together and was widely seen as proof that a new equilibrium had been found in the long, conflictual relationship between Russia and the UMG group (as Ukraine, Moldova, and Georgia were often referred to). Russian foreign policy now divided the EaP six into three categories: first, the close allies Armenia and Belarus, institutionally linked through their membership of the Collective Security Treaty Organisation (CSTO) and the Eurasian Economic Union (EAEU); second, the close but institutionally looser alliance with UMG states; and third, Azerbaijan, which had managed to retain its semi-independent in-between position between the EU and Russia.

Although all these states were still officially part of the EU's EaP framework, their relationship with the EU had soured and ties loosened during the past decade. The drive for more democracy and reform had given way to a rise in nationalist or anti-Western sentiment during the first half of the 2020s in the three states of Ukraine, Moldova and Georgia. European attempts to stimulate and sustain reforms had not paid off; the increasingly authoritarian leaders across the region criticised the EU for systematic attempts to limit their hard-earned sovereignty. Instead, they reached out to Russia to strike a new *modus vivendi* which, on the one hand, would preserve their relative autonomy but, on the other hand, would entail their deference to and support for Russian foreign policy priorities. Many in the West saw the mismanaged Minsk process and Zelensky's repeated failure to push through radical reforms as the starting points for this downward regional spiral that had progressively gathered momentum.

Kyiv was unable to organise local elections in parts of the Donbas simultaneously with other elections across Ukraine in October 2020. The March 2021 EaP summit in Brussels (postponed from June 2020 due to the coronavirus crisis) broke up without a declaration after an Azerbaijani veto over the lack of reference to the country's territorial integrity (in relation to the Nagorno-Karabakh conflict). The summit also failed to outline a new ambitious agenda to tie in the three associated members. Ukraine, still at war with Russia, felt particularly alienated. The EU, preoccupied with internal economic recovery after the coronavirus pandemic, had little time and energy to keep focused on Ukraine and the rest of the eastern neighbourhood.

Ukraine's economy had plunged dramatically as reforms and the fight against corruption stalled and remittances from Ukrainians working abroad collapsed by more than 30% as a result of the Covid-19 crisis. Although the Rada had passed the banking law necessary to get financial assistance from the International Monetary Fund (IMF) in 2020, in early 2021 the Constitutional Court declared the law unconstitutional, leading effectively to the suspension of IMF assistance.

The Ukrainian government did not give up on its promise to bring peace to Donbas. The renewal of the Donbas Special Status Law with the amendments upon which Russia had insisted went ahead during the summer of 2021 – in an attempt to limit publicity and thus protests. Even then, large-scale demonstrations in Kyiv still followed – the largest since the Maidan protests in 2013-14. Regardless of this, Zelensky pushed forward: elections were held in the Donetsk People's Republic (DNR) and Luhansk People's Republic (LNR) areas of Donbas in October 2021. However, Russian and separatist troops were not pulled back from the front line or confined to barracks, and the structures of the DNR and LNR were not abolished. The only meaningful competition took place between the main regime parties, the Donetsk and Luhansk 'Popular Fronts', and the pro-Russian Opposition Platform, which had won the local elections in Kyiv-controlled areas of the Donbas in 2020. After the elections, the Popular Fronts and the Opposition Platform formed 'coalition' governments to exclude Zelensky's Servant of the People party from any power equation. Hence, Russia retained military control and successfully legitimised its proxies politically in the region.

President Zelensky's pledge to bring peace to Donbas seemed to leave Ukraine with the worst of all possible worlds: the DNR and LNR 'governments' were newly legitimised, but the peace process itself had collapsed. Taking advantage of the EU's distraction, Russia had increased its influence over Ukraine by default. The situation in Donbas remained unresolved; the elections had only made things more difficult and unclear.

The situation in Ukraine was unstable; there were supposed to be peace talks in Kharkiv between the Kyiv and Donbas 'governments', but they were abandoned after the National Guard failed to contain protests led by the far-right paramilitary group the National Corps. There were rumours that Arsen Avakov, the powerful interior minister, was playing both sides and personally funding the far-right group to escalate the situation, in order to weaken Zelensky's position.

In the midst of all this, President Zelensky kept his promise to serve only one term, resigning early to 'return to comedy' in 2022. It was rumoured that Avakov had compromising material on Zelensky and that he had blackmailed the president to step down. In elections that were clearly rigged, Avakov was elected as president of Ukraine. Almost immediately repression ensued against civil society and journalists. Ukraine's status was downgraded by Freedom House to 'not free' in 2023. President Avakov refused to rearm Ukraine, despite his campaign promises; the defence budget was redirected to fund populist social programmes instead. Avakov also broke with his nationalist supporters after his surprise decision to force the Orthodox Church of Ukraine to re-establish communion with the Russian Orthodox Church (ROC) in 2023, leading to many parishes across

Ukraine returning under the ecclesiastical authority of the ROC in 2024-2025. Russia rebuilt its media and NGO influence network without apparent hindrance. The same year, Russia and Ukraine opened bilateral talks on conflict-related issues and economic cooperation. By 2025 Russian propaganda had changed its tune; almost overnight the 'failed state' of Ukraine turned into the 'closest brotherly neighbour' with whom Russians share the 'same blood, religion – and destiny'.

Ukraine's reorientation reverberated across the region. Avakov's rise and the new developments in Ukraine-Russia relations set the trend; Russia's regional standing and status was strengthened considerably. In Moldova, despite a corruption scandal President Igor Dodon won the elections in 2020. To help him, Russia facilitated the organised participation of the population from breakaway Transnistria (still citizens of Moldova) in elections. The divided opposition failed to stop democratic backsliding. In 2024 Moldova reinstated the tradition of the president being directly elected by the parliament and President Dodon secured a third term. In Armenia, the unpopular prime minister Nikol Pashinyan was replaced by Arayik Harutyunyan, former president of Artsakh/Nagorno-Karabakh, returning the so-called Nagorno-Karabakh clan to power as security on the frontline with Azerbaijan dramatically deteriorated. Corruption worsened throughout the region; the new generation of local strongmen calculated that the era of 'coloured revolutions' was over, as impoverished local civil societies were too weak to challenge their power. In addition, Russia provided know-how ('smart' repressive digital surveillance technologies) on how to retain power without resorting to wide-scale coercion.

The new (but old-style) patronal elites in Ukraine or Moldova were prepared to cut specific deals with Russia (especially in the energy field); however, they did not wish join big Russian-led projects like the EAEU that would restrict their freedom of manoeuvre and would require renouncing free trade agreements with the EU. The old-school political networks and the inability to pursue meaningful and sustainable reform translated into continuing energy and economic dependence of Russia, weak economic performance and the persistence of oligarchic systems in the region.

Trade with the EU continued, but political ambition lessened over the years. Around the mid-2020s, relations with the EU were confined to trade deals and attempts to access funds with no strings attached. Gradually, however, the normative gap between the EU and the populist nativist leaders running local clientelistic networks widened. In 2027 Brussels agreed to downsize the EU's EaP policy and it was remodelled as the 'Preferential Partnership'. Former EaP states could apply for associate status in the EU's new third tier.

In this scenario, the latest shakeups in the ranks of the political elite that took place in Ukraine in 2019, in Georgia in 2012, and Moldova in 2019 failed to become game-changers, and efforts to introduce meaningful sustained reforms failed. Instead the new elites replicated the old ways of doing politics and business. While Russian coercion did not significantly increase, Russia's influence was strengthened primarily due to democratic backsliding and rampant corruption in the neighbourhood, an effect only exacerbated by weakening European engagement due to the coronavirus crisis and the growing normative gap between the EU mainstream and the EaP countries, while less democratic EU states like Hungary and Poland no longer saw the EaP as a priority.The impression in the early 2020s that the EaP region was gradually moving away from Russia proved to be misleading: Russia's staying power and the EaP states' inability to reform brought the region much closer to the Kremlin's orbit than had been the case a decade before.

2. Belarus is ours!

On 8 March 2030, President Putin and President Viktar Lukashenka – the son of former president Alyaksandr – handed flowers to the female employees of the Astravets nuclear power plant in celebration of International Women's day. Since the two countries established an economic confederation in 2025, scenes like this

– reminiscent of the Soviet past – had become common in the carefully curated BY-RUSNet. But despite the seemingly amicable and warm relations, tensions had been running high between the two countries over the past few years.

Back in 2020 it had seemed that Russia was turning inwards and that it would therefore apply less coercive pressure on the EaP states and scale down its ambitious plans to include them in its geopolitical projects. Back then it seemed that Russians had grown wary of foreign entanglement, amid increasing public disillusionment about the opportunity costs of Russian foreign policy at home.[1] The Covid-19 pandemic only amplified this misperception. The West and the EU in particular had interpreted Moscow's temporary introspection as heralding the opportunity to re-engage with a less bellicose Russia. For the first time since 2014, it seemed that there was a chance to build a more cooperative relationship.

However, Russia's supposed 'inward turn' turned out to be nothing more than a shift from open military engagement towards intensive political and economic coercion and manipulation; the Kremlin deemed this to be a much cheaper way of winning control and influence. In the mid-2020s, Russia pumped considerable resources into its religious and civilisational mission in the neighbouring countries. The coronavirus crisis lasted into 2021 and while weakening Russian economic capacities it also created ample opportunities for Russian manipulation in the EaP states.[2]

In the early 2020s there was increasing pressure from civil societies in the region for more open and democratic political processes, in particular in Georgia and Moldova; but this pressure led to chaotic pluralism and few meaningful reforms. Protests in Tbilisi and Batumi against ballot fraud were broken up by *zonderebi* brigades made up of wrestlers and ex-cons before the elections that took place in autumn 2020. The death of Patriarch Ilia, Georgia's spiritual leader since 1977, during the elections and the succession of the even more pro-Russian Bishop Shio provided the authorities with the legitimacy they needed for their framing of the political protests as foreign interference, and the protests subsided during the agreed period of mourning for Ilia. In 2022 the new government curtailed the size of the EU Monitoring Mission in Georgia (EUMM) after complaining about unfair discrimination against Georgians travelling supposedly visa-free to Europe. The EU denied these allegations and claimed that the new travel authorisation system was equally applied to all visa-free states but agreed to the downsizing.

Belarus held presidential elections in August 2020. Widespread criticism of President Lukashenka's complacent response to the coronavirus led to ham-fisted, last-minute exclusion of the major opposition candidates. Protests had been banned on election day for public health reasons. Most voting had taken place early at workplaces or at home. Despite the increasing tensions between Lukashenka and Putin, Russia neither intervened directly in the elections nor flexed its military muscles at this point. Moreover, Moscow provided assistance to stem massive popular protests in Belarus and keep the country afloat economically. However, as protests slowly died out, Lukashenka started to feel the pressure from Moscow building up again. Belarus had become something of an *idée fixe* for Vladimir Putin personally. In 2021 Putin revived the proposal for an 'economic confederation' first put forward in 2018. The Belarusian economy had entered a severe recession in 2021-22, and the Kremlin oligarchs were jostling to expand into Belarusian energy, retail and property markets. The tentative *rapprochement* with the EU was ended after the election. The EU did not recognise the

1 See the data at "Vneshnyaya politika: udachi i neudachi" [Foreign policy: successes and failures], Public Opinion Foundation, August 27, 2018, https://fom.ru/Politika/14089; Denis Volkov, ""No Trust": What Russians Think About the Pension Reform Plan", Carnegie Moscow Centre, August 9, 2018, https://carnegie.ru/commentary/77015.

2 "Secret Labs and George Soros: COVID-19 Disinformation in the EU Eastern Partnership Countries", *EUvsDisinfo*, May 16, 2020, https://euvsdisinfo.eu/secret-labs-and-george-soros-covid-19-disinformation-in-the-eu-eastern-partnership-countries/

result and imposed a new round of individual sanctions against Belarus.

Although Belarus's relations with the EU turned frosty, stories began to appear in the Russian media about the danger of 'losing Belarus' to the West, unless Russia made a pre-emptive move. Lukashenka once again started dragging his feet on the Kremlin's proposals for confederation. Instead of wooing Belarus into a closer relationship, Putin decided to proceed by 'soft' coercion and reminding Belarus of just how dependent it was on Russia. Russia imposed export bans on 'unsafe' Belarusian machinery, forcing the government to temporarily close two large state-owned enterprises (SOEs), BelAZ and the Minsk Tractor Works. Lukashenka was forced to cut welfare benefits and pensions, while reducing taxes on the IT sector even more (as advised by the IMF), thereby stirring resentment among ordinary Belarusians who, in the summer of 2023, took to the streets in protest against the 'Two Belaruses'. Russia ostentatiously took the side of the pensioners and 'losers', and wired its bots and troll farms to promote the hashtags #noBelarusianoligarchy and #promisesof1994 – the latter reminding Lukashenka of his first election campaign when he had promised to fight against oligarchs and defend the common people. Fearing that he was losing his grip on power, Lukashenka pleaded with Russia to help him, and in desperation agreed to basically all Moscow's demands.

A masterly display of Russian-style political manipulation followed: in September, two bombs exploded on the Minsk metro, in an uncanny echo of similar incidents in 2011. The swift trial and execution of the supposed culprits raised a lot of criticism in Europe and reminded European leaders of the wide gap in values between Belarus and Europe. Lukashenka criticised European 'doomsday liberalism' and aligned with the conservative rhetoric and values of his Russian counterpart. In January 2024, Lukashenka agreed to the establishment of a Russian military base at Babruisk, two months before Putin's successful re-election in March 2024.

Following this, Russia promised to reopen markets and restore energy subsidies. After 20 hours of marathon talks in Sochi, Lukashenka agreed to form an economic confederation with Russia in September 2024. The deal was marked by a hockey match: All Stars of Russia vs. All Stars of Belarus, teams led onto the ice by Putin and Lukashenka. However the deal also included a private agreement that Lukashenka would remain in office as president for a year only. In the 2025 elections his son Viktar Lukashenka easily defeated the reform candidate, former foreign minister Uladzimir Makei. The success of the 'Belarus is Ours!' campaign strengthened Putin's position considerably and contributed to his election victory in Russia in 2024; this effectively quelled the machinations of elements opposed to Putin within the Kremlin elite.

Russia's strengthened position in Belarus also had repercussions throughout the region. As Belarus's economy resumed growth in 2024-2026, and as the EU scaled down its engagement and activities in the region – due to both economic and political concerns – EaP leaders began rebooting their economic relationship with Russia. Under President Dodon Moldova suspended gas imports through an interconnector with Romania (finalised in 2021) and once again signed an exclusive contract for gas supplies with Gazprom. As the economy in Russia slowly recovered, more migrants from the region began to head to Russia again. Russia's economic appeal was heightened by the fact that China cooperated closely with Russia in strengthening its footprint in the EaP states. In 2027, China had completed the Y-railway linking the Minsk and Kyiv Industrial Parks and onward to Warsaw, as the westernmost branch of the Kazan-Moscow line. Ukraine also rebuilt and strengthened economic ties with Beijing and Moscow. Ukrainian goods destined for China could now transit Russian territory unobstructed. There was increasing talk of linking the 12+1 (China and the post-Soviet states, not including the three Baltic States) with the 17+1 in the EU. More intimate relations with China and substantial economic leverage propelled Russia back into the driving seat across the eastern neighbourhood.

In this most pessimistic scenario, Russian coercive power remains strong and even increases, while the EU's engagement in the region weakens. The EaP states are unable to pursue elite renewal or sustainable reforms and both patronal politics and oligarchic, Russia-dependent economic structures are reinforced. The EaP states' room for manoeuvre is even more limited than in the first scenario.

3. Grandmother's footsteps

On 6 January 2030 President Shoigu of Russia, surrounded by the elite of the Orthodox Church, took a dip in the cold waters of Lake Ladoga. Shoigu was now at the end of his first presidential term and preparing for elections in March. He feared that Russia's increasingly close relations with China and less revisionist stance internationally might backfire on him – despite the fact that the Russian economy was performing better than in the early 2020s. It was because of the approaching elections that he had agreed to these virile PR shots with the clergy; there had been rumours circulating in public that he might secretly practice Buddhism and clearly those would not help his bid to renew his presidential term.

Back in 2024 both Russia and Ukraine had held presidential elections. In March Russia had successfully managed a transition of power; defence minister Sergey Shoigu had succeeded Vladimir Putin after Putin's doctors had advised him to take the less arduous position of Chair of the State Council. A month later, in April 2024, despite having earlier considered not running again, Volodymyr Zelensky was re-elected in Ukraine but only by a razor-thin margin. He had failed to deliver peace in Donbas but the local IT economy had boomed after the coronavirus pandemic and Ukraine had become a major near-shoring hub for the EU.

With Shoigu at the helm, Russia's relations with China had deepened considerably. After the EU's Green Deal, Russia had oriented itself towards the ever-expanding Asian markets in order to safeguard domestic stability. The most important development in this regard had been the strengthening of the Shanghai Cooperation Organisation (SCO) at the expense of Russia's own arrangements: for instance, in 2026 both Armenia and Belarus joined the SCO, which had been successfully rebranded as an economic organisation.[3] Russia had become the biggest beneficiary of Chinese Belt and Road Initiative (BRI) investments and the improved infrastructure had greatly improved Russia's economic competitiveness. It had agreed to the practical abandonment of the EAEU but all in all Russia's position in the world economy had improved: Russia was hoping to overtake Germany as the biggest European economy – this was to be Shoigu's key message in the run-up to the March elections.

Unlike Russia, Ukraine had oriented its economy towards the EU – and it had also had some success. Zelensky's team matched the ambitious economic pledges of the electoral campaign with deeds: it had delivered on land privatisation, state-owned enterprise reform and judicial reform; and by 2024 this had brought growth back to its 2018-19 average of 3-4% by 2024. Ukraine had also developed some profitable regional partnerships in the IT sector with Moldova, a country that had become increasingly integrated in EU companies' production chains. Ukraine's IT industry had continued to expand, and now produced 10% of Ukraine's GDP. The government's e-governance project – including a 'Ukraine at your service' app – significantly cut red tape and improved the investment climate. Ukraine advanced rapidly in the World Bank's Ease of Doing Business ratings. The green energy transition gathered pace; as a result, the share of renewable energy increased in Ukraine, making it less dependent on Russian coal and oil.

Relations with the EU and the US had improved after successful reforms and the election of Joe Biden as the US president. Biden had done his best to build bridges with Ukraine: the negative fallout of the 'Ukrainegate' scandal that

3 Olesya Dovgalyuk , "SCO-style economic cooperation: treading slowly", *The Interpreter*, Lowy Institute, November 14, 2019, https://www.lowyinstitute.org/the-interpreter/sco-style-economic-cooperation-treading-slowly.

had worked against him in the run-up to the election dissipated as several officials from the Trump administration were brought to trial after the inauguration. The second eurozone crisis that followed the coronavirus pandemic had proved short-lived and a bilateral deal with Poland in 2023 allowed Ukrainian migrant workers greater economic rights in exchange for setting up a network of Polish-Ukrainian cross-border IT joint ventures. The Polish-Ukrainian energy partnership had been strengthened. After necessary infrastructure investments, Ukraine started to import more gas via Poland.

The EU and the US had changed their strategy after hostilities had briefly flared up in 2021: they agreed to prioritise economic cooperation with Kyiv and the reconstruction of the Kyiv-controlled parts of Donbas. Also, Ukraine had pursued the diversification of its economy with new determination after 2021. In 2027, Ukraine's top four trading partners were the EU, China, Turkey and Russia. Ukraine had achieved significant energy diversification: its domestic oil and gas production – both conventional and shale – as well as solar and biofuel energy production increased significantly in the 2020s.

On the security front, things remained complicated. Zelensky had not been able to end the war in Donbas and it continued as a low-intensity conflict. More people crossed the line of contact on a daily basis and were able to conduct a semi-normal life despite the unresolved status of the separatist regions. Since his election Shoigu and Zelensky had met several times and they had developed a good personal relationship. In 2027 the two men secured the adoption of the Safe Passage Agreement that demilitarised the middle sections of the Black Sea to allow important BRI and other traffic to access Odessa. In their last meeting they had even talked about reviving the idea of special elections for Donbas, that had been dropped in late 2020.

In this scenario, the dominant drivers are Russia's reorientation, both economically and politically, towards China, and the relaxation of its coercive posture in the EaP region as a result. Equally important for change was Ukraine's ability to pursue elite renewal and meaningful and sustained political reform and economic diversification; this strengthened both the political and economic resilience of Ukraine *vis-à-vis* Russia and had a positive spillover effect on Moldova. The increased engagement of the US and EU in the region strengthened Ukraine's reform drive and encouraged economic growth. Russia's reorientation also led to significant changes in Belarus and Armenia, weakening the Kremlin's economic leverage.

KEY UNCERTAINTIES IN THE EAP STATES' FUTURE

Russia's coercive capacity in the region

Throughout the 2010s Russia's showed its determination to reclaim pre-eminence in the eastern neighbourhood. This willingness to display and project political and military power was matched by financial resources Moscow accumulated in the 'fat 2000s'. Russia was also able to avail of and exploit legacies of the Soviet era, in particular economic dependences and old political networks in neighbouring states. Moscow has deployed its rich coercive toolkit – a fusion of military, cyber, economic, diplomatic and political instruments – most visibly in Ukraine. How much of a priority will the eastern neighbourhood be for Russian foreign policy in the future and on which types of instruments will this policy rely? This section tracks the evolution of Russia's coercive power, through which it attempts to undermine the sovereignty of EaP states.

Several factors indicate continuity in this trend in the next decade. First, Russia still views the six EaP countries as an outer ring of buffer states that perform a key defensive function in protecting the 'besieged' Kremlin inner fortress. Ideally, Russia would like to surround itself with a circle of autocrats or 'pretend democrats'. Real democrats, often seeking to bring their countries closer to the EU, are considered a threat. This suggests that Russia will remain extremely wary of any events or developments in the EaP region that might disturb the stagnation that has become a feature of the late Putin era.

Another factor that indicates continuity is conflict path dependency in the region. The majority of the EaP states still share some cultural ties with Russia, either as Eastern Slavs or as Christian kin states; but cultural closeness and affinity usually makes a state *more* of a Russian target, as recent active measures against Belarus testify.[4] It is equally important to note that not all conflicts will be solely military: indeed, the 2020s will be a decade of conflict for control over the Orthodox world. Russia is far from reconciled to the establishment of the Orthodox Church of Ukraine in 2018, and is seeking to create a regional coalition against it, as well as against the Ecumenical Patriarch in Istanbul.[5] Additional crises are looming among the Orthodox communities in Georgia, North Macedonia and Montenegro, which Russia might try to leverage in its disputes in the eastern neighbourhood. As the Russian regime stagnates at home, it might try to exploit this wide array of conflicts to mobilise domestic support.

In spite of strong factors pushing for continuity, alternatives to this path of political stagnation and stasis cannot be ruled out completely. Russia's will and resources for coercive action might falter in the future. However, it is unrealistic to expect that by 2030 Russia will become a more tolerant and benign regional power that will wind down its military presence, respect the foreign policy choices of neighbours and foster market-based economic relations stripped of any geopolitical agenda. Such a mutation would require a profound rethinking of state-society relations in Russia, of its economic model, and most importantly a radical transformation of its foreign policy *modus operandi*. And even all this combined would not necessarily guarantee a definitive break with the past. A different approach in the very early 1990s brought limited results. If a shift towards Russia showing greater geopolitical tolerance in the neighbourhood is unlikely, then what kind of change is more plausible?

The 2020s will be a decade of conflict for control over the Orthodox world.

Vectors of change

Any change in Russian policy towards its neighbours in the next decade, if it comes, will occur by default rather than by design. Such a change is likely to stem from Russia's exacerbated domestic weaknesses and vulnerabilities (e.g. economic troubles or a power transition crisis), which may temporarily deflect its attention and sap its capacity to act in the region. In 2020 Russia seems to be heading into a period where its leadership will be preoccupied with internal issues: early in the year President Putin announced generous social spending, appointed a new prime minister and pushed for constitutional amendments to ensure his possible re-election in 2024. But as Covid-19 struck Russia hard, Russia was forced to shift its focus to managing the domestic economic and social fallout of the pandemic. Depending on the duration and depth of the crisis, it may ultimately absorb even more time and energy than it does now; time is a finite resource and in the Kremlin imperatives of power preservation are likely to take precedence over other policy priorities. In the future, escalating intra-elite squabbles and Putin's weakening legitimacy (which may precipitate a power struggle for his succession), may have

4 Maxim Samorukov, "Is the Kremlin finally ready to play hardball with Belarus?", *The Moscow Times*, December 11, 2019, https://www.themoscowtimes.com/2019/12/11/is-the-kremlin-finally-ready-to-play-hardball-with-belarus-a68561.

5 Kadri Liik, Momchil Metodiev and Nicu Popescu, "Defender of the faith? How Ukraine's orthodox split threatens Russia", *Policy Brief*, European Council on Foreign Relations, May 30, 2019, https://www.ecfr.eu/publications/summary/defender_of_the_faith_how_ukraines_orthodox_split_threatens_russia.

the side-effect of undermining the coherence and efficiency of Moscow's power projection in the immediate vicinity.

This does not mean that Moscow will suddenly refrain from playing great power politics in the region. The Russian leadership may resort to the tried-and-tested tactic of diversionary conflict to boost domestic legitimacy and push its geopolitical agenda in the eastern neighbourhood. Trump's reelection, or a political crisis in America after his defeat, may tempt Russia towards adventurism. But the internal benefits of embarking on foreign policy adventures to boost Putin's domestic popularity are diminishing. Russian public opinion is tired of paying the cost of the Kremlin's foreign policy adventures.[6] Under the increasing pressure of domestic social and economic problems Russia's power projection in the eastern neighbourhood will not cease, but its scale and intensity may decrease in the 2020s. And this may temporarily provide Russia's eastern neighbours with more space for manoeuvre and even a mild respite from Russian pressure and interference. Still, Russia's domestic troubles are not the only factor that could reshape relations between Moscow and other former Soviet states in the coming decade; domestic politics and foreign policy orientations in the neighbourhood itself will also account for the future of these relations.

Russian public opinion is tired of paying the cost of the Kremlin's foreign policy adventures.

Patronal politics in EaP states

It is often argued that 2014 marked a decisive turning-point after which Putin had 'lost' Ukraine and other neighbouring states.[7] According to this view, the Revolution of Dignity ushered Ukraine into a 'post-post-Soviet' era, whereas the annexation of Crimea and the subsequent war in Donbas made both Russia's enemies and friends more eager to develop relations with the EU and China in order to balance Russia's influence. But did Ukraine indeed manage to break the vicious cycle of patronal politics – an informal power set-up that in hard or soft form has dominated political reality across the region since the 1990s? If so, could others follow in the 2020s?

What often look like political revolutions and patterns of linear progress, may in fact be cycles of regime decomposition and re-composition.[8] The same applies to foreign policy orientation. For instance, Moldova's brief unity government in 2019, a coalition between the pro-Russian Socialists and the pro-European 'Now' bloc, was an attempt to overcome divisive geopolitical debate and the curse of patronal politics, but it lasted barely five months. The current government in Chisinau has again scaled up pro-Russian discourse and actions while in parallel resurrecting many corruption schemes.[9]

Internal divisions in these countries are deep-rooted and enduring regardless of the government in power. Moldova, Georgia and Ukraine have entrenched pro-Russian and

6 Op. Cit., Public Opinion Foundation.

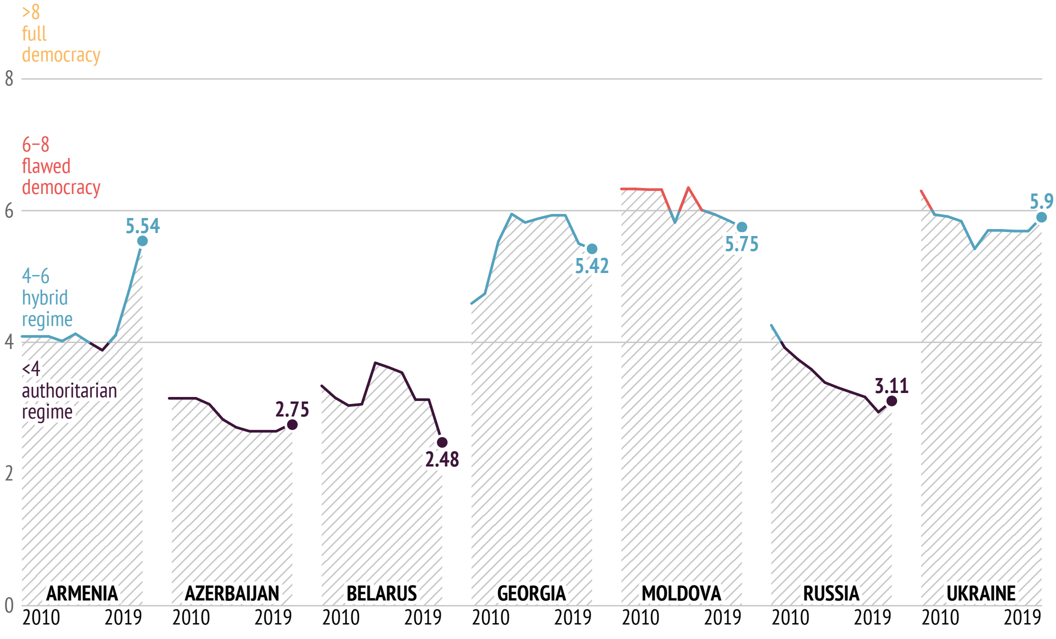
7 Taras Kuzio, "How Putin lost Ukraine for good", *UkraineAlert*, The Atlantic Council, January 6, 2019, https://www.atlanticcouncil.org/blogs/ukrainealert/how-putin-lost-ukraine-for-good/

8 Henry Hale, *Patronal Politics: Eurasian Regime Dynamics in Comparative Perspective* (Cambridge: Cambridge University Press, 2014).

9 Orlando Crowcroft, "'Europe can only be stronger with Russia', claims Moldova's president", *Euronews*, February 14, 2020, https://www.euronews.com/2020/02/14/europe-can-only-be-stronger-with-russia-claims-moldova-s-president?fbclid=IwAR2tPMwReNUt3hZcxPHAwpl0jTWK0p3anms270sD_oX9ZyCanttp67lP7ck.

EaP States and Russia Democracy Index

Index score, 2010–2019



Data: Economist Intelligence Unit, 2011–2020

pro-European constituencies.[10] Even if the pro-Russian camp in Ukraine is much reduced in size, it revived as the rebranded 'pro-peace' Opposition Platform in 2019. Pro-Russian sentiments are still strong in Belarus and Armenia. Another influential factor in this regard is the nature of political elites in the EaP countries. In the face of continuing Russian pressure, elites seem to have three options for now. One is to settle for nominal independence and rule as 'satraps', enmeshed in informal networks of Russian influence. However, this option appears less stable as a long-term solution than it once was. Russia has continued to make life difficult for satraps by redefining the price of friendship ever upwards. This is most clearly seen with Russia attempting to push Belarus towards an 'economic confederation' in advance of the elections held in Belarus in August 2020.[11]

The second option is to seek the protection of the West; but this option is likely to be less readily available. The West is less likely to buy the idea that crooked figures like Moldovan oligarch Vladimir Plahotniuc who tried to play the EU and US against Russia can act as a bulwark against Moscow.[12] The third option for EaP elites is to be corrupt but independent, dominating their territories as local 'bosses' (*khozyainy*). Local bosses may attempt to keep their distance from Russia, but they will also

10 "Public Opinion Survey: Residents of Moldova", International Republican Institute, December 8, 2019, https://www.iri.org/sites/default/files/iri_poll_-_december_2019_for_publishing.pdf; "Public Opinion Survey: Residents of Georgia", International Republican Insitute, November 18, 2019, https://www.iri.org/resource/first-georgian-national-poll-protests-reveals-loss-trust-government-decade%E2%80%99s-worth-economic; "Stavlennya naselennya Ukrayiny do Rosiyi ta naselennya Rosiyi do Ukrayiny, Veresen' 2019 r." [Attitude of Ukrainians towards Russia and of Russians towards Ukrainians, September 2019], Kyiv International Institute of Sociology, https://www.kiis.com.ua/?lang=ukr&cat=reports&id=899&page=2.

11 "Russia, Belarus to form economic 'confederacy' by 2022 – Kommersant", *The Moscow Times*, September 16, 2019, https://www.themoscowtimes.com/2019/09/16/russia-belarus-to-form-economic-confederacy-by-2022-kommersant-a67297.

12 "Vlad Plahotniuc included into US state department's sanctions list", *infotag.md*, January 13, 2020, http://www.infotag.md/politics-en/281730/

espouse nationalist or nativist ideologies that will be critical of the West, and blame the West for not doing enough in terms of advancing their EU membership perspective or providing security assistance, and for lecturing EU neighbours on democracy and environmental policy. Belarus is the prime example of an autocracy seeking to preserve its sovereignty.[13]

These are the models derived from the past, but the eastern neighbourhood is not doomed to repeat them forever. The following section looks into the potential drivers of change in the region.

Vectors of change

The advent of a new leadership capable of pursuing meaningful and sustainable institutional change would be a game-changer in the region. In order for this to come about strong civil society support is needed. These elements (elite renewal, civil society activism and ability to pursue sustainable reform) are the main drivers of change in this context.

Belarus is the prime example of an autocracy seeking to preserve its sovereignty.

For example, in Moldova despite only a short stint as prime minister, Maia Sandu managed to introduce positive policy changes which outlasted her premiership, although corrupt schemes dismantled during her term in office have quickly been revived under the new government (e.g. contraband cigarette smuggling from Transnistria). More enduring has been the relatively transparent and fair competition for the appointment of judges to the Constitutional Court. In its new composition the Constitutional Court first dismissed the president of the Constitutional Court after he discussed a key case *sub judice* with President Dodon; second it declared unconstitutional the $200 million loan agreement with Russia that had been concluded with numerous procedural violations.[14] These decisions stand in stark contrast with ones adopted by the previous Constitutional Court, staffed with corrupt judges subservient to the powerful oligarch Vladimir Plahotniuc. This example demonstrates how functional institutions could in future undermine the alliance between local corrupt politicians and Moscow – although one 'clean' institution on its own cannot do all the work, it can be a step towards a tipping-point if accompanied by other reforms.

It is likely that the EaP states will increasingly follow different trajectories in the 2020s. There will be no all-encompassing movement away from patronal politics; while some will reproduce and consolidate informal structures of governance which circumvent the rule of law and the separation of powers, others might make a leap forward towards establishing the rule of law and functional political and legal institutions. Those headed by leaders with integrity and a reformist agenda backed by the financial and technical support of the West will stand a chance to break the vicious cycle of self-replicating patronal systems. But changes in Russia and the EaP region will stem not only from transformations in domestic politics, but also in the economic realm.

Economic dependence on Russia

The long-term political trends in the region are also shaped by economic forces. In the 2010s Russia enthusiastically flexed its military muscles against its neighbours and leveraged

13 Andrew Wilson, "Should the West be Wary of an Imminent 'Union' of Russia and Belarus?", The Jamestown Foundation, December 20, 2019; https://jamestown.org/program/should-the-west-be-wary-of-an-imminent-union-of-russia-and-belarus/

14 "Moldovan Court Rules Russian Loan Violates Law", *RFE*, May 7, 2020, https://www.rferl.org/a/moldova-court-rules-russian-loan-violates-law/30599792.html.

residual economic power against allies and enemies alike. The main components of Russia's economic bazooka are energy supplies and access to its market for goods and workers. Partly because of Russia's heavy-handed policies, trade patterns and energy supply in the region have been diversifying in recent years.

The region stands currently divided between those who are members of the Russian-led EAEU, such as Belarus and Armenia, and the associated members of the Eastern Partnership who signed up to the Deep and Comprehensive Free Trade Area (DCFTA) with the EU: Georgia, Moldova and Ukraine. Azerbaijan is a special case, as it joined none of these formats. There is another faultline; the older, post-Soviet, high energy-consuming and often state-owned sectors lean towards Russia, but the more dynamic sectors lean more towards the EU.

Russia has waged trade wars against Ukraine and Moldova in the 2010s. Russia was once the most important trade partner for both; but embargoes have dramatically reduced Russia's share in commercial exchanges (10% in Moldova in 2019 and 9% in Ukraine),[15] and weakened Russia's ability to leverage trade. In Georgia Moscow has shown more restraint since the 2008 war and managed to regain its place as one of Georgia's top three trade partners (with a share of 11.5%).[16] DCFTAs helped Moldova and Ukraine offset the effect of trade embargoes. In Moldova the shift was not only quantitative (over 60% of its exports go to the EU) but also structural. Moldova is becoming part of the EU production chain – as exemplified by the massive plants installed in the country by the German automotive component maker Dräxlmaier.[17]

However, Moscow has been able to increase its trade leverage *vis-à-vis* Minsk and Yerevan. In the process Russia has entered into numerous trade wars with Belarus and to a lesser extent Armenia since the two joined the EAEU.[18] On the other hand, Russia rarely offers additional gains from trade; the EAEU is all about Russia, rather than about *realpolitik* based on a calculation of mutual interests. Joining the EAEU more often than not means maintaining access to the Russian market rather than gaining any additional benefits.

Still, the straitjacket of EAEU membership does not rule out a moderate expansion of trade with the EU in the coming decade. Belarus and Armenia may boost exports to the EU, especially of ICT services. Powered by services exports, Armenia's IT economy had reached 7.5% of GDP by 2018.[19] Belarus's trade with the EU has been booming too, mainly in services, up by 20.6% in 2018 to €10.9 billion.[20] Still this will not enable these countries to entirely escape Russia's trade embrace; export competitiveness to the EU and other geographic destinations will often remain dependent on relatively cheap oil and gas from Russia. This in particular applies to Belarus and its second most important item of exports to Europe, mineral products (20%).[21]

One of the most important fields where the tide has shifted in the 2010s has been energy. One of the legacies of the Soviet Union was

15 European Commission, DG Trade, "European Union Trade in Goods with Moldova", May 8, 2020, https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_moldova_en.pdf; Ibid, "European Union Trade in Goods with Ukraine", May 8, 2020, https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_ukraine_en.pdf.

16 European Commission, DG Trade, "European Union Trade in Goods with Georgia", May 8, 2020, https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_georgia_en.pdf.

17 "German Auto Component Maker Opens €30m Plant In Moldova", *Industry Europe*, August 28, 2019, https://industryeurope.com/german-auto-component-maker-opens-plant-in-moldova/

18 "Russia declares trade war on Belarus", *UAWire*, April 11, 2019, https://www.uawire.org/russia-declares-trade-war-on-belarus; Richard Giragosyan, "Armenian-Russian Relations: Diminishing Returns", Heinrich Böll Foundation, October 16, 2017, https://ge.boell.org/en/2017/10/16/armenian-russian-relations-diminishing-returns.

19 Tatev Mkrtumyan, "Placing Armenia on the Global Tech Map", *EVN Report*, July 2, 2019, https://www.evnreport.com/economy/placing-armenia-on-the-global-tech-map.

20 See the data at European Commission, DG Trade, "European Union, Trade in Goods with Belarus", May 8, 2020, https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_belarus_en.pdf.

21 Ibid.

the EaP regions' high level of dependency on Russian energy.[22] In the 2010s three factors started to undermine Moscow's dominant position: (i) the economic crisis of 2008; (ii) the alternative energy (shale, LNG) revolution, and (iii) heightened security concerns after 2014 that drove both EaP and EU states to diversify away from the highly politicised Russian energy supply.

Russia has reacted to these three trends and has attempted to restore its energy leverage in the region. It has scored some provisional wins: Nord Stream has bedded in and Nord Stream II looks likely to open in 2020/21; TurkStream is set to open technically in 2020.[23] Both create the conditions for Russia's Gazprom to reduce the transit of gas via Ukraine, depriving the latter of revenue from transit fees and of importance in EU-Russia energy trade. Despite this, the long-term trend seems to be gradually increasing diversification of energy supplies in the region.

Another major field of economic dependency on Russia is one of labour migration. For Russia, migrant workers from the EaP region are not only a resource for the Russian economy, but also a geopolitical tool. For example, Russia expelled Georgians working in Russia in 2006, and repeatedly blocked Moldovan workers from coming to Russia in the 2010s. By sending migrants back home, Russia not only reduces the amount of remittances (equal to over 10% of GDP in Armenia, Georgia, Moldova and Ukraine) but may also foment social tensions (by increasing unemployment in these countries). However, even in this field, Russian leverage has decreased in recent years.

The changing geography of migration will keep diminishing the importance of Russia as a source of remittances.

Before 2008 Russia was the favoured destination for local labour migrants; from 2014/15, with increasing connections to other countries and shrinking opportunities in the Russian labour market, many migrants headed to the EU. There may be up to two million Ukrainians or even more working in Poland.[24] The arrival of budget air travel, at least in Georgia, Moldova and Ukraine, only accelerates this trend. In Belarus large parts of the east of the country used to have their economies supported by workers who had migrated to Russia, but such opportunities are now harder to find. Migrants from Belarus may increasingly look towards Europe in the next decade, with Poland being the main destination.

The changing geography of migration will keep diminishing the importance of Russia as a source of remittances. Over the last decade Russia has been overtaken by the EU as the major source of remittances to Georgia, Moldova and Ukraine (accounting for a share of over 40%).[25] However, with cheap flights to Russia and a huge diaspora network in place, Russia will remain an important destination for migrants from Azerbaijan and Armenia.

22 The only exceptions were Azerbaijan (a major oil and gas exporter itself) and – partially – Georgia (which imports the bulk of its gas and oil from neighbouring Azerbaijan).

23 "Russia's Gazprom says it will complete Nord Stream 2 alone", *Radio Free Europe/Radio Liberty*, January 29, 2020, https://www.rferl.org/a/russia-s-gazprom-says-will-complete-nord-stream-2-alone/30403428.html; "Putin and Erdogan meet in Istanbul for TurkStream inauguration", *Euronews*, January 8, 2020, https://www.euronews.com/2020/01/08/putin-and-erdogan-meet-in-istanbul-for-turkstream-inauguration.

24 Shaun Walker, "'A whole generation has gone': Ukrainians seek a better life in Poland", *The Guardian,* April 18, 2019, https://www.theguardian.com/world/2019/apr/18/whole-generation-has-gone-ukrainian-seek-better-life-poland-elect-president.

25 National Bank of Georgia, "Money Transfers", https://www.nbg.gov.ge/index.php?m=728; "National Bank Revealed How Much Money Ukrainians Sent Home and Where Do They Come From", *5.UA*, February 18, 2020, https://www.5.ua/ru/ekonomyka/natsbank-rasskazal-skolko-deneh-v-proshlom-hodu-perevely-v-ukraynu-y-otkuda-ymenno-208509.html; National Bank of Moldova, "Evolution of Money Transfers from Abroad for 2019", https://www.bnm.md/ro/content/evolutia-transferurilor-de-mijloace-banesti-din-strainatate-efectuate-favoarea-25.

What could change these trends?

There are two drivers of change in the energy field. A new wave of energy diversification may take place in the 2020s, eliminating or significantly weakening Russia's energy grip on the region by 2030. The completion of the Trans-Anatolian Natural Gas Pipeline in 2019 will bring gas from Azerbaijan via Turkey to Southern Europe. More gas exports from Azerbaijan to Europe in the 2020s is good news for Georgia, who will receive more gas in return for ensuring transit.[26] In the next decade Ukraine may expand its gas interconnector with Poland; the latter is in the process of building a gas connection to Norway (due in summer 2021). In this way Ukraine may further scale up gas imports from the EU. Gas and electricity interconnection with Romania may significantly lessen Moldova's dependence on Gazprom's gas as well as on electricity provided by the Russian-owned Cuciurgan power plant located in breakaway Transnistria.

But it is not only diversification that may undercut Russia's energy leverage by 2030. The second driver of change is the EU's green agenda which, in combination with energy efficiency programmes, may further decrease dependence on Russia. With the support of international donors EaP states have been implementing projects aimed at increasing energy efficiency and use of renewable energy. All EaP states have large agricultural sectors, with substantial quantities of organic waste necessary to produce biofuel (biocoal, biogas and biodiesel) for autonomous heating systems. In the 2010s biofuel projects began to mushroom, pushing up the share of renewables in local energy mixes. For example in Moldova in the last decade the share of renewables increased from around 4% to above 20% mainly due to biomass projects.[27] With more renewable energy projects already under way, this trend may gather speed across the region in the 2020s.

All these diversification and energy efficiency strategies are technically possible and feasible. Russia can still obstruct them or slow them down by working in partnership with predatory local elites, who often have a vested interest in preserving non-transparent schemes for importing gas, oil or electricity from Russia for reasons of personal enrichment. In addition, low oil prices might paradoxically strengthen Moscow's hand in the region as EaP elites are likely to go for the cheapest deal whereby they can also receive financial kickbacks from Russia.

The EU's strengthening economic role in the EaP region could be challenged by an economic crisis caused by Covid-19 or protracted trade wars between the US and China. This could significantly reduce European demand for goods from Georgia, Moldova and Ukraine. Depending on the duration of such a crisis and the speed of recovery, all three DCFTA countries' trade with the EU would decline, weakening their overall economic resilience.

Politics may also affect the situation and help Russia to rebuild its trade leverage in strategic sectors. Even before the election of Zelensky, Ukraine's trade with Russia was creeping up again from a low point in 2016, with deals in petroleum products, organic chemicals and anthracite coal.[28] Kyiv under Zelensky is abuzz with talk of returning Russian capital and Yanukovych-era oligarchs.[29] In Moldova too, Russia may not regain its previous dominant position, but if Russian-oriented governments

26 "Of Georgia's 2.5 billion cubic meters of Natural Gas Consumption, 95% is from Azerbaijan", *FactCheck*, June 17, 2019. https://factcheck.ge/en/story/38126-of-georgia-s-2-5-billion-cubic-meters-of-natural-gas-consumption-95-is-from-azerbaijan.

27 Ion Tabarta, "Renewable Energy in Republic of Moldova: Between Slow Development and Interests", *Info Bulletin IDIS*, no.15, 2019, https://www.viitorul.org/files/library/Buletin%20informativ%2015.pdf.

28 Oleksandr Kramar, "Trade in a time of war", *The Ukrainian Week* , February 27, 2019, https://ukrainianweek.com/Economics/227146.

29 See e.g. ultimately unfulfilled rumours about appointing Yanukovych-era politician Serhiy Tihipko as prime minister of Ukraine: Vitaliy Portnikov, "Pochemu Zelenskyi vybirayet novogo prem'era iz politikov vremen Yanukovicha?" [Why is Zelensky choosing the new prime minister from politicians of Yanukovych times?], *Belsat*, February 26, 2020, https://belsat.eu/ru/news/pochemu-zelenskij-vybiraet-novogo-premera-iz-politikov-vremen-yanukovicha/

remain in power in the 2020s, trade may also recover from the current nadir, restoring the Kremlin's economic leverage to some extent.

An economic crisis in the EU would also affect migration flows from EaP states. While the effects of the Covid-19 pandemic will reduce the volume of remittances to EaP states in 2020,[30] this is likely to happen in a more or less uniform way as both the EU and Russia enter economic recession. A faster rebound in the EU compared to Russia may actually accelerate the trend of migrants gravitating towards Europe rather than Russia. Whether Russia will be able to reverse the negative trend or even restore its position in the 2020s will very much depend on its economic performance. With a stagnating or slow-growth economy, Moscow may not be able to exert the same leverage as a source of remittances, with some exceptions (Armenia and Azerbaijan). Thus the threat to expel migrants or refuse entry to Russia will not send the same shockwaves across the region as it did in the 2010s.

Last but not least, when it comes to the EAEU and market divisions in EaP countries, Russia may turn even more protectionist, using non-tariff obstacles to reduce even its allies' share of the Russian market in the wake of the coronavirus crisis. But Russia is the most important trade partner for both Belarus (49%) and Armenia (27%) and will likely remain so in the 2020s, although its share may decline. The issue of market access means that Russia can continue to apply economic coercion against Minsk and Yerevan. This might encourage both in the 2020s to quietly seek ways to lessen their dependence on Russia; although without reforms and access to alternative markets the likelihood of such attempts at reorientation succeeding remains slim.

30 The World Bank, "World Bank Predicts Sharpest Decline of remittances in Recent History", April 22, 2020, https://www.worldbank.org/en/news/press-release/2020/04/22/world-bank-predicts-sharpest-decline-of-rem ittances-in-recent-history.

CHAPTER 6

THE FUTURE OF CHINESE-RUSSIAN RELATIONS

The next round of Go

by
MARCIN KACZMARSKI

Relations with China

Three scenarios

Russia's Suez moment — Internally weakened and externally isolated, Russia subordinates its interests, including in the post-Soviet space, to China's strategic needs.

People vs. China — Reacting to domestic unrest, the Kremlin strategically distances itself from China but is forced to maintain economic ties with Beijing.

Authoritarian internationale — China and Russia form a full-fledged security, economic and diplomatic alliance directed against the West.

In the coming decades, Russia's growing dependency on China, Sino-American strategic rivalry and potential shifts in geopolitical constellations, as well as internal political developments in Russia, will profoundly influence the dynamics of Chinese-Russian relations.

This chapter begins by proposing three scenarios representing Russia's relationship with China in 2030: first, 'Russia's Suez moment', in which Russia's interests are subordinated to those of China; second, 'People vs. China', describing a domestically-driven Russian backlash against China; and third, the 'Authoritarian Internationale', where the two states come together in a fully-fledged alliance,. After the scenarios, the chapter briefly outlines the current state of play in Sino-Russian relations. The last part of the chapter focuses in more detail on the uncertainties connected with the key drivers on which the scenarios are based.

THREE SCENARIOS FOR 2030

1. Russia's 'Suez moment'

Following weeks of increasingly violent protests in Minsk in September 2030, the opposition movement made an abortive attempt to storm the presidential palace where Alexander Lukashenka was said to be still in residence. The Kremlin lost patience and ordered Russian troops stationed at two bases to march towards the Belarusian capital. To the surprise of many observers, China took an unprecedented step by coordinating a joint statement with the US, the EU, the UK, India and Japan. These leading powers demanded that Moscow immediately withdraw its troops. The Xinhua news agency issued a communication which condemned Russian actions as ‘irresponsible and imperialistic’. The Hong Kong-based *South China Morning Post* featured an insider’s account of Xi Jinping’s phone call to Vladimir Putin. According to the newspaper’s sources, the Chinese leader threatened to impose economic sanctions on Russia if Moscow did not declare a ceasefire. Angry voices in the Chinese press recalled how the 2008 intervention in Georgia had eclipsed Beijing’s Olympic Games and demanded a hardline approach to Russia’s adventurism. Le Yucheng – who 10 years before had been a rising star of Chinese diplomacy and was now Xi’s right-hand man in foreign policy matters – was dispatched to Moscow and Minsk to negotiate a ceasefire agreement that included the removal from office of President Lukashenka.

Faced with this united Sino-Western front, the Kremlin accepted Beijing’s demands. While this came as an obvious humiliation to Russia, the Kremlin was too weak – politically and economically – to openly challenge Beijing. Putin’s circle of acolytes and friendly oligarchs, cut off from the West by a decade and a half of sanctions, were too dependent on Chinese loans and trade to consider any serious anti-Chinese moves.

With Russia forced to withdraw from Belarus and acquiesce to a new government in Minsk (whose leader chose China as the destination for his first visit abroad), the Sino-Russian strategic partnership’s façade of equality crumbled. In the post-Soviet space, Moscow limited its aggressive policies, especially with regard to the states most relevant to a successful implementation of the Belt and Road Initiative (BRI), such as Kazakhstan, Belarus and Ukraine. China emerged as a *de facto* intermediary between Russia and a number of post-Soviet states. In distant regions, including Africa, South-East Asia and Latin America, Russia coordinated its actions more closely with Beijing and subordinated its activities to China’s economic interests. Moscow’s approach to global governance, and in particular international crises, became dependent on Beijing’s interests. This led to fewer vetoes by Russia in the UN Security Council (UNSC) and less opposition to peacekeeping missions in cases where China and the West came to an agreement. Effectively, Russia’s potential to generate instability was substantially diminished. At the same time, Russia accepted China’s primacy in East Asia and reduced its efforts aimed at hedging against Beijing. This led to a weakening of Russia’s ties with such states as Japan, Vietnam or the Philippines. Moscow was also forced to take China’s side in territorial disputes in the South and East China Seas. China, in turn, continued to bankroll the Russian economy and to support Putin and his circle.

Beijing’s growing impatience with Russia’s international adventurism can be traced back to the early 2020s. In 2022-23, Xi and US president Joe Biden signed a series of agreements that initiated a period *of détente* between the two superpowers. China and the US managed to ‘phase out’ their strategic rivalry. Emboldened by the recovery that followed the Covid-19 pandemic and confirmed as ‘people’s leader’, in his third term (since 2022), Xi Jinping steered China’s foreign policy in a more conciliatory direction. As a result, China’s relations with other powers, including Japan and India, became significantly less adversarial. A series of economic cooperation treaties with the EU followed.

A Sino-American strategic truce and China’s vested interest in keeping the world economy open after the global recession induced by the Covid-19 pandemic elevated international political stability to the top of Beijing’s foreign policy priorities. Russia’s political-military brinkmanship directed against the West and its heavy-handed tactics towards its neighbours not only generated material losses for China but also put Beijing in an awkward position as it had to tacitly approve of its quasi-ally’s actions. As Sino-American relations improved, previous strategic benefits that Beijing derived from Russia's entanglement of the US in Europe could no longer offset the costs.

At the same time, Russia faced further deterioration in its relations with the West, with the economic costs of sanctions and Western policies taking an increasing toll, as well as finding itself more isolated on the world stage. In 2026, Russian-Western relations hit a new low following a wave of cyberattacks that were traced back to Russian hackers. The West's coordinated response came in the form of another series of coercive economic measures and cyber counterattacks, which revealed Russia's vulnerability.

Against the backdrop of persisting tensions with the West and a prolonged recession in the mid-2020s, Russia's political and economic dependence on China increased dramatically. Beijing maintained its support for Putin's regime, seeing it as a useful bulwark against a failure of *détente* with Washington and trying to stave off chaos that would endanger the economic revival of China's north-eastern provinces. Simultaneously, however, Beijing gradually abandoned its policy of self-restraint towards Moscow. In the 2010s, China carefully downplayed the power asymmetry between the two states and demonstrated its recognition of Russia as a great power with privileged interests. A successful *détente* with the US and the damage to Chinese interests brought about by Russia's actions emboldened the Chinese leadership and led to a loss of strategic patience with Russia. Chinese policymakers increasingly viewed Russia as a spoiler and its aggressive policy as a liability rather than an asset at Beijing's disposal. Russia's policy in Eurasia, deemed harmful to the BRI, was a particular target of Chinese ire.

The deadlock in relations with the West and growing dependence on China seriously limited the Kremlin's policy options. Further cooperation with China, regardless of the humiliation Russia had suffered, was Moscow's only viable choice as long as Beijing continued to prop up the ruling regime.

2. People versus China

An explosion in the Chinese chemicals factory in Heilongjiang province bordering the Russian Far East, sent thousands of toxic particles into the air on a late February evening of 2030. The effects quickly began to be felt by the Russian population in Vladivostok and Khabarovsk. The Russian state media downplayed the scale of the incident. The report by an independent outlet, *Novaya Gazeta* (which appeared to have been informed by a Kremlin insider), revealed that Putin received a phone call from Xi only two days after the catastrophe, by which time the pollution had spread to the Russian provinces and it was too late to mount an effective response. China's silence and lack of transparency, and the Kremlin's ineffectual response, triggered a wave of anger on social media.

The widespread perception of Russia being the weaker partner in the relationship, examples of the corruption of the ruling regime's representatives and 'friendly oligarchs' as well as Russia's technological dependence on China, provided the opposition with political ammunition. Alexei Navalny, Putin's unrelenting critic, seized what he perceived as a unique opportunity and called for street protests. Anti-Chinese sentiment, suppressed since the Kremlin's courtship of Beijing, was now running high. The nationalists saw their chance and vowed to end 'Russia's dependence on China'. They demanded that 'Chinese predatory exploitation of Russian natural resources' and 'China's expansion to Russia's Arctic territories' cease.

Faced with extensive protests, from the Far East to Moscow, Russia's ruling regime reassessed the implications of China's rise and the cost-benefit ratio of close cooperation with Beijing. The increasing domestic costs of collaboration with China were further augmented by growing uncertainty about Beijing's long-term intentions. From the perspective of the regime's security and survival, China gradually turned from an asset into a liability. Resentment of China quickly transformed into anger towards Putin and his close acolytes who had advocated a policy of pursuing ever closer ties with Beijing.

The Kremlin took a series of steps aimed at limiting political damage and seizing back the initiative. The measures included minimising high-level contacts and downplaying the level of cooperation with China; a renewed emphasis on relations with other Asian powers like Japan or India; more explicit support for South-East Asian states caught up between China and the US, including advanced weapons sales to Vietnam. Russia's arms trade with China came to an abrupt halt, including sales of spare parts and servicing. Joint military exercises were cancelled and replaced by joint drills with other Asian states. Moscow ordered a *Vostok* strategic exercise to be held, whose scenario identified China as a potential threat. Moscow strived to limit trade with China, but other members of the Eurasian Economic Union (EAEU) rebuffed these attempts. This shift in policy was accompanied by growing criticism of China in the media. A more critical discussion on China in the mainstream media was designed to convince protesters that the Kremlin was not 'China's poodle' as slogans in the streets claimed. A trend towards a more critical and nuanced discourse on China in the Russian expert community became discernible. Meanwhile the Russian authorities turned a blind eye to outbreaks of violence against Chinese nationals.

Growing disappointment with China within the ruling elite was a further factor that convinced the Russian leadership to change course. Positive attitudes of key domestic players in Russia were not set in stone and had reversed gradually since the mid-2020s. The escalation of Chinese practices of cyber and industrial espionage led to a deep shift in attitudes among the Russian security establishment. The FSB, intelligence services and the armed forces alike began rethinking threat assessments and lobbied the Kremlin to adopt a more assertive policy. China's technological advantage over Russia, as illustrated by its mastery of 5G, turned out to be too tempting for Chinese spooks who increasingly targeted Russian private companies as well as the government. The closing of the Chinese market to Russian corporate behemoths (such as Rosatom) and pressure exerted by Moscow on Russian energy partners (Rosneft and Novatek) to cede bigger stakes in Arctic projects weakened enthusiasm in Russian business circles for close cooperation with China, thus indirectly influencing the Kremlin's policies.

The Kremlin could blame itself for failing to see the coming challenge. Putin's fifth presidential term (2024-30) did not restart the economy, weakened after years of lockdowns caused by the recurrent seasonal waves of Covid-19. Fast-depleting state coffers ignited fierce infighting among the regime's key players, while prolonged economic stagnation exhausted the patience of traditionally pro-Putin voters. Domestic upheaval weakened the leadership and increased room for contestation, both among those elites with loose ties to the Kremlin and among the opposition.

China's shift away from its policy of self-restraint towards Russia weakened the strategic and domestic incentives for closer cooperation. Moreover, it validated and justified the Russian opposition's claims that too close an alignment with China had been a fatal error. Disquiet generated by China's foreign policy assertiveness and Chinese nationalism at home led to the Russian leadership reassessing their *rapprochement* with China. Chinese technological primacy and the perceived threat to Russia's sovereignty had a similar effect. The scope of options available to the Russian leadership – especially improved relations with the West since the end of the Ukrainian conflict in 2025 and the development of cordial relations with non-Western powers – helped Moscow to openly challenge China and reduce the scope of existing cooperation.

However, the persistence of the power gap between the two states and the existing infrastructure for collaboration, such as oil and gas pipelines, long-term contracts and Chinese ownership of assets in Russia, seriously limited the Kremlin's room for manoeuvre. There were no prospects of a full 'decoupling' from China. Cooperation in some areas turned out to be difficult to reverse, with Russia not willing to suffer heavy economic losses because of breaches of contracts. As a result, oil and gas sales continued. Despite the pushback, Russia remained heavily dependent on China.

3. Authoritarian Internationale

The 85th anniversary of the end of World War II in Europe, celebrated in Red Square on 9 May 2030, witnessed a joint parade of Russian and Chinese troops. In its aftermath, Vladimir Putin (who was 77 years old and who had just several days earlier started his sixth and probably last presidential term) received his main guest Xi Jinping in the Kremlin. Both leaders, accompanied by senior officials from China and Russia signed a Treaty of Good Neighbourliness and Mutual Assistance. The choice of the venue reaffirmed that Beijing was careful to acknowledge Russia's status as an 'equal' partner.

A formalised political-military alliance between Russia and China – the redacted text of which was distributed among journalists – included support for each other's political and territorial claims, closer security cooperation up to the level of forces' inter-operability, coordination of positions *vis-à-vis* the West and coordination of actions and strategies in third countries as well as gradually increasing burden-sharing.

Russia and China agreed on much more robust practical cooperation. Moscow and Beijing explicitly supported each other's territorial claims – China recognised the annexation of Crimea, while Russia adhered to China's claims in the South China Sea under the 'nine-dash line'. With regard to the seas surrounding Japan, Russia recognised China's sovereignty over the East China Sea's Senkaku (Diaoyu) Islands, while China changed thousands of maps, marking the Kuril Islands as Russian rather than contested by Japan.

Closer security cooperation was reflected in a sharp increase in the interoperability of both armed forces; the creation of a joint task force; regular joint patrols over sea and airspace; and joint arms production going beyond mere buying and selling of equipment. Russia and China stopped short of committing to mutual security guarantees; however, observers speculated about the existence of a secret protocol given the scope of security cooperation that transformed their relationship into a genuine political-military alliance.

Coordination of mutual actions in third countries and distant regions replaced the model of cooperation that had hitherto existed where Moscow and Beijing pursued activities in parallel. A formalised division of roles was expected to allow for better use of both states' primary tools, military in the case of Russia, economic in the case of China. Similarly, Moscow and Beijing promised to coordinate their activities in the realm of global governance more closely, in areas ranging from cyberspace/internet policing[1] to environmental and economic governance.

The signing of a treaty could not be said to come as a surprise. For most of the post-Cold War period, a major reason why both states shied away from a fully-fledged alliance was their willingness to avoid being drawn into a confrontation with the US because of the other state's disputes with Washington. Already in the late 2010s, Russia seemed more eager to enter into an alliance with China. In 2019, Putin described the relationship for the very first time as one of quasi-alliance (*soyuznicheskiye*) and announced Russia's assistance to China in the construction of an early-warning missile system. However, many within the Russian elite were sceptical of such an alliance.[2] Two reasons stood out: fear of being drawn into Sino-American rivalry and fear of losing strategic autonomy, effectively subordinating Russia's interests to those of China. The Chinese elite used to be even more sceptical towards the prospects of an alliance. A general reason related to Beijing's non-alignment policy. Moreover, China's refusal to formally

1 Alena Epifanova, "Deciphering Russia's 'Sovereign Internet Law'", The German Council on Foreign Relations, January 16, 2020, https://dgap.org/sites/default/files/article_pdfs/dgap-analyse_2-2020_epifanova_0.pdf.

2 Aldo Ferrari, Eleonora Tafuro Ambrosetti and Paolo Magri, "Russia and China: Anatomy of a Partnership", Italian Institute for International Political Studies, May 3, 2019, p. 52, https://www.ispionline.it/sites/default/files/media/foto/report_russia-china_anatomy-of-a-partnership_1.pdf.

endorse certain Russian policies, e.g. with regard to Georgia or Ukraine, was embedded in Beijing's growing wariness of what it perceives as separatist tendencies, in Taiwan in particular. Russia's political-military brinkmanship was regarded as harmful to China's economic interests as it generates instability.

Given such a background, it was only due to substantial pressures from the US and the West in general that both states' elites overcame their doubts, allowing the alliance to emerge. Despite a growing gap in material capabilities to Beijing's advantage, the relationship became more interdependent. Faced with a more robust Western policy, China needed the practical military experience of the Russians.

In the 2020s, Russian-Western relations continued to worsen. Russia's suffered more extensive economic losses during Trump's second presidential term. Coupled with increasing isolation from other partners on the international stage, these ultimately cornered the Kremlin into cooperating with China. The need for an ally trumped the perception of Russia as a 'lonely power'.[3] Following the second wave of the Covid-19 pandemic in 2022, Moscow put the blame on the West and increasingly relied on Chinese tech solutions to control movement of people. After Abe Shinzo's departure as prime minister of Japan, his successor dropped the policy of embracing Russia and joined the US and the EU in tougher sanctions towards Russia.

China faced a further deterioration of its relations with Washington and the deepening of strategic rivalry with the US. As a consequence, Russian activities directed at Washington were considered indispensable for China's foreign policy to succeed. In 2023, just before completing his second presidential term, Donald Trump elevated cooperation with India to a higher level. Several years later, in 2026, his Democratic successor, Elizabeth Warren, managed to revive 'the Quad', formalising the alliance of the US, India, Japan and Australia. Beijing's readiness to discard its non-alignment policy came with explicit support from the very top, i.e. from Xi Jinping himself. This helped previously marginalised voices seeing the need for an alliance with Russia to become more mainstream in the Chinese political debate.

Meanwhile, China steadily pursued its policy of self-restraint towards Russia in order to allay misgivings among the Russian elite about the dangers of aligning with a stronger partner. Certain symbolic concessions on the part of Beijing created the impression of equality between partners; in 2025, the command over a newly established joint task force went to the Russian side.

2020: GROWING ASYMMETRY

Russia's current relationship with China has been defined by two parallel processes that have accelerated since the 2008-2009 global economic crisis: closer cooperation across a number of areas, including those of strategic relevance – energy and security – and the rise in asymmetry between the two states in terms of their respective global power and influence.[4] This asymmetry between Russia and China has been reflected in: (i) their material capabilities; (ii) political-economic influence in their shared neighbourhoods and more distant regions; (iii) their respective places in each other's foreign policy; and (iv) long-term trajectories of their development.

The most acute is the power gap in their material capabilities. China's economy, growing at

3 Lilia Shevtsova, *Lonely Power: Why Russia Has Failed to Become the West and the West is Weary of Russia* (Washington, D.C.: Carnegie Endowment for International Peace, 2010.)

4 There was a power gap before the crisis; however, in the 2000s, Russia experienced quick economic recovery from the chaos of the 1990s; it was only the crisis that pushed it into recession, obliging it to seek loans from China and leading to a decline in its influence as in the case of Turkmenistan.

a pace of an average 6-7% a year in the 2010s, is 5 to 8 times (depending on the criteria used to measure the size of the economy) bigger than Russia's, which endured stagnation and recession in the same period. China's GDP has been steadily rising and equates almost 14 trillion USD; Russia's remains flat at the level of barely 1.7 trillion USD. In terms of their share in global GDP (measured according to purchasing power parity, PPP), China accounts for 19%, while Russia accounts for 3%.[5] China has been accelerating its development of high-technology sectors, including high-speed rail technology, telecommunications and artificial intelligence. Russia, meanwhile, continues to rely on hydrocarbon revenues, with advanced technology available only in the space industry, arms production and nuclear civilian energy. When looking at patents and industrial robots, the gap is even bigger.[6]

The structure of bilateral trade further illustrates the gap between the two economies. Russia has gradually moved from being mainly a provider of higher-end products, such as machinery, to primarily a 'natural resources/raw materials' supplier to China, especially since the latter joined the World Trade Organisation (WTO) in 2001.[7] Chinese exports to Russia covers the whole spectrum of merchandise, including higher-end products. In the high-technology domain, Huawei's entry into the Russian telecommunications and 5G market demonstrates the reversal of roles.[8] China is Russia's largest trade partner (15% of trade in general), whereas Russia cannot make it to the top ten, accounting for less than 1% of China's trade.[9]

For China, Russia is useful but, in many respects, a secondary partner.

In terms of military power, the picture is more complex. China's military budget is three times bigger than that of Russia, even though Chinese military expenditure remains below the 2% of GDP threshold against Russia's 4-5%.[10] Russia, in turn, maintains primacy in terms of strategic and tactical nuclear weapons, with an arsenal that is ten times bigger than that of its Chinese counterpart.[11] China's conventional missile arsenal may partially compensate for this gap.[12] Russia certainly has the upper hand in terms of practical use/deployment of the armed forces, mostly due to its campaigns against Georgia and Ukraine as well as the military intervention in Syria. China, despite impressive modernisation of its defence capabilities, has not fought a conflict since the late 1980s.[13]

The asymmetry between Russia and China has also been deepening in terms of both states' political, economic and military influence in third countries, both in their shared neighbourhoods

5 Alicia Garcia Herrero and Jianwei Xu, "How does China fare on the Russian market? Implications for the European Union", *Bruegel*, November 18, 2019, https://www.bruegel.org/wp-content/uploads/2019/11/WP-2019-08.pdf.

6 Riikka Nuutilainen and Jouko Rautava, "Russia and the slowdown of the Chinese economy", Bank of Finland Institute for Economies in Transition, January 17, 2020, https://helda.helsinki.fi/bof/bitstream/handle/123456789/16551/bpb0220.pdf.

7 The Observatory of Economic Complexity (OEC), "What does Russia export to China? (2000)", https://oec.world/en/visualize/tree_map/hs92/export/rus/chn/show/2000/; The Observatory of Economic Complexity (OEC),"What does Russia export to China (2008)", https://oec.world/en/visualize/tree_map/hs92/export/rus/chn/show/2008/; The Observatory of Economic Complexity (OEC), "What does Russia export to China (2017)", https://oec.world/en/visualize/tree_map/hs92/export/rus/chn/show/2017/

8 Though some facial recognition technologies can be attractive to Huawei, too: see Dimitri Simes, "Huawei plays star role in new China-Russia AI partnership", *Nikkei Asian Review*, February 4, 2020, https://asia.nikkei.com/Spotlight/Asia-Insight/Huawei-plays-star-role-in-new-China-Russia-AI-partnership.

9 Op. cit.,"How does China fare on the Russian market?"

10 Stockholm International Peace Research Institute (SIPRI), "Military expenditure by country as percentage of gross domestic product, 1988-2018", https://www.sipri.org/sites/default/files/Data%20for%20all%20countries%20from%201988%E2%80%932018%20as%20a%20share%20of%20GDP%20%28pdf%29.pdf.

11 The Nuclear Threat Initiative (NTI), "Russia: Nuclear", October 2018, https://www.nti.org/learn/countries/russia/nuclear/; The Nuclear Threat Initiative, (NTI), "China: Nuclear", April 2015, https://www.nti.org/learn/countries/china/nuclear/

12 Hans M. Kristensen and Matt Korda, "Chinese Nuclear Forces, 2019", *Bulletin of the Atomic Scientists*, vol. 75, no. 4 (2019), pp. 71-78, https://doi.org/10.1080/00963402.2019.1628511.

13 The conflict China fought against Vietnam in 1979 was followed by the use of irregular warfare against this state.

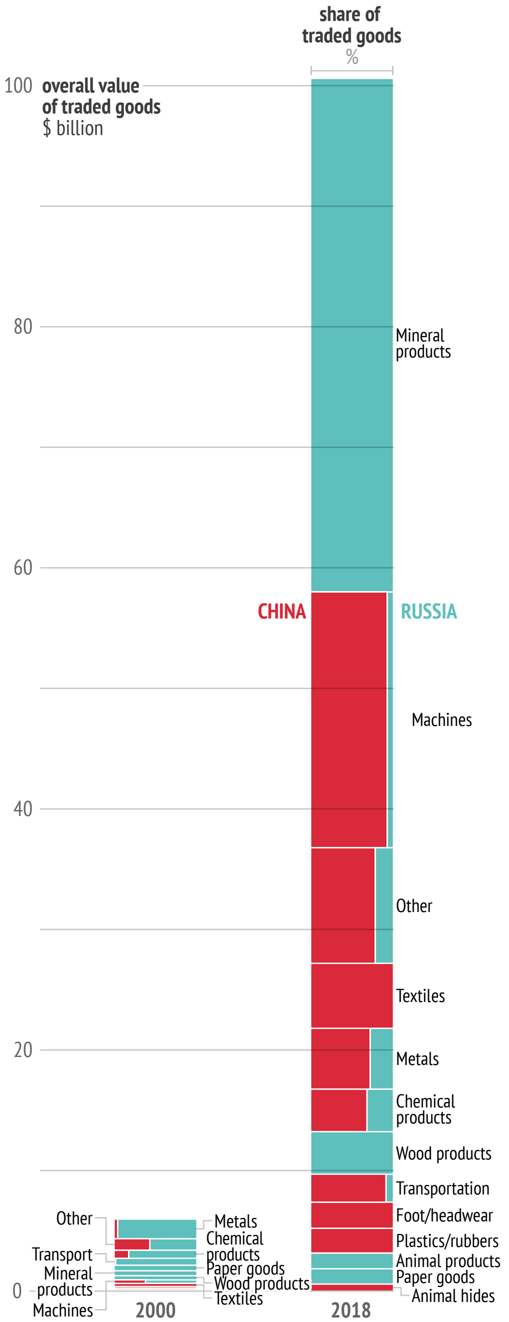
– the post-Soviet space and North-East Asia – and in more distant regions. In the late 2000s, China emerged as a dominant economic and energy player in Central Asia and also increased its engagement in the Arctic. Russia, in turn, in most cases followed in China's footsteps in East Asia.[14] Beijing's influence in the developing states is based on a solid economic foundation, which means that it is insulated from domestic political disturbances in particular countries. In the case of Russia, influence is usually connected to political and military support, often based on close relations with an incumbent government or regime, which makes it more prone to challenge in the case of a domestic upheaval.

The gap between Russia and China is also reflected in the asymmetry of mutual attention. China is more important politically and economically for Russia than vice versa. In the light of Moscow's deteriorating relations with the West after 2014, the value of the political and economic support that Beijing might offer acquired a new importance. For China, Russia is useful but, in many respects, a secondary partner.

While the current state of the Sino-Russian relationship is often described as an 'alliance in all but name'[15] or an '*entente*',[16] there are a number of issues on which Moscow's and Beijing's interests are far from identical. These include, for instance, both states' attitudes towards economic globalisation and political stability. Moreover, practical coordination tends to be narrow and is most visible in the UN Security Council where it can also be achieved with relative ease as no concrete actions have to follow joint vetoing of whatever the West is proposing. The civil war in Syria was particularly illustrative in this regard – joint opposition to Western

Russia-China trade

2000 and 2018



Data: Observatory of Economic Complexity, 2020

14 Policy towards Vietnam being an exception in the form of arms exports and Rosneft drilling: James Pearson, «Exclusive: As Rosneft's Vietnam unit drills in disputed area of South China Sea, Beijing issues warning», *Reuters*, May 17, 2018, https://www.reuters.com/article/us-rosneft-vietnam-southchinasea-exclusv/exclusive-as-rosnefts-vietnam-unit-drills-in-disputed-area-of-south-china-sea-beijing-issues-warning-idUSKCN1II09H.

15 See e.g. Bobo Lo, *A Wary Embrace* (London: Penguin, 2017) and Bobo Lo, "China Russia relationship key to emerging world order", The Lowy Institute, April 1, 2017, https://www.lowyinstitute.org/publications/china-russia-relationship-key-emerging-world-order.

16 See e.g. Michael Kofman, "Towards a Sino-Russian entente?", *Riddle.io*, November 29, 2019, https://www.ridl.io/en/towards-a-sino-russian-entente/

policies in the political-diplomatic realm did not translate into joint action on the ground.

There persists the asymmetry in the long-term development trajectories of both states. While Russia has managed to reverse the decline in its military capacities and has seen its political influence abroad rise as a result of its use of military force in Ukraine and Syria, it continues to face long-term economic decline, having been unable to modernise and diversify its economic system. China, meanwhile, continues its rise to the status of a superpower and seeks to offer an alternative to US hegemony. In the global arena, China has become more active along the whole spectrum of issues, whereas Russia has retained its narrow 'specialisation' in international security governance, losing its previous voice in such areas as climate and environmental governance (China vetoed an agreement on a reduction in global emissions in 2009 and played a key role in reaching an accord at the Paris Climate Summit in 2015).[17]

THE DRIVERS OF FUTURE CHANGE

Key uncertainties that will influence Russia's relationship with China include: (i) whether Russia can avoid becoming unilaterally dependent on China; (ii) whether China's relations with other players (the US, the EU, India, Japan) become more adversarial or more conciliatory; and (iii) the evolution of the domestic political situation in Russia.

Dependence versus interdependence

The power asymmetry presented above has created the situation of Russia being more dependent (and in need of) China rather than the reverse. The main uncertainty concerns how this asymmetry plays out in the coming years: will it evolve towards Russia's unilateral political and economic dependence on China, or will it diminish, thus making both states mutually interdependent?

In the economic sphere, the pace of China's development has magnified the gap between the two countries. Moscow's estrangement from the West, the maintenance of the sanctions regime and the failure to develop viable economic ties with partners outside of the West, such as India or Brazil, can be expected to reinforce Russia's unilateral dependence on China. If Russia is further drawn into China's financial system, by using the Chinese yuan rather than US dollars to clear transactions, due to the growing number of loans from Chinese banks, and the purchase of Chinese government bonds, then this dependence will deepen. At the same time, the Russian economy is not sufficiently attractive for economic interdependence to emerge – it cannot provide Chinese companies with access to high technologies, a rich consumer market, or established brands to invest in.

Given the existing economic ties and the importance of China as Russia's number one economic partner, stagnation in China would negatively affect the Russian economy without altering Moscow's dependence on Beijing. The drop in Chinese demand for Russian natural resources would be particularly detrimental. Moreover, China's role in driving global economic growth has an indirect impact on demand for Russia's export commodities in other parts of the world. A reversal of the imbalance in Sino-Russian relations could come about only under conditions of prolonged economic and political turmoil in China, coupled with Russia's achievement of economic efficiency and modernisation, i.e. leading to a significant reduction of Russia's reliance on the export of natural resources. China's loss of access

17 Jean-Paul Maréchal, "What role for China in the international climate regime?", Institut de relations internationales et stratégiques, January 25, 2018, https://www.iris-france.org/wp-content/uploads/2018/01/Asia-focus-59.pdf.

to other providers of natural resources, in the Middle East in particular, would reverse the current trend and might lead to a more interdependent economic relationship.

In the military realm, the relationship is one of interdependence. Whereas Beijing has more substantial resources to devote to military modernisation, the People's Liberation Army (PLA) lacks real-combat experience. A possible blunder by Chinese armed forces, such as a friendly fire incident during an attempted rescue mission abroad, would show the inadequacies and failures of the modernisation process. This, in turn, could strengthen Russia's image as a smaller but more capable power and provide a new impetus for security and defence cooperation between the two.

Interdependence could also be deepened if Russia and China were to implement joint arms production programmes. Alternatively, advancements in China's military modernisation programmes, such as independent development of a fifth-generation aircraft, especially when coupled with the successful use of force abroad, would reduce Beijing's need for cooperation with Moscow in the military-technical realm.

The gap that exists between both states' influence in the outside world, especially in their shared neighbourhood, has not translated into Russia's dependence on China, although it has weakened Moscow's position *vis-à-vis* Beijing. While in the 2010s, China's influence in the post-Soviet space grew mostly at Moscow's cost, this situation might be reversed. Growing concern about China's political and economic dominance might discourage particular states from pursuing closer ties with Beijing and even generate an anti-Chinese backlash, as has already been seen in such states as Sri Lanka or Malaysia. In Central Asia in particular, the fear of Beijing's encroaching influence, accompanied by societal discontent manifest in anti-Chinese protests, could push Uzbekistan and Kazakhstan closer to Moscow, and lead the former to join the EAEU. In North-East Asia, a shift in Japan's policy – the resolution of a territorial dispute over the Kuril Islands and increased economic engagement in Russia – would give Moscow more room for manoeuvre in its relations with Beijing. Finally, the evolution of Russian relations with the West, the US in particular, will have a bearing on the degree of Moscow's dependence on Beijing. An amelioration of Russia's relations with the West could make Russian-Chinese relations more interdependent and thus more equal. In order to have such an effect, this improvement would have to include the lifting of Western sanctions (and Russian counter-sanctions), a large-scale return of Western investors to Russia and a revived political dialogue. The intensity of Russia's cyber and military activities directed towards the West would also have to decrease substantially. On the other hand, the persistence of Western sanctions and political conflict will make Russia more dependent on China. The limited investments from the West and the continued rhetoric of rivalry will reinforce Russia's estrangement from Europe and the US, leading Russia to become increasingly entangled in China's growing political and economic networks.

An amelioration of Russia's relations with the West could make Russian-Chinese relations more interdependent and thus more equal.

Enmity versus amity

The future evolution of China's relations with other major actors, the US in particular, constitutes another major uncertainty that can have implications for Russia's relations with China as it will influence the place of Moscow in Beijing's foreign policy and may redefine Chinese aims towards Russia.

The shift in US policy and resulting change in Sino-American relations can be traced back to the 2016 presidential campaign in the US. At that time, a new consensus with regard to China began to emerge among the American establishment. The US recognised China as a strategic rival, increased political-economic pressure on Beijing and aimed at 'decoupling', i.e. curtailing technological and economic ties with the Middle Kingdom. Sino-American relations, which previously had been characterised by a combination of engagement and selective containment, entered into a period of strategic competition.

From Beijing's perspective, this shift meant that Chinese policies that had hitherto met with mild US opposition, such as the construction of artificial islands in the South China Sea or mercantilist support for Chinese companies, would face stronger US resistance. China also had to take into consideration actual and possible long-term pressures from the US. These pressures have already manifested themselves in such areas as: trade (the trade war), telecommunications and cyberspace (the case of Huawei and US attempts to limit its global presence), the Chinese model of state capitalism, and the BRI. The US explicitly declared its determination to counter Chinese influence throughout the world. Finally, the change in the relationship meant that China was no longer deemed a responsible stakeholder by the US but was instead put in the same group of 'revisionist' great powers as Russia after the annexation of Crimea.

The major uncertainty concerns the possibility of Sino-American reconciliation and the gradual diminishing of Sino-American antagonism. Temporary 'ceasefires' in Sino-American competition – such as the Phase One deal signed in 2020 that put the trade war on hold – would ease US pressure on China, providing Beijing with a respite from escalating tensions and increasing its room for manoeuvre. The growing polarisation in US domestic politics makes such interludes less plausible, however. The economic fallout of the Covid-19 pandemic in particular has made Donald Trump and the Republicans more willing to overtly resort to China-bashing in presidential and congressional campaigns in late 2020. Further deterioration of the relationship may lead to a loosely defined ban on export of any technology that can be used for military purposes, new sanctions on Chinese entities, and limitations on people-to-people contacts, including Chinese students in the US. Further pressure on US allies and partners to reduce their ties with China in such areas as 5G technology or semi-conductors production can also be expected.

Sino-American rivalry provides a window of opportunity for Moscow to improve its position *vis-à-vis* Beijing.

Competition with the US intensifies the importance of external partners to China, with Russia being political-military partner number one. However, even assuming the maximum of political goodwill, Russia will not be able to save China from the implications of the trade war with the US. Russia cannot compensate for the losses China has already incurred and may incur in the event of a severance of its ties with the US. Moscow's embrace of Huawei will not become a game-changer if European states bend under the pressure of either Washington or their own intelligence services and shut their markets to the Chinese telecommunications giant. From this perspective, even a further deterioration of China's relationship with the US will not automatically make Russia and China more equal. Nonetheless, Moscow can offer substantial strategic support to China. Russia can do so by keeping US attention and assets focused on Europe, offering military-technical support to China or conducting joint exercises. From this perspective, Sino-American rivalry provides a window of opportunity for Moscow to improve its position *vis-à-vis* Beijing.

In the less probable event of a Sino-American reconciliation, Moscow's position *vis-à-vis* Beijing would weaken substantially. From Beijing's perspective, Russia would become more of an international spoiler whose political-military adventurism is inimical to China's economic and political interests.

The state of China's relations with other players, such as the EU, India or Japan, may influence Beijing's approach towards multilateralism and economic globalisation. China and Russia have had different attitudes towards globalisation. For China, economic globalisation and the openness underpinning it provided the way to build its power and influence, as demonstrated most spectacularly by the BRI. From the Russian perspective, globalisation was much less favourable, mostly due to the weak competitiveness of the Russian economy in the global market (with the exceptions of the arms trade and civilian nuclear energy) and the paucity of investment opportunities in the Russian economy. Aware that it is economically inferior, Moscow prefers to shift competition with the West to fields in which it feels more comfortable due to partially restored capabilities, namely the security and military spheres. As a consequence, Moscow has viewed anti-globalisation movements favourably, regarding them as another way of weakening the West's global hegemony. China's position has been more nuanced in this regard, with Beijing seeing the openness of the globalised economy and a certain degree of political stability as necessary for its further economic growth as well as aiming in a long-term perspective to (re-) write the rules of globalisation. Protectionism harms China's interests much more than those of Russia. Whether and how economic globalisation continues will thus define the degree of divergence between Moscow and Beijing.

US policy under Donald Trump has both emboldened protectionism and significantly weakened multilateral institutions such as the World Trade Organisation (WTO). The future orientation of US policy will heavily depend on the person of the next president, but also on the endurance of Trump's Make America Great Again agenda (in the 2020s Trump might not be there but Trumpism might continue). China's relations with the EU will to a large extent define whether the wave of protectionism can be stopped. Faced with growing protectionism abroad, China might change its attitude and shift to neo-mercantilism (elements of which are already present in China's policies nowadays). This, in turn, would bring Beijing and Moscow closer together.

Stability versus instability

Domestic politics in Russia has created conditions conducive for *rapprochement* with China and continues to mitigate the potentially negative repercussions of the asymmetry between the two states. First, cooperation with China has not threatened the ruling regime's survival; on the contrary, sharing 'best authoritarian practices' could be helpful in maintaining regime security as both Xi and Putin are moving to extend their grip on power in the 2020s. Secondly, there are practically no major players in Russia who would perceive China as a threat to their political and economic interests. Domestic actors have influenced Russia's policy towards China in two ways: their views have a bearing on the leadership's threat perception and threat assessment; and they have played an important role in implementing particular policies towards China, e.g. in the energy sector. From this perspective, the continuity of the current political-economic system has far-reaching implications for Russia's relations with China.

The continuation of the current political *status quo* cannot be taken for granted (for more, see chapters 1 and 2), which creates the biggest uncertainty. The Kremlin may face challenges both from the inside and from the outside. Continuing economic stagnation may lead to domestic infighting over diminishing resources, even if the current regime remains in place. Transition from Putin's rule can also be expected to generate tensions within the ruling elite and in society at large.

CONCLUSIONS

by
SINIKUKKA SAARI AND STANISLAV SECRIERU

THE PAST IS NOT RUSSIA'S FUTURE

Thinking about Russian futures is often hampered by a paralysing sense of stasis and inertia, resulting from elements of the past and present being projected into the future. A popular Russian joke speaks volumes: 'Do you have a pass to Putin's inauguration? – Sure, I have a continuous subscription!'[1] Extrapolation of the past into the future leaves us dangerously unprepared for what is to come. This *Chaillot Paper* has been all about preparing for the surprises that Russia's future trajectory will undoubtedly deliver. With this goal in mind, chapters 2 to 6 in this volume have offered altogether 15 sectoral scenarios, providing a set of snapshots of what Russia could be like in 2030.

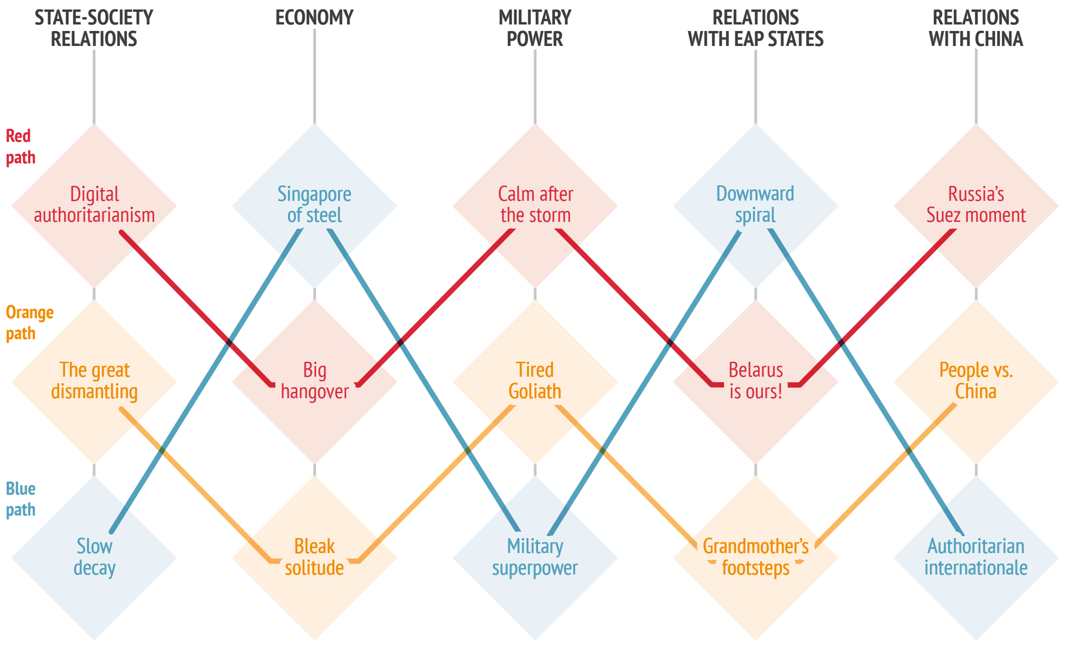
The complexity of futures thinking comes to light when elements of these different scenarios are combined to generate more comprehensive pictures of what Russia might look like in 2030. The diagram overleaf sketches out three possible developmental paths for Russia across five dimensions: state-society relations, the economy, military power, Russia-China relations and Russia's relations with the EaP states. The idea behind this visualisation is to offer the reader multi-dimensional and comprehensive scenarios which – while hardly able to replicate the complexities of reality – offer at least a more nuanced picture of the future of Russia than conventional foresight exercises often do. Without weighing up which one is more probable, these scenarios underscore the non-linear and multi-dimensional nature of Russia's possible futures.

The red path sees Russia in 2030 as a digitally advanced, anti-Western authoritarian state. In the 2020s Russian experienced its last oil bonanza which led to lavish spending and a risky foreign policy in the post-Soviet space and elsewhere – this all came to a sudden end with an unintended military collision with the West, precipitating a plunge in oil prices. In the late 2020s, China emerged as an intermediary between Russia and the West and also between Russia and the post-Soviet space. In the 2030s Russia is growing increasingly dependent on China both politically and economically and its international interests are to a significant extent subjected to China's priorities.

Russia on **the orange path** is weakened by elite infighting and an internal power vacuum which is exacerbated by a deep socio-economic crisis. The Russian economy's international linkages have been significantly reduced. Trade and foreign investments have retreated to historically low levels. Although Russia's leadership has grown increasingly suspicious of Beijing's agenda, there is no prospect of a full 'decoupling' from China. Much of the economic cooperation in the 'post-post-Soviet' region is taking place within the SCO framework where China wields greater influence; both Armenia

1 Igor Zaliubin, 'Pravlenie Putina kak dlinnyi anekdot: gid po 4142 shutkam o prezidente' [Putin's reign as a long joke: a guide to 4142 jokes about the president], *Snob.ru*, October 15, 2018, https://snob.ru/entry/166941/

Kaleidoscope of Russian futures



and Belarus joined the organisation in 2026. Ukraine and Moldova are increasingly integrated into the European economies and are systematically reducing their energy dependence on Russia.

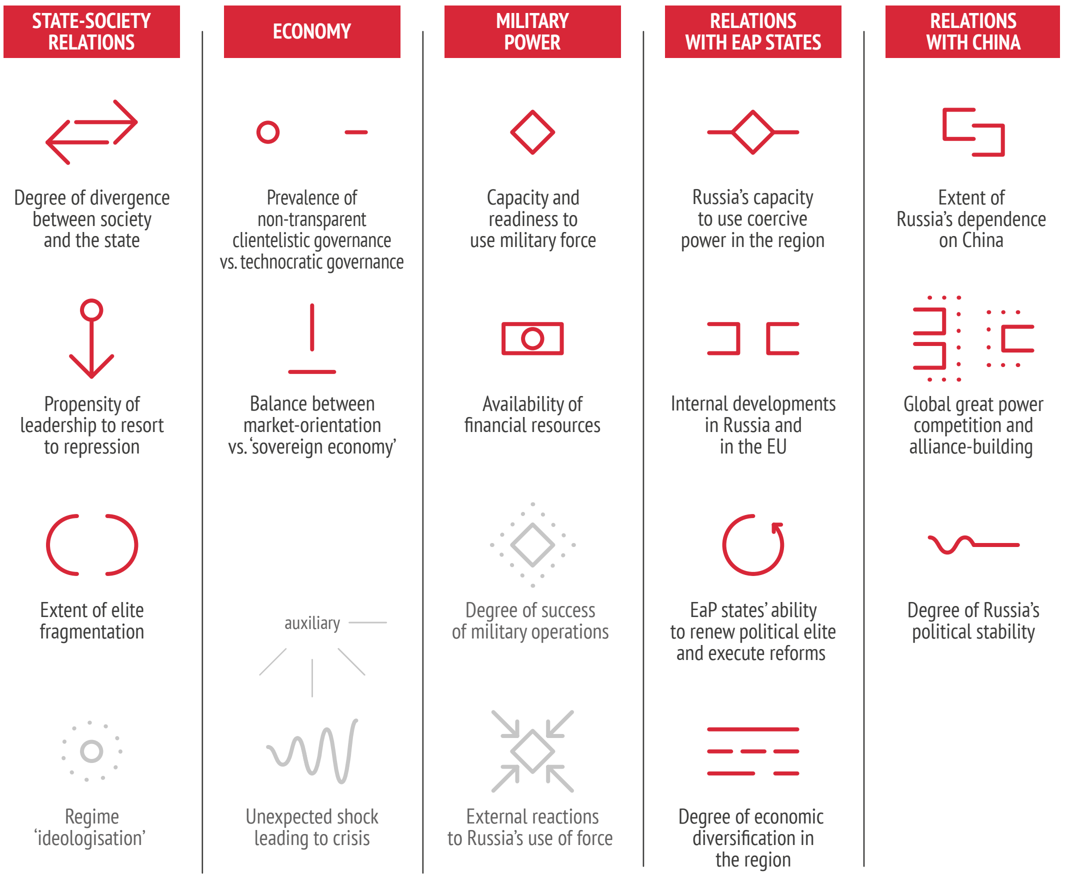
The blue path leads towards a Russia where – while the system is far from a democracy – different groups within the political elites coordinate and make compromises in order to ensure the stability of the country – but achieve little else apart from that. Towards the end of the decade, the new president is able to rise above other elite groups and pursue neo-liberal economic policies that translate into a modernised and diversified economic structure but entail high social costs for the Russian people. Russian and Chinese foreign and security policies are increasingly coordinated and both countries' international role has been enhanced as a result. Russia has a significant military presence globally and its standing in particular in the EaP region has strengthened considerably. In this scenario, Russia's efficient, modern economy and authoritarian system of governance would stand in stark contrast with the unreformed inefficient economies elsewhere in the post-Soviet space.

KEEPING AN EYE ON RUSSIAN FUTURES

The scenarios in this publication did not come out of the blue; they were built by factoring in key uncertainties – drivers of change that can evolve in different ways and that are considered critically important for the country's future course of development. The value of scenarios is that they shed light on major uncertainties and imagine how these might play out in future.

The chapters identified several critical uncertainties (interchangeably called 'drivers of change') in different realms of Russia's development. The authors of each individual chapter decided on the basis of their own perspective and analysis which were the drivers of change in that particular field. Put together, this – by

Critical uncertainties



no means conclusive – list can be helpful when attempting to anticipate and analyse changes taking place in Russia. Significant changes in these uncertainties can function like signs along the road, warning the driver of slippery conditions ahead. Continuous scanning of critical uncertainties within the 'operating environment' is a typical tool for strategic planning within governments, international organisations and businesses – and also helpful for any Russia watcher interested in the likelihood of changes taking place in that country.

The diagram above lists all of the drivers of change presented in the scenario chapters: it is interesting to note that many of them are the same or almost the same regardless of the context. For instance, it seems that increase in conflict potential within Russian society will have an impact on almost any of the fields; the same applies to changes in Russia's capacity and willingness to engage in military or other coercive action internally and externally. This could result in a dynamic not dissimilar to that which characterised Russia's posture at the end of the Cold War, when diminished resources and lowered propensity to use coercion led to sudden and dramatic changes both internally and externally.

The chapters have provided a wealth of examples of concrete indicators of these critical uncertainties: for instance, opinion polls demonstrating the growing divergence of priorities between the ruling elite and the people, gradual energy diversification in the eastern neighbourhood, the changing nature of Russia-China interdependence or a series of military failures. If and when the indicators suggest a clear and sustained altered pattern, the likelihood of change becomes greater.

HOW TO DEAL WITH RUSSIAN FUTURES?

A good policy strategy *vis-à-vis* Russia is one that does not take the future development of the country for granted but that is well-prepared for a variety of plausible variations of Russian futures. A policy approach that neglects uncertainties and is based on just one likely future – which is most often construed as just the continuation of the present but sometimes (and more dangerously) based on wishful thinking – is a risky one.

This kind of conventional policy thinking does not actively prepare for any risks that an unforeseen event or set of developments may entail, and it is likely to also miss the opportunities that could arise as a result of such an unexpected turn of events. Such an approach is particularly detrimental for any actor dealing with Russia, whose leadership is keen to create and exploit surprises that destabilise its adversaries. Thus, linear thinking about Russia and its foreign policy in the 2020s is likely to be a risky policy strategy. A policy that is based on active horizon scanning and anticipation of surprises is likely to be more a flexible and more efficient way of navigating the rough and untested waters of the future.

The past ten years of EU-Russia relations have been full of surprises and unexpected developments – and the annexation of Crimea and the war in Eastern Ukraine are just two such cases which reverberated across Europe, and forced policymakers to rethink the entire paradigm of how the EU deals with Russia. During this period Europe has been increasingly exposed to Russia's hybrid interference activities and the EU has struggled to find the right mix of measures to respond. Moreover, although Russia's strategic goals may remain the same, the tactics it employs to achieve them will almost by definition change. Yet, the Russian leadership may itself be taken by surprise by political transformations within the country. Also, that eventuality does require contingency plans on what is the best way for the EU to position itself in the midst of a more turbulent phase in Russian politics.

This *Chaillot Paper* has attempted to offer readers some insight into how to structure, test and challenge their thinking about the future of Russia; and by doing so be better prepared for the element of uncertainty. However, this is just the beginning, not the end, of thinking and planning on how to make the most of Russia's future – whatever that may turn out to be.

ABBREVIATIONS

A2AD
Anti-access and area denial

AI
Artificial Intelligence

BP
British Petroleum

BRI
Belt and Road Initiative

BRICS
Brazil, Russia, India, China and South Africa

CEO
Chief Executive Officer

CSTO
Collective Security Treaty Organisation

DCFTA
Deep and Comprehensive Free Trade Area

DNR
Donetsk People's Republic

EAEU
Eurasian Economic Union

EaP
Eastern Partnership

EEAS
European External Action Service

EUMM
EU Monitoring Mission in Georgia

FSB
Federal Security Service (*Federal'naya sluzhba bezopasnosti Rossiyskoy Federatsii*)

FSO
Federal Protective Service (*Federalnaya Sluzhba Okhrany*)

GDP
Gross domestic product

GRU
Russian military intelligence agency (*Glavnoye Razvedyvatelnoye Upravlenie)*

ICT
Information and Communication Technologies

IMF
International Monetary Fund

IT
Information Technology

LDPR
Liberal Democratic Party of Russia

LNG
Liquefied Natural Gas

LNR
Luhansk People's Republic

MENA
Middle East and North Africa

NATO
North Atlantic Treaty Organisation

NGO
Non-governmental organisation

OPEC
Organisation of the Petroleum-Exporting Countries

PMC
Private military company

PPP
Purchasing power parity

ROC
Russian Orthodox Church

SCO
Shanghai Cooperation Organisation

SOEs
State-owned enterprises

UMG
Ukraine, Moldova and Georgia

UNSC
United Nations Security Council

USD
United States Dollars

WHO
World Health Organisation

WTO
World Trade Organisation

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This *Challiot Paper* seeks to provide readers with ambitious foresight analysis and insights on how to be prepared for unexpected twists and turns in Russia's future trajectory.

The opening chapter highlights a set of key megatrends that will shape how Russia evolves in the decade ahead. Subsequent chapters focus on key sectors and analyse critical uncertainties that will influence Russia's future course of development. They cover state-society relations in the country; its economic development and the evolution of its military posture; as well as how Russia's relations with the EU's eastern neighbours and China may unfold by 2030. Each of these chapters presents three alternative future scenarios. While they zoom in on specific themes and sectors, the concluding section offers a panoramic view of the various possible futures – combining elements of all of the preceding chapters to produce three holistic snapshots of Russia in 2030.

EUROPEAN UNION Institute for Security Studies

Publications Office of the European Union

ISBN 978-92-9198-964-5
CATALOGUE NUMBER QN-AA-20-003-EN-C