

OSW REPORT

OSW



PUTIN FOR THE FOURTH TIME

THE STATE OF AND PROSPECTS FOR RUSSIA (2018-2024)

OSW TEAM

THESES

1. The current state of affairs

- Under the rule of Vladimir Putin in Russia, an authoritarian system has been created in which the rule of the President, based on broad formal prerogatives, is further reinforced by informal mechanisms and networks of dependence which have penetrated the formal institutions of the government and the economy. The core of these networks is a narrow ruling group focused around the President, whose members consider themselves to be the owners of Russia, and as such are entitled to exploit it for their own benefit. The system is maintained by means including strengthening the mechanisms of control over the state and society, repressing opponents, and disciplining its own political base. The most important tools of its legitimacy are the conduct of a great-power policy and the use of state propaganda which draws on Soviet models.
- The Russian economy is largely dependent for its income on energy exports, a dependency which has steadily risen under Putin. Another important phenomenon is the state's domination of the economy. The effectiveness of the economy's functioning is reduced by the politicisation of economic decisions, as well as the extent to which the ruling elite extracts rents from corruption. Protectionism in Russia's economic relations with foreign countries is rising.
- Until the beginning of Putin's third term (2012), Russia had been conducting a policy of 'soft revisionism', based on contesting and undermining the post-cold war liberal international order, while at the same time exploiting the benefits of that same order. However, during the President's third term (2012-2017) Moscow's revisionism became more aggressive. The Kremlin used military force and unleashed a cyber-informational war on the West and its partners. Russia has also stepped up its attempts at forcing through political and economic integration in the post-Soviet area, and reinforced its cooperation with non-Western states, especially China. Moscow has returned as an active player in the Middle East and increased its presence in other regions, rebuilding its image in Russian society as a global power.
- The changes which the Kremlin has introduced to the Russian armed forces since the beginning of Putin's government have been based above all on halting the degradation of its military capability, and thereafter on

implementing pilot projects in the area of reorganisation (mainly departing from the structures inherited from the USSR) and the rearmament of the army. This has been accompanied by a significant increase in training activity. After the war with Georgia (2008), military spending was raised to a level allowing the armed forces of the Russian Federation to undergo a process of wide-ranging professionalisation and technical modernisation, the most important result of which was the closing of the technology gap with the West (at present only the US is ahead of Russia). The war with Ukraine (from 2014) was accompanied by the expansion of offensive units (especially those in the Western strategic direction), and the war in Syria (2015) has accelerated the army's rearmament with new generations of weapons and military equipment.

2. The main challenges

- In the political sphere, the main challenge remains the gradually intensifying competition within the power elite for dwindling resources, as well as the influence allowing them to use those resources. The state is being managed in a dysfunctional manner, for reasons including the personalisation of power. This makes it difficult to conduct any timely or correct diagnoses of the public mood, which is worsening, mainly against a background of the population's pauperisation, which creates a risk of protests breaking out.
- In the economic sphere, the main challenge is the fall in performance of the commodities-based economic model, which no longer ensures stable growth, and is in fact causing repeated economic crises. This is worsened by the trends on global and regional energy markets, which are unfavourable for Russia at present. Another problem may come from the potential tightening of US economic sanctions. Other key challenges are the negative consequences of the progressive aging of Russian society, including an overly expensive pension system, and a lack of foreign investment due to the poor investment climate.
- As a result of Russia's aggressive policies, the level of its confrontation with the West, especially the US, has reached a dangerous level for Moscow, and incurred significant costs. Therefore the biggest challenge for Russia is the escalation of its conflict with the United States. Another problem for Moscow is the reluctance of its non-Western partners to give Russia significant support in its conflict with the West. This applies among others to China, upon which Russia is increasingly dependent. Also, the political

and military success Russia has achieved in places such as Syria is based on fragile foundations. A further challenge for Russia is the low-intensity war with Ukraine in the Donbas, where Moscow has so far suffered a strategic defeat.

- For the Russian Federation's Armed Forces, the main challenge remains the technological barrier, the breaking of which will depend on the introduction of new categories of weapons. In the near term, the implementation of programmes for the technical modernisation of the army will be affected by the international sanctions, which will hinder the acquisition of modern weapons technology from the West, and force Russia to bear the costs of developing and introducing its own counterparts. Despite this, however, Russia has succeeded in developing some new projects, especially in the sphere of strategic weapons.

3. Prospects

- In the perspective of the next six years, the collapse of the current system of power in Russia seems unlikely, although symptoms of its destabilisation may appear in certain places, for reasons including public protests, mainly against the background of social issues and conflicts within the elites. The government will not carry out any systemic reforms, but will be forced into small formal adjustments in connection with the decision to extend (most likely) the rule of Putin, or when arranging the succession to his rule. There will also be a process of 'technocratisation' of the government in the centre and the regions (friends of Putin and strong leaders in formal executive positions will be replaced by technical managers who do not have their own bases of support).
- No significant economic reforms will take place, and the economy of Russia will remain dependent on external factors, primarily fluctuations in the prices of raw energy materials. Despite the implementation of energy infrastructure projects, exports of raw materials from Russia will not rise significantly; nor will there be any substantial diversification of their target markets. The authorities will be forced to reduce the costs of the current system's operation, by means including further reductions in social spending. The economy will remain in a state of stagnation (low growth levels).
- Of the three possible scenarios for Russian foreign policy during Putin's fourth term, namely the 'defensive-transactional', the 'confrontational-crisis'

and the 'inertial-opportunistic', the choice of one of the latter two is most likely. Which one Russia chooses will be dictated by, on the one hand, its assessment of the situation (including the level of crisis in key states and the Western community as a whole) and on the other, external factors (in particular the US's attitude towards Russia). The confrontational-crisis model will be based on an increase in indirect (proxy) confrontations between Russia and the West (especially the US), such as the resumption of war on a larger scale in Ukraine, the intensification of destabilising activities in the Balkans, or even the conduct of 'hybrid' operations against the Baltic states. Meanwhile, the inertial-opportunistic scenario will be based on Russia defending its existing (geo)political achievements, as well as attempts to make aggressive use of any emerging opportunities (the West's 'fatigue' with conflict and the rise of its own internal crises) to demonstrate its military capabilities, its potential to harm the interests of the West, and to create problems whose resolution would require its participation. In particular Russia will attempt to drive a wedge between the United States and its allies by offering the latter the prospect of normalisation of relations and a return to cooperation, especially in the economic field. Moscow is continuing to intensify its cooperation with China, and will try to take advantage of the latter's growing power. Russia may increase its influence in Belarus and in the Southern Caucasus, while gradually ceding its influence in Central Asia to China. Despite Moscow's failure in Ukraine, it will not cease its attempts to subjugate it.

- In principle the Russian Armed Forces will, in accordance with the adopted plan, continue their technical modernisation and organisational changes, increasing their combat readiness and their preparation for a hypothetical armed conflict with NATO. While they have achieved a multifaceted advantage (in training, manpower and technological advancement) over most of the European members of the Alliance, their principal point of reference and only real opponent will remain the American army. However it should be assumed that despite the actions already taken – especially in the development of strategic weapons – Russia will still not be able to compensate for the imbalance in the field of advanced weapon systems.