
EXECUTIVE SUMMARY

This chapter assesses the foundations and trajectory of Russia's national power, including its resources, national performance, and military capabilities.

MAIN ARGUMENT:

Although no longer a superpower, Russia remains formidable and capable of projecting military power west to Europe, south to the greater Middle East, and, to a lesser extent, east to Asia. Russia additionally possesses many other highly developed tools of power, including its energy resources, economic links, intelligence services, and diplomacy, which the Kremlin actively deploys in ways that often challenge U.S. interests. In a highly authoritarian, centralized, and nontransparent political system, Vladimir Putin has consolidated political dominance, which assists in mobilizing human and natural resources for state purposes. In the near term, his actions have enhanced state power and increased the central government's capacity for decisive and rapid action. Simultaneously, however, Putin has weakened the social, economic, and political institutions that are crucial for promoting economic growth and the development of new commercial technologies.

POLICY IMPLICATIONS:

- As anti-Americanism and nationalism are central pillars of Putin's political legitimacy strategy, Washington should expect many challenges to its interests from Moscow as long as Putin remains in power.
- The U.S. should take a more active role in trying to resolve the Ukraine crisis and quietly take a more flexible approach to encouraging Russia's rapprochement with Europe.
- Although increased energy exports to China, Japan, and other Asian states are raising Russia's influence, the Russian Far East remains comparatively underdeveloped, and Moscow has only tentatively engaged in emerging regional forums. The U.S. should encourage Russia to diversify its turn to the East so that it does not become overly dependent on China.

Russian Power Rising and Falling Simultaneously

*Andrew C. Kuchins
with Allen Maggard and Narek Sevacheryan*

Russia is an unusual case among the countries under consideration in this volume of *Strategic Asia*. Despite its much vaunted “turn to Asia” since hosting the annual summit of the Asia-Pacific Economic Cooperation (APEC) in Vladivostok in 2012, Russia’s first priorities in foreign and security policy are toward the West, with Asia remaining a secondary or even tertiary theater. However, because of the war in Ukraine and the resulting economic sanctions by the United States, the European Union, and a few other states (including only Japan in Asia), the significance of Asia, and especially ties with China, has increased for Russia. Even without its recent alienation from the West, the rapidly growing economic and political power of Asian states would naturally attract more attention from the world’s largest state straddling much of northern Eurasia. In February 2007, in his famous speech to the Munich Security Conference, Russian president Vladimir Putin’s main message was that the economic, and thus eventually political, balance of power in the world was shifting from the West to Asia.¹ Putin suggested that the United States’ unipolar moment was over and that Washington needed to recognize this situation and act accordingly.

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¹ See Thom Shanker and Mark Landler, “Putin Says U.S. Is Undermining Global Security,” *New York Times*, February 11, 2007, <http://www.nytimes.com/2007/02/11/world/europe/11munich.html>.

The task of attempting to measure Russian national power is particularly timely given the role of Russian military forces and intelligence structures in assisting, if not instigating, an insurgency in eastern Ukraine since spring 2014. Russian military aircraft and naval incursions into NATO members' airspace and territorial waters have reached levels not experienced since the Cold War ended a quarter century ago. Yet despite an ambitious military modernization program, much of Russia's current weaponry remains part of the Soviet legacy dating back decades, and currently the Russian economy is experiencing its deepest recession since the 2008–9 financial crisis. The old adage that "Russia is never as weak nor as strong as it appears" seems as true today as anytime in the country's long history.

Indeed, measuring Russian power has never been an easy task. During the Cold War, the U.S. government allocated more intellectual resources to this problem than any other, yet could not reach a consensus as Soviet power was peaking in the 1970s and 1980s. Fortunately, our task is not as daunting as that of previous generations of Sovietologists. Putin's Russia is much more transparent than the Soviet Union was, and while there is excessive state intervention, the Russian economy is still based on market principles and pricing structures similar to other market economies. One can thus assess national power with greater confidence using data and statistical measurements.

There is no doubt that Russian power has been on quite a roller coaster ride over the past three decades, from superpower to supplicant of humanitarian aid to rising regional power once again. Major questions about the sustainability of economic growth have underpinned the country's resurgence over the past fifteen years, and a significant part of the following analysis will address the potential for growth and the key factors behind it. The chapter first assesses Russia's national resources, including its economy, natural resources and logistics, human capital, and capacity for innovation and technology. The chapter then considers the state's national performance in terms of how Russia defines and pursues national power at home and abroad and manages state-society relations. The third section examines in some detail an important product of these resources and performance: the capacity, modernization, and economics of Russia's military and armaments industry. The chapter concludes with a discussion of the implications of Russia's baseline position in Asia for the United States.

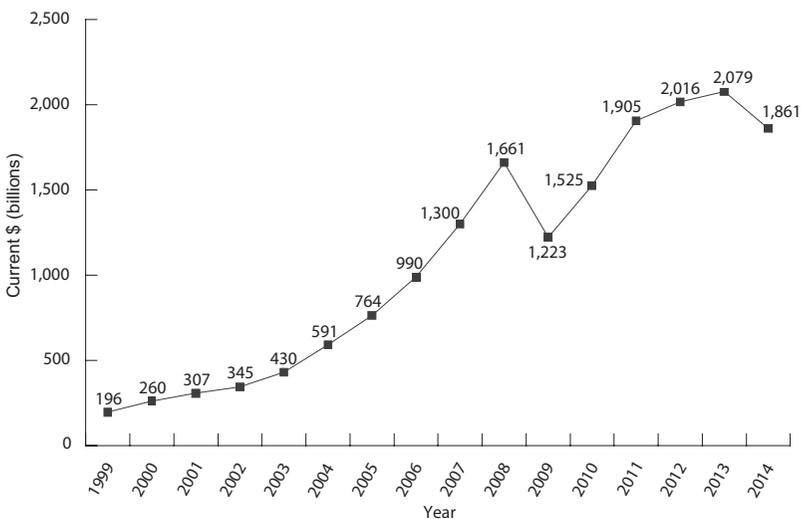
Russia's National Resources

Economic Resources

The status of the Russian economy is the most important foundation for Russian national power. Russian macroeconomic performance has experienced great volatility over the past three decades. Essentially the country went bankrupt twice in the 1990s, with the first instance contributing to the collapse of the Soviet Union. Revenue from oil and gas sales, which is linked to the price of oil, is the most important factor influencing economic growth or decline. As in most economies highly dependent on revenues derived from hydrocarbons, a high oil price environment both discourages good governance and inflates the currency, thus making other manufactured domestic products less competitive—the so-called Dutch disease. Conversely, lower oil prices depress macroeconomic growth but promote economic diversification and generally better economic policymaking.

The vicissitudes of Russian national power are illustrated by **Figure 1**, which charts Russian GDP as measured in nominal dollar terms from 1999 to 2014. The Russian economy hit its relative low point in the post-Soviet period in 1998–99 following the Asian financial crisis. Shortly thereafter, the oil price

FIGURE 1 Russia's GDP, 1999–2014



SOURCE: World Bank, World Development Indicators Databank, <http://databank.worldbank.org/data/reports.aspx?source=2&country=RUS&series=&period=>.

began to rise from a low of less than \$10 per barrel in 1998. And thus began the “golden decade” during which Russian economic growth averaged 7% at fixed exchange rates and over 25% at nominal dollar rates that factor in the appreciation of the Russian ruble.²

The oil price remains the most important macroeconomic factor for Russia. Revenue from the oil and gas sector constitutes approximately 25% of Russian GDP and 70% of export earnings. Hydrocarbons also account for approximately 50% of revenue for the Russian federal budget, with oil to gas revenue running at a rate of about 4 to 1.³ The key takeaway here is that oil production and sales are most important for Russian macroeconomic stability, while gas production and sales play a relatively more important role for management of Russia’s domestic political economy.

Russia’s extraordinary economic recovery, which has been largely driven by high revenues from the energy sector, is the principal explanation for Putin’s popularity.⁴ But the economic foundation for Russia’s political stability has eroded. Economic growth was still approximately 4.0% when Putin returned to the presidency in May 2012 but fell sharply in 2013 to 1.3%.⁵ On the eve of the annexation of Crimea, the Russian economy was hardly growing at all, despite the fact that the oil price was above \$100 per barrel and the West had not yet imposed economic sanctions.

Capital outflows are a significant indicator of a lack of faith by the Russian financial community in the prospects for the Russian economy. Along with structural inefficiencies and stagnant growth, the combination of the war in Ukraine, Western sanctions, and the collapse of oil prices beginning in June 2014 contributed to a record \$153 billion in capital outflows, more than 8% of GDP (see **Figure 2**). But from a financial standpoint, it was the fall of oil prices that contributed most fundamentally to the deep depreciation of the ruble in 2014 (see **Figure 3**).

Although the Russian economy is not declining in 2015 as steeply as it did in 2009 during the global financial crisis, it appears that the oil price is more likely to remain closer to \$50 per barrel than \$100 per barrel in the next few years. Given this poor outlook for a rapid economic recovery, the Russian

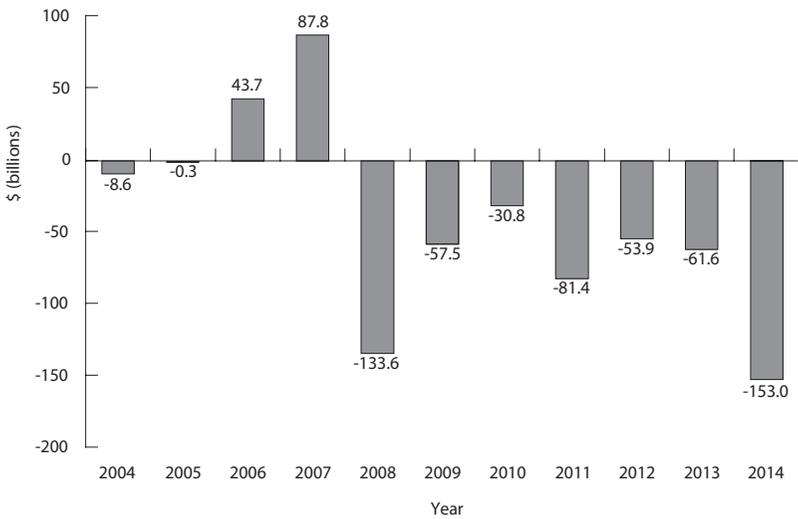
² Anders Åslund and Andrew Kuchins, *The Russia Balance Sheet* (Washington, D.C.: Peterson Institute for International Economics, 2009).

³ Ibid.

⁴ Daniel Triesman, “Russian Politics in a Time of Economic Turmoil,” in *Russia after the Global Economic Crisis*, ed. Anders Åslund, Sergei Guriev, and Andrew Kuchins (Washington, D.C.: Peterson Institute for International Economics, 2010).

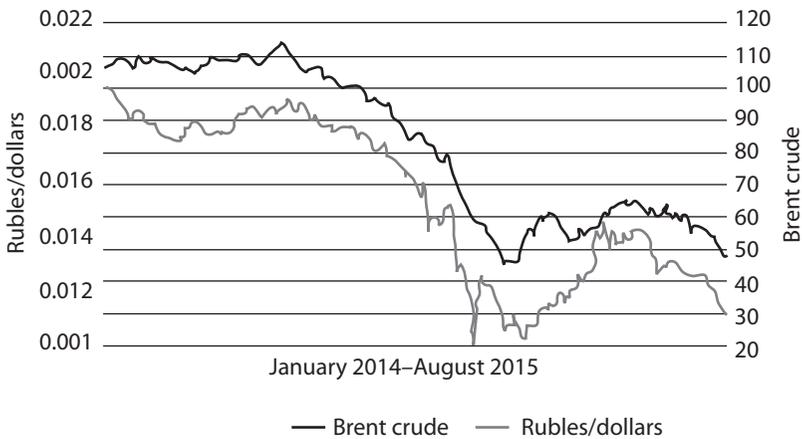
⁵ “Rosstat: Rost VVP RF za devyat’ mesyatshev sostavil 3,9%” [Rosstat: Russian GDP Growth in the First Nine Months Amounted to 3.9%], RIA Novosti, November 20, 2012, <http://ria.ru/economy/20121120/911471421.html>; and “Russian Economic Growth Slows More Than Estimated in 2013,” Bloomberg Business, January 31, 2014, <http://www.bloomberg.com/news/articles/2014-01-31/russian-economic-growth-slows-more-than-estimated-in-2013>.

FIGURE 2 Net capital inflow/outflow in the private sector, 2004–14



SOURCE: Central Bank of Russia, “Net Inflows/Outflows of Capital by Private Sector for 2000–2014 and in the First and the Second Quarters of 2015,” August 2015, http://www.cbr.ru/eng/statistics/credit_statistics/bop/outflow_e.xlsx.

FIGURE 3 Oil prices and the ruble exchange rate, January 2014–August 2015



SOURCE: [Please add a citation.] Cus volore endi con ex eaquas doluptatusam eum voluptae la ni nossi audita in coremol laccus planimus velecta tempora

Central Bank projects a stagnant Russian economy for the next several years based on an average \$60 oil price.⁶

Natural Resources

Energy. The combination of Western energy sanctions and a dip in global oil prices has given Moscow additional impetus to reorient its oil and natural gas exports to Asia. Russia's 2030 Energy Strategy stipulated that exports of oil and natural gas to the Asia-Pacific region should grow to around 25% and 20%, respectively, over the next decade.⁷ According to BP, Russia possesses 103.2 thousand million barrels and 32.6 trillion cubic meters worth of proven oil and natural gas reserves, respectively, and as such would seem to have more than enough supply to slake the thirst of eastern energy markets.⁸ The major obstacles, however, are the commercial feasibility of developing new oil and gas resources in eastern Russia and the cost of transiting these resources to customers. Even before the collapse of oil prices, Russian expansion into Asian markets was hampered by a problematic investment environment for new oil and gas fields in Eastern Siberia and the Russian Far East as well as the Arctic. The recent halving of the oil price, coupled with decreased demand from China, places considerably more doubt on the capacity of Russia to reach its ambitious goal of Asian market penetration by 2030.

Russia's quest to diversify its fossil fuel export profile makes sense from the perspective of the domestic economy, since the country uses these resources to great effect already in powering its own electrical grid. BP ranks Russia as the fourth-largest global producer of electricity, with 1,064,100 gigawatt hours (GWh) produced in 2014 alone (compared with China's and India's 23,536,500 GWh and 1,208,400 GWh, respectively).⁹ Much of this production comes from fossil fuel sources: according to the International Energy Agency, between 2000 and 2012 Russia derived 66.3% of its electricity from fossil fuels, of which natural gas accounted for roughly 70% on average.¹⁰

⁶ "Russia Sees GDP Shrinking at Least 4.5% in 2015 with \$60 Oil," Bloomberg Business, December 15, 2014, <http://www.bloomberg.com/news/articles/2014-12-15/russia-sees-economy-shrinking-at-least-4-5-in-2015-with-60-oil>.

⁷ Eric Yep, "Russia to Pump Up Oil Exports to Asia," *Wall Street Journal*, December 4, 2014, <http://www.wsj.com/articles/russia-to-pump-up-oil-exports-to-asia-1417676709>.

⁸ BP plc, "BP Statistical Review of World Energy June 2015," June 2015, <http://www.bp.com/content/dam/bp/excel/Energy-Economics/statistical-review-2015/bp-statistical-review-of-world-energy-2015-workbook.xlsx>.

⁹ Ibid.

¹⁰ "Russian Federation: Electricity and Heat for 2012," International Energy Agency, <http://www.iea.org/statistics/statisticsearch/report/?country=RUSSIA&product=ElectricityandHeat&year=2012>.

Russia also currently operates 34 nuclear reactors with a combined generative capacity of approximately 25,200 megawatts electrical (MWe). The state-owned nuclear utility Rosatom has successfully extended the operational lifetime of several reactors and plans to construct up to 30 new reactors with a combined installed capacity of more than 30,000 MWe by the end of 2030.¹¹ Russia has extended technical assistance to China, India, and several other international partners interested in developing their own civilian nuclear sectors. Rosatom currently manages over twenty such projects across ten countries and hopes to generate \$150 billion in additional foreign tenders from reactor exports by 2020.¹² Some experts, however, doubt that Rosatom by itself can afford to deliver on every one of these contracts.¹³

The Russian government is also working to develop the hydropower sector, which is thought to operate at only 20% of its total generative potential.¹⁴ In recent years, Russia has sought out various international partners to invest in the construction of new hydroelectric plants in Siberia and the Russian Far East. China in particular has demonstrated interest in a number of such projects, which it sees as opportunities to develop a more sustainable means of energizing economic growth. RusHydro and China's Three Gorges Corporation signed a joint contract to construct a 320-megawatt plant on the Bureya River in the Russian Far East. Russia has also invested in joint hydroelectric projects with the Indian government, which like China has set its sights on tapping into the Himalayan headwaters in order to underwrite its own economic development.

Mining. In contrast with the energy sector, Russia's metallurgical industries have weathered the current crisis without radical contortions to their commercial posture. The Ministry of Industry has even begun to contemplate introducing tariffs on exports of ferrous and nonferrous metals to stimulate domestic consumption.¹⁵ According to the World Steel Association, Russia manufactured around 71 million tons of crude steel

¹¹ "Nuclear Power in Russia," World Nuclear Association, <http://www.world-nuclear.org/info/Country-Profiles/Countries-O-S/Russia--Nuclear-Power>.

¹² "Key Figures," Rosatom, http://www.rosatom.ru/en/about/key_figures; and "Russia's Rosatom Plans to Boost Orders Portfolio to \$150 Bln by 2020," TASS, June 1, 2015, <http://tass.ru/en/economy/797897>.

¹³ Kendra Ulrich, "Fukushima Impact: Accelerating the Nuclear Industry's Decline," Greenpeace Japan, February 2015, http://www.greenpeace.org/japan/Global/japan/pdf/Briefing_Fukushima_Impact.pdf.

¹⁴ UN Economic Commission for Europe, "Summary on Reports from the National Experts on Development of Renewable Energy in the Russian Federation and CIS Countries," December 2011, http://www.unece.org/fileadmin/DAM/energy/se/pdfs/eneff/RES_RF_CIS/SummaryNationalReports.pdf.

¹⁵ Vitalij Petlevoiy, "Rost eksporta chernykh metallov zamedlyaetsya" [Growth of Ferrous Metal Exports Slowed Down], *Vedomosti*, August 9, 2015, <http://www.vedomosti.ru/business/articles/2015/08/10/604102-rost-eksporta-chernih-metallov-zamedlyaetsya>.

in 2014 (up 1.2% from 2013), thus making it the sixth-largest producer of crude steel in the world.¹⁶

Russia produced 42,000 metric tons of titanium in 2014, down from 44,000 tons in 2013.¹⁷ Despite already being the world's largest titanium producer, Russia's VSMPO-AVISMA hopes to raise its production capacity by a third within the next five years.¹⁸ The success of this target program may well prove critical, as some industry insiders believe that China will begin to challenge Russia's virtual monopoly on the manufacture and export of aviation-grade titanium over the coming decade.¹⁹

Rosatom's mining arm, ARMZ Uranium Holding Co., extracted 3,000 tons of uranium in 2014, down from 8,300 tons in 2013.²⁰ Despite Rosatom's claim to possess enough uranium on hand to supply its domestic and foreign nuclear power plants for another century, CEO Sergei Kiriienko has pledged to triple his company's operations to extract natural uranium by 2017.²¹ Experts maintain that concerns over Russia's strategy of acquiring foreign uranium mining enterprises are overblown, given that these international assets only bring the country's share of global uranium production and reserves to 14% and 12%, respectively.²²

Agriculture. Russia seeks to attain agricultural self-sufficiency in the long term so that it can, in the words of Prime Minister Dmitri Medvedev, "not only feed itself but supply other countries."²³ However, the country's shrinking agrarian workforce poses a significant challenge; indeed, according to the World Bank, Russia's rural population dropped from 39,067,982 in

¹⁶ "World Crude Steel Output Increases by 1.2% in 2014," World Steel Association, Press Release, January 22, 2015, <https://www.worldsteel.org/media-centre/press-releases/2015/World-crude-steel-output-increases-by-1.2--in-2014.html>.

¹⁷ U.S. Geological Survey, *Mineral Commodity Summaries 2015* (Reston: U.S. Geological Survey, 2015), <http://minerals.usgs.gov/minerals/pubs/mcs/2015/mcs2015.pdf>.

¹⁸ "Russia's VSMPO Seeks to Boost Global Lead in Titanium Production," *Moscow Times*, July 29, 2015, <http://www.themoscowtimes.com/news/business/article/russia-s-vsm-po-seeks-to-boost-global-lead-in-titanium-production/526442.html>.

¹⁹ Andrey Lemeshko, "Boeing Titanium Supplier Sees China as Risk for Market," Bloomberg Business, April 6, 2015, <http://www.bloomberg.com/news/articles/2015-04-07/boeing-titanium-supplier-sees-chinese-output-as-risk-for-market>.

²⁰ "Key Figures," Rosatom.

²¹ "Russia Has Enough Uranium for Domestic, Foreign NPPs for 100 Years—Rosatom," TASS, August 9, 2014, <http://tass.ru/en/economy/744215>; and "Russia to Triple Uranium Production in Next 2 Years—Rosatom," Sputnik, January 9, 2014, <http://sputniknews.com/russia/20140109/186378565/Russia-to-Triple-Uranium-Production-in-Next-2-Years--Rosatom.html>.

²² Steve Fetter and Erich Schneider, "The New York Times Was Wrong; Russian Uranium Deals Don't Threaten World Supply Security," *Bulletin of the Atomic Scientists*, May 19, 2015, <http://thebulletin.org/new-york-times-was-wrong-russian-uranium-deals-dont-threaten-world-supply-security8329>.

²³ "Medvedev: Rossiya mozhet i dolzhna kormit' sebya sama" [Medvedev: Russia Can and Must Feed Itself], BBC Russian Service, August 13, 2014, http://www.bbc.com/russian/russia/2014/08/140813_medvedev_food_reform.

2000 to 37,502,391 in 2014.²⁴ Although a 4% contraction may sound trivial, it is consistent with a broader trend of socioeconomic disintegration in the countryside. The Russian government has responded by attempting to entice foreign investors with offers of cheap and bountiful land. With its surplus agrarian workforce, China in particular has shown a keen interest in expanding its agricultural sector into parts of Siberia and the Russian Far East, where arable land exists in abundance yet lies fallow due to the region's remoteness from population centers. Moscow recently entered an equal partnership with Beijing to establish a joint agricultural investment fund to the tune of \$2 billion.²⁵

Most observers, however, are pessimistic in their assessment of this investment scheme, which appears to benefit Beijing at Moscow's expense. Although some Russian officials have been only too happy to accommodate Chinese agricultural interests, some have bristled at the thought of ceding land to China given its environmental record, while still others object on patriotic grounds. In a 2015 Rosbalt poll conducted shortly after the Zabaikalsky Krai government had signed a preliminary agreement with a Chinese company to lease out 115,000 hectares of fallow land for a term of 49 years, roughly half of respondents indicated that the deal would open the door to Chinese colonization, thereby leading to a future war with China.²⁶

Transportation logistics. As the world's largest country, Russia is blessed with a natural resource abundance second to none. But its curse for centuries has been efficiently transiting this natural resource wealth to global markets. The massive distances add tremendous costs to Russian goods and place a huge burden on developing and maintaining modern transit infrastructure for supplying foreign as well as domestic markets. With more than 80,000 kilometers (km) of railway track and 1,283,387 km of roadways, Russia maintains one of the world's largest land transportation networks. New road and railway construction has traditionally been driven by the oil and natural gas industry. Nevertheless, the country's transportation networks remain quite limited—for example, high-capacity federal highways only constitute approximately 4% of the

²⁴ "Rural Population," World Bank, World Development Indicators, <http://data.worldbank.org/indicator/SP.RUR.TOTL>.

²⁵ Chuin-Wei Yap, "China, Russia Prepare \$2 Billion Agricultural Investment Fund," *Wall Street Journal*, May 8, 2015, <http://www.wsj.com/articles/china-russia-prepare-2-billion-agricultural-investment-fund-1431080535#livefyre-comment>.

²⁶ "Opros: Peredacha na 49 let v arendu Kitajskoj kompanii 115 tys. ga sel'khozemel' v Zabajkale..." [Survey: Transfer of Lease of 115 Thousand Hectares of Agricultural Land in Transbaikal to Chinese Company...], Rosbalt, June 25, 2015, <http://www.rosbalt.ru/main/poll/957/results>.

total road network.²⁷ Prior to the Ukraine crisis, Russia's Ministry of Transport had planned to invest around 500 billion rubles in new rail and road construction; however, present economic constraints will probably dampen these plans due to Moscow's prioritization of spending on military modernization.²⁸

Confronted with this dilemma, the Kremlin has increasingly looked to Beijing as a source of financial and material support for several transportation projects. In May 2015 the Chinese government agreed to help fund more than 30 Russian infrastructure projects, ranging from a 410 km railway between Tuva and southern Siberia to a 770 km high-speed rail corridor that would link Moscow and Kazan to China proper.²⁹ This latter effort, however, could provide jobs to more Chinese than Russian workers, as tenders for the actual construction of the route will likely go to Chinese contractors.³⁰ Moreover, many of these projects appear to complement existing transport links and as such do not penetrate into some of Russia's more remote regions. What transport links to these regions do already exist—the Trans-Siberian railway, for instance—are beset with so many bottlenecks that shipping freight and cargo is impractical.³¹ Indeed, the World Bank ranks Russia just 155th worldwide in terms of ease of conducting cross-border trade.³² Russia hopes to benefit from increased Chinese investment in its transit sector via the Silk Road Economic Belt fund and Asian Infrastructure and Investment Bank, although it remains wary of becoming overly dependent on Chinese investment.

Human Resources: Demography, Healthcare, Education, and Migration

Demography and healthcare. While most Northern Hemisphere states in Europe and Asia are experiencing demographic decline, it is no exaggeration to describe the Russian case as an ongoing crisis. The crisis is rooted in a death rate that for much of the post-Soviet period has dramatically outpaced

²⁷ EY, "The Road to 2030: A Survey of Infrastructure Development in Russia," 2014, [http://www.ey.com/Publication/vwLUAssets/EY-russia-infrastructure-survey-2014-eng/\\$FILE/EY-russia-infrastructure-survey-2014-eng.pdf](http://www.ey.com/Publication/vwLUAssets/EY-russia-infrastructure-survey-2014-eng/$FILE/EY-russia-infrastructure-survey-2014-eng.pdf).

²⁸ Jason Bush, "Putin's Defence Fixation Deepens Russian Budget Problems," Reuters, January 15, 2015, <http://www.reuters.com/article/2015/01/15/russia-crisis-budget-idUSL6N0US25520150115>.

²⁹ "China Throws Russia Financial Lifeline," DW, May 8, 2015, <http://www.dw.com/en/china-throws-russia-financial-lifeline/a-18439666>.

³⁰ Paul Sonne, "China to Design New Russian High-Speed Railway," *Wall Street Journal*, June 19, 2015, <http://www.wsj.com/articles/china-to-design-new-russian-high-speed-railway-1434729400>.

³¹ Oleg Barabanov, "Problems of Siberia and the Russian Far East," Valdai Discussion Club, September 4, 2012, <http://valdaiclub.com/economy/48480.html>.

³² "Dealing with Construction Permits," World Bank, Doing Business 2015, <http://www.doingbusiness.org/data/exploreeconomies/russia#dealing-with-construction-permits>.

the birth rate. The crisis is most acute among working-age men whose life expectancy is in the mid-60s, nearly ten years shorter than that for Russian women and far below the life expectancy for a country of Russia's relative per capita wealth. Following the Soviet Union's collapse, the population of the new Russian Federation was close to 150 million. Today it is 141 million, despite the influx of millions of migrants from Central Asia, the South Caucasus, and other post-Soviet states over the last two decades. Although there has been a recent uptick in the birthrate, by 2050 the population is expected to decline to a level in the range of 100 to 130 million.³³ The overall health of the Russian population is likewise significantly worse than that of countries with comparable per capita GDP. These major demographic constraints have significant implications for labor productivity, the quality of military personnel, and other key indices of Russian power.

Russia's healthcare infrastructure faces significant deficiencies that limit the ability of the state to protect its human resources. Fundamental issues within the healthcare sector itself include declining numbers of hospitals and other medical facilities, outdated equipment, low wages over long hours, and the government's general inability to implement effective sector-wide reforms.³⁴ Russia has a low average life expectancy at birth (69 years), with 74% of men and 40% of women likely to die before the age of 70.³⁵ Access to potable water pales in comparison with other developed economies, with Russia placing 99th among 178 states.³⁶ A 2014 survey by the Levada Center pointed to widespread dissatisfaction with domestic medical services, with only 17% of respondents voicing contentment with the quality of healthcare and over 60% indicating strong dissatisfaction.³⁷

Education. The Russian Federation pays considerable attention to maintaining high education rates for the population, with 94% of the 24–64 age group holding at least upper-secondary education degrees,

³³ Nicholas Eberstadt, "The Dying Bear: Russia's Demographic Disaster," *Foreign Affairs*, November/December 2011, <https://www.foreignaffairs.com/articles/russia-fsu/2011-11-01/dying-bear>.

³⁴ Tatiana Stanovaya, "Health Care Reform as a Catalyst for Progress," Institute for Modern Russia, November 21, 2014, <http://imrussia.org/en/analysis/nation/2089-health-care-reform-as-a-catalyst-for-progress>.

³⁵ See "Russian Federation: WHO Statistical Profile," World Health Organization, January 2015, <http://www.who.int/gho/countries/rus.pdf?ua=1>. Over 50% of all deaths are thought to stem from cardiovascular disease.

³⁶ "Improved Sanitation Facilities (% of Population with Access)," World Bank, World Development Indicators, <http://data.worldbank.org/indicator/SH.STA.ACSN>; and "Issue Ranking: Water and Sanitation," Environmental Performance Index, Yale University, <http://epi.yale.edu/epi/issue-ranking/water-and-sanitation>.

³⁷ "Healthcare System in Russia," Levada Center, Press Release, September 19, 2014, <http://www.levada.ru/eng/healthcare-system-russia>.

compared with the G-20 average of 60%.³⁸ Russia ranks relatively high in terms of intergenerational educational upward mobility, although its spending on education is lower than the Organisation for Economic Co-operation and Development (OECD) average.³⁹ Russia spends around 5% of its budget (\$50 billion) on formal education, with approximately 20% of the total education budget allocated to institutions of higher learning.⁴⁰ No less notable is that Russia produces more graduates in engineering, manufacturing, and construction than any other country in the world. Although academic publishing in the humanities remains a weak point, Russian scholars tend to be well-represented in global mathematics and the hard sciences.

Migration. A March 2015 survey by the Levada Center paints an interesting portrait of the attitude of Russian society toward emigration: an overwhelming 81% of respondents claimed to have not even thought about leaving Russia, whereas 8% claimed to think about it only from time to time and just 5% wanted to leave the country permanently.⁴¹ Those aspiring émigrés who were either thinking about leaving the country or already in the process of doing so cited dissatisfaction with their economic condition as the principal rationale. However, experts believe that educated, financially secure, and urban-dwelling Russians are more likely to emigrate than are other segments of the population, as they are better positioned to find work abroad.⁴²

Yet Russia is also the world's second-most attractive country in terms of numbers of immigrants. In 2014, for example, 270,036 people migrated to Russia, of whom over 96% came from the Commonwealth of Independent States, which comprises countries that belonged to the former Soviet Union. This is largely a result of cultural and linguistic similarities, geographic proximity, and facilitated visa regimes. Many of these migrants are seasonal workers performing unskilled labor in the construction and

³⁸ Organisation for Economic Co-operation and Development (OECD), "Education at a Glance 2013: Russian Federation," Country Note, http://www.oecd.org/edu/Russian%20Federation_EAG2013%20Country%20Note.pdf.

³⁹ OECD, "Education at a Glance 2013: Russian Federation," 24; and OECD, *Education at a Glance: 2014: Highlights* (Paris: OECD, 2014), 51, <http://www.oecd-ilibrary.org/docserver/download/9614031e.pdf?expires=1437144559&id=id&accname=guest&checksum=AC86A57180C47DFE0C0DB66BA248196>.

⁴⁰ "Raskhodi konsolidirovannogo byudzheta Rossiyskoy Federatsii po razdelu obrazovaniye v 2014 godu, mlrd. rub." [Education-related Expenditures under the Consolidated Budget of the Russian Federation for 2014, in Billions of Rubles], Ministry of Education and Sciences (Russia), http://fin.edu.ru/InfoPanel/min_obr1.html#page0_target.

⁴¹ "Chemodannye nastroeniya" [Suitcase Moods], Levada Center, March 20, 2015, <http://www.levada.ru/20-03-2015/chemodannye-nastroeniya>.

⁴² "Uezhat' ili ostat'sya?" [To Leave or To Stay?], Radio Svoboda, June 17, 2015, <http://www.svoboda.org/content/transcript/27077566.html>.

manufacturing sectors. Of this same cohort, only 14% had higher education.⁴³ The net result of these migration trends is a loss in human capital: the best and brightest professionals are leaving Russia in droves, only to be replaced by less-educated, less-skilled migrants.

Innovation and High Technology

Cornell University ranked the Russian Federation 49th in its 2014 Global Innovation Index, thus qualifying Russia as a moderately efficient innovator.⁴⁴ The country's innovation environment, however, still suffers from the prevailing bureaucratic, regulatory, and judiciary frameworks; inadequate intellectual property protection; and an uncompetitive business environment.⁴⁵ Although the government has introduced several changes into the regulatory system, in 2015 Russia fell to 65th place in the World Bank's Doing Business sub-index "resolving insolvency."⁴⁶ Most importantly, Russia's private sector does not have sufficient access to the modern technologies essential for competitive innovation, not to mention that many Russian businesses tend to be risk-averse and are thus disinclined to adopt new technologies.⁴⁷

High-tech products accounted for only 7.5% of total imports (less re-exports) and 1.5% of net exports in 2012.⁴⁸ Russia spends only 1.2% of its GDP (private and public) on applied R&D—far less than the leading European countries, as well as China, Korea, or Japan.⁴⁹ The gross expenditure on R&D by businesses was 58.3%, indicating significant lag behind China and the United States (76% and 69%, respectively). On the other hand, Russia is

⁴³ "Chislennost' i migratsiya naseleniya Rossijskoj Federatsii v 2014 godu" [Population and Migration of the Russian Federation in 2014], Federal State Statistics Service (Russia), http://www.gks.ru/bgd/regl/b15_107/main.htm.

⁴⁴ "Data Analysis: 2014 Country Rankings," Global Innovation Index, Cornell University, INSEAD, and World Intellectual Property Organization (WIPO), <https://www.globalinnovationindex.org/content.aspx?page=data-analysis>.

⁴⁵ "Global Information Technology Report 2015 (Country/Economy Profiles): Russian Federation," World Economic Forum, <http://reports.weforum.org/global-information-technology-report-2015/economies/#economy=RUS>.

⁴⁶ World Bank, *Doing Business 2015: Going Beyond Efficiency, Russian Federation* (Washington, D.C.: World Bank, 2014), 98–102, <http://www.doingbusiness.org/~media/giawb/doing%20business/documents/profiles/country/RUS.pdf>.

⁴⁷ Susanne Dirks and Mary Keeling, "Russia's Productivity Imperative: Leveraging Technology and Innovation to Drive Growth," IBM Institute for Business Value, 6–8, http://www.ibm.com/smarterplanet/global/files/us_en_us_government_gbe03244usen.pdf.

⁴⁸ Soumitra Dutta, Bruno Lanvin, and Sacha Wunsch-Vincent, eds., *The Global Innovation Index 2014: The Human Factor in Innovation* (Ithaca, Fontainebleau, and Geneva: Cornell University, INSEAD, and WIPO, 2015), 340, 354.

⁴⁹ "Research and Development Expenditure (% of GDP)," World Bank, World Development Indicators, http://data.worldbank.org/indicator/GB.XPD.RSDV.GD.ZS?order=wbapi_data_value_2012+wbapi_data_value+wbapi_data_value-last&sort=desc.

ranked 30th in the performance of R&D by businesses (at 0.7% of GDP), which lags behind the leading economies but is still competitive worldwide.⁵⁰

The main issue that Russia faces in the high-tech sector is its extreme reliance on imported components, especially in light industrial production. The government's program of import substitution is designed to address this issue and seeks to decrease the average industrial dependence to around 50%–60% by 2020.⁵¹ To support this policy, Russia's defense sector started to increase orders from domestic producers in 2010, which is intended to help domestic production in heavy industry, particularly those branches supporting the high-tech sector.⁵²

Information and communication technologies (ICT). Russia's ICT sector has experienced impressive growth over the past several years amid relatively competitive market conditions. The World Economic Forum ranked Russia 41st in its 2015 Network Readiness Index, up nine rungs from its position the previous year.⁵³ Although Russia still lags behind the OECD average, the Kremlin has begun to embrace ICT-supported tools as a means of streamlining various bureaucratic and governance-related functions.⁵⁴

This rise in ICT usage comports with the government's "Information Society (2011–2020)" development strategy, which aims to develop infrastructure for equal access to and increased utility of ICT among public and private users, albeit while maintaining strict state oversight.⁵⁵ Yet although ICT connectivity is increasing in Russia, the basic infrastructure is still not fully developed: network coverage, for example, remains unevenly distributed between urban and rural markets such that some populations remain outside mobile signal range. Likewise, although average Internet speeds in Russia surpass those of France and Italy, only 56.5% of rural and 72.0% of urban populations enjoy Internet access.⁵⁶

⁵⁰ Dutta et al., *The Global Innovation Index 2014*, 247.

⁵¹ "Zavisimost' promyshlennosti Rossii ot importa k 2020 gody snizitsya v 1,5 raza" [Russian Industry's Dependence on Imports Decreased by 1.5 times], Ministry of Industry and Trade (Russia), July 10, 2014, <http://minpromtorg.gov.ru/press-centre/all/#18750>.

⁵² Ivan Safronov, "Tech-Challenged Russia Ready to Import Foreign Arms for the First Time," *World Crunch*, January 19, 2012.

⁵³ "Global Information Technology Report 2015 (Country/Economy Profiles): Russian Federation."

⁵⁴ Dutta et al., *The Global Innovation Index 2014*, 247.

⁵⁵ "Gosudarstvennaya programma 'informatsionnoe obshchestvo' (2011–2020)" [State Program "Information Society" for 2011–2020], Ministry of Communications and Mass Media (Russia), August 27, 2014, <http://minsvyaz.ru/ru/activity/programs/1>.

⁵⁶ "Skorost' interneta v Rossii vyshhe, chem vo Frantsii i Italii" [The Speed of the Internet in Russia Is Higher Than in France or Italy], Ministry of Communications and Mass Media (Russia), June 22, 2015, <http://minsvyaz.ru/ru/events/33516>; and Broadcasting Board of Governors and Gallup, "Contemporary Media Use in Russia," <http://www.bbg.gov/wp-content/media/2014/02/Russia-research-brief.pdf>.

Cultivating a nationwide network through ICT platforms is especially important for the state as it seeks to expand its control over the flow of information in order to cultivate societal consensus around specific state-sponsored policies. In this context, greater state involvement in the ICT sector through public financing augers even greater state influence over public attitudes and perceptions.

Information Technology (IT). Closely linked to the ICT sector is the development of the IT field, which despite improving projections still possesses only a small share of the international market. Human capital in the software development field has seen 11% annual growth, with around 130,000 professional specialists working in software companies and around 430,000 software developers in the entire industry. Nevertheless, over 70% of IT companies in Russia experience shortages of qualified human capital. In order to meet demand, the government has increased federal financing to fill quotas for students specializing in the information sciences. By 2018, Russian universities will produce 150,000 IT graduates, although this still falls well short of projected demand.⁵⁷

Despite these weaknesses, the IT sector has managed some growth and is one of the few sectors of the Russian economy other than the energy and arms industries to experience increased penetration of foreign markets.⁵⁸ Sales of Russian software products abroad accounted for a little over 1% of total exports in 2013, up from 0.88% in 2012 and 0.80% in 2011.

National Performance and State-Societal Relations

Russian Views of National Power

Russia's status as the world's largest country has been a point of pride for Russians for centuries. Not surprisingly, then, Moscow measures national power to a considerable extent by its capacity to control territory and exercise influence on its periphery. Culturally, the Russian sense of security is likewise deeply grounded in territorial control. Stalin's personification of the traditional Russian leader with an inclination to control and coerce rather than to attract, convince, or shape coalitions was at the heart of the Cold

⁵⁷ "Russian Universities to Offer More Government-Funded Places for IT Students," TASS, February 17, 2014, <http://tass.ru/en/russia/719507>; and "Eksport Rossijskoj industrii razrabotki programmnogo obespecheniya: 11-e ezhegodnoe issledovanie" [Export of the Russian Software Development Industry: 11th Annual Survey], Russoft, 125–131, http://www.russoft.ru/upload/RUSSOFT_Survey_11_ru.pdf.

⁵⁸ F. Joseph Dresen, "The Growth of Russia's IT Outsourcing Industry: The Beginning of Russian Economic Diversification?" Woodrow Wilson International Center for Scholars, Kennan Institute, <http://www.wilsoncenter.org/publication/the-growth-russias-it-outsourcing-industry-the-beginning-russian-economic>.

War conflict that emerged in the late 1940s.⁵⁹ Putin shares these core traits, as is most evident in his policy toward what the Russians colloquially refer to as the *blizhnii zarubezh* (near abroad), which is constituted by the states that were formerly part of the Soviet Union. Russia's slightly covert war in eastern Ukraine since 2014 and its five-day war against Georgia in 2008 mark the most violent expressions of its exercise of power. Under both Yeltsin in the 1990s and Putin for the past fifteen years, Moscow has manipulated an extensive set of tools to influence and constrain the sovereignty of its nearest neighbors to the West, in the South Caucasus, and in Central Asia, particularly through the control of oil and gas supplies to many of these states. Russia's territorial sense of security is less relevant for Asia perhaps, with the exception of its dispute with Japan over the Northern Territories/Kuril Islands and its deep-seated insecurity that China wants to retake the territory in the Russian Far East and Eastern Siberia that became part of the Russian empire in the mid-nineteenth century.

Due to its vast territorial holdings, lack of defensible land boundaries, and complex geopolitical relationships, Russia faces significant military threats in all strategic directions. To the east, China remains the primary potential adversary, although this is never stated explicitly in official security and military documents. In the center and the south, Russia faces various threats, including insurgency, separatism, Islamic extremism, and regime instability among allies. To the west, it faces challenges both from former Soviet states seeking greater independence and from NATO itself, which seeks to contain Russia's latent neoimperialist ambitions. Of all these threats, Russia clearly views NATO as the most serious and urgent challenge.⁶⁰

To meet this complex threat environment, Russia has adopted an equally complex set of strategies. In the east, it maintains large conventional forces backed by nonstrategic nuclear weapons to engage in a potentially large-scale combined arms conflict with China.⁶¹ In the center and south, it relies primarily on rapid reaction forces backed by traditional military forces to conduct counterinsurgency, counterterrorism, and stability operations. In the west, Russia relies on a strategy of limited intervention to maintain influence over post-Soviet states, such as Georgia and Ukraine, and asymmetric strategies, such as hybrid warfare and the threat of limited nuclear strikes, to counter technologically superior NATO conventional forces. Russia remains

⁵⁹ John Lewis Gaddis, *We Now Know: Rethinking Cold War History* (London: Oxford University Press, 1997).

⁶⁰ "Vojennaya doktrina Rossijskoj Federatsii" [Military Doctrine of the Russian Federation], President of the Russian Federation, <http://static.kremlin.ru/media/events/files/41d527556bec8deb3530.pdf>.

⁶¹ Märta Carlsson, Johan Norberg, and Fredrik Westerlund, "The Military Capability of Russia's Armed Forces in 2013," in *Russian Military Capability in a Ten-Year Perspective*, ed. Jakob Hedenskog and Carolina Vendil Pallin (Stockholm: FOI [Swedish Defence Research Agency], 2013), 52.

dissatisfied with its limited options against NATO, however, and is seeking to rebuild its conventional forces in response.

Given that the present government maintains a nearly complete monopoly on political power, it should be no surprise that it also maintains effective control over the military. The ability of the government to impose significant and unpopular reforms on the military following the war with Georgia is ample evidence of its authority.

Russia has also more recently begun to emphasize the importance of soft power, though not perhaps precisely in the manner first laid out by Joseph Nye more than twenty years ago.⁶² Moscow has been influenced in this regard by its interpretation of the role of U.S. support for regime change in countries on Russia's periphery, especially in Ukraine in 2004–5 and again in 2014, as well as in the Middle East during the Arab Spring. Many of the tools deployed by Moscow, such as media penetration and support for political parties and NGOs, are not particularly new, but the deployment of these tools is far more deft and effective today than it was in the Soviet Union. An excellent example is RT (formerly Russia Today), the Russian state's global television network founded ten years ago that competes effectively for viewers with CNN International, the BBC, Al Jazeera, CCTV, and the Voice of America. However, with the notable exception of the Central Asian states on its southern periphery, most of these newly rediscovered instruments of soft power are far less relevant for Asia than they are in Europe, the South Caucasus, and the greater Middle East.

Until the annexation of Crimea in March 2014 and their support for the insurgents in the Donbass, Russian leaders and officials emphasized that Russian power was essential to constrain the alleged U.S. predilection for the illegal use of military force. On this account, Russia was seen as a more status quo power, whereas the United States was viewed as the irresponsible revisionist. In the past couple of years, the Russian argument has increasingly emphasized that U.S. military intervention and policies have not been so much illegal as incompetent, increasing rather than decreasing instability, especially in the Middle East. The cases of Iraq and Libya are often brought to bear and cited not only as violating state sovereignty but also as worsening regional security and not even serving U.S. interests.⁶³ The two most commonly cited tools for checking the United States—the first rhetorical (at this point) and

⁶² For the first time in 2014, Russia's official foreign policy doctrine included a discussion of the importance of soft power with special emphasis on foreign support for nongovernmental organizations, influencing the media narrative in foreign countries, and other measures.

⁶³ Vladimir Putin's discussion with the Valdai Discussion Club in October 2014 laid this argument out in particularly stark and derisive terms. For the full transcript, see "Meeting of the Valdai International Discussion Club," President of Russia, October 24, 2014, <http://en.kremlin.ru/events/president/news/46860>.

the second used on multiple occasions—are Russia’s nuclear arsenal and its veto on the UN Security Council.

These Russian arguments about Washington’s misuse of power and illegal violations of sovereignty appeal to many large emerging powers, including the BRICS countries (Brazil, Russia, India, China, and South Africa), as well as to smaller states. Russia’s willingness to stand up to the United States on a variety of issues earns credibility and support from many Asian states, especially China and India, but the growing concerns of much of Asia about rising Chinese power makes this proclivity to counter Washington less appealing. Indeed, as discussed above, Russia itself has very mixed feelings about the rapid growth of Chinese power on its periphery.

Russian Diplomacy and Intelligence Services as Tools of National Power

Any effort to measure and qualify Russian national power must include some discussion of diplomacy and intelligence services because of their long and storied traditions during the tsarist and Soviet periods, as well as their contemporary relevance during Putin’s long tenure as Russian leader. Foreign Minister Sergei Lavrov is fond of reminding his colleagues and the world that no major global foreign or security challenge can be resolved without the participation of Russia. Indeed, Russia’s self-perception is so deeply steeped in its status as a great power that Russian leaders and diplomats rarely shy away from vocalizing the country’s interests as virtually unimpeachable. In many instances, especially in the post-Soviet period, Russia has seemingly “punched above its weight” in the arena of international relations. Its possession of veto power on the UN Security Council is an especially important diplomatic arrow in its quill that has deeply frustrated the Obama administration.

But only focusing on Russia’s readiness to obstruct diplomatic negotiations and block policies would be an inaccurate caricature. Russian diplomacy may be noted for its dogged persistence, but it can also take measures with impressive speed, adeptness, and creativity. For example, where the new BRICS institution will go is not entirely clear, but it is safe to say that efforts under Putin to catalyze this grouping have been critical for its existence. One of the most unexpected lightning strikes of Russian diplomacy was Putin’s proposal in September 2013 for the United States and Russia to work together to dispose of Syria’s declared chemical weapons arsenal. More recently, Obama was nearly effusive in his praise of Putin for Russia’s indispensable role in the multilateral negotiated deal on Iran’s nuclear program.

It is well known that Putin is a trained Soviet intelligence officer, and many of his ruling circle also were recruited and trained in the KGB during 1967–82.

Historically the ethos of Russian intelligence services has been to recruit the “best and the brightest” to perform a special mission to save Russia from its internal and external enemies. Intelligence and security forces in general (such as the Ministry of the Interior) have enjoyed a major prioritization in the allocation of human and financial resources since Putin came to power in 2000. Yet their comeback from the bitter loss of power with the Soviet collapse predated Putin’s arrival on the national scene and was perhaps best exemplified by the appointment of intelligence veteran Yevgeny Primakov as foreign minister and later prime minister in the second half of the 1990s. With a trained intelligence officer at the helm, intelligence and security personnel have reclaimed immense authority and wealth. U.S. and Western intelligence and security authorities routinely claim that intelligence activity in contemporary Russia is at as high a level as it ever was during the Cold War.⁶⁴

This phenomenon of intelligence services wielding immense power is perfectly suited to the ideational narrative of a Russia surrounded by U.S.-led Western enemies that seek to weaken and destabilize it. This narrative has slowly gained currency in Putin’s Russia and drowned out other narratives. If one is to judge by Putin’s record-high popularity ratings, it has apparently been widely accepted by the Russian people. Of course, this narrative is not new, but it is an essential feature of contemporary Russia that must be acknowledged in any consideration of current national power and Putin’s hold on political power.

State Capacity for Societal Mobilization and Power Conversion

Comparing Putin’s Russia today with Yeltsin’s Russia of the 1990s, there is no question that the state capacity for mobilizing national resources for statist goals has increased. Indeed, Putin saw restoration of effective state power in a market democratic context as his principal mission when he assumed power on December 31, 1999. The critical relationship between state and society has dramatically shifted twice in the last three decades. The Soviet Union was an authoritarian, at times totalitarian, state that completely dominated society. With the collapse of the Soviet state in 1991, the balance of power between state and society shifted almost 180 degrees, which explains Putin’s obsession with restoring state power now. To this end, independent economic, social, and political institutions outside the state have been systematically weakened over the course of the last fifteen years.

⁶⁴ Richard Norton-Taylor, “Russian Spies in UK ‘at Cold War Levels,’ Says MI5,” *Guardian*, June 29, 2010, <http://www.theguardian.com/world/2010/jun/29/russian-spies-cold-war-levels>; and Stephen Collinson, “Why the Alleged Russian Spy Ring Matters,” CNN, January 28, 2015, <http://www.cnn.com/2015/01/27/politics/us-russia-spies-analysis>.

Several watershed events in the years following Putin's assumption of power enhanced the Kremlin's capacity to control the flow of key national resources, communicate effectively its narrative to the Russian people, and eventually control the outcome of key national elections. Control of Russian power after the collapse of the Soviet Union diffused to Russian society in the 1990s. Step by step, however, the Russian state has re-established its control over key national resources, although not to the extent of its Soviet predecessor. Putin's Russia might be described as the "Soviet Union lite" in this regard.

In his capacity as president, Putin reasserted state control over national television networks, as they are the key medium, even today in the Internet age, for the majority of the Russian population to get information about what is happening in their country and the world. Next the Kremlin took on the "commanding heights" of the economy, starting with the oil sector, by renationalizing many private companies and intimidating business leaders not to cross the Kremlin. The arrest and jailing of Mikhail Khodorkovsky in 2003 and the destruction of his company, Yukos, marked the key moment for the Kremlin. This development coincided with increased control over the electoral process and destruction of independent political actors and parties during the 2003–4 electoral cycle of parliamentary and presidential elections. With these and other acts, over time the balance of power between the Russian state and society shifted dramatically in favor of the state and its capacity to mobilize national resources. Over the past ten years, NGOs have been seriously hamstrung by legislation that has placed onerous reporting demands on their activities and virtually made it impossible to receive foreign funding. The Putin government sees foreign-funded NGOs as potentially organizing institutions for the opposition that could even work to overthrow the government. And while the Internet is far less restricted in Russia than in China, the state nonetheless monitors it closely and develops strategies for mobilizing society for state purposes through various Internet initiatives. Occasional strategic arrests and legal hassling of opposition figures, such as the house arrest of the anticorruption lawyer Alexei Navalny, and new restrictive legislation have virtually decimated the opposition that emerged in December 2011 with large protests in Moscow and other Russian cities in response to violations of electoral procedures in the Duma elections.

As power has shifted so much to the state authorities from Russian society in the past fifteen years, there is not much negotiation that occurs in a regular fashion between state and society over key national goals. With state control over electoral processes, national television, and civil society, independent institutions that represent society's interests have been deeply

stifled. Consequently, society remains for the most part apathetic or apolitical. And without legal structures to promote its interests, occasionally these interests emerge in the form of demonstrations and protests, as happened following allegations of fraud in the December 2011 Duma elections. The government's legitimacy for most of Putin's rule has been founded on robust economic growth, and this is reflected in high popularity ratings for Putin the political leader, if less so for his government.

The core question for this study is the degree to which Russian national power has increased as a result of this centralization and consolidation of political power, and one must conclude that it has increased quite significantly over the past fifteen years. Russia does have considerably greater economic resources that can be mobilized to serve state or national purposes. The Russian military has also significantly increased its capacity to mobilize resources to pursue state goals. We saw this trend in Georgia in 2008; we are seeing it in Ukraine; and most recently we have seen this trend with Russian military transfers to Syria. As an unambiguously authoritarian state, Russia can often act far more quickly and nimbly than its democratic Western competitors. Such speedy mobilization can be an advantage unless the action taken fails. The longer any authoritarian leader is entrenched in power, the less likely it is that another person, let alone an institution, questions the leader's mistakes or seeks to prevent his or her actions.

The question becomes more complicated when assessing Russian power in comparative terms, as well as most importantly when making judgments about the sustainability of these trends. As discussed above, Russia's capabilities in innovation and high technology rank globally in the 40s and 50s rather than in the top 10. Health and demographic trends are also not promising over the next 30 years. The Russian economy overall is hampered by endemic corruption and overly bureaucratized procedures that stunt the private sector. A still underdeveloped and arbitrary legal system hampers domestic and foreign investment. And finally, macroeconomic performance remains very closely tied to the whims of the oil price. The failure of the state to provide for improving social health and welfare services, as well as to address corruption in state institutions, may be a vulnerable point in the state's capacity to control society. Precisely these issues brought tens of thousands of Russians into the streets in Moscow and other large cities in winter 2011–12. The tacit social contract for most of the Putin years, based on increasing prosperity and personal freedoms at the expense of political freedoms and independent political institutions, may be called into question if the current economic decline becomes protracted for more than two years.

There is no question that Russian national power is significantly greater than fifteen years ago when Putin first became president of Russia. There is also

no question that Russian national power is significantly weaker in both overall and relative terms than 30 years ago when Mikhail Gorbachev assumed the leadership of the larger Soviet Union. And as we saw with the 2008–9 financial crisis and the current deep recession, Russia remains just as vulnerable to the vicissitudes of the oil price as it was before the Soviet collapse. The current Russian economy is actually less diversified than its Soviet predecessor, but it is more efficient with the adaptation of market principles at its foundation. Yet the current trend toward increasing state intervention in the economy does not bode well for either increasing productivity or developing new, innovative high-tech sectors, despite strong foundations of human capital.

Although greater state control over Russian society has increased state power in the short term, many of Moscow's policies are deeply weakening core societal institutions that are the foundation for promoting the longer-term growth of Russian national power. Looking five to ten years into the future, it is hard to be optimistic about Russian power because too many fundamental economic, demographic, and geopolitical trend lines are negative or performing mediocly at best. The state is more powerful, but also corrupt and inefficient, and without major political change, it will undermine Russia's long-term status as a great power.

Russian Military Power

Russia's military is currently in the midst of a major, multiyear reform process, which, despite a number of setbacks, has already generated real improvements in military capability. To this end, the Kremlin has focused on rationalizing the structure of the armed forces, achieving higher readiness levels through a program of intensified training and military exercises, and pursuing an ambitious rearmament program that aims to modernize no less than 70% of the armed forces' military equipment by 2020.⁶⁵ While the final outcome of these reforms remains uncertain, the sophistication exhibited by Russia's military in Ukraine represents a significant leap forward from its relatively poor performance during the 2008 war with Georgia. Even so, the present reform effort still faces a number of significant financial, technological, and demographic constraints that threaten to compromise its desired effects.

⁶⁵ Yuriy Fedorov, "Gosydarstvennaya programma vooruzhenij-2020: Vlast i promyshlennost'" [State Armaments Program for 2020: Power and Industry], *Security Index* 19, no. 4 (2013): 41–59, <http://www.pircenter.org/media/content/files/12/13880454280.pdf>.

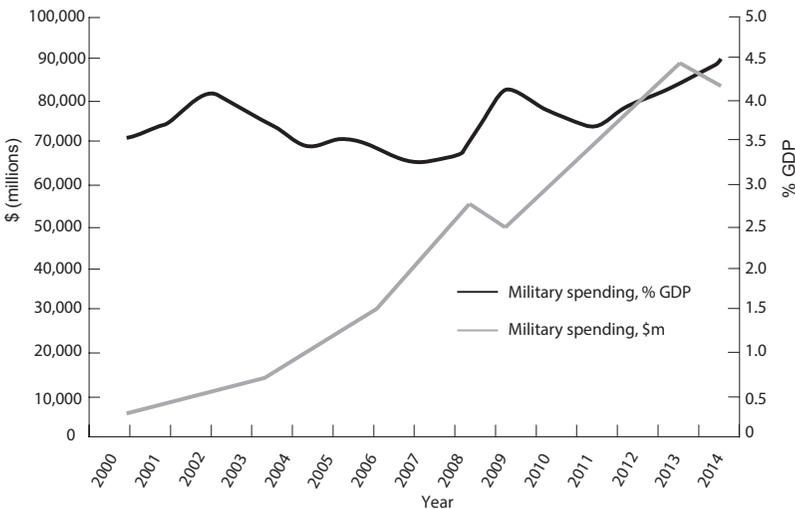
Strategic and Human Resources

Increased defense spending has been a key factor in the improvement of Russia's military capabilities. According to the Stockholm International Peace Research Institute's Military Expenditure Database, Russia's defense budget grew 16% per year from \$9.2 billion in 2000 to \$84.5 billion in 2014. During this same period, expenditures on the armed forces on average constituted 3.8% of Russia's GDP (see **Figure 4**). Moscow's willingness to sustain such high levels of defense spending over a long time period confirms its commitment to the military reform program.

Despite that commitment, Russia's recent economic problems as a result of Western sanctions and low oil prices may soon compel the Kremlin to scale back its ambitions. Although Putin has pledged publicly not to reduce military expenditures, the country increasingly appears to be facing a stark choice between "guns and butter."

Personnel challenges. The Kremlin regards the reorganization of the armed forces as a top concern. This initiative originally included several targets, of which rationalization of the officer corps was one of the most important. Prior to 2008, there was one headquarters-level staff member for

FIGURE 4 Russian military spending, 2000–2014



SOURCE: "SIPRI Milex Data 1988–2014," Stockholm International Peace Research Institute (SIPRI), SIPRI Military Expenditure Database, http://www.sipri.org/research/armaments/milex/milex_database/milex-data-1988-2014; and "Military Expenditure (% of GDP)," World Bank, World Development Indicators, <http://data.worldbank.org/indicator/MS.MIL.XPND.GD.ZS>.

every combat-ready soldier and officer.⁶⁶ The Ministry of Defense addressed this lopsided distribution by slashing the number of staff from 335,000 to 150,000 while increasing the number of junior officers from 50,000 to 60,000. At the same time, 60,000 warrant officers were forcibly retired, with their responsibilities redistributed to other servicemen.⁶⁷ While the Ministry of Defense did meet this target more or less on schedule, it did so in part by transferring 70,000 of the original 335,000 posts over to the new Aerospace Defense Forces.⁶⁸

The Russian armed forces have long suffered from a shortage of adequate personnel. For starters, roughly half of all potential draftees are believed to dodge conscription. During the first quarter of 2014 alone, Rosstat documented 1,409 instances of draft evasion, up 15% from 1,224 cases during the first quarter of 2013.⁶⁹ (The autumn 2014 draft, however, apparently did show a 20% reduction in the number of such cases.)⁷⁰ Yet while the Russian government has attempted to rein in draft-dodging through various legal measures, the problem neither begins nor ends with draft evasion alone. Poor service conditions also contribute. It is well known, for example, that many of those who seek to escape military service do so because of endemic hazing of new enlistees.

Despite a recent uptick in population growth, the population pool from which the Russian military pulls its conscripts and contractors remains far from ideal. One recent government study found that more than 40% of potential recruits fail to meet standard health and fitness criteria.⁷¹ Moreover, the substandard level of education among potential recruits hinders their ability to handle complex weapons systems. For these and other reasons, some experts believe that Russian military capability is more

⁶⁶ Mikhail Barabanov, Konstantin Makienko, and Ruslan Pukhov, "Military Reform: Toward the New Look of the Russian Army," Valdai Discussion Club, Analytical Report, July 2012, 5, http://vid-1.rian.ru/ig/valdai/Military_reform_eng.pdf.

⁶⁷ Aleksey Gayday, "Reform of the Russian Army," in *Russia's New Army*, ed. Mikhail Barabanov (Moscow: Centre for Analysis of Strategies and Technologies, 2011), 23, http://www.cast.ru/files/book/NewArmy_sm.pdf; and Clifford J. Levy, "Russian Military Cuts Leave Soldiers Adrift," *New York Times*, June 11, 2009, <http://www.nytimes.com/2009/06/12/world/europe/12russia.html?pagewanted=all&r=0>.

⁶⁸ Andrzej Wilk, "Toward a Professional Army: Changes to the Structure of the Officer Cadre and the Manning System of the Russian Armed Forces," Centre for Eastern Studies, OSW Commentary, no. 73, March 28, 2013, 2, http://aei.pitt.edu/58361/1/commentary_73.pdf.

⁶⁹ "Voiny-pobegonostsy" [Warriors-Escapees], *Kommerstant*, February 17, 2015, <http://www.kommersant.ru/doc/2668258>.

⁷⁰ International Institute for Strategic Studies, *The Military Balance 2015* (London: Routledge, 2015), 163.

⁷¹ "Senator: Bolye 40% Rossijskikh prizyvnikov ne sootvetstvuyut trebovaniyam po zdorov'yu" [Senator: More Than 40% of Russian Recruits Do Not Meet Health Criterion], TASS, April 24, 2015, <http://tass.ru/obschestvo/1927963>.

likely to be constrained by specific demographic and institutional factors than by broader financial limitations.⁷²

Defense industry and R&D challenges. Problems in Russia's defense industry have also adversely affected the military reform program. Lack of career opportunities and poor working conditions have encouraged a massive brain drain, with the number of research professionals in Russia dropping from more than one million in 1999 to just 376,000 in 2008.⁷³ Worse still, declining standards in postsecondary technical education have left those researchers and engineers entering the military-industrial complex substantially less prepared to meet the demands of the rearmament program. Although the Ministry of Defense has begun to reverse this trend as a result of new state orders and higher salaries, the shortage of interested and qualified workers remains a serious problem for the Kremlin.

While Russia's defense industry is technologically competitive in certain sectors such as anti-access/area-denial (A2/AD), military aircraft, and cyber, the rearmament program continues to be technologically backward in many other sectors of the defense industry. The Russian government has stressed the need for major innovations in several key defense-related technology clusters. Putin himself has called for the creation of cutting-edge weapons systems "based on new physical principles," while officials in the defense establishment have advocated for greater research into the various military applications of exotic bio-, nano-, and cognitive technologies.⁷⁴ Deputy Prime Minister Dmitry Rogozin meanwhile has urged the defense industry not to "fall behind" the West in the development of new aerospace defense complexes, precision-guided munitions, and unmanned systems, among other areas.⁷⁵

Despite a lack of detailed open source data on military spending after 2006, experts believe that the Ministry of Defense allocates a significant portion of funding for applied research, development, test, and evaluation (RDT&E) efforts.⁷⁶ According to some estimates, military RDT&E expenditures grew 11%–22% on an annualized basis between 2008 and 2013, although the share

⁷² Barabanov, Makienko, and Pukhov, "Military Reform," 12.

⁷³ Julian Cooper, "The Innovative Potential of the Russian Economy," *Russia Analytical Digest*, no. 88, November 29, 2010, 9, <http://www.css.ethz.ch/publications/pdfs/RAD-88.pdf>.

⁷⁴ Vladimir Putin, "Byt' sil'niymi: Garantii natsional'noj bezopasnosti dlya Rossii" [Being Strong: Guarantees of National Security for Russia], *Rossiyskaya Gazeta*, February 20, 2012, <http://www.rg.ru/2012/02/20/putin-armiya.html>; and Vasilij Buryenok, "Vooruzheniya XXI veka budut imet' intuitsiyu i nastroyenie" [Weapons of the 21st Century Will Have Intuition and Mood], *Independent Military Review*, February 12, 2011, http://nvo.ng.ru/concepts/2011-12-02/6_nanobioinfo.html.

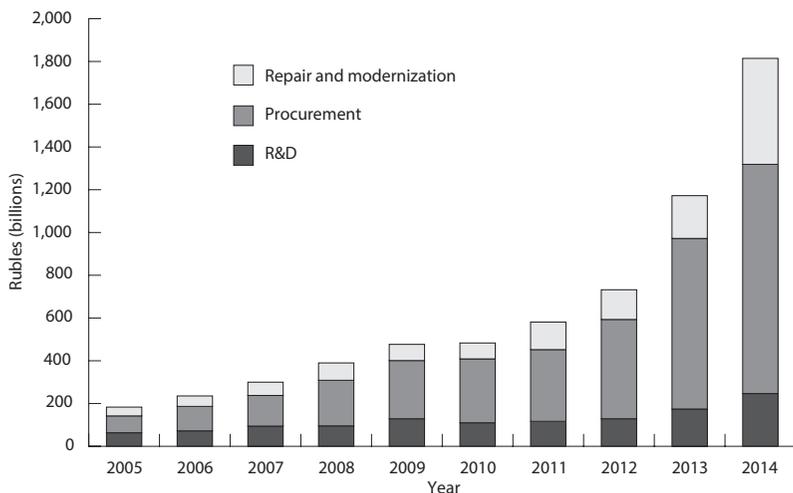
⁷⁵ Sergej Ptichkin, "Sil'nykh ne b'yut" [They Do Not Beat the Strong], *Rossiyskaia Gazeta*, July 3, 2013, <http://www.rg.ru/2013/07/03/kompleks.html>.

⁷⁶ Julian Cooper, "Russian Military Expenditure: Data, Analysis and Issues," FOI, September 2013, 22.

of the overall defense budget decreased by approximately 8%–10% during that same period (see **Figure 5**).⁷⁷ Other analysts calculate that 35%–40% of overall government RDT&E spending goes toward defense-related projects.⁷⁸

Nevertheless, RDT&E activities puzzlingly account for just 10% of the budget allocated for 2020 under the State Rearmament Program. Depending on whom ones asks, this meager allotment is either a tacit admission of a weak technical base or a sign that the Ministry of Defense believes that the military-industrial base is riddled with graft—or both.⁷⁹ Regarding the first scenario, few would disagree that the Russian defense industry has not yet fully regained the innovative potential of the late Soviet era.⁸⁰ Part of the problem

FIGURE 5 Allocation of defense budget funding by activity, 2005–14



SOURCE: For 2005–13 data, see Julian Cooper, “Russian Military Expenditure: Data, Analysis and Issues,” FOI, September 2013. For 2014 data, “Poleznye tsifry” [Useful Figures], Centre for the Analysis of Strategy and Technology, July 2015, http://www.cast.ru/files/book/2015_rus.pdf.

⁷⁷ Cooper, “Russian Military Expenditure”; and “Voennij byudzhet i gosudarstvennij oboronnij zakaz” [The Military Budget and the State Defense Order], Centre for Analysis of Strategies and Technologies, November 2014.

⁷⁸ Cooper, “The Innovative Potential of the Russian Economy,” 9.

⁷⁹ Barabanov, Makienko, and Pukhov, “Military Reform,” 31.

⁸⁰ Iu. V. Erygin and A.M. Saakian, “Russia’s Defense-Industrial Complex: Development Trends,” *Problems of Economic Transition* 54, no. 4 (2011): 9, <http://www.tandfonline.com/doi/abs/10.2753/PET1061-1991540401#.VfROrGTBzGc>.

stems from the defense sector's lack of modern means of production, as some analysts estimate that up to 75% of its manufacturing assets are technologically obsolete and thus ill-suited to the production of advanced armaments and equipment.⁸¹ This manufacturing deficit has forced Russia's defense industry to procure many of its most advanced components from foreign suppliers.

Arms Sales. Prior to the recent large increases in government defense spending that followed the oil and natural gas boom of the 2000s, the Russian defense industry often had to rely on revenues from arms transfers and foreign military-technical cooperation in order to sustain itself and fund its own modernization.⁸² Russia made \$13.2 billion from foreign arms transfers in 2014 and now stands as the world's second-largest exporter of arms after the United States.⁸³

Russian arms transfers have generally risen over the past decade as sales to key Asian markets weathered an annualized drop in global sales of weapons and equipment. According to data compiled by the Stockholm International Peace Research Institute, Asia accounted for more than two-thirds of all Russian arms transfers between 2004 and 2014 (see **Figure 6**). On average, India accounted for 31.8% of Russia's total arms transfers between 2004 and 2014, while China accounted for 23.3%. Meanwhile, as arms exports to India increased, with annualized growth of 3.7%, exports to China declined by almost 10%. Russia supplied 70% of India's arms imports over this period.⁸⁴

Combat Proficiency

Russia deployed its combined arms capabilities to mixed effect during the 2008 Russo-Georgian war, as failures of command and control and interoperability resulted in joint operations “on only the most

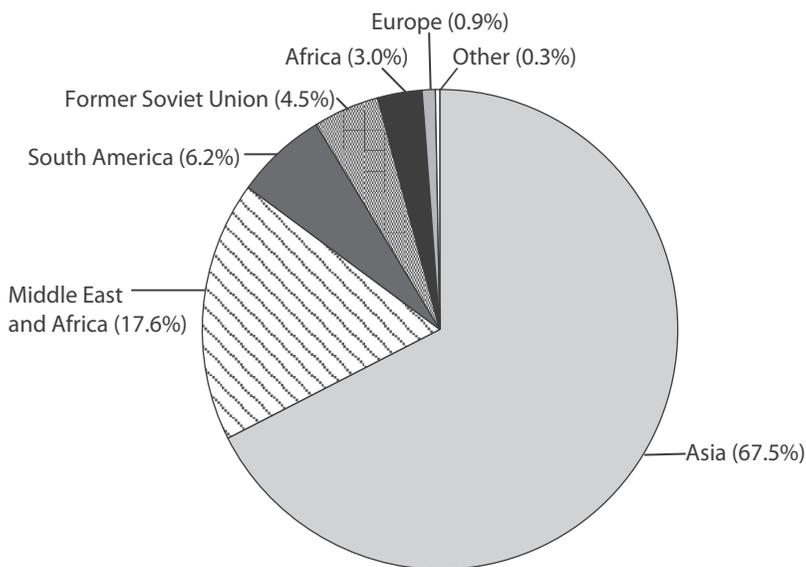
⁸¹ Natalia Kalinina and Vadim Kozyulin, “Russia's Defense Industry: Feet of Clay,” *Security Index: A Russian Journal on International Security* 16, no. 1 (2010): 41, <http://www.tandfonline.com/doi/pdf/10.1080/19934270903570661>.

⁸² Stephen J. Blank, *Rosoboronexport: Arms Sales and the Structure of Russian Defense Industry* (Carlisle: Strategic Studies Institute, 2007), 11, <http://www.strategicstudiesinstitute.army.mil/pdffiles/PUB749.pdf>; and Sam Jones, “Russia Has Little to Lose from Arms Embargo,” *Financial Times*, July 22, 2014, <http://www.ft.com/intl/cms/s/0/ae366600-11ae-11e4-b356-00144feabdc0.html#axzz3fhOXTQVd>.

⁸³ “Russian Arms Exports Hit \$13 Billion in 2014—Rosoboronexport,” *Moscow Times*, March 17, 2015, <http://www.themoscowtimes.com/business/article/russian-arms-exports-hit-13-billion-in-2014--rosoboronexport/517554.html>; and “SIPRI Yearbook 2015: Armaments, Disarmament and International Security,” Stockholm International Peace Research Institute (SIPRI), 2015, 17, <http://www.sipri.org/yearbook/2015/downloadable-files/sipri-yearbook-2015-summary-pdf>.

⁸⁴ Pieter D. Wezeman and Siemon T. Wezeman, “Trends in International Arms Transfers: 2014,” SIPRI, SIPRI Fact Sheet, March 2015, 6, <http://books.sipri.org/files/FS/SIPRIFS1503.pdf>.

FIGURE 6 Allocation of Russian arms transfers by region



SOURCE: Pieter D. Wezeman and Siemon T. Wezeman, “Trends in International Arms Transfers: 2014,” Stockholm International Peace Research Institute, SIPRI Fact Sheet, March 2015, 6, <http://books.sipri.org/files/FS/SIPRIFS1503.pdf>.

superficial level.”⁸⁵ With the potential for interservice cooperation thus undermined by an “absence of unified command,” the General Staff set out after 2008 to facilitate cross-service collaboration by creating new command-and-control structures at the district and federal levels.⁸⁶

The Kremlin has evidently used the war in Ukraine as a proving ground for this new framework. According to the Royal United Services Institute, Russia’s high command has drawn personnel from dozens of units across all four joint strategic commands in creating *ad hoc* combat tactical groups for deployment to Ukraine.⁸⁷ Yet while Russia has demonstrated an increased

⁸⁵ Paul B. Rich, *Crisis in the Caucasus: Russia, Georgia and the West* (London: Routledge, 2010), 160; and Ariel Cohen and Robert E. Hamilton, *The Russian Military and the Georgia War: Lessons and Implications* (Carlisle: Strategic Studies Institute, 2011), 35–36, <http://www.strategicstudiesinstitute.army.mil/pdffiles/PUB1069.pdf>.

⁸⁶ Barabanov, Makienko, and Pukhov, “Military Reform,” 18–20.

⁸⁷ Igor Sutyagin, “Briefing Paper: Russian Forces in Ukraine,” Royal United Services Institute, Briefing Paper, March 2015, https://www.rusi.org/downloads/assets/201503_BP_Russian_Forces_in_Ukraine_FINAL.pdf.

ability to mobilize forces for operations in Ukraine, the quality of assigned personnel has occasionally fallen short of tactical expectations.

At the same time, the effectiveness of Russia's military operations in Crimea and the Donbass points to an improved grasp of network-centric warfare and tactics. Unlike the 2008 Georgia war, which saw regular breakdowns in Russian command and control,⁸⁸ Moscow has generally conducted operations in Ukraine with much greater precision and coordination. In particular, Russia has demonstrated its ability to adjust the pitch of combat operations to match the evolving geopolitical situation. Moreover, the Kremlin has used this increased self-control in tandem with an elaborate information campaign to influence the operational environment in its favor.

Russia has also made considerable progress in developing some of the most robust cyber capabilities in the world. This was already apparent during the war with Georgia, when Russian hackers allegedly destroyed a section of the Baku-Tbilisi-Ceyhan pipeline and crashed Georgian bank and government websites through a flood of distributed denial-of-service attacks.⁸⁹ Russian cyberactivity has likewise featured prominently in the Ukraine crisis, as pro-Kremlin hackers reportedly targeted the Poroshenko government, NATO, and various European business entities with malware and spear-phishing attacks aimed at gathering sensitive information.⁹⁰

Conventional and nuclear force modernization. More troublingly, since the onset of the Ukrainian crisis, the Russian leadership has engaged in nuclear saber-rattling of a kind not seen since the Cold War. Such belligerence neatly complements increased investment in the modernization of Russia's tactical and strategic nuclear forces, which are seen by the Kremlin to offer a vital means of offsetting NATO's relative conventional superiority. During the Cold War, the situation was reversed: the United States and NATO depended more on nuclear forces to contest Soviet conventional military advantages. The shape of the current procurement program dates back to February 2012, when Putin pledged to supply more than four hundred new intercontinental

⁸⁸ Roger N. McDermott, "Russia's Conventional Armed Forces and the Georgian War," *Parameters* 39, no. 1 (2009): 69–71, <http://strategicstudiesinstitute.army.mil/pubs/parameters/Articles/09spring/mcdermott.pdf>.

⁸⁹ Jordan Robertson and Michael Riley, "Mysterious '08 Turkey Pipeline Blast Opened New Cyberwar," *Bloomberg Business*, December 10, 2014, <http://www.bloomberg.com/news/articles/2014-12-10/mysterious-08-turkey-pipeline-blast-opened-new-cyberwar>.

⁹⁰ "Operation Armageddon: Cyber Espionage as a Strategic Component of Russian Modern Warfare," *Looking Glass*, April 28, 2015, <https://lgscout.com/operation-armageddon-cyber-espionage-as-a-strategic-component-of-russian-modern-warfare>.

ballistic missiles (ICBM) to the military within the next decade.⁹¹ Russian finance minister Anton Siluanov, however, has gone on record to state that the government lacks the necessary funds to meet all of its original 2020 targets.⁹² In light of the strategic importance assigned to nuclear weapons under the current military doctrine, some experts believe that the Kremlin will continue to prioritize nuclear modernization efforts and compensate by increasing the share of ICBMs capable of carrying multiple independently targetable reentry vehicles.⁹³

The State Armament Program for 2020 looks to allocate more than 4 trillion rubles (or roughly \$130 billion) to air force modernization—around 21% of the total 2020 procurement target. Under this scheme, Russia is to acquire more than 600 new aircraft and 1,000–1,100 helicopters by decade's end.⁹⁴ However, most of these products amount to modernized versions of Soviet-era aerial systems rather than new models. The major exception to this trend, the T-50 stealth fighter, was originally slated to enter into serial production by 2016.⁹⁵ However, in March 2015 the air force announced that it intended to reduce its 2020 procurement targets for the T-50 from 52 to just 12 aircraft and would instead focus on “squeezing everything possible” from its existing fighter fleet.⁹⁶ The outlook is even bleaker for Russia's next-generation bomber program, which appears to have been delayed past 2023 due to the government's prioritizing the modernization of the nuclear-capable Tu-160 Blackjack strategic bomber fleet.⁹⁷

Russia's new 2015 naval doctrine foresees force deployment across all the world's oceans, including the Arctic Ocean.⁹⁸ In order to realize this objective, however, the navy must first restore its blue water capabilities. This will be no easy feat, given that it has lost more than 300 surface vessels

⁹¹ Putin, “Byt' sil'niymi: garantii natsional'noij bezopasnosti dlya Rossii”; and Hans M. Kristensen and Robert S. Norris, “Nuclear Notebook: Russian Nuclear Forces, 2015,” *Bulletin of the Atomic Scientists* 71, no. 3 (2015): 1–14, <http://bos.sagepub.com/content/early/2015/04/13/0096340215581363.full.pdf>.

⁹² Lidia Kelly, “Finance Minister Warns Russia Can't Afford Military Spending Plan,” Reuters, October 7, 2014, <http://www.reuters.com/article/2014/10/07/us-russia-economy-spending-defence-idUSKCN0HW1H420141007>.

⁹³ Kirestensen and Norris, “Nuclear Notebook: Russian Nuclear Forces, 2015.”

⁹⁴ Fedorov, “Gosudarstvennaya programma vooruzhenij-2020.”

⁹⁵ “Russia to Begin Serial Production of 5th Generation T-50 Fighters in 2016,” Sputnik, March 23, 2015, <http://sputniknews.com/military/20150323/1019885476.html>.

⁹⁶ Ivan Safronov, “Pyatoe s minusom pokolenie” [Fifth with a Minus Generation], *Businessman* (Russia), March 24, 2015, <http://www.kommersant.ru/doc/2693130>.

⁹⁷ Nikolaj Novichkov, “Russia's Future PAK DA Bomber to Be Delayed by Tu-160M2 Production,” IHS Jane's 360, July 20, 2015, <http://www.janes.com/article/53102/russia-s-future-pak-da-bomber-to-be-delayed-by-tu-160m2-production>.

⁹⁸ “Morskaya doktrina Rossijskoj Federatsii” [Naval Doctrine of the Russian Federation], President of the Russian Federation, <http://static.kremlin.ru/media/events/files/ru/uAFi5nvux2twaqjft5YrIZUVTJan77L.pdf>.

since 1990.⁹⁹ To help bridge this gap, the Russian government in recent years has committed itself to the purchase of 50–54 new surface vessels by 2020.¹⁰⁰ Some analysts contend, however, that the navy cannot hope to deliver on this goal due to the already dire state of the Russian shipbuilding industry, which has seen its access to essential foreign components disrupted by sanctions related to the conflict in Ukraine.¹⁰¹ For this reason, other experts suggest that while the Kremlin will push forward with naval modernization, it will likely defer recouping its blue water fleet for another decade.

Implications for Asia. The implications of Russian military capabilities are relatively limited for Asia, with the exception of Central Asia, where Russia already has forces deployed in Tajikistan and coordinates with regional militaries through the Collective Security Treaty Organization. Although some important military production facilities, particularly aviation, are located in the Russian Far East, and Moscow does maintain military deployments in the region, it is difficult to imagine the circumstances in which those forces might actually engage in conflict.

Foreign military relations play a smaller role in Russia's military conversion activities, primarily because Russia, as a former superpower, has less to gain from interacting with military partners than they do from Russia. Moscow has increasingly turned its attention to partnering with Beijing, New Delhi, and Central Asian members of the Collective Security Treaty Organization. Some outside observers contend that these sorts of exercises are intended to challenge Western narratives of Russia's international isolation.¹⁰² These exercises are more valuable for their political symbolism than for the development of actual joint operational capabilities that might be utilized.

Arms sales to Asian partners, especially China, are now Russia's most significant tool of military power and its second most important tool of commercial power (behind oil and gas sales). There is no question that Russian sales of aircraft, naval vessels, and probably most importantly A2/AD systems have significantly contributed to accelerating China's military buildup, particularly its capacity to resist U.S. naval power in the region.

⁹⁹ Natalya Orlova, "Nalogi, kredity, kachestvo izdelij" [Taxes, Credit, Product Quality], *Military-Industrial Courier* (Russia), March 30, 2005, <http://www.vpk-news.ru/articles/903>.

¹⁰⁰ "VMF Rossii poluchit v 2015 godu okolo 50 korablej" [The Russian Navy Will Receive around 50 Boats in 2015], *Lenta*, March 2, 2015, <http://lenta.ru/news/2015/03/02/50newships>; and "Russian Navy to Receive 24 Subs, 54 Warships by 2020," *Sputnik*, March 11, 2013, <http://sputniknews.com/military/20130311/179945052/Russian-Navy-to-Receive-24-Subs-54-Warships-by-2020.html>.

¹⁰¹ Dmitry Gorenburg, "Russian Naval Capabilities and Procurement Plans," *Russian Military Reform*, January 14, 2015, <https://russiamil.wordpress.com/2015/01/14/russian-naval-capabilities-and-procurement-plans>.

¹⁰² Damien Sharkov, "Russia Plans Joint Military Drills with North Korea and Cuba," *Newsweek*, February 2, 2015, <http://europe.newsweek.com/russia-plans-joint-military-drills-north-korea-and-cuba-303836>.

Implications of Russian Power for U.S. Policy and Asia

Analysts feared that the international humiliation and domestic deprivation that Russia experienced in the 1990s, akin to that of Weimar Germany after World War I, could lead to the resurgence of an aggressive, nationalist country. This Russia would be focused on revising international relations and vindicating itself after a period during which it perceived the U.S.-led West as taking advantage of Russian weakness. While no longer a superpower, as this chapter documents, Russia still has a powerful inventory of tools to advance its interests in multiple regions—from military assets to intelligence and diplomacy to economic, energy, and other resources. Moscow has evinced little reluctance to use these tools in traditional and nontraditional ways that undercut U.S. interests, whether in Ukraine, Georgia, Syria, or elsewhere. From the standpoint of Washington, much of U.S. diplomacy with Russia over the past two-plus decades has sought to prevent Russia from playing a spoiler role on core U.S. national security interests, such as the Iranian nuclear issue. The situation is tenuous and possibly more dangerous today because Putin has wrapped himself in anti-Americanism for domestic political purposes as the Russian economy staggers in recession. Already Russian activities in Ukraine and elsewhere in Europe have led NATO to increase vigilance about a potential Russian threat to its member states.

Another significant area of concern now is how Russia conducts its antiterrorist policies in its own North Caucasus and how this strategy relates to its broader Middle East policy. With reports in 2015 that Russian intelligence forces have facilitated the migration of jihadists from the North Caucasus to Iraq and Syria to take up arms with the Islamic State of Iraq and Syria (ISIS), it appears that Moscow is increasingly dealing with its homegrown terrorist problem by exporting it.¹⁰³ If these reports are accurate, this amounts to an ingenious ploy to reduce dangers to the Russian homeland while increasing justification for Moscow's support of the Bashar al-Assad regime as a bulwark against international terrorism.

By far the most worrisome issue concerning Russian power in Asia is the future of the China-Russia relationship. In 1997, I wrote the following:

If China and Russia continue to perceive U.S.-led alliance systems in Asia and Europe as exclusionary, this can only lead to the Sino-Russian relationship taking on more of a traditionally strategic rather than politically symbolic character. This could also lead to strengthening their ties with other states contiguous

¹⁰³ The author warned of this possibility in testimony before the Congressional Committee on Homeland Security in April 2014. See Andrew C. Kuchins, "Terrorism in the Caucasus," statement before the House Homeland Security Subcommittee on Counterterrorism and Intelligence, April 3, 2014, <http://docs.house.gov/meetings/HM/HM05/20140403/102041/HHRG-113-HM05-Wstate-KuchinsA-20140403.pdf>.

with Eurasia—potentially Indonesia, India, Pakistan, Iran, and others—which feel marginalized in a unipolar world. The worst-case scenario would be the emergence of a Eurasian security alliance led by Russia and China that is directed against the United States. Clearly this is unlikely, and it would require a series of major foreign and security policy blunders by the United States and its allies. Still, stranger things have happened in history.¹⁰⁴

Eighteen years later, a genuine Sino-Russian alliance has not emerged, but the relationship has become perhaps too close for the United States and its Asian allies to take much comfort. As noted above, two decades of extensive Russian arms sales have significantly increased Chinese capabilities in a number of critical weapon systems. And while Moscow remains wary of Chinese economic leverage, as this chapter indicates, Chinese economic power, and thus political influence, has grown dramatically. China may not need to take over formerly Chinese territories in eastern Russia; Beijing can simply buy what it wants. Especially when the Russian economy is in deep recession and sanctioned by the West, these assets can be acquired by China for bargain prices. Unless current trends change, Russia will not be able to say no to China essentially conducting a leveraged buyout of the Russian Far East and Eastern Siberia.

Chinese experts on Russia consistently point to the three principles in Beijing's approach: (1) no alliance, (2) no conflict, and (3) a peaceful border. But there need not be a formal military alliance for this relationship to be a large problem for U.S. interests. I would argue that their relationship already is problematic for the United States. If the trends noted in the above paragraph continue, it is not hard to imagine that Beijing may demand some political *quid pro quo* from Moscow. This could involve Russia taking a less neutral stance on China's multiple border conflicts with neighbors or perhaps reaching a tacit agreement to support China's territorial goals in Asia in exchange for China not opposing Russian actions toward the West. We may already be witnessing such a nascent agreement. Beijing and Moscow could also occasionally join forces in cyberattacks of mutual interest or act in a more unified manner to seek greater control of access to Arctic resources. The point is clear: a further tightening of the China-Russia relationship to contest U.S. interests could cause the United States and its Asian allies and partners many problems.

A long-standing challenge is that the U.S. policy community responsible for Russia is overly Eurocentric. U.S.-Russia relations have been at an all-time low these past two years because of disputes over Ukraine and, more generally,

¹⁰⁴ Andrew Kuchins, "The Emerging Sino-Russian Strategic Partnership and Eurasian Security," Stanford University, PONARS Policy Memo, no. 11, October 1997, http://www.ponarseurasia.org/sites/default/files/policy-memos-pdf/pm_0011.pdf.

Russian policy toward Eastern Europe. Has the United States adequately considered how this affects U.S. interests in Asia? Obama was basically correct when he characterized Russia in March 2014 as just a “regional power,” and the region where it is most influential is Europe. China may be mainly a regional military power, but factoring in its rapidly expanding economic influence, it is quickly becoming a global power. Washington needs to assume a more flexible posture regarding Russia that can allow for a more rapid Russian-European rapprochement. Moscow certainly desires this outcome, as do most European countries. Second, Washington should encourage Moscow to diversify its Asian pivot so it is less dependent on China. The first step is to not obstruct the Abe government in Japan from strengthening its ties with Russia. The essence of strategy is first being able to view and understand complex phenomena in a broad and comprehensive way, and second to then prioritize very clearly one’s interests in ways that are feasible. The United States’ overall policy toward Russia, and particularly its impact on Russian power in Asia, is failing on both counts.

In conclusion, the challenge of Russian power today and in the years ahead is complex and multifaceted. Although Russian power is slowly waning in many respects, it would be a big policy mistake to dismiss or underestimate Russia, as Washington did before being surprised by the seizure of Crimea in 2014 or the attack on Georgia in 2008. The leadership in Moscow is determined to ensure that Russian interests are respected and has shown considerable tactical dexterity in manipulating very comprehensive instruments of power in its eternal quest to advance Russian influence in the world.

