Russia Outlook Report 2021

An Outlook Report for the Center for Security Policy

By Morgan Wirthlin

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Summary

In 2021, the Putin regime’s main goal will be to remain in power. Coronavirus, the economic downturn, and the recent crackdown on dissent have weakened the regime. Putin will likely use force abroad to boost popularity at home, which may include conflict with former Soviet states. Russia and China have projected a strong partnership, likely aimed at intimidating the future Biden administration.

Putin Remaining in Power

Even if he wanted to, Putin could not simply retire.

In the chaos after the Soviet Union’s collapse, two groups flourished: oligarchs who pillaged the country, and criminal gangs who extorted them. The rest of the country struggled to put food on the table. Putin shifted collection of tribute from gangs to the government, and success now requires bribes to government officials.\textsuperscript{i} Russia scored 137th out of 180 countries in the Transparency International Index.\textsuperscript{ii} 35 percent of the country’s wealth is in the hands of just 110 people.\textsuperscript{iii} Putin may just be the wealthiest of them all – estimates of his net worth range from $70 billion to $200 billion.\textsuperscript{iv}

“The system involves nearly everyone, which means almost every citizen is vulnerable to facing criminal charges. The best way to avoid this fate is to show loyalty to the authorities,” David Satter wrote.\textsuperscript{v}

Those who run afoul of the authorities are arrested and lose their companies – oligarchs included. Mikhail Khodorkovsky was the richest man in Russia in 2003. After he began using his money to bribe members of parliament, he was arrested on charges of tax evasion and fraud. Khodorkovsky’s company, Yukos Oil, was dismantled and he was held in custody for ten years. He finally received a pardon in 2013 on the condition he leave Russia and not get involved in politics.\textsuperscript{vi} In 2015, Russia filed murder charges against him.\textsuperscript{vii}

Oligarchs used to be able to move their money abroad, but in 2012 the Kremlin began de-offshorization – an attempt to forcibly keep money in Russia. Assets abroad are also vulnerable to Western sanctions.\textsuperscript{viii} There is a local joke that there are no billionaires in Russia, only people working as billionaires.\textsuperscript{ix}
In addition to the rampant corruption, Putin has ordered the murder of those who threaten his regime. He has also committed acts of terror against his own people for political gain, including the 1999 Moscow apartment bombings blamed on the Chechens that helped Putin rise to power.

Putin’s crimes – many of which were aided and abetted by oligarchs – make prison or death likely if he lost power. The oligarchs, a large group with fractured interests and their own liabilities, are unlikely to present any serious challenge to Putin’s regime. Change would have to come from a massive popular uprising, and Russians have traded freedom for the relative stability and rise in living standards.

Is Putin Weak?

In 2020, Putin’s power grab, poor coronavirus response, and the economic downturn resulted in a historically low approval rating.

Power Grab

The first real tremor of popular discontent came when it was clear Putin would return to the presidency in 2012 after ruling through Dimitri Medvedev. Tens of thousands of protestors gathered in the largest demonstrations since the fall of the Soviet Union. Eventually, the protests died out, and Putin rose to new heights of popularity after he annexed Crimea in 2013.

In January 2020, Putin announced proposed changes to the Russian constitution that would allow him to remain in power for another two terms and grant him immunity from prosecution after he steps down. This was not popular – 58 percent of Russians believe the President should not be older than 70 (a creative way to gauge opinion without mentioning Putin).

Coronavirus

In March, after the outbreak of coronavirus, Russia sought to capitalize on the crisis by projecting itself as an international power and bastion of stability. The Russian government sent planeloads of medical supplies – most of which were useless – to Italy. Putin claimed stories of coronavirus cases in Russia was foreign disinformation. Authorities revoked licenses from news outlets reporting on the virus for “sowing panic.” Once the crisis was undeniable, Putin delegated all responsibility to regional and local leaders. Regional leaders, unused to responsibility, were unsure of what to do, and scapegoated hospitals and medical
workers.\textsuperscript{xxi} Three Russian doctors treating coronavirus patients and critical of the government response fell to their deaths in April.\textsuperscript{xxii}

Putin postponed the Constitutional amendment vote but argued that the stability he provides as President was necessary to overcome the economic downturn and pandemic.\textsuperscript{xxiii} Officials also used the opportunity to implement an advanced surveillance system using artificial intelligence.\textsuperscript{xxiv}

Russian officials admitted in December 2020 that the death toll from coronavirus is three times higher than previously reported.\textsuperscript{xxv}

\textit{Economic Downturn}

The entire Russian economy relies on energy exports and was hit hard by the oil shock after unprecedented demand decrease during the pandemic. Russia exacerbated the crisis in March, starting a price war with Saudi Arabia.\textsuperscript{xxvi} Riyadh wanted to decrease supply to the market, but Moscow refused to reduce production. The Kremlin wanted to put American shale producers out of business.\textsuperscript{xxvii} By April, tanks in Oklahoma were overflowing\textsuperscript{xxviii} with unsellable oil and oil futures fell to negative $37.63 a barrel.\textsuperscript{xxix}

Moscow settled into for a long-term battle. The Kremlin said it would only spend $25 billion of its $165 billion rainy-day reserves, angering Russian citizens who were struggling with the economic crisis.\textsuperscript{xxx} By the middle of the year, the World Bank reported that Russia’s 2020 GDP growth would shrink by 6 percent, an 11-year low amidst rising poverty levels.\textsuperscript{xxxi}

\textit{Poisoning Navalny}

In August 2020, Russian opposition leader Alexey Navalny was poisoned with a chemical agent on a flight from Tomsk to Moscow.\textsuperscript{xxii} The plane made an emergency landing and Navalny was transported to Germany, where he spent two weeks in a medically induced coma. A report by the investigation group Bellingcat found Navalny’s poisoning was the result of a long-running FSB (Russian intelligence) operation.\textsuperscript{xxvii}

While it’s reasonable to assume attempted assignation of dissidents would further harm Putin’s popularity, 55 percent of Russians believe the Kremlin’s explanation that Navalny was poisoned by Western intelligence as a provocation.\textsuperscript{xxiv}
Analyst Sergei Medvedev says that rather than undermining the regime, the Navalny poisoning reinforces it. Russians accept cruelty and injustice from their rulers as the cost of competing with the West, and such displays of force can enhance legitimacy of power, according to Medvedev. Russians do not accept brutality from leaders because they are bad people, but because they have been raised to think that way, analyst Paul Goble wrote.

**How Will Putin Stay in Power?**

*Re-establishing the Russian Empire – Invading Ukraine or Belarus*

Historically, using force abroad enhances Putin’s popularity. The war in Chechnya enabled his rise to power. After starting a war with Georgia in 2008, Putin set a record for his highest approval rating ever—88 percent. The record would be beat at 89 percent in June 2015 after Russia annexed Crimea.

Putin has stated he intends to restore “historic Russia” – which means the Russian empire of the 18th century. Putin refers to the collapse of the Soviet Union as a great “catastrophe” because it was the first time, from the Russian perspective, that the country was weak. The Kremlin began reestablishing historic Russia by encouraging the revival of the Orthodox church. The regime also promotes the “compatriots doctrine” claims Russia must protect Orthodox Christians and Russian speakers in other countries.

Twenty years later, that seems to have paid off.

In nine neighboring states – Moldova, Greece, Armenia, Georgia, Serbia, Romania, Ukraine, Bulgaria and Belarus, more than 70 percent of people are Orthodox. 66 percent of Orthodox Christians in those countries (excluding Ukraine) believe a strong Russia is necessary to balance out the West and that Russia has an obligation to protect Orthodox Christians in other countries. 72 percent of Russians agree that their country has an obligation to protect Orthodox Christians in other countries.

Putin may be preparing to once again use foreign aggression to bolster his position at home.

In 2020, Putin seized an opportunity after conflict broke out between Azerbaijan and Armenia. The Kremlin brokered a peace agreement that allows 2,000 Russian “peacekeepers” in the Nagorno-Karabakh region. The deal allowed the Kremlin
to maintain good relationships with both Azerbaijan and Armenia – both former Soviet satellites – and increase its presence in the region.

For over six months, Belarusians have protested Alexander Lukashenko’s rule.\textsuperscript{xviii} Popular uprisings on the Russian border may give Russians ideas, and there are other reasons Belarus poses a problem for the Kremlin.\textsuperscript{xlix} Russia has built up troops in the Western military district along the Eastern border, throughout Fall of 2020.\textsuperscript{i} Putin may decide to invade Belarus or Eastern Ukraine during a moment when world is distracted.

\textbf{Strengthening Ties to China}

Putin raised eyebrows in October when asked about the prospects for a Russo-China alliance.

“Undoubtedly, cooperation between Russia and China is boosting the defense potential of the Chinese People’s Army, which is in the interests of Russia as well as China,” he said.\textsuperscript{li} “Time will tell how it will progress from here. So far, we have not set that goal for ourselves. But, in principle, we are not going to rule it out, either. So, we will see.”

Many Western analysts are convinced that Russia and China are projecting a strong partnership for political purposes but will ultimately be competitors.\textsuperscript{lii} There is no doubt that China sees Russia as a junior partner at best, which would elicit resentment from Russians. Yet, China solves several problems. First, Russia needs an export markets for their energy, and China needs energy. Russians also need access to technology. Most importantly, both Russia and China see the West as existential threat.

“Russia, like China, is based on a civilization where state power is primary and property secondary rather than the other way around as is the case in the West. At the same time, Russia and China cannot simply develop on their own but must seek to undermine the West lest its development undermine the legitimacy of those in power,” European University economist Andrey Zaostrovtev says.\textsuperscript{liii}

Russia would prefer to be globally dominant and second to none, however, if it is a choice between accepting Western dominance or Chinese dominance, it is likely Russians prefer the latter. While Russia and China could clash in the future, as long as they share the common goal of ending Western supremacy, they are likely to work together.

Their partnership has gone beyond rhetoric.
Russia has embraced Chinese tech firm Huawei – giving Chinese intelligence access to Russian telecommunications networks. The Pentagon reported that China and Russia have a “relatively high degree of military cooperation” including exchanges of training, equipment, technology and high-level visits. They have also expanded space cooperation.

After the U.S. Presidential election in November 2020, China and Russia began to emphasize their partnership.

“China is ready to stand shoulder to shoulder with Russia to cope with the impact of unilateralism, protectionism, and bullying on international relations,” Chinese Foreign Minister Wang said following a phone call with Russian Foreign Minister Sergey Lavrov in November.

Russia and China conducted a joint bomber patrol over the West Pacific, entering South Korean airspace in December. The day of the patrol, Chinese state-controlled propaganda outlet Global Times reported “China-Russia strategic ties to be strengthened, sending strong signal to new US govt.”

On December 29, 2020, Chinese President Xi Jinping stressed the important “comprehensive strategic partnership of coordination,” with Russia, saying the two countries “should join hands to safeguard international justice.”

Whether or not the partnership lasts, Beijing and Moscow are joining forces to intimidate the incoming Biden administration into policies of capitulation.

**What this Means for the U.S.**

Putin would like to expand his “empire” uninterrupted by the West. Russia does not have the military capability to withstand a prolonged attack from NATO – nor would that be desirable. Putin’s strategy thus far has been to distract Americans domestically through influence operations and cyber-attacks.

Contrary to popular belief, Russian interference in the 2016 election was nothing new. The Kremlin sought to sow chaos and distrust in American institutions to weaken the country – as they have for decades. The chaos caused by a three-year special investigation into the President was likely more successful than the Kremlin could have imagined.

In 2020, Russians hacked into over 250 federal agencies – including DHS, the State Department, DOJ, and DOD – and business through a third-party software – and remained unnoticed for over nine months. Russian hackers have significant cyber warfare abilities and could have planted malware that would have destroyed servers of
every infected computer.\textsuperscript{xiii} For now, it appears these hackers were gathering sensitive information.\textsuperscript{xiv} The data gleaned from the attack could be used for further disruption.

The DOJ reported that several employees’ emails were hacked.\textsuperscript{xv} That data can be used for further phishing attempts, but also for influence operations. For example, if a government employee’s inbox had compromising information – an affair or extensive debt – Russian intelligence could use that information to get that employee to do something they ordinarily would not. If that employee worked at the State Department and was part of the team negotiating arms control, they might be enticed to offer advice influencing the outcome in Moscow’s favor. The most important useful espionage is not stealing data – although Russians certainly did that – but influencing policy.

Russia’s second asset is its extensive nuclear arsenal. Their nuclear doctrine escalate to de-escalate is designed to avoid a prolonged conventional conflict.\textsuperscript{xvi} Sweden is concerned enough about the Russian nuclear threat they are considering breaking with 200 years of neutrality to join NATO.\textsuperscript{xvii} While Moscow has full modernized their arsenal, the United States has not built a new warhead since the Cold War.\textsuperscript{xviii} The Trump administration made improvements, and withdrew from harmful arms control treaties.\textsuperscript{xix} Russia – and the Soviet Union – used arms control negotiations as a delay tactic to catch up with American technology. Arms control allowed Moscow’s weapons program to flourish while the U.S. arsenal deteriorated.

Russia’s third asset is its extensive natural resources. Roughly 40 percent of the European Union’s natural gas supply comes from Russia.\textsuperscript{xx} Moscow has used energy as an asymmetric warfare tool, most notably against Ukraine.\textsuperscript{xxi} Germany is so reliant on Russian energy that it fundamentally undermines the NATO alliance.\textsuperscript{xxii}

**What the Biden Administration Should Do**

Russia is likely to harass U.S. ships and aircraft in the first weeks of the Biden administration to test the water, as they did in 2017.\textsuperscript{xiii} This provides Russia with the appearance of global dominance. The Biden administration should warn to Russia that any incursion in U.S. airspace will be met with force if necessary. While miscalculations can escalate tension, demonstrating strength on relatively minor issues upfront will deter more serious aggression in the future.

1. **Recognize the Putin Regime for what it is.**
   Putin rose to power by murdering his own citizens,\textsuperscript{xxiv} a trend which has continued, most recently with Alexander Navalny.\textsuperscript{xxv} He seeks to expand his territory and reestablish Russia as a global power.

2. **Recognize Russia believes it is at war with the West in every way but militarily and is making serious preparations for violent conflict.**\textsuperscript{xxvi}
Putin is not just grandstanding, he is making serious preparations for war.\textsuperscript{lxxvii} China is also preparing for war.\textsuperscript{lxxviii} Both understand peace not as the absence of conflict, but as the world to be as they envision it.

3- **Hold the intelligence community responsible for their failure to prevent, or even identify, the SolarWinds hack.**
Do not reward the incompetence of the intelligence community with more money – fire those responsible for cybersecurity.

4- **De-emphasize sanctions as the primary response to Russian aggression.**
While sanctions have caused economic damage, they have only forced the oligarchs to remain in Russia, and given them a common enemy to unite against, with Putin as the defender.

5- **Extend lethal aid to Ukraine.**
The Trump administration’s departure from Obama’s Ukraine policy in providing lethal aid was crucial. Provide further training and military aid – purchased in the United States and sent to Ukraine to avoid losing cash due to corruption – will help deter Putin’s extraterritorial ambitions.

6- **Do not sign arms agreements with Russia.**
Arms agreements have generally allowed Russia to build up and modernize its arsenal while the U.S. deterrent deteriorates. Moscow has demonstrated for decades it does not adhere to arms control agreements, and only use negotiations as a delay tactic. Meaningful agreements are only possible with tough U.S. negotiators who are prepared to walk away from bad deals.

7- **Prioritize U.S. nuclear modernization.**
The Trump administration developed and deployed the first nuclear weapon in decades. An atrophied U.S. deterrent will invite aggression.\textsuperscript{lxxix}

8- **Enhance missile defense in the U.S.**
Increase proliferation worldwide increases the need for missile defense. Under the Trump administration, the Pentagon has begun to develop interceptors capable of hitting ICBMs.\textsuperscript{xxx} Missile Defense has been a target of information warfare since its inception – America’s ability to defend herself against missiles denies enemies the advantage. Russia (and the former Soviet Union) have used domestic anti-nuclear weapons groups to try to cancel these programs.

9- **Require Europeans to build up their own security capabilities to replace U.S. forces.**
The United States has provided security for many European countries to their own detriment. It is in America’s interest to have strong allies capable of defending themselves.
10- **If Germany continues to build Nordstream 2, redeploy all U.S. troops to Eastern European countries.**

Germany’s new pipeline will subsidize Russia’s nuclear program aimed at other NATO allies, and will make Berlin more vulnerable to manipulation.

11- **Stop funding international organizations that have been subverted by the Russians and Chinese.**

Membership in an international organization must be exclusive to countries’ who recognize the sovereignty of other members. Russia and China do not and have subverted and politicized international bodies for their own gain. The U.S., almost always the primary funder of these institutions, should no longer foot the bill for organizations that enhance the legitimacy of authoritarians.

12- **Continue the Trump administration’s military operations in the Arctic.**

Russia has recently upgraded seven bases in the region. The U.S. Navy and Marine Corps released a strategy in January 2021 for sustained presence in the Arctic to deter China and Russia, the Biden administration would be wise to continue it.
References

v Satter, 84.
vii Nechepurenko, 2015.


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