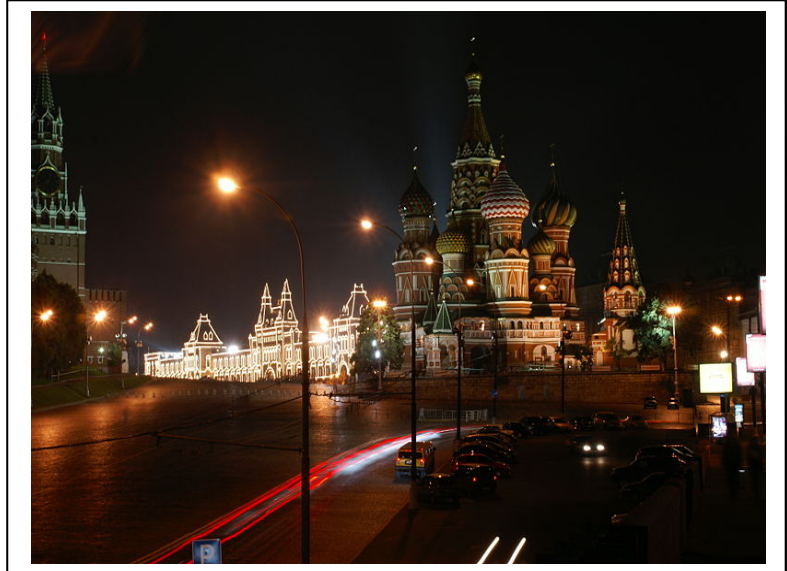


# Future Issue

## Russia



Future Issue      No. 04      2008

The Hague Centre For Strategic Studies

[www.hcss.nl](http://www.hcss.nl)

30/12/2008

# Russia in Brief

In the worldwide power shift that is taking place last years it seems that Russia is gaining a more significant profile too. Having assessed that the US power is weakening Russia claims a more pregnant role on the world stage. HCSS has collected and analysed Russia-specific foresight studies (74) published since 1995. This Future Issue elaborates on the possible future developments by analysis of trends, drivers and the impact on security. Based on insights derived from these major foresight studies the analysis was done in four main sections – what we can learn from the foresight studies in general; the main aspects of Russia they see changing within the coming years; the key drivers they see fuelling those changes. Finally some wild cards are developed that may affect planning assumptions for future interactions of Russia are presented.

## Drivers - Explaining Variations in Russia

### Indicators

*Polity:* centralisation, stability, democracy, strength and corruption. *Economy:* differentiation, growth, freedom of the market, competitive advantage, openness. *Society:* population growth, civil society development, tolerance. *Russia in the world:* restraint, power instrument, appeal of foreign investment climate.

### Drivers / Underpinning mechanisms

Dependence on energy, Regionalism, Security, WTO membership, Competitiveness, Good Governance, Corruption, Middle Class Growth, Foreign Direct Investments, Modernisation, Protectionism, GDP Growth, Western Ties

### Impact on security / business

Certainties surrounding Russia's future are hard to give. Analytical conclusions seem to be more relevant than political correctness.

Russia has once again emerged on the radar screen of the Western security community. Figure 1 illustrates how often Russia is being searched on Google (upper trend line) and how often it appears in Google News articles (lower trend line). It shows that in 2008, Russia was mentioned more frequently in the international press than in previous years with an important peak during the Russia-Georgia conflict in August-September 2008 (see red ovals).

The more assertive international policies pursued by the new Medvedev – Putin leadership tandem coupled with a long-standing and deep security nexus between Russia and certainly the rest of

Europe in both traditional and 'new' security issues (energy, cybercrime, environmental issues) triggered us to devote a special Future Issue to this country.

### Trends in foresight studies

After a period of relative neglect, interest in Russia's future is increasing again, as witnessed by the marked and growing upswing in the number of foresight studies on Russia in recent years. Interest in Russia's future is also widening – with both general and specific foresight studies on topics such as energy, politics or security policy on the rise. A few issues (such as demography and economics) remained of interest throughout the period; a few others (such as security and energy) only re-emerged in the second half of this decade.

Only research institutes have shown a relatively constant (and of late also modestly growing) interest in analyzing Russia's future. Governments continue to show patchy

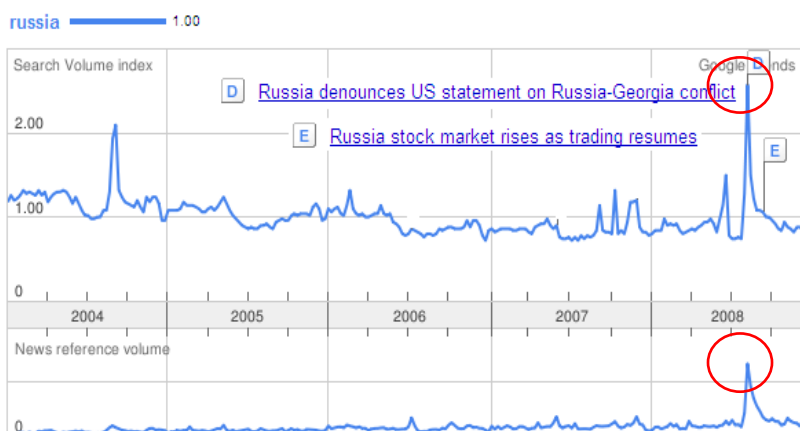
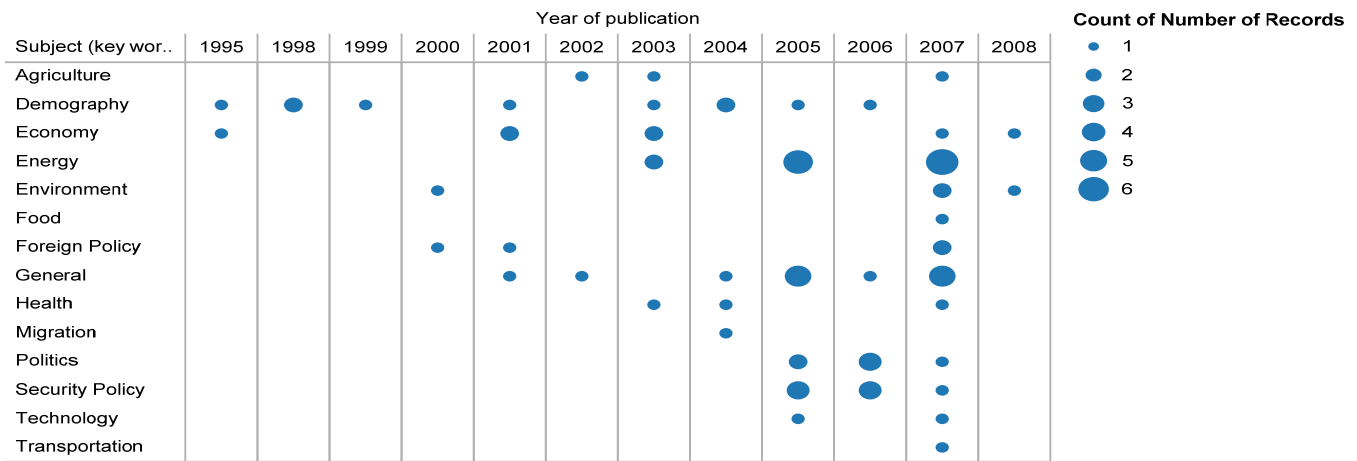


Figure 1: Russia on Google Trends 2004 - 2008



Count of Number of Records (size) broken down by Year of publication vs. Subject (key words).

Figure 2: Trends in Foresight Discourse

interest in Russia's future, despite recent changes in Russia's behaviour and outlook. Whether or not this will change in the near future may be an interesting indicator of Russia's real increasing policy relevance.

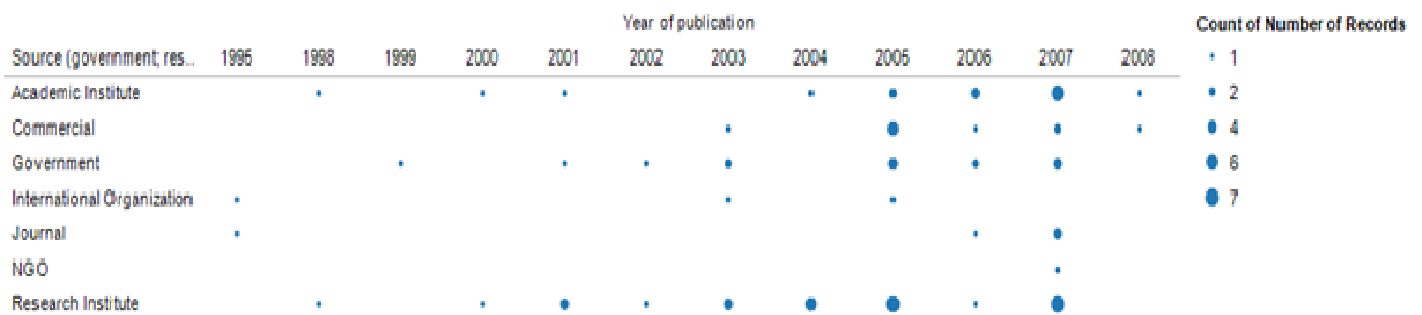
### HCSS Assessment

The West has invested considerable resources in the study of Russian (security and non-security) trends during the Cold War. The unique research infrastructure and body of knowledge that emerged out of this singular effort, while far from perfect, has atrophied quickly and dramatically on both sides of the Atlantic since the end of the Cold War. During the Yeltsin period, the emergence and accessibility of high-quality domestic Russian scholarship compensated to a large extent for the West's declining knowledge on Russia. Pockets of deep expertise on a few (mostly economic and to a lesser extent political-economic) dimensions of Russia's present and future also emerged in the international private sector. But with Russia's apparent recent change in direction, the accessibility and quality of domestic Russian scholarship has greatly deteriorated. We do not

as yet see an increase in the quantity or quality in Western foresight studies data that would seem commensurate with the analytical tasks at hand. The absence of more systemic knowledge about the country's present and future may lead to dire policy mistakes in public and private sectors alike.

### Robust Findings

What do the various "Future Russia's" that emerge out of these foresight studies look like? To answer this question, the HCSS Metafore team analysed the aforementioned 74 foresight studies in search of 'robust' findings – i.e. insights about Russia's future that are shared in a large set of foresight studies and could therefore be said to be more reliable. HCSS analysts coded these insights in 4 groups of parameters: Russia's polity, economy, society and foreign and security policy (see Figure 4). To give an example: if in one particular scenario Russia's future was fully democratic, we scored that scenario as a '3' on the democracy parameter. The main intuition behind the scoring was that higher values – wherever possible – are thought by HCSS to represent



Count of Number of Records (size) broken down by Year of publication vs. Source (government; research institute; NGO; IGO; commercial ins.

Figure 3: Publication by Source Type

## Meta-Analysis Russian Foresight Exercises

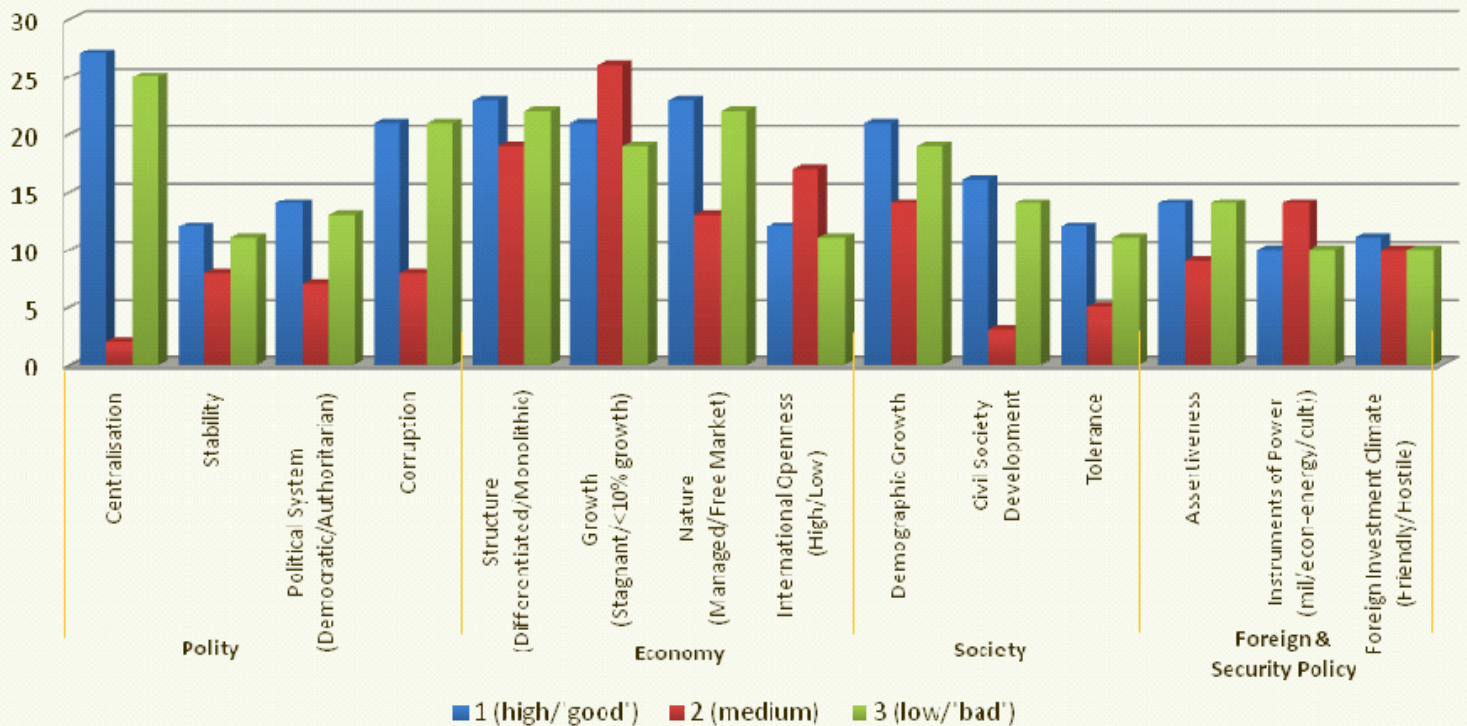


Figure 4: Meta-Analysis

'better' future Russia's. It becomes apparent that there is not a **single** parameter in this set of data on which the various studies come even close to concurring. Put simply, everything we think is important about Russia's future appears extremely uncertain in these studies. There is not a single area of certainty. Even the much-vaunted (both in the West and even more so in Russia itself) stability that Putin claims to have re-established in Russia is questioned in all of these studies.

### HCSS Assessment

The strong consensus view that emerges out of these foresight studies is that Russia is much less stable than the Western policy community (in public and private sectors) realizes. HCSS strongly concurs with this view. The presumably strong 'vertical of power' that Putin claims to have restored throughout the Russian Federation is much more likely to prove as brittle as its historic Russian and Soviet predecessors. The Putin regime has squandered a unique window of opportunity with broad political support and a propitious internal and external environment to further reform the Russian Federation. Absent any major and abrupt changes (see the Wild Cards later on), Russia is unlikely to be able to

evolve or decree its way out of her energy dependency, with all of the ensuing political, economic, social and foreign and security policy consequences.

### Main Drivers

What are the main determinants driving Russia's future developments? The various main drivers that could be found back in the examined foresight studies were coded, shaping Russia's future. Figure 5 shows drivers that occurred in at least 15 foresight studies – they were again coded on a 1-3 scale as explained in the labels. They are presented from left to right in growing importance (i.e. the right-most driver, 'Western Ties', is the most frequently mentioned driver: it is found back in 27 studies, with a few more studies claiming future ties with the West will be weak). Western ties (27 mentions) and GDP growth (26 mentions) are the single most important drivers coming out of these studies; also middle class growth, foreign direct investment, modernization/innovation and protectionism score high (23 each).

With respect to the driver values, there appears to be somewhat more coherence between the studies than

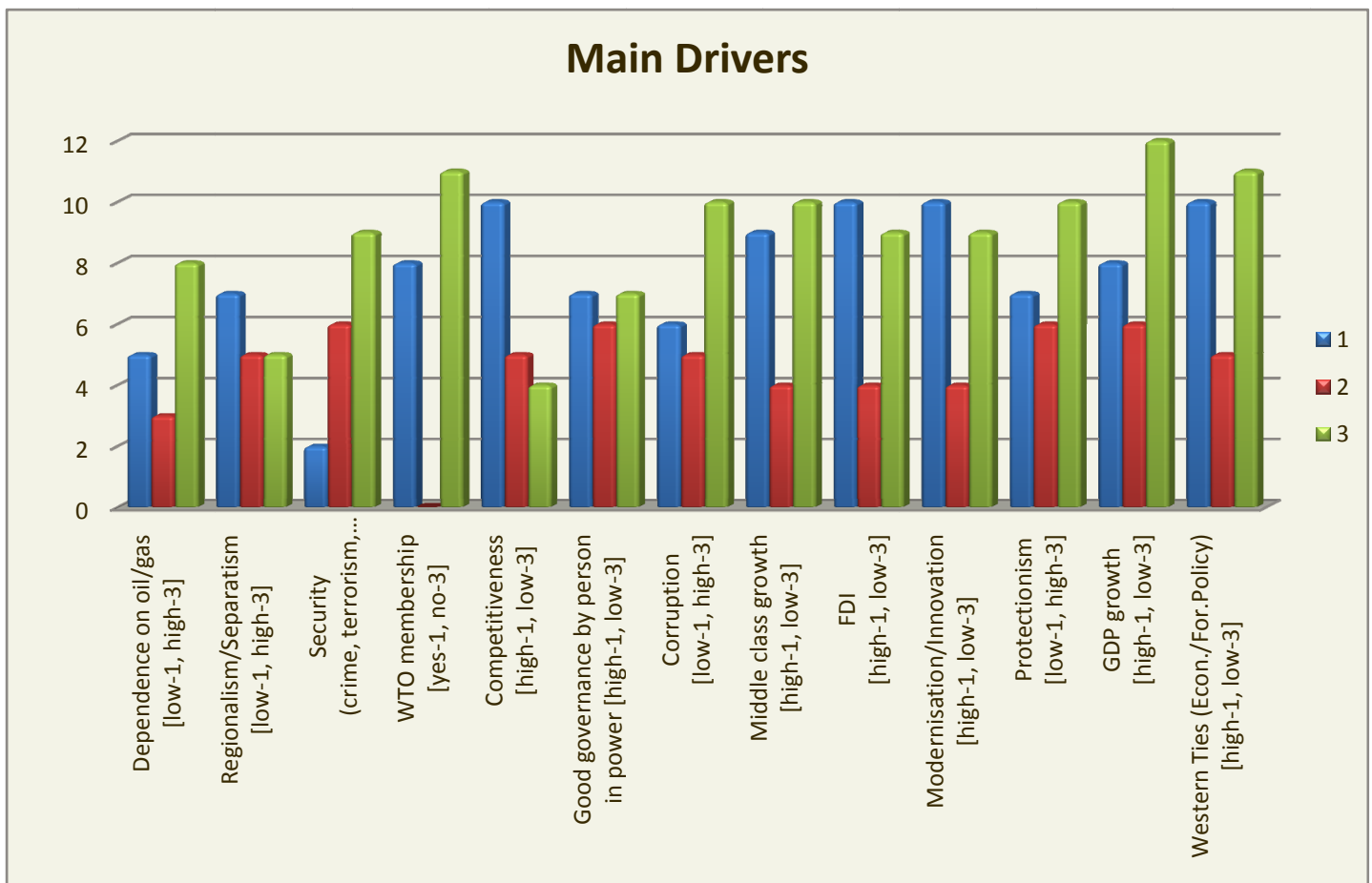


Figure 5: Main Drivers

was the case for the Russia parameters. Two drivers had quite significant agreements:

- Security – significantly more studies anticipate security to remain low rather than high.
- Competitiveness – expected by more to be high rather than low.

On two more drivers there were smaller but still striking agreements:

- Corruption – more anticipate that it will remain high
- GDP growth – also here more expect strong GDP growth to continue.

### HCSS Assessment

Our own intuition is that Western studies tend to overestimate Western policy influences on Russia's development. The track record on this score to date is mixed at best, and we are clearly witnessing – in public and policy circles alike – a backlash against perceived excessive subservience to the West. Direct Western

policy levers are extremely limited (although indirect ones – such as popular cultural/Western lifestyle influences via movies, internet, and travel – are often underestimated). Our own top-3 in terms of important drivers of Russian change would include the price of oil, reform and openness to the outside world. We suspect the first two to be inversely correlated (i.e. the higher the price of oil, the less 'normalization') and remain uncertain about the latter one.

### Wild Cards

Based on both our meta-analysis of existing foresight studies and on our own reading of the situation, we strongly recommend decision makers to test their current planning assumption of their Russia policy against a number of plausible and extremely high-impact 'wild cards' – a few illustrative ones will be described here succinctly:



**An accelerated energy transition.** In flexing its geopolitical muscle through energy, economic and military power (witness the Georgia events in late summer 2008) Russia may actually be killing the hen that has been laying the hydrocarbon Fabergé eggs. By politicizing the issue of energy security in an era of ever accelerating technological change and at a time when the current financial-economic crisis is already pushing a number of key Western countries to advocate and allocate money to a massive 'Green New Deal', Russia may be hit with the towards a post- hydrocarbon era much sooner than is currently anticipated. Given the importance we attribute to oil and gas prices in determining Russia's future, we see this as the single most important wild card with enormous (and quite uncertain) implications on all parameters of future Russia's.

**Political collapse.** Our own view of Russia's current excessively-centralized political system is that of an extremely brittle house of cards held together by a corrupt and intrigue-ridden Kremlin deprived of sustainable adaptation mechanisms. This leaves the system highly vulnerable to a variety of both internal or external shocks such as coups, succession shocks or bottom-up rebellions (from disgruntled clans, lobbies, regional elites, army factions<sup>1</sup> or even popular revolt).

**A Russian Boom.** There is no reason to exclude an extremely successful and yet non-status quo Russian future. We have grown accustomed to think of such a scenario in hydrocarbon terms, but it might equally occur through other sources of post-industrial wealth. If (and it is a big if indeed – based on both Russia's own record and that of most other petro-dollar-inebriated states) Russia, based on Putin's clear model for the future, does manage to bootstrap its way out of its current predicament through massive state-financed investments in successful sectors of the economy (e.g. in nano- or bio-technology), it may become a widely admired new model for a new post-liberal democratic 'modernity'.

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<sup>1</sup> A recent survey of Russian elites indicated that the armed forces are the most disgruntled of all groups questioned.

**Caucasian wars.** The Northern Caucasus remains the most likely area of internal conflict within the Russian Federation – with enormous potential spill-over effects. Chechnya has reached some semblance of stability under its current strongman Kadyrov, but the underlying tensions have far from abated. Much less appreciated in the West are the situations in the other Northern Caucasian republics – all with myriad political, socio-economic and ethnic grievances. Russia's recent recognition of the independence of Southern Ossetia and Abkazia has fuelled further discontent in the region.

## Conclusions

Western policymakers have grown accustomed to thinking about Putin's new Russia as an increasingly stable and predictable partner that does not require any fundamental adjustments in the West's decade-old Russia-policy. This policy consensus consists of constructive, patient, long-term engagement wherever and whenever cooperation is possible, combined with some minimal hedging against dramatic policy reversals – in policy areas ranging from energy to defence planning. By the same token many Western captains of industry small and great have accepted a similar policy – even those with quite recent memories of policy reversals and enormous economic losses. It is clear that Russia's gigantic and multi-faceted potential will always attract over-sized (and thus over-exposed) hopes. What this meta-analysis of existing foresight studies clearly indicates, however, is that most experts who have taken close and dispassionate looks at Russia's future have come to a much more ambivalent view of Russia's future than (until recently) was the mainstream of Western thinking on Russia. We therefore suggest the following recommendations:

- To accept and confront the deep uncertainty surrounding Russia's future more openly than has currently been the case. Analytical correctness is in this case more important than 'political correctness' (even towards the Russian elites);
- To start paying more attention to developing better hedging strategies against the downside-risks on

Russia (without falling into the other extreme of undermining the still very real upside-risks);

- To improve the current deplorable state of the West's knowledge about Russia, without which sound strategic decisions are highly unlikely to ever see the light of day.

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### Picture Cover

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## Annex – Parameters for Future Russia's

### 1. Polity

**Centralisation:** which level of the Russian state apparatus is responsible for policy making and implementation? 1 stands for a concentration of power at the national government, 2 for a balanced division between the centre and the region and 3 stands for a concentration of power on the lower government levels.

**Stability:** absence of a threat of significant players out to replace the government by non-parliamentary means. 1 stands for big threats, 2 for some threats and 3 for no threats, i.e. high stability.

**Democracy:** extent to which the Russian government guarantees free and fair elections, the rule of law and free expression of opinions. 1 stands for autocracy, 2 stands for some democracy and 3 stands for liberal democracy.

**Strength:** extent to which policy making and implementation can be influenced by interest groups, be they religious communities, organized crime or big companies. 1 stands for a weak state, 2 for a moderately strong state and 3 for a very strong state, i.e. one that is not susceptible to pressure from interest groups.

**Corruption:** importance of bribes and other illegal incentives in public policy making and implementation. 1 stands for corrupt, 2 for more or less rule-abiding and 3 for rule-abiding.

### 2. Economy

**Differentiation:** whether the Russian economy is based on one type of product or on many kinds of product. 1 stands for a uniform economy, 2 for a somewhat diverse economy and 3 for a diverse economy.

**Growth:** is the economy growing or stagnating? 1 stands for stagnation, i.e. a growth of 0% or slightly more, 2 for moderate growth, about 5% and 3 for a strong growth of 8% or more.

**Freedom of the market:** does the government interfere strongly with the economy, or does it take a laissez-faire attitude? 1 stands for a managed economy, 2 for a moderate interference and 3 for a free market.

**Competitive advantage:** on which economic factor does Russia rely to gain profits? 1 stands for natural resources, 2 for labour-intensive activities and 3 for technology-driven activities.

**Openness:** to what extent is the Russian market protected against outside competitors and investors? 1 stands for protectionism, 2 for moderate openness and 3 for an open market.

### 3. Society

**Population growth:** is the Russian population growing or not? 1 stands for decline, 2 for stagnation and 3 for growth.

**Civil society development:** are the Russians in associations and organizations or are they functioning mainly outside of formal social ties? 1 stands for atomization, i.e. few associations and organizations, 2 for some social ties and 3 for a networked society, a Russia where many people are members of associations and organizations.

**Tolerance:** Russian appreciation phenomena like homosexuality, immigrants' cultures and Islam. 1 stands for xenophobia, 2 for some tolerance and 3 for a liberal attitude.

### 4. Russia in the world

**Restraint:** is Russia behaving like a superpower, throwing its weight around in the international arena, or will it take a more modest approach and not meddle too much in foreign affairs? 1 stands for assertive, 2 for some restraint and 3 for a restrained way of conducting foreign and security policy.



**Power instrument:** what instrument is Russia using to assert its power in its foreign and security policy? We ranked the main options from hard to soft and assigned a score of 1 to military means, 2 to economic means and 3 for cultural means, the latter score representing instruments along the lines of the Alliance française.

**Appeal of foreign investment climate:** how attractive is Russia for foreign investors? 1 stands for unattractive, 2 for somewhat attractive and 3 for attractive.

