



Russia's Future: A Stability That Will Not Last, a Revolution That Will Not Win

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The Russian economy is contracting, and household incomes are decreasing, but social and financial distress do not translate into sizable political or social protest. President Vladimir Putin continues to be popular, while opposition groups are marginalized and seemingly incapable of seriously threatening the formidable authoritarian regime with its massive and unrelenting state TV propaganda machine. The consensus opinion among most observers: The Putin regime is stable, and continued economic doldrums will not in and of themselves lead to change in the coming one to two years.

Prophets of Gloom

Some of Putin's most vocal opposition critics turn out to be the biggest pessimists. Sergey Aleksashenko—former deputy Central Bank chair in the 1990s, now a fellow at Brookings—in a column published in the Moscow *RBC Daily*, recalls a public discussion in September 2014 with leading opposition politician, former deputy prime minister Boris Nemtsov, who was shot dead on February 27, 2015, in the center of Moscow, close to the Kremlin. Nemtsov was allegedly assassinated by a pro-Putin Chechen gunman aided by other pro-Russian Chechen thugs—the so-called Kadyrovtsy—the foot soldiers of the Putin-appointed Chechnya kingpin Ramzan Kadyrov. In the discussion, Nemtsov expressed the opinion that under the simultaneous stresses of falling oil and commodities prices, the sanctions imposed by the West after the annexation of Crimea, as well as the Kremlin-induced pro-Russian separatist armed rebellion in the eastern Ukrainian region of Donbas, that the crony and totally corrupt state-controlled Russian economy would inevitably collapse, and, with it, the Putin regime.

Low oil prices and the unpopular war in Afghanistan in the 1980s seem to have been the main causes of the collapse of the USSR and Communist rule in 1991. Many of Putin's internal opponents hope that history may repeat itself: The present undemocratic and anti-Western regime may fall and be replaced by something more democratic and less aggressive. Aleksashenko

dampens those hopes. The Russian economy and financial system, he believes, are basically balanced. The economy may contract, but will not collapse and will seek an equilibrium. GDP is contracting, but slowly; the ruble has been devalued more than twofold against the dollar in less than two years and inflation is high, but the Finance Ministry is still able to balance the budget. Russia predominately produces oil, gas, metals, fertilizers and other commodities that will always have a market value, find customers and turn a profit, albeit much less so than during the heyday of the commodities boom. Household incomes in Russia in 2015 plunged some 10 percent, but the population, though grumbling, seems *en masse* ready to take the punishment passively.

In September 2014, Aleksashenko predicted that the Putin regime had at least two more stable years. In February 2016, he believes there are still at least two more years of stability ahead: The economic situation will worsen, but the passive populous will continue to carry the burden, allowing the Kremlin to spend dwindling national resources on its ambitious rearmament programs, on supporting pro-Russian separatists in Donbas and on helping the Syrian dictator, Bashar al-Assad, win the civil war. The Russian ruling bureaucracy is inefficient and highly corrupt, but the nation still has large hard currency reserves, and the sovereign reserve funds amassed during the oil price boom have not yet been fully spent. The economy and the financial system are basically of a market nature, and even in dire straits, it will seek to find a point of balance instead of totally collapsing as did the centrally planned Soviet Communist economy of the late 1980s, when the price of exported oil declined sharply ([RBC Daily](#), February 2).

Aleksashenko's opinion is broadly supported by other observers, both Kremlin-connected and Kremlin-critical. The double shock of falling oil prices and Western financial sanctions will cost the Russian economy some \$600 billion from 2014 to 2017, according to a recently published survey ([Vedomosti](#), February 5). Both shocks multiply the negative effects of one another, creating a perfect storm. Gross loss of potential economic growth may amount to 8.4 percent of GDP.

Despite the mounting destitution, the Russian masses seem to agree with Putin's spin: Things are not good, but not all is bad, and improvements are on the horizon. According to the Kremlin-financed pollster FOM, in May 2015, only 30 percent considered the economic situation in Russia as “bad.” Now the reality check has come. In December 2015, some 43 percent considered the Russian economic situation “bad,” and in January 2016, this rose to 54 percent. Some 41 percent believe the economic situation to be “satisfactory” and only 3 percent believe it to be “good.” In the same survey, 58 percent agreed the economic situation would get worse in the future; 27 percent thought it would stay the same, and 9 percent that it may improve. The pessimism of the Russian public has been growing dramatically as the economic situation worsens: In December 2015, according to FOM, some 41 percent believed the economy may get better. Still, Russians continue to blame “outside enemies” (i.e. the West) and not the Kremlin. Russians are reverting to traditional survival mode, not expecting anything good and feeling a grim satisfaction when this prediction turns out to be true. For the Russian masses to turn against the Kremlin, “an extraordinary coincidence” of events must occur simultaneously, such as rampant inflation, rapidly growing unemployment, widespread wage arrears and “unpopular political decisions by the government” ([Kommersant](#), February 5).

Russian Endurance Does Not Last Forever

The consensus opinion of pollsters and sociologists is that the present internal political stability will surely last a year; then, slowly accumulating discontent may suddenly erupt into protests that could destabilize Putin's Russia. The impoverished rural population has been hit particularly hard by massive layoffs and wage arrears. But in Russia, as in any authoritarian state, the opinion of the peasants does not really matter. In a functioning democracy, the rural folk may make their voice heard through the ballot box, but in Putin's Russia elections are shamelessly rigged, while the opposition is absolutely disfranchised in the federal center and in the provinces.

The situation is potentially more dangerous in the capitals—Moscow and St. Petersburg—where the better educated and well-off middle class has been badly hit by the economic slump. Massive devaluation of the ruble has eroded the dollar equivalent of stagnating wages by more than twofold. The middle class that began forming during the first decade of Putin's rule, primarily in Moscow and St. Petersburg, sees its living standards dramatically declining, while the price of dollar-denominated imported goods and foreign vacation travel has skyrocketed. In a year or two, growing social frustration may erupt in protests ([RBC Daily](#), February 4).

Russia seems to be facing a prolonged period of decline and stagnation. The Kremlin seems intent on concentrating dwindling national resources on rearming and strengthening the military, police and special forces to offset a presumed foreign threat supplemented by a Western-financed internal opposition, or “fifth column.” The West, and Washington in particular, are presumed to be hell-bent on ousting Putin and changing the regime, using subversion, sanctions, and the promotion of democratic or so-called color revolutions in and around Russia. This siege mentality has dominated the Kremlin and has been widely translated to the masses by a highly effective state TV propaganda machine. The majority of Russians seem to believe that the United States is seeking to humiliate and undermine their country. This national, defensive-patriotic mobilization has been effective, but it may eventually begin to wear off, which could create a highly dangerous situation, both internally and internationally.

According to a recent poll by the independent pollster Levada-Center, a majority (59 percent) believe the Russian military must continue to bomb Syria, though only 18 percent say they are attentively following the events in Syria—less than in October or November of 2015 ([RBC Daily](#), February 15). Another recent poll by FOM has found that 73 percent believe relations with Europe are “bad” and 63 percent that relations with the US are also “bad.” At the same time, some 67 percent believe the Russian government must work on improving relations with Europe; and 60 percent that relations with the US must be improved.

The Russian people apparently like the Russian military victoriously bombing presumed terrorists. But Russians do not seem to care much about Syria or Syrians. Russians want the nation to be feared and revered, but may balk if the price of overseas imperialistic adventures begins to skyrocket. The FOM poll seems to indicate that the so-called Putin majority of over 80 percent of the populous, so monolithic in 2014 after the annexation of Crimea, is now beginning to erode: two-thirds of Russians appear to believe that continued confrontation with the West may be too costly and dangerous and that some compromise must be found.

To guarantee Putin’s continued rule, the Kremlin must try to tread a fine path. While continuing to project an image of a superpower and the envy of the world, it must avoid costly disputes with

any serious opponent that could expose the serious internal weaknesses of the Russian state and its military. As with any centralized authoritarian state, the Russian Federation is most weak at its center—in Moscow and St. Petersburg. Any change that may eventually happen will come not through elections with ballot boxes stuffed in the provinces, but through some revolution in Moscow, peaceful or otherwise. This scenario is why the dormant discontent of the better educated professional class in Moscow and St. Petersburg is so potentially important.

A sudden escalation of hostilities in Ukraine or a direct clash with Turkey over Syria could result in a political/social crisis in Russia itself. The majority of the Russian public apparently does not want a head-on showdown with the West; possible additional punitive sanctions could be crippling. While Russia continues to ship oil and other commodities abroad, the economy may stagnate but still function. If the physical export of commodities is stopped, the economy goes bankrupt. Russia exports the majority of its oil and petro products to Europe and cannot easily divert much of them to other markets. During the summer of 2015, the West reportedly threatened to impose an oil embargo, if Moscow pursued large-scale military operations in Donbas. Shootings and clashes continued during the summer, and the ceasefire is still wobbly, but the line of control in Donbas did not change significantly. There was no Russian summer offensive in 2015, or a winter offensive in 2016. Sanctions worked.

Putin's Russia demonstrates military might through constant massive exercises that imply the threat of use of force, but thus far it has tended to bully and attack the weak; for example, Georgia in 2008; Ukraine with its totally dysfunctional military in 2014; bombing the Syrian opposition with virtual impunity, which has no air force or effective anti-aircraft capabilities. But the proliferation of commitments and engagements increases the possibility of a major confrontation resulting from mismanagement or an ongoing low-intensity fray escalating out of control. In the event of an armed conflict with a NATO member state, such as Turkey over Syrian events—even if an all-out war with the North Atlantic Alliance is avoided—could provoke an escalation of sanctions that could further harm the economy and also undermine Putin's political standing if Russia is seen to have been humiliated by backing out of a fight with losses, rather than achieving outright victory.

The Revolution

The Kremlin apparently still hopes somehow to muddle through the lean years of low oil prices until they eventually rebound. If sufficient oil dollars do not materialize, there will be trouble. Of course, dissatisfaction within the better educated middle class in Moscow and St. Petersburg is not enough to bring forth a revolution. A regime change is only possible if significant discontent spreads within the ruling *nomenklatura*, law enforcement, special services and the military, insofar as members of these groups begin to shy away from actively suppressing the opposition, while at the same time some segments of the ruling class begin to sympathize with the idea of possible regime change.

The Russian state today does not exercise overall totalitarian control as did its Soviet predecessor. The borders are still mostly open, some measure of opposition activity is tolerated, some private enterprise occurs that is not totally controlled by the Kremlin. A relatively weak authoritarian regime cannot reinforce the unflinching loyalty of citizens, the *nomenklatura*, law enforcement

and the military through an unrelenting reign of terror. In fact, the economic crisis and Putin's anti-Western paranoia have been hitting his own power base.

The better off middle class in Russia consists largely of government employees: low-level bureaucrats, police, military officers, and so on. While the Kremlin has done its best to keep military procurement programs intact, as rearmament is seen as vital in the standoff with the West, there have been layoffs in the police force and the state bureaucracy, while inflation adjustment for officers' pay has been postponed. Millions of state employees, police and military officers have been ordered by a paranoid Kremlin not to travel abroad with their families for vacation, something they did previously on a regular basis. The middle-rank and top *nomenklatura* have been restricted from visiting their own villas, apartments and yachts in the West. Wealthy Russians have been ordered to sell off and repatriate foreign-held equity and bank accounts—a process known as the “nationalization of the elite.” Apparently, Putin believes that anyone who owns Western equity, or keeps money or real estate abroad is a potential traitor. As the economy falters and foreign military adventures possibly backfire, Putin's power base may begin to crack—and, along with it, the regime.

The collapse of Putin's petrostate could easily turn ugly, transforming into a failed nuclear state with separatist rebellions spreading like wildfire. Similar to any other dictator, Putin does not have any heir apparent or a mature political force that could effectively take over. The possibility of a stable working democracy emerging after Putin is slim. The opposition is splintered and lacks healthy grassroots organization. The state, regional and municipal bureaucracies are highly corrupt and inefficient. Most likely, after a period of turmoil, a new tsar will take over the Kremlin, denounce his predecessor, begin much needed reforms and probably mend fences with the West. Oil prices could indeed begin to grow modestly as the new regime settles in. If a full-blown war with NATO is avoided, a serious long-term disintegration of the Russian Federation, akin to that of the Soviet Union in 1991, seems highly improbable, with the exception of the possible separation of Chechnya. Other smaller North Caucasian tribes seem too afraid to be dominated by the Chechens to seriously contemplate outright secession from Russia.

A new bona fide post-Putin tsar (president) could volunteer to begin to build the base for a true functioning democracy in Russia. A strong institutionalized relationship between a post-Putin Russia and the West could help guarantee that a minimal Western-required set of human rights, freedoms and institutions would indeed function in Russia, if the ruling elite, the *nomenklatura* and the better educated class realize that this could guarantee their own best interests. This would seem to be the best possible scenario for a post-Putin future Russia.

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