



# Russia in 2045: A Scenario Analysis

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## Content

<b>Russia in 2045: Framing Different Scenarios.....</b>	<b>3</b>
<b>The Political System.....</b>	<b>5</b>
Authoritarian model preserved.....	5
Restoration of the constitutional order .....	6
Regime disruption .....	7
<b>Economic Development .....</b>	<b>8</b>
No reforms, no change.....	8
Economic reform .....	11
Economic disruption.....	12
<b>Foreign and Security Policy .....</b>	<b>12</b>
Conflict .....	13
Cooperation.....	16
Disruption.....	17
<b>Concluding Remarks and Implications .....</b>	<b>18</b>



## Russia in 2045: Framing Different Scenarios

This study outlines possible scenarios for Russia to 2045. What happens in Russia will have far-reaching implications not only for Russia and its people, but also for Europe and the international system. The future, however, is uncertain, and it is often said that this is particularly true in the case of Russia. In the 20<sup>th</sup> century, Russia (or the Soviet Union) experienced two occurrences of regime change and state collapse: the fall of the Russian Empire in 1917–18, and the collapse of the Soviet system in 1989–91. In the past 20 years, post-Soviet Russia has abandoned its previous pro-democratic course and regressed to authoritarianism and a more assertive foreign policy reminiscent of the previous century. These dramatic changes were difficult to anticipate, and as a result the Western policy community was caught by surprise.

A challenge for any analysis is that the most “unlikely” scenario will often be the most pertinent for the policymaking community, and this report therefore avoids any reference to a “baseline” scenario. Decision makers and analysts, however, tend to have a bias towards scenarios with few radical surprises. This bias can be relatively strong. In the early 1980s, few observers anticipated the collapse of the Soviet Union, even though in retrospect many consider the outcome inevitable (although this may of course not be true). Before the annexation of Crimea and the war with Ukraine in 2014, there was little policy discussion outside the circles of security and foreign policy experts about a potential Russian threat, even though the country’s armed forces had occupied about 20 per cent of Georgian territory in 2008. In both instances, the prevailing baseline scenarios turned out to be insufficient.

Three different areas are considered in this study: the political system, economic development, and foreign and security policy. In each area, different scenarios and their implications are discussed. The analysis covers conditions where Russia is either “bad” (authoritarian, belligerent) or “good” (democratic, cooperative), and where Russia is either “strong” (economic growth) or “weak” (economic decline). The analysis also discusses potential sources of surprise and disruption, that will impact Russia’s development and relations to the outside world. The concluding section summarizes the results and details the implications of different outcomes.

At least one important topic will not be covered in this analysis: global warming. Russia is one of the countries in the world most vulnerable to climate change. Large areas in the arctic and of its infrastructure are built on permafrost. The Russian authorities have identified various effects of rising temperatures. The most alarming are threats to public health, endangered permafrost, and increased likelihood of infection and natural disasters such as drought, floods and wildfires. Other effects include shrinking extents of summer ice, which will foster increased access to and navigation of the Arctic Ocean. How the Russian government will seek to manage the risks posed by global warming remains to be seen.

Although this report discusses different scenarios, it does not attempt to assign quantitative probabilities to any specific outcome due to the methodological complexity and uncertainty inherent in any such operation. Elements of scenarios can also appear in combinations. For example, a regime can combine dictatorship with liberal economic policies and adherence to international law. Alternatively, a regime can combine an open liberal political system with isolationist economic policies and an



inward orientation with limited interest in foreign affairs. Whatever our personal wishes regarding outcomes for Russia, the outside world will need to manage whatever may appear. Under any conditions, the country's future is in the hands of its leaders and people.

## The Political System

Russia's historical tradition of political centralization has been reinforced in the past 20 years, as President Vladimir Putin has removed the independent governors of Russian regions, nationalized or assumed indirect control over large businesses, and filled key positions in the country's political hierarchy with his network from St Petersburg and the security services (KGB/FSB). As a result, strategic decision making in the Russian system is concentrated at the pinnacle of the system of power.

This section discusses three potential scenarios for Russia's political development: (a) "authoritarian model preserved"; (b) "restoration of the constitutional order"; and (c) "regime disruption". The first scenario assumes that Putin remains in power, in one manner or another, and that the authoritarian model he has created is also preserved by his successor. The second scenario, in contrast, entails a long-term restoration of Russia's constitutional order and norms after the departure of Putin. The third scenario discusses "black swan" events such as political turmoil, instability and regime change.

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<sup>1</sup> Notably, an alteration of the division of power is possible even within the framework of the current constitution as the relevant provisions are contained in chapters four to seven of the Russian Constitution. These chapters have already been amended several times, e.g. by extending the terms of the president and the State Duma in 2008 and by giving the

### Authoritarian model preserved

Whether Putin will attempt to remain in power post-2024, and how this transition would be managed politically, remains an open question. One scenario is that Putin will continue to rule, either directly or indirectly, and that the authoritarian model he has created is institutionalized by an eventual successor. Several constitutional changes to preserve the current political equilibrium can be imagined: the formation of a union between Russia and Belarus with Putin as its leader, which has been discussed for 20 years; Putin being appointed head of the State Council with significantly expanded authority; or a transformation of Russia's semi-presidential republic into a pure parliamentary republic with Putin as prime minister.<sup>1</sup> On 15 January 2020, Putin announced his intention to change the constitution, possibly creating a new constitutional document. It remains to be seen what the outcome will be, and to what extent the process will comply with the existing provisions of the Russian constitution.

An alternative to a *de jure* alteration of the constitution is the informal model recently implemented in Kazakhstan. On 19 March 2019, President Nursultan Nazarbayev announced his resignation from the presidency. He will, however, retain his status as national leader, his chairmanship of the ruling party and his lifetime tenure as head of the Security Council, through which he will enjoy certain powers that are above those of the president. Similarly, the Russian presidency could be transferred to a loyal successor, while Putin secures the position as Secretary of the Security Council with significant (informal) decision-making

president the authority to appoint members of the Federation Council in 2014. In Azerbaijan and Belarus, term limits were removed by referendum in 2009 and 2004, respectively. This suggests that comparable changes could be introduced in Russia without significant resistance.



authority. Nazarbayev, who is 79 years old, has ruled his country since 1991. Putin, who is 67 years old, has been in power since 1999. Within the framework of a Nazarbayev scenario, Putin could hypothetically remain in power for 10–20 years or more. For example, with the life expectancy of Leonid Brezhnev, Putin could rule until 2026, of Joseph Stalin until 2031, of Raúl Castro until 2034, and of Robert Mugabe until 2045.

Putin has not shown any inclination to create a hereditary political system, or to staff key positions with family members.<sup>2</sup> A key group consists of people with a background in the security services. The current Secretary of the Security Council, Nikolai Patrushev, is the former head of the FSB (a position held by Putin in 1998–99). The director of one of the largest state corporations, Rosneft, is Igor Sechin, a former KGB officer. Over half of the members of the Security Council, the key strategic decision-making body in Russia, hold military or security services ranks.<sup>3</sup> Purges and replacements can further consolidate their position and incentivize elites to distance themselves from factional tendencies. Nonetheless, recent purges seem unrelated to actual opposition to the Kremlin. Rather, they appear to be the result of elite rivalries, for example, between statist and reform liberals, or of very strong political signalling from the Kremlin to the elites.<sup>4</sup> In a situation where the authoritarian model is preserved, and the level of political repression is increased, the role of the security services will remain pivotal.

<sup>2</sup> In fact, Putin has never confirmed the identity of his own children.

<sup>3</sup> Another important group consists of Putin's close friends and business partners from Saint Petersburg, for example Gennady Timchenko and the Rotenberg brothers.

### **Restoration of the constitutional order**

The second scenario is that Putin will step down in accordance with the letter and spirit of the constitution in 2024, or alternatively retire at some other point in time as stipulated by the constitution. This is a prerequisite for a stepwise restoration of the political system established in the early 1990s, with (relatively) contested elections, political pluralism and a separation of powers. A restoration of the constitutional order would also create opportunities for economic reforms and rapprochement between the West and Russia, as domestic dynamics are more likely to influence foreign policy than vice versa.

Notably, an orderly restoration of Russia's constitutional order entails the identification of a loyal successor to Putin and will be dependent on Putin's personal perception of security – for himself, his family and his court entourage. Throughout his political career, Putin's decision making has been risk-averse and legalistic. This suggests that a conservative policy towards constitutional amendments will be preferred if possible. This also means that the potential for a restoration of the constitutional order is relatively strong, should adequate opportunities emerge. A loyal successor to Putin would mean that the core of the political system he has created will remain intact for a transition period, after which reforms can be implemented by a new generation of political decision makers.

A successful constitutional restoration in Russia would eventually contradict the current political equilibrium. A new political equilibrium would reverse several legacies of the Putin years and confront structural

<sup>4</sup> Recent purges include former Economic Minister, Alexey Ulyukayev, who was sentenced to several years in prison in 2017; regional political leader Nikita Belykh, who in 2018 was sentenced to eight years in prison; and former Minister for Open Government Affairs, Mikhail Abyzov, who was accused of economic crime in 2019 and is currently awaiting trial.



Soviet and post-Soviet legacies such as the heavy political and fiscal centralization of power. Constitutional reforms could make the democratic system more robust and less vulnerable to future manipulation. Such reforms would clarify the relationship between Russian law vis-à-vis international law and strengthen the judicial independence of the Constitutional Court. Two post-Soviet states, Armenia and Kyrgyzstan, have for example implemented strict limitations on term limits for the president – in contrast to the current Russian model which technically “allows” for the perpetual rotation of an incumbent between the presidency and the position as head of government.<sup>5</sup>

### **Regime disruption**

Russia lacks a historical tradition of predictable handover of power, a legacy of the Russian Revolution in 1917. The Soviet leaders Vladimir Lenin (in office 1917-24), Joseph Stalin (ca 1928-53), Leonid Brezhnev (1964-82), Yuri Andropov (1982-84) and Konstantin Chernenko (1984-85) died in office and were never seriously threatened by court rivalries or opposition. The two exceptions are Nikita Khrushchev (1953-64), who was overthrown in a palace coup in 1964, and Mikhail Gorbachev (1985-91), who initiated reforms which resulted in the break-up of the Soviet Union. Boris Yeltsin (1991-2000) used force to subdue a confrontational parliament in 1993, and eventually handed power to his prime minister, Putin, who was elected president in 2000 and re-elected in 2004, 2012 and 2018. The Russian presidential election in 2024 will therefore be important for the country's future development path. If Putin remains in power after 2024, the operating assumption is that his tenure will resemble that of previous long-term Soviet leaders.

For Putin, preventing a repeat of the Soviet state collapse has been a political priority. According to official Russian security doctrines, colour revolutions – allegedly supported by Western states – constitute a threat to Russian regime stability. The idea that Western states have hostile intentions towards Russia also appears to be Putin's personal conviction. Should large-scale anti-Kremlin protests therefore appear, a repressive state reaction is not in doubt – the question is how severe the reaction would be. The relatively small-scale protests in Moscow in 2019, in which 5,000–20,000 people participated in the summer months, were followed by 3,000 arrests and dozens of high-profile jail sentences for protest participants.

With a growing economy, a non-democratic state can contain dissent using co-optation; that is, a redistribution of wealth and the buying of court loyalty. This is particularly visible in relation to election cycles. If co-optation is not feasible, there are also censorship (which thus far has been limited but is increasing), propaganda and repression. Regime control of mass media, such as the main television stations, has created favourable conditions for the Kremlin to frame public discourse and to marginalize potential dissent. Control also provides the possibility of suppressing negative news. Over time, however, this control may be less efficient for two reasons. First, because the gap between people's experienced reality and the messaging on television about this reality grows too large. Second, social media as an alternative source of information is becoming more prevalent and diversifying the news consumption of Russian citizens. Recent legislative changes to strengthen the authorities' capacity to monitor and restrict online access and cellular networks should be seen from this perspective.

<sup>5</sup> Strict limitations on term limits for the president were indeed suggested by Putin in January 2020,

making it highly likely that such a change will also be implemented.



Opinion polls need to be treated with the requisite degree of care but suggest that a majority of the Russian population has a pessimistic or neutral view of the future. According to a 2019 Russian opinion poll, 62 per cent of the Russian population finds it difficult to plan adequately for the future, an increase from 58 per cent in 2018. Only 18 per cent assert that life will be calmer in 20 years from now, whereas 20 per cent predict that life will be less calm, 32 per cent predict no change and 29 per cent did not know how to reply to the question. Similarly, only 21 per cent believe that that socio-economic security will improve in the next 20 years, whereas 25 per cent predict a deterioration, 31 per cent predict no improvement and 23 per cent could not answer the question. If Putin's "social contract" with the citizens of Russia – the idea that the people stay out of politics in exchange for stability, socio-economic ameliorations and/or great power glory – begins to crumble, then conflicts could inflate to an extent that threatens local, regional or even national stability. A disruptive regime change, however, could also arise because of court rivalries rather than a popular uprising or protest movements.

## Economic Development

After experiencing positive economic growth in the early 2000s, Russia has become a middle-income market economy. To what extent the country will maintain positive, long-term economic growth, however, remains an open question. The foundation of Putin's popularity was the decade of strong economic growth between 1999 and 2008. In the past decade, following the 2009 financial crisis, the war against Ukraine, sanctions and the decline in the price of oil, Russian growth figures have trailed below the global average. According to predictions in 2008 by the Russian Ministry of Economic Development, real

GDP was anticipated to grow at an average annual rate of 6.5 per cent between 2012 and 2020. GDP growth between 2012 and 2019, however, was 0.5 per cent – significantly below official estimates. Household incomes, which were anticipated to grow at a similar rate to GDP, declined by about 5 per cent per year over the same period.

The overriding economic policy goal of the Russian government has been to maintain growth levels above the world average. Weak or below world average economic development will eventually affect the political equilibrium, as it will force the Russian government to prioritize more sharply among its spending promises. The fundamental problem is structural: the country has comparatively poor rule of law, weak protection of investors' rights and high levels of corruption. The crux of the matter is that for long-term growth to occur, comprehensive reforms need to be implemented. Such reforms, however, threaten the current political equilibrium.

In this section, three scenarios are considered: (a) "no reforms, no change"; (b) "economic reform"; and (c) "economic disruption". The first scenario assumes that no economic reforms are implemented and considers different growth trajectories. The second scenario outlines political reforms and the third scenario discusses potentially disruptive events such as a decline in the demand for oil and natural gas, and the emergence of disruptive technologies such as quantum computing and artificial intelligence.

### No reforms, no change

In this scenario, the statist economic model established by Putin remains intact and preservation of the political equilibrium is a key priority. The Russian economy benefits from the market reforms implemented in the 1990s and early 2000s, while the state

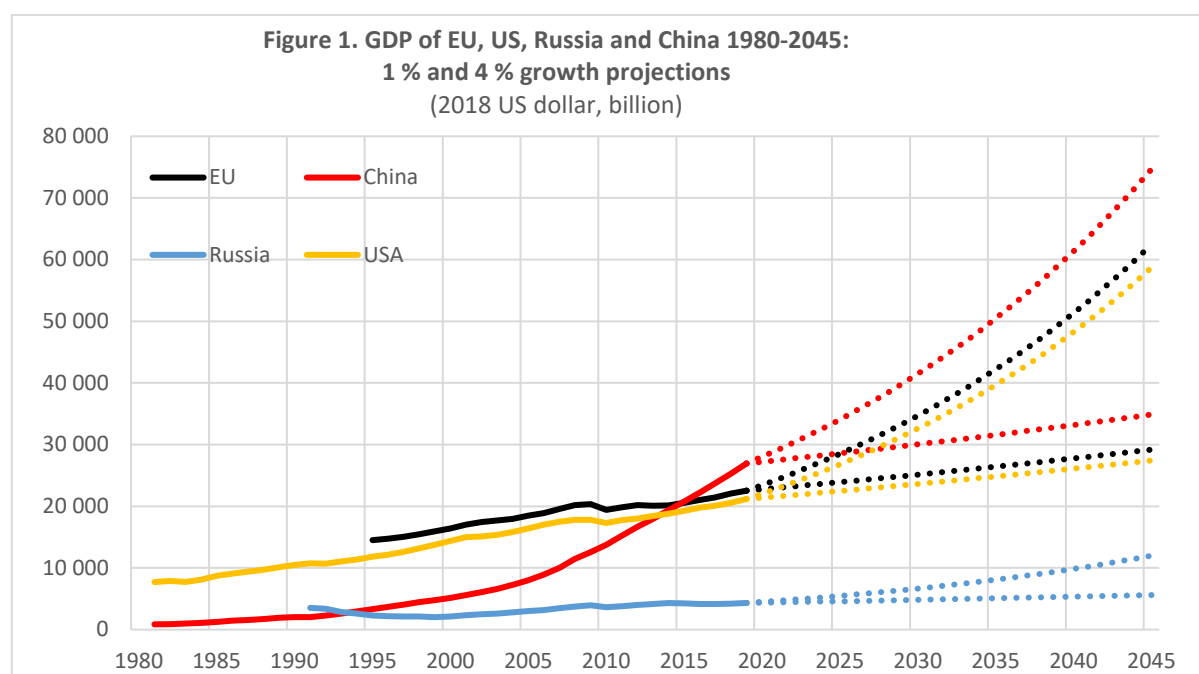


suppresses dissent and controls its strategic heights: energy, finance and the defence industry, three important sources of rent distribution and elite enrichment. Institutional reforms are unlikely to feature in this political equilibrium. Rule of law and anti-corruption measures, as noted by several economists, constrain the elite's ability to extract rents from the economy and thus to hold on to power. Although reforms could result in stronger GDP growth and economic prosperity, they reduce the court elite's ability to enjoy this prosperity.

The most optimistic scenario for future growth was published by the Russian Ministry of Finance, which in 2019 predicted as its baseline scenario GDP growth of 3.0 per cent for 2020–2036. The International Monetary Fund (IMF), by contrast, predicts an annual growth rate of 1.7 per cent for 2019–2024, a full percentage point lower than the Russian estimate. Lower economic growth makes unpopular reforms similar to

the 2018 increase in the retirement age and the VAT rate more likely.

Figure 1 plots real GDP (in 2018 US dollars) for China, the European Union, Russia and the USA, and presents two different growth scenarios for the period 2019–2045. In one scenario, the countries experience 1 per cent per annum growth, and in the other annual growth of 4 per cent. During the “good” years (1999–2008), Russia's average growth was above 4 per cent; in the “bad” years (2019–2018) it was below 1 per cent. In all the growth scenarios considered here – even in the unlikely event that Russia outgrows the richest countries by a factor of 4 in the next 25 years – Russia's economy will remain significantly smaller than the economies of the EU, the USA or China. Russian GDP as a share of world GDP will inevitably decline, although this is also the case for the EU and the USA, and only China is expected to continuously increase its share of world GDP in the coming years.<sup>6</sup>

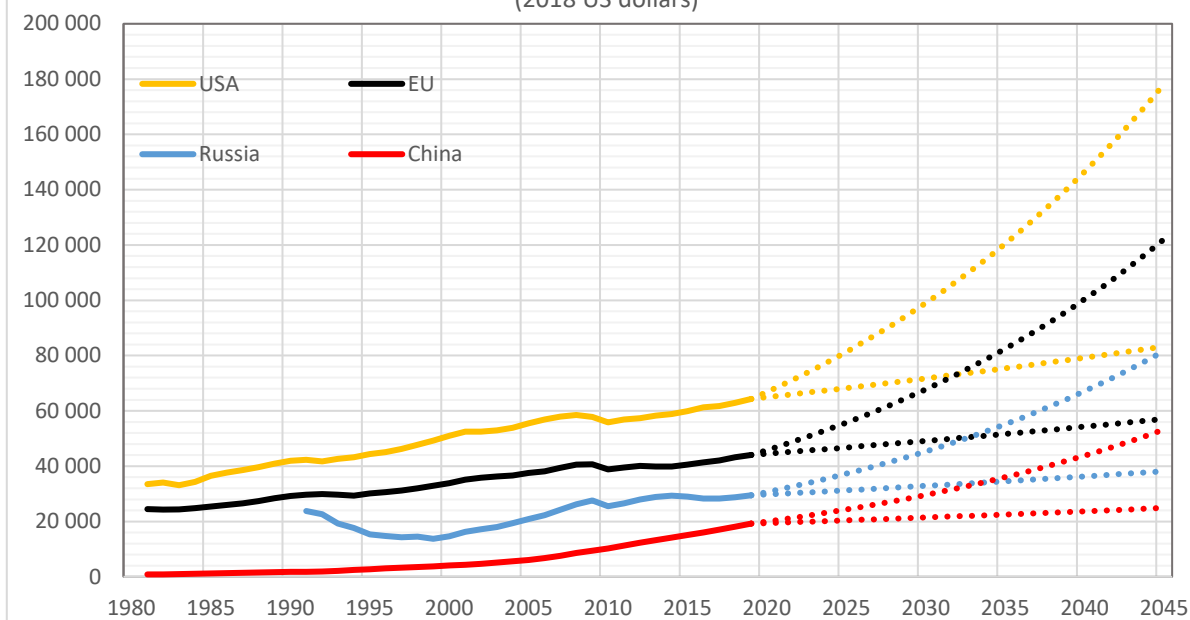


<sup>6</sup> For simplicity, it is assumed that the United Kingdom remains in the EU and that no other changes occur in the chosen period. Even after the completion of

“Brexit”, the UK will remain a key contributor to European security and economic development.



**Figure 2. GDP per capita of USA, EU, China and Russia, 1980-2045:  
1 % and 4 % growth projections  
(2018 US dollars)**



Economies differ not only in their total volume of national resources (typically measured by GDP), but also in the quality of such resources (typically measured as GDP per capita), and both measures are relevant when discussing economic development. A country with a vast but impoverished population and territory, for example, will matter little in comparison with the combined economic capacities of the richest countries. States with a high average GDP per capita, on the other hand, have the capacity to mobilize resources out of proportion to their general economic capacities.

Figure 2 plots average GDP per capita growth (in constant 2018 US dollars) for China, the EU, Russia and the USA, and presents two different growth scenarios for 1980 to 2045. In one scenario, the countries experience 1 per cent annual growth in GDP per capita, while in the other annual growth is 4 per cent. In terms of GDP per capita, the EU and the USA will remain richer than both China and Russia in 2045, unless Russia

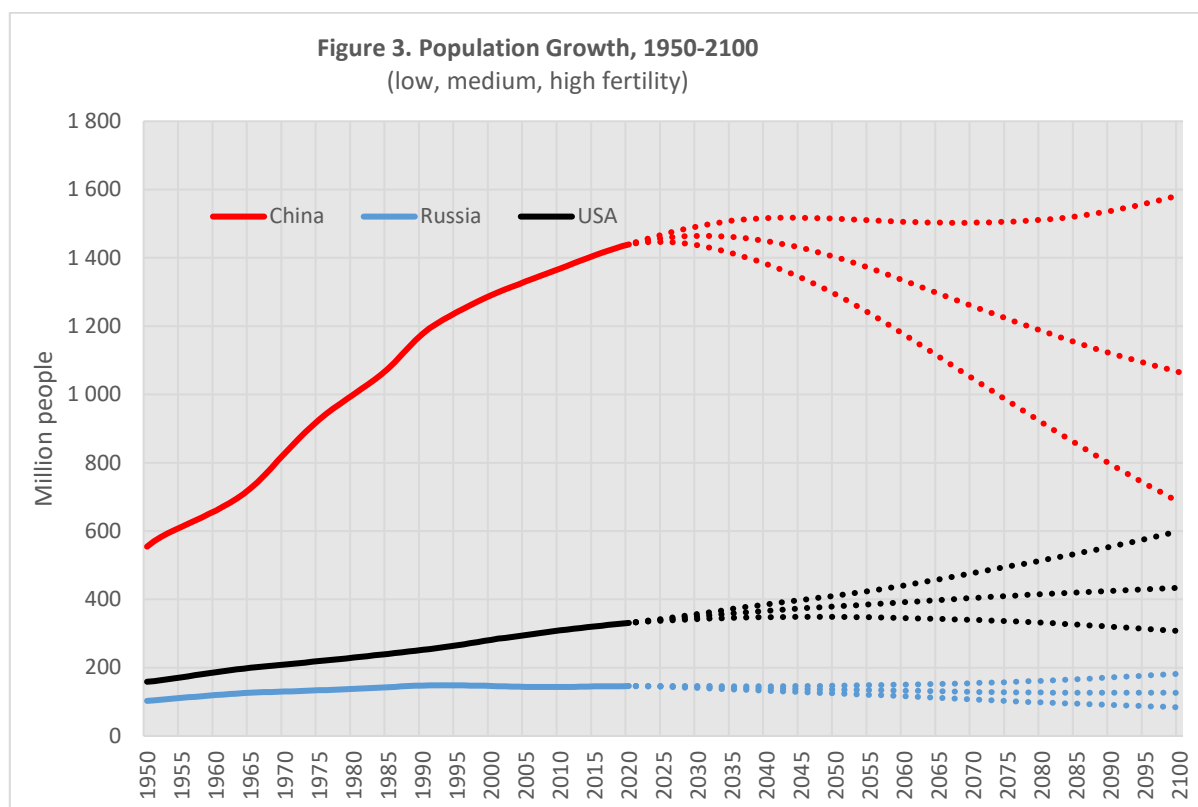
significantly outgrows the EU in the next 25 years. Depending on the chosen growth estimates, China could surpass Russia in terms of GDP per capita in the next 25 years (in nominal terms, China has already caught up).

Figure 3 shows UN estimates of population growth for Russia, China and the USA until 2100, and considers three different projections: low, medium and high fertility. In a situation where all countries experience medium fertility, the population of China would peak in the next decade and then decline, whereas it will stabilize at a somewhat lower level in Russia and increase in the USA. A demographic decline in the coming decades, all else remaining equal, increases average GDP per capita. Historically, higher household incomes and a growing middle class have increased demand for accountability and democratic institutions. This may be particularly important in a country like Russia, where the working-age population is set to decline as a share of the total population, and the



political leadership will need to make unpopular policy choices regarding pension

age, entitlements and fiscal spending priorities.



Global aggregate demand will remain crucial to Russia's long-term economic development. A negative external environment, with heightened trade and geopolitical risks leading to a slowdown in global average growth, is a threat to the Russian economic model and its reliance on exports of oil and natural gas. Therefore, the construction of pipelines – Turkstream (to Turkey), Power of Siberia (to China) and Nord Stream II (to Germany) – is important to strengthen Russia's position as an energy superpower. Even if the price of energy declines, Russia will have captured its market share while also blocking competition such as from US liquefied natural gas (LNG) for the next 20 years, after which demand for fossil fuels is expected to decline. Securing a favourable external environment is therefore a key Russian

interest, and Russian infrastructure for energy export is an important instrument to achieve this goal.

### **Economic reform**

The Russian government has combined a prudent macroeconomic policy – fiscal reserves, stability and low government debt – with an ideology that favours state control and rent distribution. Although Russia was able to cope with the financial crisis in 2009, and the double impact of sanctions and a lower oil price in 2014, the model has proved insufficient to generate stable economic growth. Fundamental reforms could stimulate investment and aggregate demand but would require a change in the current political equilibrium, not least to fight corruption and strengthen the rule of law. Russian reform liberals and



international organizations such as the International Monetary Fund (IMF) and the World Bank have produced several plans and suggestions for a future reform agenda, and their ideas are therefore not repeated here.

Certain reforms may be implemented without any alteration to the political equilibrium, and the Russian government's current strategy has been to use investments in infrastructure and national projects to stimulate economic growth. Another factor is the dominant role of the US dollar in Russia's financial system has been described by Russian officials as a security risk, as it exposes Russia's vulnerability to large-scale economic sanctions by Western states. Russia will attempt to reduce its dollar dependence, and increase its reserve holdings of for example euros, renminbi and gold.<sup>7</sup> Under any conditions barring Soviet-style autarchy, which would entail trade embargoes, capital controls and a non-convertible currency, Russia will remain integrated into the international financial system. Russian economic policy will also need to manage government debt. Although current debt levels are low in absolute terms, the costs of servicing the debt have increased as a share of federal expenditure in recent years.

### **Economic disruption**

Although Russia has certain strong innovative capacities in the defence industry, the country is lagging behind in the development of anticipated sources of disruptive change, such as machine learning and automation, genetic engineering, quantum computing and alternative energy sources. This does not preclude the possibility that Russia, with its well-educated population and scientific tradition, will be able to make advances in one or

several of these fields. In the absence of any such changes, however, the technological gap with the most advanced economies will grow wider over time. Quantum computing will leave Russian cyber infrastructure and defence systems vulnerable and will incentivize Russian leaders to cooperate more closely with one or several other more advanced states. This issue will be particularly pronounced in a situation with a regionalization or fragmentation between different industry standards, such as competing Western or Chinese technologies.

Alternative (non-fossil-fuel) energy sources, such as wind and solar power, in combination with a sustained shift to electric vehicles constitute serious long-term risks for the Russian economy. In the next two decades, electric vehicles could claim a dominant share of the market for transport vehicles. Increasing competition in the international energy market, in combination with a global decline in demand for fossil fuels, is expected to put downward pressure on the price of oil and natural gas. This trend can only be partially offset by an increase in demand for nuclear energy, an area where Russia's state corporation Rosatom is a global market leader. A decline in energy revenues would require an increase in taxation, something that could strengthen domestic pressures for political accountability. An economic policy that attempts to offset a decline in fiscal revenues with an increase in government debt and/or monetary expansion, however, would exacerbate the risks that a financial crisis and/or a default will occur.

### **Foreign and Security Policy**

Russian foreign policy takes as given that the world is becoming increasingly multipolar,

will be accepted by the Russian Central Bank, remain to be seen.

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<sup>7</sup> Cryptocurrencies are an alternative to conventional currencies, although what role they will play internationally, and whether or to what extent they



and that in particular Asia and emerging regional constellations will rival the economically most developed Western powers. Although Russia's relative share of world GDP is expected to decline in the coming decades, Russia will remain one of the main international actors due to the country's size, its permanent seat on the UN Security Council and its possession of modernized nuclear weapons. Its agile use of military power (as in Ukraine and Syria), in combination with the use of "hybrid" tactics – cyberattacks, disinformation and co-optation of political forces abroad – would reinforce the presence and importance of Russia in world affairs in the medium term.

Geography and perceptions of history will continue to shape the conduct of Russian foreign policy. One priority has been the reintegration of the former Soviet space, most notably former Soviet republics that are landlocked and have no access to the sea: in Europe (Belarus), in the Caucasus (Armenia) and in Central Asia (Kazakhstan, Tajikistan and Kyrgyzstan). States with sea access, on the other hand, have distanced themselves from Russia (the Baltic states) and/or been the target of military invasions (Georgia and Ukraine). With the loss of Ukraine from its sphere of influence, previous Kremlin visions of integrating "historically Russian" territories have been severely constrained for the foreseeable future. A completion of Ukraine's EU integration would have transformative political consequences for Russia.

Another priority has been cooperation with countries elsewhere in the world: the Middle East, in Turkey and Saudi Arabia; Asia, primarily China; North Africa, in Egypt and Libya; and far-away allies such as Venezuela. Russian foreign policy on these countries has been pragmatic and transactional, involving elements such as the export of oil and natural gas, weapon

systems and nuclear energy, but also military cooperation, financial and hard security support. These international relations underpin a long-term strategic objective of Russia, which is to be recognized as one of the world's great powers. Russia also envisages a larger role in the Arctic, which is seen as a strategic area in terms of security, transport and energy. Its Arctic strategy for 2035 covers several priorities, from the development of ports and hubs to the building of nuclear icebreakers, the mapping of natural resources and the launch of new satellites. Russian security doctrines since the 1990s have considered NATO eastward expansion a military threat. Other threats, as identified in Russian official doctrines and speeches by political and military leaders, are US missile defense, regional and local wars on Russia's borders, international terrorism and radicalism, and "hybrid" threats (alleged Western-led colour revolutions and regime changes). To a large extent, there are strong historical continuities in Russian/Soviet threat perceptions, and significant deviations are therefore unlikely in the future. What may change, primarily, is the main driver of Russian foreign and security policy: the broader zero-sum worldview of the Russian leadership and the belief in a "privileged sphere of interest". A change in this worldview could arise because of internal factors (e.g. democratization) and/or external factors (successful cooperation). This section considers three different scenarios: "conflict", "cooperation" and "disruption".

### **Conflict**

Russian territory covers a larger landmass than any other country in the world, with a surface of more than 17 million square kilometres and a border of over 20,000 kilometres with 16 other states. The combination of an authoritarian political system and many neighbours, as in the case of present-day Russia, increases the risk for



bilateral conflicts over territory. Between 1870 and 2001, Russia/the Soviet Union initiated 219 border conflicts that included a show or the use of force – more than any other country. In second place is the USA, with 161 conflicts; followed by China (151), the UK (119), Iran (112) and Germany (112). Large countries, in other words, are more likely to initiate border conflicts, and authoritarian countries are more predisposed to military confrontation than democracies.<sup>8</sup>

There is no evidence that the Russian population has an appetite for military conflicts. According to a Russian poll conducted on 8 March 2014, only 15 per cent of Russians endorsed military intervention in Ukraine, while 73 per cent were opposed – even though the poll was conducted after four months of anti-Ukrainian propaganda on Russian state television. The Russian leadership, however, is not necessarily restrained in its foreign policy conduct by public opinion. Historically, the decision to use military force has been taken within a small group of decision makers, in a non-transparent and unaccountable manner (e.g. the interventions in Afghanistan, 1979–89; Chechnya, 1994–96 and 1999–2009;

Georgia, 2008; Ukraine, since 2014; and Syria since 2015). Russian armed forces have been deployed to various conflicts in 36 of the past 42 years. This suggests that a readiness to apply hard power to resolve Russian security interests exists regardless of political regime (communist, democratic or authoritarian).

#### *Military expenditure*

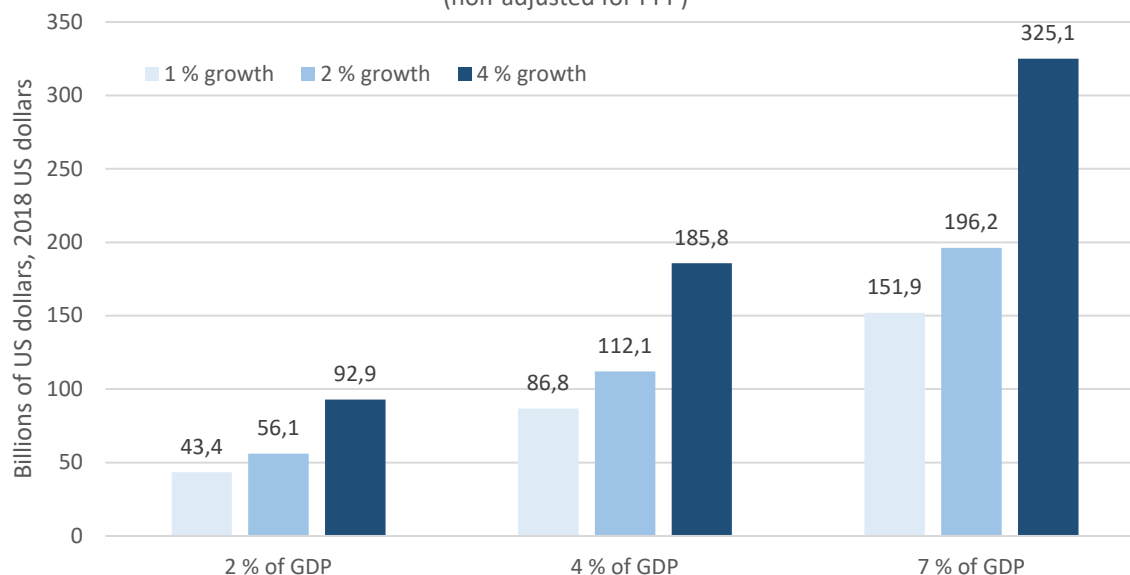
Figures 4 and 5 consider nine different scenarios for Russian military expenditure in 2045, based on different assumptions about annual GDP growth (1%, 2% or 4%) and different assumptions about the defence expenditure's share of GDP (2%, 4% or 7 %). On average, Russia has spent about 4 per cent of GDP on its military for the past 20 years. A realistic scenario is therefore the middle column representing 2 per cent annual growth and military expenditure at 4 per cent of GDP, which provides total spending on defence until 2045 of about US\$ 112 billion in nominal terms, or US\$ 289 billion adjusted for purchasing power (both expressed in constant 2018 US dollars). Weak long-term economic development, as in the past decade, will be a restraining factor on Russian military capacity – in absolute terms and compared with other large states.

<sup>8</sup> See the Correlates of War dataset on Militarized Interstate Disputes, <https://correlatesofwar.org/data-sets/MIDs>.



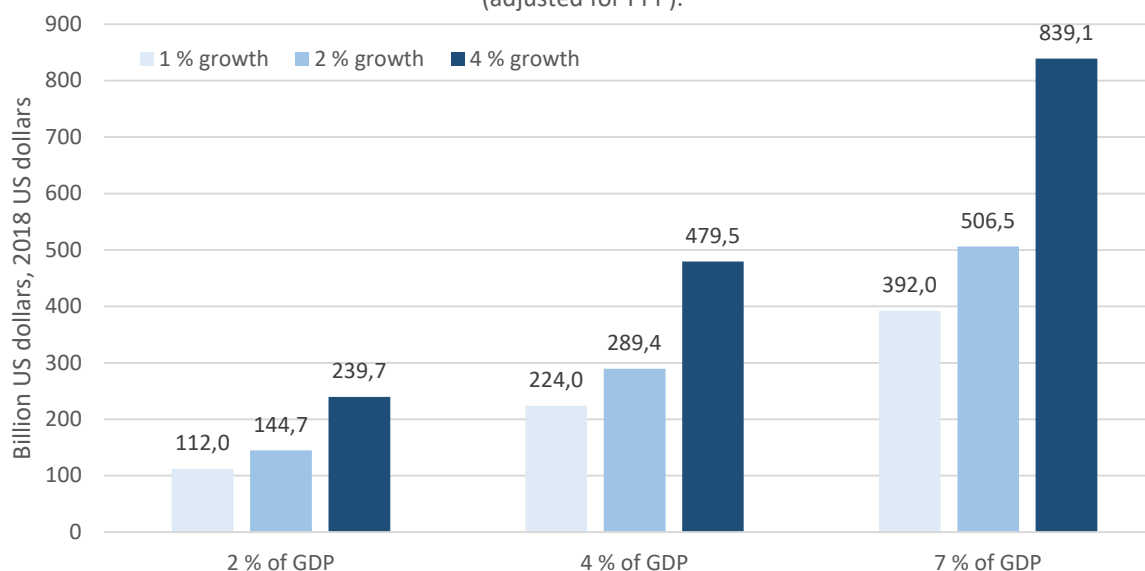
**Figure 4. Scenarios for Russian Defence Expenditures in 2045**

Value of Russian defence expenditures in 2045 based on assumptions of 1 %, 2 % or 4 % yearly GDP growth, where defence expenditures are either 2 %, 4 % or 7 % of GDP (non-adjusted for PPP)



**Figure 5. Scenarios for Russian Defence Expenditures in 2045**

Value of Russian defence expenditures in 2045 based on assumptions of 1 %, 2 % or 4 % yearly GDP growth, where defence expenditures are either 2 %, 4 % or 7 % of GDP (adjusted for PPP).



### *Grey zone tactics*

So-called hybrid or grey zone tactics will become more important in a situation of long-term economic decline, as they provide an opportunity to influence outside events in a way that is low cost and low risk. The

countries of greatest importance will be former Soviet republics such as Armenia, Azerbaijan, Belarus, Georgia and Ukraine, where there is a shared history and language, but also because these nations provide a buffer against potential outside



threats. Russia will regard an expansion of NATO or a successful EU integration into this region as a national security threat. Other regions, such as the Baltic states, the Balkans and Central and Western Europe, are less vulnerable to interference but also less significant in terms of Russia's security interests. Given the low cost of certain grey zone tactics, such as cyber operations, disinformation and the co-optation of political influence, however, they may be applied opportunistically even when the probability of success is low. The Western priority should be deterrence of high-risk grey zone tactics, such as small proxy wars, espionage and assassinations abroad, and to develop responses in domains where Russia is vulnerable.

Private military companies (PMCs), such as the Wagner corporation, are currently legally prohibited in Russia but are (tacitly) allowed to operate outside the country's borders. Russia's use of proxies has been risk-averse and non-committal, and proxies provide plausible deniability. Two different tactics can be observed. On the one hand, the use of proxy groups against a specific target, as in the case of the so-called people's republics of Donetsk and Luhansk (DNR/LNR) versus Ukraine. On the other hand, the use of proxy groups on both sides of a conflict, as in the case of Libya where Russia is participating on the side of Field Marshal Khalifa Haftar (through Wagner) while simultaneously balancing its relations with Tripoli (through the Chechen President, Ramzan Kadyrov). Both tactics serve Russian security interests and can be adjusted to the local context.

### **Cooperation**

A "European" Russia, cooperating with the EU and multilateral organizations, such as the Organisation for Economic Co-operation and Development, would provide a significant European security dividend. The key element in improved cooperation is a

scenario that limits Russia's hard power projection, relieving the concerns of its neighbours and beyond, while reassuring Russian leaders that a mutual adherence to international law, conventions and other agreements brings benefits in terms of security, economic development and stability. Although the chances of cooperation under current political conditions appear limited, it is plausible that future Russian leaders might consider that the level of acceptable confrontation with the major global powers has been exceeded. That conditions conducive to cooperation might arise is therefore a reasonable scenario for the next 10–20 years, possibly following a domestic transition of power in Russia.

In the medium term, Russian de-escalation entails a withdrawal from the Donbass, a cessation of grey zone tactics abroad, a reduction in demonstrative military exercises, and a shutdown of hostile propaganda and the fuelling of revanchist sentiments in Russia. This, however, is unlikely under the current political equilibrium. Western intermediary steps towards cooperation would involve a return to negotiations on arms control and confidence-building measures, but also deeper engagement with Russian society in areas such as education, science, technology, the environment and human rights. Furthermore, Western states could exhibit a stronger sensitivity to Russian signalling, for example on US missile defense; engage in positive signalling, for example, with official visits to World War II cemeteries; avoid negative signalling (Western "high horses"); and engage in dialogue on common security interests, even when the chances of success are low.

An important foreign policy question for the next 10–20 years is whether conflict resolution will be limited to several "small bargains" or one "grand bargain", involving



the entire post-Soviet space. A small bargain would be limited in scope and involve ongoing diplomatic negotiations such as the Normandy Format (on eastern Ukraine). A grand bargain would cover all the occupied territories, of Abkhazia, Crimea, eastern Ukraine, Nagorno-Karabakh, South Ossetia and Transnistria. The diplomatic challenge with the latter will be twofold: the legal status of the occupied territories and the future security architecture of the region. Irreconcilable claims, such as Russian insistence on a “privileged sphere of interest” that denies the sovereignty of Russia’s neighbours, makes a grand bargain unsustainable and possibly counterproductive (destabilization).

The multilateral dimension of the relationship between Western states and Russia will become more pronounced. In recent years, Russia has increased its military and economic cooperation with China, and China is using its investments, technological advantages and diplomatic resources to enhance its political influence in the post-Soviet region. This process is visible in areas that have security implications, such as the defence industry, surveillance technology and competition between rival elite groups and organized crime syndicates. Russian policy choices in the next 10–20 years will determine how and to what extent Russia will become more dependent on China. Furthermore, Chinese competition with the EU/US in the Eastern Partnership countries and Central Asia will hinder democratization and market reforms – a vital security interest of the EU. Managing the relationship with non-EU European states such as Georgia and Ukraine will therefore be as important for the EU as the relationship with Russia.

### **Disruption**

Manifold potential sources of disruption can be imagined, and an exhaustive “laundry list” of potential risks is therefore beyond

the scope of this study. Regardless of domain or theatre, the key challenge will be to manage potential surprise. Russian use of deception and disinformation is sometimes considered a challenge, as it obstructs the ability of outside observers to predict the conduct of Russian foreign policy. Unpredictability is premised on a party’s ability to avoid observable patterns, and this element is pronounced in a country with centralized and non-transparent decision making. To minimize the element of surprise, or disruption, is therefore an important task, and certain pattern recognition is, within bounds, possible. Russian society is sometimes more transparent than is typically assumed, and some open source indicators, which need to be analysed in combination and should be treated with requisite care, are:

- unannounced military exercises and drills near Russian borders;
- non-planned changes in spending on defence and security, or an increase in budget secrecy;
- new targets of propaganda and disinformation campaigns;
- the appearance of proxy groups and front organizations requesting Russian support;
- abrupt and negative changes in Russian diplomacy towards a target country;
- the imposition of sanctions and embargos;
- cyberattacks and the release of “leaks”, such as emails, intercepted phone calls and/or “sensitive” information on decision makers and other key actors;
- public statements on impending regime change and/or large-scale protest activity in a country in Russia’s “sphere of interest”.
- Russian rhetoric on the need to “protect” certain minorities in neighbouring countries.



- Domestic instability in Russia's neighbouring countries, and Russian claims to provide stability in the post-Soviet space and beyond.

## **Concluding Remarks and Implications**

This report has considered different scenarios for Russia to 2045 in three related areas: the political system, economic development, and foreign and security policy. The analysis has covered conditions where Russia is either "bad" (authoritarian, belligerent) or "good" (democratic, cooperative), and where Russia is either "strong" (economic growth) or "weak" (economic decline). The report has also discussed potential sources of surprise and disruption that will affect Russia's development and its relations with the outside world.

A risk-minimizing strategy would be to assume that nothing in Russia will ever change, not because it is necessarily true so much as it is a strategy that provides the greatest elasticity possible in our collective response. In the medium term, confirmation regarding the post-2024 situation, and whether Putin will remain in power, will determine whether the political system he has created is also consolidated. The political equilibrium will also determine the space for economic reforms and how Russia manages its foreign relations. New conflicts in the international arena cannot be ruled out, and it will be important to distinguish between threats that need to be deterred and those that can be managed by other means. A policy of deterrence needs to be combined with confidence-building measures, including but not limited to arms control, support for environmental, religious and human rights organizations, economic cooperation, education and science cooperation, and people-to-people contacts.

In the long term almost all the factors considered in this report are subject to change and fundamental uncertainty, and scenarios can also appear in different combinations. Nonetheless, it will be important to consider certain long-term trends.

1. The relative gap between Russia and the largest economies (the EU, the USA and China) will increase in terms of economic and military capacity. Russia's position in an emerging multipolar world order will therefore decline and may create a crisis of ambition and identity. Countervailing factors are Russia's size and natural resources, its permanent position on the UN Security Council and its possession of nuclear weapons, which make it a non-negligible participant in the international system.
2. Technological advances in machine learning and automation, genetic engineering, quantum computing and alternative energy threaten Russia's economic model and security. A decline in aggregate demand for fossil fuels will need to be offset by new sources of economic growth, but these sources remain to be developed. An increased reliance on Chinese technological standards and investments, rather than Western alternatives, will have implications for Russia's foreign policy orientation and possible dependencies. A long-term strategy of the EU will need to consider the integration of Russia into the European sphere, while balancing EU-China relations.
3. The EU-Russia relationship will be multilateral and contingent on the



countries' shared neighbourhood (primarily the Eastern Partnership countries). A successful EU integration of countries such as Ukraine has implications for Russia, but several obstacles remain. The main obstacle will be conflict resolution, and the occupied territories of Abkhazia, Crimea, eastern Ukraine, Nagorno-Karabakh, South Ossetia and Transnistria. Russian insistence on a "privileged sphere of interest", which denies the sovereignty of Russia's neighbours, makes a resolution unsustainable and the pursuit of one possibly counterproductive (destabilization).

4. Historically, Russian political development has moved in cycles, and changes in the direction of these cycles have occurred unpredictably. Such a development would be difficult to influence from the outside, although tensions and the actions of other states could either accelerate or mitigate the eventual outcome. Democratization is not a prerequisite for rapprochement with the West, and de-escalation would be possible if there were diverse groups in Russia that supported such a policy. Cooperation and de-escalation would reduce the Russian defence burden and provide an opportunity for a normalization of relations between Russia and the Western bloc.



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