



America-Eurasia Center

5/31/2023

# Country Report

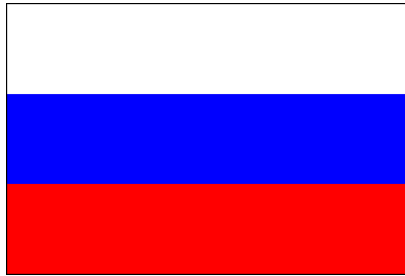
## The Russian Federation



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## Russian Federation: Country Report



The Russian Federation is the world's largest country, spanning from eastern Europe to the far edges of northeastern Asia. Commonly referred to simply as "Russia", its capital and largest city Moscow. With a Human Development Index (HDI) value of 0.822, the Russian Federation is ranked 52<sup>nd</sup> in the world for highest HDI as of 2023.<sup>1</sup> The ethnic demographics of the Russian Federation include: Russian (77.7%), Tatar (3.7%), Ukrainian (1.4%), Bashkir (1.1%), Chuvash (1%), Chechen (1%), Other (10.2%), and Unspecified (3.9%), according to latest estimates.<sup>2</sup> The Russian economy shrank by 2.1% in 2022 as Western sanctions and a sluggish global recovery took their toll.<sup>3</sup> The government is continuing to combat the coronavirus pandemic. As of May 20, 2023, the Russian Federation has experienced 400k deaths from coronavirus, and additionally has found itself wrapped up in a complex civil war in Libya, a high-stakes hunger strike from a globally renowned dissident and sweeping constitutional changes. Its President, Vladimir Putin, has been in de facto control of the country for over 20 years.

Alexi Navalny is one of Russia's most renowned dissidents and an avowed critic of autocratic President Putin. A Russian citizen and longtime critic of President Putin, Navalny was detained on January 17, 2021, while returning home after being poisoned with a Novichok nerve agent. Reports suggested that Russian security agents were responsible for the poisoning. During his time in prison, Navalny started a hunger strike in protest of his situation, setting off widespread protests and international outcry. As a result, Amnesty International designated Navalny as a "prisoner of conscience" and Navalny continues to advocate for a nationalist agenda without corrupt leaders like Putin as he serves his sentence. As the G7 Summit nears, Russia will remain relevant despite its omission due to its continual role as an antagonist in global geopolitics and human rights abuses.

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<sup>1</sup><https://countryeconomy.com/countries/russia#:~:text=The%20last%20annual%20rate%20of,table%20of%20191%20countries%20published.>

<sup>2</sup> <https://www.cia.gov/the-world-factbook/countries/russia/>

<sup>3</sup> <https://www.aljazeera.com/news/2023/2/21/russias-economy-contracted-2-1-in-2022#:~:text=Russia%2DUkraine%20war-,Russian%20economy%20shrank%202.1%25%20in%202022%2C%20much%20less%20than%20expected,by%20more%20than%2012%20percent.>

On February 24, 2022, the Russian military, which had amassed roughly 190,000 troops on Ukraine's northern and eastern borders, launched a full-scale invasion of the country.<sup>4</sup> Russian forces attacked on several fronts, building on gains made in 2014 when they first invaded Ukrainian territory. This time, however, Russia did not seek to just lop off some Ukrainian territory and create a new frozen conflict or annex some disputed territory. Instead, they were attempting to fully decapitate the Ukrainian government and establish a puppet regime that would halt Ukraine's embrace of the West.<sup>5</sup> Russian President Vladimir Putin was attempting to use force to do to Ukraine what he was able to do politically to Belarus. If Putin got his way, Ukraine would be a Russian vassal state at the price of tens of thousands of Ukrainian civilians.

However, the invasion did not go exactly according to Russia's plans. Ukrainian forces, having been practically rebuilt from the ground up by Western militaries in the aftermath of the 2014 annexation of Crimea put up a ferocious fight. Russian efforts to decapitate top Ukrainian leadership, including President Volodymyr Zelenskyy, failed miserably. Russian attempts to take key cities like Kyiv, Kharkiv, and Odesa were beaten back.<sup>6</sup> What was initially planned to be a blitzkrieg strike on disorganized Ukrainian resistance quickly became a war of attrition against a force determined to defend their homeland. Western support poured in as the United States organized a global response to the invasion. Millions of pounds of assistance were rushed to Ukraine in the form of arms, medical supplies, and food to sustain the battered country. The West imposed crippling sanctions on Russia, severely hobbling its economy and undermining its ability to replace its steep combat losses. After weeks of heavy fighting, Russian forces were driven out of the north and northeastern parts of the country. Russia focused on expanding and shoring up gains in the Donetsk region in the east of the country, however it is still committed to changing the regime in Ukraine. Whether a diplomatic solution to the war can be reached remains unclear. Until such a settlement is reached, it is likely that the war will continue to grind on in Ukraine's east, costing countless lives and billions of dollars in damage.

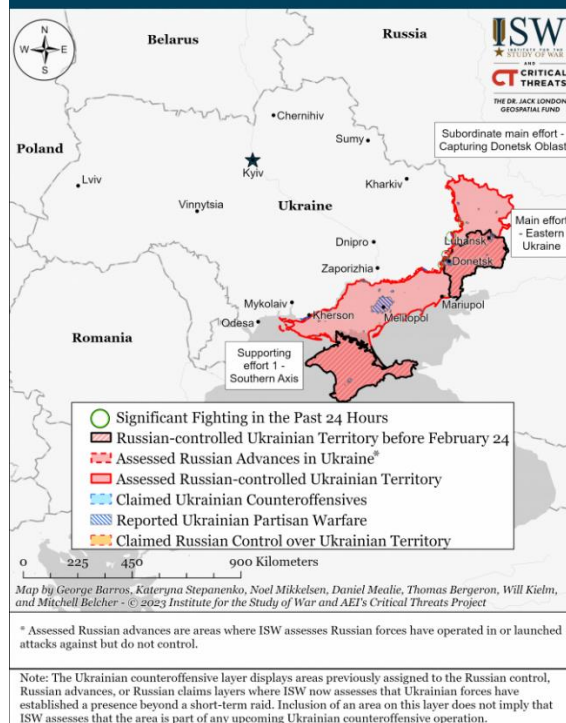
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<sup>4</sup> <https://www.economist.com/briefing/2022/02/26/russias-invasion-of-ukraine>

<sup>5</sup> <https://www.bbc.com/news/world-europe-56720589>

<sup>6</sup> <https://www.csis.org/analysis/russias-ill-fated-invasion-ukraine-lessons-modern-warfare>

## Assessed Control of Terrain in Ukraine and Main Russian Maneuver Axes as of May 19, 2023, 3:00 PM ET



## Geography/Natural Resources

- Russia is the largest country in the world with a total area of 17,098,242 km<sup>2</sup>.<sup>7</sup> It extends from the Baltic sea in the east to the Chukotka peninsula on the Pacific Ocean in the West to the Pacific Ocean. In the north Russia extends to the Bering sea in the Atlantic Ocean and extends to the republic of Dagestan in Caucasus in the south.
- The highest point in Russia is on top of Mount Elbrus located in the North Caucasus region of Russia.
- Climate ranges from continental humid near European Russia to tundra and polar in the north. Severe seasonal changes from extremely hot to extremely cold.
- Natural resources include sizable oil, natural gas, coal and other mineral deposits. Little arable land relative to size (7.3%).<sup>8</sup>

<sup>7</sup> "Russia." [CIA World Factbook](#).

<sup>8</sup> Ibid.

## Demographics

- As of May 2023, the population of the Russian Federation was 146,113,871 people.<sup>9</sup>
- As of 2023, average life expectancy for men and women in Russia are 59.8 and 73.2 years.<sup>10</sup>
- The state recognizes Russian and Russian Orthodox Christianity as the official language and religion, respectively.
- 81% of the population are ethnically Russian, while the minority ethnic groups include Tatar (3.9%), Ukrainian (1.4%), Bashkir (1.2%), Chuvash (1.1%), Chechen (1.0%) and other groups (10.4%). (2023)<sup>11</sup>
- Urban population comprises 75.1% of the total population. (2022)<sup>12</sup>
- The largest cities in Russia by population are Moscow (13.01 million people), St. Petersburg (5.6 million people) and Novosibirsk (1.633 million people), Yekaterinburg (1.544 million people), Nizhniy Novgorod (1.228 million people), Kazan (1.308 million people) and Samara.<sup>13</sup> A high percent urban with relatively small metropolis suggests that the population is evenly spread around several clusters, with the sole exceptions of Moscow and St. Petersburg.

## Education

- Russia's education spending has increased throughout the last decade, accruing for 4.7% of the government budget to education.<sup>14</sup>
- The Russian government provides public education free of charge to all its citizens. Higher education is also financed by the central government or by the local state upon merit and/or

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<sup>9</sup> <https://www.worldometers.info/world-population/russia-population/#:~:text=The%20current%20population%20of%20the,the%20latest%20United%20Nations%20data.>

<sup>10</sup> [https://countrymeters.info/en/Russian\\_Federation#:~:text=Male%20life%20expectancy%20at%20birth,at%20birth%20is%2073.2%20years.](https://countrymeters.info/en/Russian_Federation#:~:text=Male%20life%20expectancy%20at%20birth,at%20birth%20is%2073.2%20years.)

<sup>11</sup> <https://worldpopulationreview.com/countries/russia-population.>

<sup>12</sup> Ibid

<sup>13</sup> [https://en.wikipedia.org/wiki/List\\_of\\_cities\\_and\\_towns\\_in\\_Russia\\_by\\_population](https://en.wikipedia.org/wiki/List_of_cities_and_towns_in_Russia_by_population)

<sup>14</sup> <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS?locations=RU>

performance on standardized tests. The Russian education system still maintains comparative tests that indicate that Russian students do well when compared to contemporaries.<sup>15</sup>

- Students end the general education cycle at age 15 and receive technical instruction for the following 2-3 years. Thereafter, they can aspire to pursue advanced careers at Higher Education Institutions (HEI).<sup>16</sup>

### *Economic Overview*

- In the early 1990s, Russia began a massive transition from a centrally planned economy to a market economy. Mikhail Gorbachev's reforms, *perestroika* ("restructuring") and *glasnost* ("openness"), privatized a significant number of enterprises – except in the energy and defense sectors – and turned Russia into a giant of international trade. Russia is a major producer of energy resources, including oil, coal and natural gas, which comprise more than half of its exports. Additionally, it is also Europe's major supplier of these commodities and holds a significant share of the global market as well.
- One issue that has prevailed since the dissolution of the Soviet Union is the poor enforcement of property rights and the strict government regulations in the private sector. These persistent complications have created disincentives for companies to invest in R&D and to expand. Moreover, the past several years have been plagued with political crises and economic shortcomings that have shocked the national economy and sparking a recession which Russia is coming out of today. Rising oil prices as well as cautious actions on the part of the Russian central bank have helped to reduce inflation in the Russian economy. Russia has largely managed to recover. As the consumption of Russian households grows; economic growth is expected to be moderate in the future.<sup>17</sup>

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<sup>15</sup> Russel, M. (January 25<sup>th</sup>, 2017). *Russia's education system*. European Parliament Think Tank. Retrieved from [http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS\\_ATA%282017%29595910](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_ATA%282017%29595910)

<sup>16</sup> Russia: Structure of Educational System. (2005-2006). Retrieved from <http://www.euroeducation.net/prof/russco.htm>

<sup>17</sup> Russia, Chapter 3: Developments inru Individual OECD and Selected Non-Member Economies. *OECD*. Retrieved from <https://www.oecd.org/eco/outlook/economic-forecast-summary-russia-oecd-economic-outlook.pdf>

## *Economic Indicators and Structure*

**IMPORTANT NOTE:** Obtaining accurate information about the state of the Russian economy is difficult as the Russian government is not always forthcoming about challenges its economy faces. In order to avoid negative headlines and portray a sense of strength in the face of Western sanctions, Russian economic reporting agencies may obfuscate the economic reality.

The official estimate for Russia's GDP in 2023 is \$2.063 trillion (nominal, 11th) or \$4.989 trillion (PPP, 6th).<sup>18</sup> Its 2023 gross domestic product (GDP) is forecast to grow by 0.7% after dropping by 2.1% in 2022.<sup>19</sup>

- The inflation rate for Russia in April 2023 dropped to only 2.3%. (17.8% in the same month last year)<sup>20</sup>
- In 2021, Russia's total exports amounted to about EUR 420 bn (28% of GDP), exceeding total imports by far and rendering a trade surplus of EUR 160 bn (11% of GDP). Russian exports were equivalent to 30.8% of GDP.<sup>21</sup> In 2021 imports equaled 21.3% of GDP.<sup>22</sup> The total value of goods imports from Russia stood at almost 21 billion euros in 2022. This is 13 percent higher than in 2021.<sup>23</sup> In March of 2022, Western countries imposed massive economic sanctions on Russia after its invasion of Ukraine, barring the import of several classes of Russian products. Russia has also limited exports to preserve domestic capacity and prevent supply shortages. Thus, the value of Russia's imports and exports will likely be dramatically lower in 2022.
- Russia's main exporting partners for 2021 were China (21.91%), Germany (5.45%), Belarus (5.53%), and United States (5.43%).<sup>24</sup> Items exported include mostly crude oil and its refined products natural

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<sup>18</sup> [https://en.wikipedia.org/wiki/Economy\\_of\\_Russia#Historyx](https://en.wikipedia.org/wiki/Economy_of_Russia#Historyx)

<sup>19</sup> [https://www.reuters.com/markets/europe/russian-economy-ministry-improves-2023-gdp-growth-forecast-2023-04-14/#:~:text=MOSCOW%2C%20April%20\(Reuters\),more%20sluggish%20longer%20term%20prospects.](https://www.reuters.com/markets/europe/russian-economy-ministry-improves-2023-gdp-growth-forecast-2023-04-14/#:~:text=MOSCOW%2C%20April%20(Reuters),more%20sluggish%20longer%20term%20prospects.)

<sup>20</sup> <https://www.statista.com/statistics/276323/monthly-inflation-rate-in-russia/>

<sup>21</sup> World Bank Group (2017). Exports of goods and services (% of GDP). Retrieved from <https://data.worldbank.org/indicator/NE.EXP.GNFS.ZS?locations=RU&view=chart>

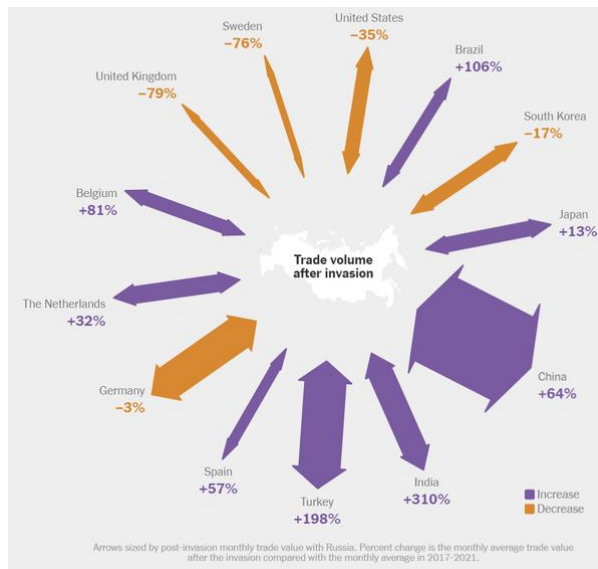
<sup>22</sup> <https://globaledge.msu.edu/countries/russia/tradestats>

<sup>23</sup> <https://www.cbs.nl/en-gb/news/2023/08/exports-to-russia-down-by-almost-40-percent-in-2022#:~:text=The%20export%20value%20was%20still,percent%20higher%20than%20in%202021.>

<sup>24</sup> Ibid.

gas, metals and other raw materials. In response to the sanctions and export controls, Russian trade with Western partners like the U.S., Germany, and France will take a significant hit. It remains to be seen whether more friendly countries like China, Pakistan, and Belarus will be willing to accept a larger share of Russian exports.

- In 2021, Russia’s main import partners were China (21.9), Germany (10.2%) and consist mostly of machinery/vehicles, pharmaceutical products, plastics and food, Belarus (5.53%), United States (5.43%), Italy (4.41%), Japan (3.63%) and France (3.48%). Again, these numbers will likely change in response to sanctions and export controls.



- The unemployment rate in 2023 is 3.5%.<sup>25</sup>
- The Russian Government has set a target of reducing poverty to 6.5% by 2030, with the 2023 goal of 10.1% almost achieved.<sup>26</sup> An estimated 21 million Russian live in poverty.<sup>27</sup>
- GDP by sector (2022) - *agriculture*: 5.6% *industry*: 26.6% *services*: 67.8%.<sup>28</sup>
- The currency of Russia is the Ruble (RUB).
- 1 RUB = 0.013USD 1 USD = 80 RUB (May 2023)

<sup>25</sup><https://www.statista.com/statistics/277043/monthly-unemployment-rate-in-russia/#:~:text=In%20March%202023%2C%20the%20unemployment,corresponding%20period%20two%20years%20prior./>

<sup>26</sup> <https://intellinews.com/number-of-russians-living-below-poverty-line-falls-to-under-10-for-the-first-time-in-20-years-277592/#:~:text=The%20government%20has%20set%20a,goal%20of%2010.1%25%20almost%20achieved.>

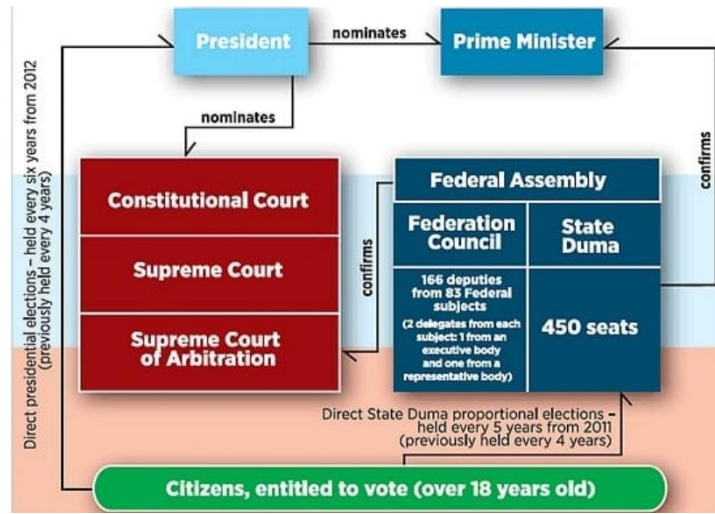
<sup>27</sup> <https://worldpopulationreview.com/country-rankings/poverty-rate-by-country>

<sup>28</sup> [https://en.wikipedia.org/wiki/Economy\\_of\\_Russia#cite\\_note-IMF\\_forecast-6](https://en.wikipedia.org/wiki/Economy_of_Russia#cite_note-IMF_forecast-6)



## Political Structure

- Russia's current political regime is a presidential-parliamentary system with a strong centralized executive (President and Prime Minister) and balancing bicameral legislature (Federal Assembly: Federation Council and Duma) and judiciary branches (Constitutional and Supreme Courts).<sup>29</sup>
- The President serves as the head of state and is the most powerful domestic and international office of the Russian state. The president has the power to appoint the premier (head of government), his deputies and ministers. The president also serves as commander of the military and as the preeminent diplomatic representative of the state. Vladimir Putin and Mikhail Mishustin are the current President and Prime Minister, respectively.<sup>30</sup>



- The Federation Council (Upper House) oversees passing legislation and the Duma (Lower House) has veto power over the decisions of the Council and the Executive, including the approval of the nominated prime minister.
- The Russian Central Bank has a strong influence on the economy. The Governor of the central bank Elvira Nabiullina claims that aggressive fiscal policy measures undertaken under her leadership are aimed at controlling rampant inflation, stabilizing the devalued ruble and to mitigate the effects of volatile global markets.<sup>31</sup>

<sup>29</sup> *Russia*. US Department of State <http://www.state.gov/documents/organization/160474.pdf>

<sup>30</sup> "Russia." 2015 CIA World Factbook.

<sup>31</sup> Ellyat, H. "Russia central bank leaves key interest rate at 11%." CNBC <http://www.cnbc.com/2015/12/11/russia-central-bank-leaves-key-interest-rate-at-11.html>

- On January 20, 2020, Russian President Vladimir Putin introduced a draft law on amending the Constitution to the State Duma. He proposed to consolidate the priority of the Constitution over international treaties, as well as entrust the State Duma with the approval of the head of government, deputy prime ministers and ministers. After the adoption of the amendments, the role of the Federal Assembly and the Constitutional Court will increase. A new body will appear in the Constitution - the Council of State. These amendments were approved on July 1, 2020, by a contested popular vote. The amendments had wide reaching impacts, including extending Presidential term limits, allowing the President to fire federal judges, and effectively banning gay marriage. With Putin's signing an executive order on July 3, 2020, to officially insert the amendments into the Russian Constitution, they took effect on July 4, 2020

### Russia's Proposed Constitutional Changes



#### President

##### Current

- Selects and appoints the prime minister
- Selects and appoints key members of the Russian Cabinet, approves others
- Serves as the head of the State Council and Security Council, can appoint members in both

##### Proposed changes

- Stricter term limits
- No longer approves Cabinet members beyond those in key positions
- Potentially weakened influence over the State Council and Security Council



#### Security Council, State Council

##### Current

- Both advise the president
- Both represent presidential power to other bodies
- Security Council defined under the constitution

##### Proposed changes

- State Council also defined under the constitution
- Potential amendments to the functioning of both councils under federal law



#### Duma

##### Current

- Approves the prime minister
- Can call vote of confidence

##### Proposed changes

- Fully responsible for the approval of Cabinet members (other than key members directly appointed by the president)

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### Political Considerations

The governance of Russia, whose commitment to democracy has been made questionable, can be summed up by the phenomenon of the Putin network. The Putin network refers to the practice of Putin alternating positions as President and prime minister. Following an initial two-term tenure as president, Vladimir Putin successfully became the Prime Minister of Russia alongside Dmitry Medvedev between the years of 2008 to 2012. Medvedev, who is an acquaintance of Putin from his time at law school at St. Petersburg University, is thought to have been simply an extension of Putin's continued outsized influence in governance during this period. Following a single term stint as Prime minister, Putin returned to the presidency in 2012. Due to the passage of a law in 2008, Putin was able to serve a single term as president for 6 years instead of 4 ending in 2018. In 2018 Putin again achieved reelection for a second term as president which he will serve till 2024. While the system has

lasted there have been certain challenges posed to its effectiveness going into the future. Putin has twice tried to privatize Russia's post-Soviet welfare system. In 2005, following the announcement of intentions to privatize Russia's welfare system, citizens staged large-scale protests across Russia forcing Putin to shelve such reforms.<sup>32</sup> In 2018, following the FIFA World cup Putin again tried to reform Russia's welfare system. Putin proposed raising the pension age for men from 60 to 65 and for women from 55 to 63.<sup>33</sup> Following intense opposition by the Russian public Putin's approval rating fell to a low of 48% thus demonstrating the inherent weakness of the Putin network's ability to deal with large-scale public opposition.<sup>34</sup>

Although the Russian people can exercise their right to vote freely, the government control the Duma through the overwhelming membership of United Russia in parliament has essentially all but eliminated the ability of the Duma to act as a check against abuses of power committed by the executive branch. United Russia is seen to be Putin's unofficial party of power even though Putin is not a member and has run most recently as an independent. Notable members of United Russia include close associates of Putin like prime minister Dmitry Medvedev and defense minister Sergey Shoigu, among others. As a result, United Russia is thought to simply be an extension of Putin's political network which he exerts peerless influence over.<sup>35</sup>

Elections favor candidates who are members of United Russia. Following a campaign of centralization of authority carried out by Putin in the early 2000's every regional political machine, save maybe two are dominated by politicians who are members of United Russia. As a result, most United Russia candidates can expect material support from united Russia and its regional networks

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<sup>32</sup> (January 16<sup>th</sup>, 2005). Russian's Continue to Protest Social Reforms. *Radio Free Europe; Radio Liberty*.

<https://www.rferl.org/a/1056877.html>

<sup>33</sup> Greene, S.; Robertson, G. (July 19<sup>th</sup>, 2018). Monkey Cage; Vladimir Putin's approval ratings are dropping. This is why. *The Washington Post*. [https://www.washingtonpost.com/news/monkey-cage/wp/2018/07/19/vladimir-putins-approval-ratings-are-dropping-this-is-why/?utm\\_term=.bb8f27d6f864](https://www.washingtonpost.com/news/monkey-cage/wp/2018/07/19/vladimir-putins-approval-ratings-are-dropping-this-is-why/?utm_term=.bb8f27d6f864)

<sup>34</sup> Kolesnikov, A. (August 15<sup>th</sup>, 2018). Why Putin's Approval Ratings are Declining Sharply. *Carnegie Endowment: Moscow Center*. <https://carnegie.ru/2018/08/15/why-putin-s-approval-ratings-are-declining-sharply-pub-77049>

<sup>35</sup> Reuter, O. (2017). The Emergence of a Dominant Party in Russia: United Russia, Putin, and Regional Elites, 2000–2010. In *The Origins of Dominant Parties: Building Authoritarian Institutions in Post-Soviet Russia* (pp. 107-158). Cambridge: Cambridge University Press. doi:10.1017/9781316761649.004

such as through an outsized media exposure.<sup>36</sup> It is effectively impossible for new political parties to form, and the threshold for representation in Parliament is 7% of votes in a single-member district – an incredibly high threshold. For comparison, thresholds in European Parliament cannot exceed 5%.

### **Freedom Indicators**

According to Freedom House, Russia is considered ‘not free.’ Russia does not enjoy a free press and has only ‘partly free’ Internet access. Russian parliament passed legislation that criminalizes blasphemy and openly gay behavior, which has the potential to hinder freedom of expression. Freedom House ranked Russia’s Freedom Score as follows:<sup>37</sup> In 2017 several developments pushed down Russia’s aggregate freedom score. In 2017 The Kremlin banned the activities of Jehovah’s witness on the basis that their organizations constitute an extremist group. The murders of several journalists and media professionals including Nikolay Andrushchenko, and Dmitry Popkov mark the first murder of Journalists in Russia since 2013. The opposition figure, Alexei Navalny was barred from running in the General Electoral Commission in 2018. The arrest and detention of him in January 2021 resulted in some of the largest protests in a decade. Authorities used excessive force against the demonstrators, and more than 11,500 people were detained.

An independent newspaper named Novaya Gazeta broke news on a story about the alleged policy of Chechen authorities torturing alleged homosexual men.<sup>38</sup> Nongovernmental organizations (NGOs) and journalists remained under severe threat throughout 2019. The government continued to harass them by branding them as foreign agents or undesirable organizations, fining them, and intimidating them with police raids and arrests.<sup>39</sup>

- Political Rights: 5 out of 40 (1 being worst, 40 being best) (2023)
- Civil Liberties: 11 out of 60 (1 being worst, 7 being best) (2023)

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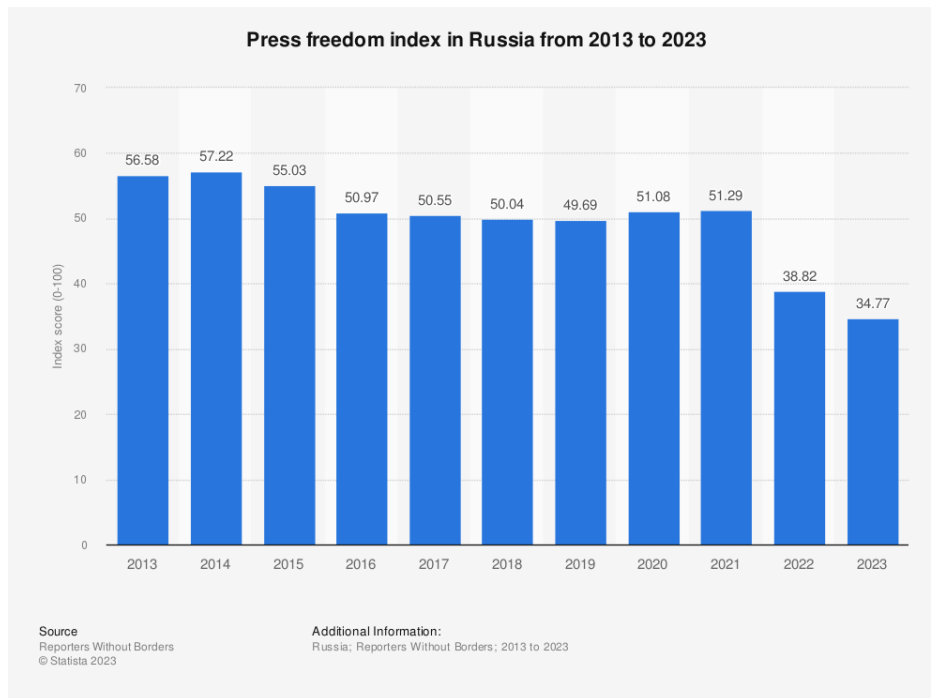
<sup>36</sup> Slider, D. (2017). Developments in Russian politics. Ch 10; A Federal State (?)

<sup>37</sup> “Russia.” Freedom House <<https://freedomhouse.org/country/russia/freedom-world/2021>

<sup>38</sup> Freedom House. (2018). *Freedom in the World 2018: Russia* (Freedom House Profile). Retrieved from <https://freedomhouse.org/report/freedom-world/2018/russia>

<sup>39</sup> Russia. (n.d.). Retrieved June 25, 2020, from <https://freedomhouse.org/country/russia/freedom-world/2021>

- Aggregate Score: 16 out of 100 (100 being best, 0 being worst) \*Not Free<sup>40</sup>



## Key Factors

### **Energy Supply:**

- Even in a time of recession, Russia generated 1.064 trillion kWh of energy from fossil fuels, hydroelectric and nuclear power, and other renewable sources and remains the fourth major producer of global energy. Even though many energy firms such as State oil-giants Rosneft and Gazprom have been affected by crippling sanctions imposed by the west in 2014, The Russian gas industry managed to extract 593,066,000 tons of crude oil, 442,188,900 tons of Coal between January of 2017 and January of 2018 according to the Russian department of energy.<sup>41</sup> These represent, respectively an increase in oil production of 1.42% per annum and an increase in coal production of 1.93% per annum. These values depict a steady output of both energy sources which bode well for the Russian energy industry when compared to more dismal growth rates during the period between 2014 and 2015. For

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<sup>40</sup> Ibid.

<sup>41</sup> (2018). Statistics, Coal, Crude Oil, Ministry of Energy of Russian Federation. Retrieved from <https://minenergo.gov.ru/en/activity/statistic>

example, in the period between January of 2014 and 2015 crude oil production only increased at a rate of 0.17%. a report by the Atlantic council done in 2017 to assess the effect of western sanction of the Russian oil industry illustrates that The Russia oil industry has largely sidestepped the effects of sanctions. The author of the report Bud Coote attributes this to the two factors' those being the relative ease of extraction drilling in Siberian oil fields as well as the technological advantages which private drilling technology firms have rendered to Russia's state oil companies.<sup>42</sup>

- Nord Stream 2 is a new export gas pipeline running from Russia to Europe across the Baltic Sea. The new pipeline, like the one in operation, will establish a direct link between Gazprom and the European consumers. It will also ensure a highly reliable supply of Russian gas to Europe. This is particularly important now when Europe sees a decline in domestic gas production and an increasing demand for imported gas.

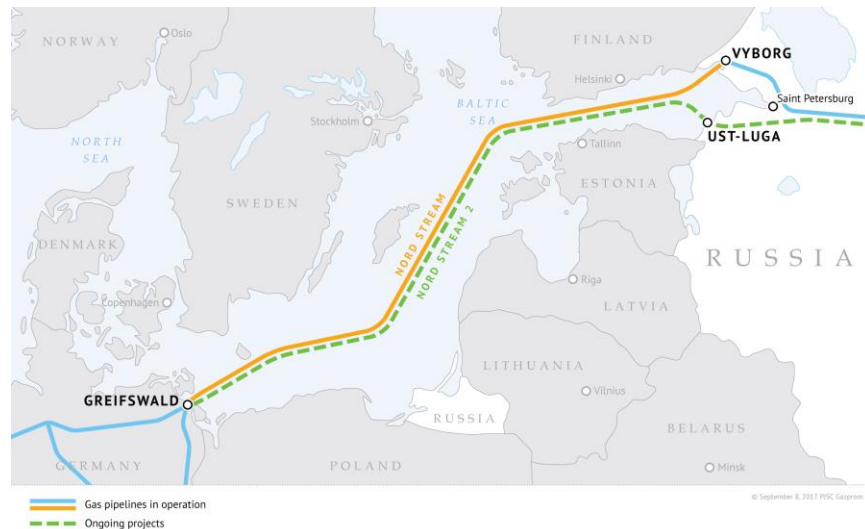
- Nord Stream 2 (NS2) is being built with the use of reliable technologies proven in the Nord Stream construction project. The successful experience of Nord Stream AG, which constructed and now operates Nord Stream, provides additional guarantees that the Nord Stream 2 project will comply with the highest environmental standards.<sup>43</sup> NS2 was put on indefinite hold by German Chancellor Olaf Scholz on February 22, 2022, in response to Russia's diplomatic recognition of 2 separatist regions in eastern Ukraine.<sup>44</sup>

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<sup>42</sup> Coote, B. (2018) Impact of Sanctions on Russia's energy sector. Atlantic Council: Global Energy Center. Retrieved from [http://www.atlanticcouncil.org/images/publications/Impact\\_of\\_Sanctions\\_on\\_Russia\\_s\\_Energy\\_Sector\\_web.pdf](http://www.atlanticcouncil.org/images/publications/Impact_of_Sanctions_on_Russia_s_Energy_Sector_web.pdf)

<sup>43</sup> Bloomberg. (2020, May 13). Nord Stream 2 Pipeline is Nearing Its Endgame. Retrieved June 25, 2020, from [https://www.rigzone.com/news/wire/nord\\_stream\\_2\\_pipeline\\_is\\_nearing\\_its\\_endgame-13-may-2020-162076-article/](https://www.rigzone.com/news/wire/nord_stream_2_pipeline_is_nearing_its_endgame-13-may-2020-162076-article/)

<sup>44</sup> <https://fortune.com/2022/02/22/germany-shelves-nord-stream-2-natural-gas-pipeline-russia-moves-ukraine-donbas/>



### Consumer Market:

Russia’s consumer market is not on the magnitude of giants like the U.S., China or India, with a population of only 144 million people. Yet, Russian consumers have average incomes that are on average a third higher than that of contemporaries in China. On top of this, Russian consumers exhibit consumption habits like their American counterparts. The effect of the financial crisis in Russia during 2014-2016 had the effect of making many Russian consumers far more cautious in their spending and saving behavior but also had the effect of causing many consumers to replace spending on products such as alcohol and tobacco products with health and wellness products as well as on education and travel. The earlier interest of Russians in brand named goods has changed to prioritize name brand products when it comes to consumer electronics instead of clothing for example. As a result of the changing interests of the Average Russian consumer there is a potential for companies to access the Russian consumer market to their advantage; given they reassess their understanding of the average Russian consumer.<sup>45</sup>

<sup>45</sup> Kotov, I; Boutin, N Tuschen, S; Bakhtin, M; Yakovlev, N; Pogorelskaya, E; Ivanova, A. Russian Consumers and the New Economic Reality, Boston Consulting Group. Retrieved from <https://www.bcg.com/publications/2018/russian-consumers-new-economic-reality.aspx>

## Current Challenges

**Invasion of Ukraine and Comprehensive Sanctions:** On February 24, 2022, Russian forces launched a full-scale invasion of Ukraine to overthrow the country's leadership, establish a pro-Russian puppet government, and annex additional swathes of Ukrainian territory. Russian forces opened three main fronts in the conflict. One thrust saw forces push south from Belarus in order to capture Kyiv and decapitate the Ukrainian government. Another, involved forces moving north and west from occupied Crimea, targeting key cities and linking up with Russian "peacekeepers" stationed in the restive eastern Moldovan region of Transnistria to encircle Ukrainian forces. The final front used secessionist areas in eastern Ukraine as a staging point for attacks on internal Ukrainian cities like Kharkiv and Kherson.

However, the invasion did not go according to Russia's plans. Russian leaders expected the Ukrainian military to capitulate in a matter of days, leaving the bulk of Russia's 190,000 invasion force to mop up the remaining resistance. This did not occur. The Ukrainian Armed Forces, who Western militaries almost completely rebuilt from the ground up in the aftermath of the 2014 Crimean crisis, put up a ferocious fight. Backed by billions of dollars in Western security assistance, Ukraine was able to defend its capital and protect its top leadership. Not prepared for an extended fight, Russian logistics capabilities began to break down. This enabled Ukraine to launch large scale counteroffensives that ejected Russian forces from the north of the country, halted advances in the south, and locked Russia into a brutal and expensive war of attrition in the eastern Donbas region.

In response to the invasion, the West (led by the United States) imposed crippling economic and political sanctions. Russia was cut off from the global foreign exchange market, kicked out of the SWIFT international payments system, and removed from several diplomatic forums. The West halted imports of most Russian goods, with only limited exceptions made for vital energy imports. The sanctions have essentially relegated Russia to pariah status and set its economy back decades. Without access to international capital markets and unable to raise sufficient domestic tax revenues, Russia defaulted on its sovereign debt for the first time since 1918. With the war unlikely to be resolved soon, it is probable that comprehensive Western sanctions will remain in place for the foreseeable future.



## **Annexation of Crimea and Sanctions:**

The Crimean Peninsula, north of the Black Sea in Europe, was annexed by the Russian Federation in 2014. There were several factors why Russians took back the Crimea. First, the Crimean operation was a response to the threat of further NATO expansion along the western borders of Russia. Putin went on to capture the peninsula in an effort to prevent one of two dangerous scenarios: first, the likelihood of Ukraine joining NATO, and secondly, the possibility of Kiev's eviction of the Black Sea Fleet from its old base in the port of Sevastopol. Secondly, the annexation of Crimea as part of the Russian project to gradually return to itself the former territories of the Soviet Union. That means as a loss of prestige after the Cold War. Putin is trying to take back step by step some of past Soviet Union territory. The last one is that Crimea has one of the most important ports that Russia was seeking of getting it back.<sup>46</sup> On the picture below, you can look at timeline of this conflict.<sup>47</sup>

President of Ukraine Vladimir Zelensky advocates an increase in the number of conferences on which the issue of the de-occupation of Crimea will be discussed, including at the international level. The President emphasized that the return of the Crimean Peninsula under the Ukrainian flag is one of the conditions for lifting sanctions from Russia.<sup>48</sup>

**Economic Diversification:** Russia's economy is far too dependent on hydrocarbons, which account for 58% of GDP, and other raw materials (wood, natural gas, minerals, etc.). This is compounded to the absence of developed industries – except for the military industry – to create an unstable economy with extremely volatile currency, prices and capital inflow.

**Government Over-Regulation of the Economy:** Even though Russia has sustained a market economy for the last 25 years, the government still imposes stiff controls on private industries, such

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<sup>46</sup> Fisher, Max. "Everything You Need to Know about the Ukraine Crisis." *Vox*, Vox, 3 Sept. 2014, [www.vox.com/2014/9/3/18088560/ukraine-everything-you-need-to-know](http://www.vox.com/2014/9/3/18088560/ukraine-everything-you-need-to-know).

<sup>47</sup> "Ukraine Crisis: Timeline, November 2013 – February 2015." *European Parliamentary Research Service Blog*, 13 Feb. 2015, [epthinktank.eu/2015/02/13/minsk-peace-agreement-still-to-be-consolidated-on-the-ground/eprs-briefing-548991-minsk-peace-summit-fig1-timeline/](http://epthinktank.eu/2015/02/13/minsk-peace-agreement-still-to-be-consolidated-on-the-ground/eprs-briefing-548991-minsk-peace-summit-fig1-timeline/).

<sup>48</sup> French Press Agency. "Ukraine's Zelenskiy Declares Annual Day against Russia's Crimea Annexation." *Daily Sabah*, Daily Sabah, 26 Feb. 2020, [www.dailysabah.com/world/ukraines-zelenskiy-declares-annual-day-against-russias-crimea-annexation/news](http://www.dailysabah.com/world/ukraines-zelenskiy-declares-annual-day-against-russias-crimea-annexation/news).

as taxes and price regulations, which have been implicated in substantial losses of efficiency in such industries.

**Corruption:** According to an Associated Press-GFK poll, 85% of Russians say that corruption is a serious problem facing their country today. Moreover, there is a poor enforcement of property rights, which is crippling to companies' ability to invest in R&D and other sources of innovation.

**Substance Abuse:** Russia also has a crippling problem with alcohol and drug abuse, specifically heroin. Russia consumes more heroin than any other country in the world.

**Size of Labor Force:** Russia has maintained an average unemployment rate of 5.2% over the period of 2013-2017. This is less than the unemployment total over the same period for a total assessment of Unemployment in OECD countries of 5.8 percent, placing Russia among countries like Brazil, Poland, Austria and Luxembourg.<sup>49</sup> This is mitigated though by the fact that the size of the Russian labor force is declining as the birthrate in Russia declines. According to an interview between Russian Economy Minister Maxim Oreshkin and reporters from Reuters in 2017 the declining number of young people entering the workforce has the potential to slow economic growth in the future. The Kremlin has identified the high-tech sector of the economy as the key to Russia's sustained economic growth in the future. Without adequate numbers of young people entering the workforce, this may be hard to achieve as there will not be sufficient employees to staff Russia's high-tech firms.<sup>50</sup>

### **Environmental Protection:**

The modern environmentalist movement in Russia's dates to the premiership of Mikhail Gorbachev under the Soviet Union. Following the collapse of the Soviet Union and the subsequent economic troubles, environmentalists in Russia have had a hard time making their voices heard. Within Russia there is an epidemic of corporate denial of responsibility when it comes to the environment. Environmental irresponsibility on the part of Russian businesses come mostly in the form of illegal and unregulated resource use. Efforts by Russian environmental organizations to demand more corporate responsibility when it comes to the environment has been dulled by the Kremlin under the

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<sup>49</sup> OECD (2018). Russian Federation: Unemployment Rate Retrieved from <https://data.oecd.org/unemp/unemployment-rate.htm>

<sup>50</sup> Pinchuk, D.; Kiselyova, M. (October 3<sup>rd</sup>, 2017). 'No miracles': labor shortage set to hit Russia's GDP. *Reuters*. Retrieved from <https://www.reuters.com/article/us-russia-labour-demography/no-miracles-labor-shortage-set-to-hit-russias-gdp-idUSKCN1C80CY>

leadership of Vladimir Putin. Domestic environmental groups in Russia have been labeled by the government as “anti-Russian” and have been shut down or had their offices raided.<sup>51</sup>

On May 29, 2020, in Norilsk, about 21 thousand tons of diesel spilled out of a reservoir on the territory of TPP-3. The power plant is owned by the Norilsk-Taimyr Energy Company (NTEC), the daughter of Norilsk Nickel, whose largest shareholders are Interros by Vladimir Potanin and UC Rusal, founded by Oleg Deripaska. According to Environment control department, 6 thousand tons fell into the ground, another 15 thousand tons - into the water.<sup>52</sup>



### **Terrorism:**

The Russian Federation been subject to a number a Terrorist attacks throughout its history. These include attacks by Chechen extremists such as in the cases of the Beslan hostage crisis in 2004, the Moscow Theatre Hostage crisis in 2002. Many of the attacks have been carried out by Islamic extremists from Chechnya and Dagestan. The presence of Islamic extremists in regions such as Chechnya has been curbed by efforts to minimize their influence on the part of the Ramzan Kadyrov, who is head of the Chechen state. Russia also faces the potential for attacks by Islamic extremists originating from Central Asian countries such as demonstrated by the Moscow Metro bombing in 2017. There have been allegations on the part of the Russian government in the past that international

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<sup>51</sup> Joshua P. Newell & Laura A. Henry (2017): The state of environmental protection in the Russian Federation: a review of the post-Soviet era, *Eurasian Geography and Economics*, DOI: 10.1080/15387216.2017.1289851

<sup>52</sup> Russian Arctic oil spill pollutes big lake near Norilsk. (2020, June 09). Retrieved June 25, 2020, from <https://www.bbc.com/news/world-europe-52977740>

terrorist organization like Al-Qaeda have had a strong role funding or coordinating attacks on Russia. Yet this is uncertain, as most claims center around a potential connection between Chechen militants and Al-Qaeda. There is some evidence that there have been communications between both entities, but no evidence has been found to indicate an operational partnership. In the case of Islamic extremists from Central Asian nations it is uncertain whether there are strong ties between potential terrorists and organizations like the Islamic state. Recently in August of 2018 a group of Tajik youth carried out an attack on Western tourists in the country after having allegedly pledged allegiance to the Islamic state.<sup>53</sup> Grounds for potential Islamic state influence in the region are justified by the proximity of several Central Asian nations to Afghanistan, where the Islamic state has been extremely active.<sup>54</sup> Due to Russia's involvement in the Syrian Civil War, it has become a target of ire from Islamic extremists. Russia has had to be careful in hosting international events. In 2014, the Kremlin allegedly foiled a plot by Dagestani extremists to set off bombs at the Sochi Olympics.<sup>55</sup> Russia's hosting of the 2018 FIFA World Cup was punctuated by fears that the Islamic state would carry out attacks in retaliation for Russian involvement in the Syrian Civil war. No attacks were carried out, but the fears were none-the-less legitimate.<sup>56</sup> As a result, Russia must be careful to monitor developments in regard to international Islamic terrorism.

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<sup>53</sup> Ferris-Rotman, A; Brice-Saddler, M; Chason, R, (July 31<sup>st</sup>, 2018), D.C. Cyclists killed in Islamic State-claimed attack in former Soviet Central Asia. *The Washington Post*. [https://www.washingtonpost.com/local/dc-cyclists-killed-in-islamic-state-claimed-attack-in-former-soviet-central-asia/2018/07/31/52a12b8c-94bc-11e8-810c-5fa705927d54\\_story.html?utm\\_term=.749f86e7ae56](https://www.washingtonpost.com/local/dc-cyclists-killed-in-islamic-state-claimed-attack-in-former-soviet-central-asia/2018/07/31/52a12b8c-94bc-11e8-810c-5fa705927d54_story.html?utm_term=.749f86e7ae56)

<sup>54</sup> (December 15<sup>th</sup>, 2017). Islamic State may set eyes on Central Asia, top diplomat warns. *TASS*. <http://tass.com/politics/981299>

<sup>55</sup> Zenko, M (February 25<sup>th</sup>, 2014) When Terrorism (That Never Happened) Made Headlines in Sochi. *Foreign Policy Magazine*. <https://foreignpolicy.com/2014/02/25/when-terrorism-that-never-happened-made-headlines-in-sochi/>

<sup>56</sup> William, B; Souza, R. (May 2018) The Islamic State Threat to the 2018 FIFA World Cup, *Combating Terrorism Center: At West Point*. Vol 11, Issue 5. Retrieved from <https://ctc.usma.edu/islamic-state-threat-2018-fifa-world-cup/>

# Tensions between Russia and Turkey:

### Turkey Signs Russian Missile Deal, Pivoting From NATO




The S-400 missile system on display during a military parade in Moscow in 2015. Western officials are uneasy over Russia's influence in Turkey, a NATO member. [Agence France Press, via Reuters](#)

By Carlotta Gall and Andrew Higgins  
Sep. 12, 2017

### TURKEY AND RUSSIA: A REMARKABLE RAPPROCHEMENT


MICHAEL A. REYNOLDS  
OCTOBER 24, 2019



Julian's Note: This is an essay from "Turkey's Resurgence: The Future of Turkey's Foreign Policy" (downloaded with permission, the Brookings National Security Review, its core text is at [http://bit.ly/2u8m886](#))

### Turkey, Russia Launch TurkStream Pipeline Carrying Gas to Europe

By Charles A. Kupchan and Cori Seneff for Reuters  
Jan. 9, 2020



The pipeline project, stretching 3,000 kilometers (2,000 miles) across the Black Sea, stretches along energy ties between Russia and Turkey.

### Turkey and Russia Near Breaking Point in Syrian Standoff

By JILLIAN CASANOVA and JESSICA KRAMER  
February 21, 2020, 7:37 AM EST Updated on February 21, 2020, 12:48 PM EST

- Turkey backs U.S. for Russian air strike-jets kill scores
- Threat of fresh refugee wave adds pressure on Erdogan to act



### Trump, Turkey call on Russia to stop backing Syrian 'atrocities'

US president expressed concern over escalating violence and a desire for Moscow to end support for Syria government.

17 Feb 2020



An internally displaced child carries a stuffed animal as he sits on a woman's lap at a makeshift camp in Afrin, Syria (Dhali Ashraf/Reuters)

### Erdogan: Turkey, Russia should resolve differences without anger

Recent deadly clashes between Syrian government and Turkish forces threaten to raise tensions between Ankara and Moscow.

4 Feb 2020



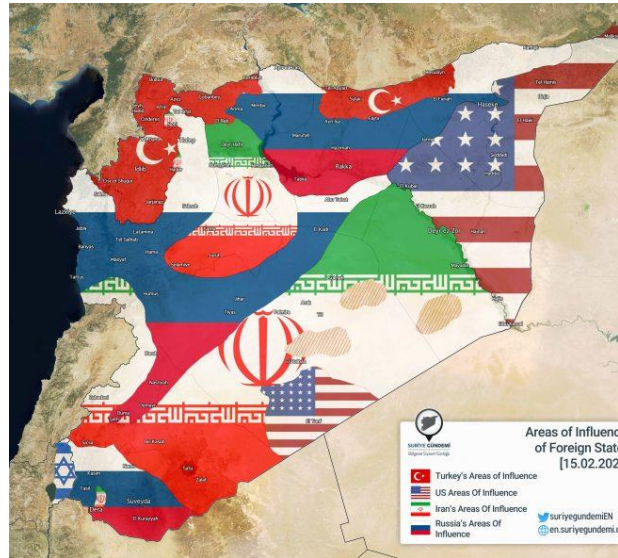
Erdogan urged Russian forces to 'stand aside' while Turkey struck targets in retaliation to a Syrian government force assault (Reuters)

## Overview

In 2020, the two governments had completely different perspectives. On February 18, 2020, Turkish and Russian diplomats held talks in Moscow. On February 19, a Turkish operation against Syrian government forces was “unavoidable.”. While tensions between Turkey and the West were strained in the aftermath of Turkey’s decision to purchase the Russian S-400 air defense system, Turkey has been a key partner in Western efforts to sanction Russia in response to its invasion of Ukraine. Turkey supported most Western economic measures and reluctantly agreed to accept Sweden and Finland’s accession to NATO. While some analysts had believed Turkish President Erdogan would continue to cozy up to Russian President Vladimir Putin as a result of their shared disdain for liberal democratic values and converging interests in combating terrorism in Syria, the Russian invasion of Ukraine has chilled relations between the two countries. With this complicated backdrop, the immediate future of Russian-Turkish tensions remains uncertain

## What does Russia want in Syria?

- Syrian President Bashar al-Assad had asked for Russia to intervene by providing military assistance.
- Mediterranean naval base at Tartus, that it is determined to keep.
- Kremlin concerns about the spread of Islamist violence are genuine.
- Bolster Putin's support at home.<sup>57</sup>



## What does Turkey want?

- To ensure the security of its southeastern regions bordering Syria for more than 800 kilometers.
- The creation of a zone where Turkey could send Syrian refugees, who are now accommodated on its territory.<sup>58</sup>



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<sup>57</sup> Русском, R. Т. на (2020, February 24). Россия и Турция готовят новую серию консультаций по Идлибу. Retrieved from [https://russian.rt.com/world/news/721840-lavrov-konsultaciya-idlib-turciya?utm\\_source=browser&utm\\_medium=push\\_notifications&utm\\_campaign=push\\_notifications](https://russian.rt.com/world/news/721840-lavrov-konsultaciya-idlib-turciya?utm_source=browser&utm_medium=push_notifications&utm_campaign=push_notifications)

<sup>58</sup> Al Jazeera. (2020, February 23). Tensions rise in Syria after Turkish soldier killed in Idlib. Retrieved from <https://www.aljazeera.com/news/2020/02/erdogan-meet-leaders-russia-france-germany-idlib-200222171408422.html>