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The Lasting Strategic Impact of the War in Ukraine

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Most of the analysis of the war in Ukraine focuses on the current fighting and the prospects for some decisive set of battles between Ukraine and Russia. It is also all too clear from the attempt of Yevgeny Prigozhin to use his Wagner forces to move on Moscow, however, that the course of the war can suddenly change in unpredictable ways because of the decisions of a single individual, military offensive, or shifts in the level of outside support by other nations.

At the same time, there is a significant possibility that the fighting in Ukraine will go on for years, that it will unleash broader forces that will make any settlement or “peace” highly unstable, and that the war will lead to a new and lasting form of Cold War between the West and Russia, as well as have broader global impacts.

It already seems all too likely that any form of conflict termination, and an apparent end to the fighting, will create an enduring level of political confrontation and arms race between Ukraine and Russia that will last as long as anyone like Putin is in power and as Ukraine has strong independent leadership. Any formal end to the fighting may also end in the kind of settlement that leads to recurrent violent incidents and to an ongoing political and economic struggle as Ukraine seeks to rebuild and establish ties to NATO, and Russia and Ukraine remain hostile in every way short of ongoing fighting.

It seems equally likely that any form of conflict termination between Ukraine and Russia will leave NATO and the West engaged in a new form of Cold War and in a much broader and enduring regional arms race that has major political and economic dimensions. It is already clear that it is likely to involve a nuclear as well as conventional arms race and that one changes the nature of nuclear deterrence and how any actual use of nuclear weapons is likely to take place.

The war has already challenged the different members of NATO to create and maintain an effective form of deterrence and warfighting capability in Europe, and challenged Russia to rebuild, modernize, and expand its own military capabilities. This arms race is almost certain to continue once the direct fighting between Russia and Ukraine stops. It already has challenged the unity of NATO and the willingness of given countries to make long-needed improvement in their forces and provide aid to Ukraine.

As noted earlier, both Slovakia and Hungary have only presented limited support of Ukraine from the start, and Turkey has drifted toward closer relations with Russia for other reasons. The polls that show a decline in support for aid to Ukraine also tend to show a lack of support for the added military spending needs to make NATO’s force more modern, interoperable, and effective, and many NATO countries, including the United States and key countries like Germany have growing “right wing” political elements that do not support aid.

At the same time, the war has shown that Russia faces serious challenges in modernizing and reshaping its military forces and can be expected to seek every opportunity to divide NATO and exploit the tensions within Europe and the Atlantic community. These challenges may never lead Russia to become involved in an open warfare with the West, although that will be an ongoing possibility. Yet only massive shifts in Russia’s political leadership, and ones of a very different

kind from Prigozhin’s advance on Moscow, seem likely to avoid at least a decade of future military and economic confrontation and political and economic struggle between Russia and the West.

These tensions and power struggles will affect the rest of the world as well. Putin has repeatedly stated that Russia will seek to decouple its economy from dependence on Europe, the West, and its “rules-based” system. He has indicated that Russia will seek to create new economic and strategic ties to China and other non-Western states, try to expand its influence outside Europe, and in the rest of the world to increase Russia influence relative to the United States and its strategic partners. Putin has also stated that Russia should create an economy and social structure that could take the form of a closer alignment between Russia and China.¹

Some of these goals are almost certainly unrealistic, but they do make it likely that there will be no real end to the war in Ukraine. Even if the actual fight between Russia and Ukraine halts, the arms race between Russia and West will continue and be increasingly linked to the tensions and arms race between China and the United States and its strategic partners and ensure that the economic confrontation between the West and Russia will increasingly be linked to the confrontation with China.

There is no way to predict the forms that each of these three ongoing levels of struggle will take. There are too many major uncertainties in each case, and much of the data that can be used to assess the forces that could shape events are conflicting or uncertain. This analysis does, however, highlight some of the more probable ways the fighting between Ukraine and Russia might develop, how it might impact the broader regional confrontation between Russia and the West, and how the war in Ukraine might impact broader global struggles between Russia, China, and the rest of the developed world.

It explores the key data and trends that are available on the possible evolution of each of these three levels of competition and potential conflict and provides quantitative analyses of the trends where possible. It also describes key uncertainties, how the war in Ukraine is influencing the broader trends in Western and Russian conventional and nuclear forces, and the level of global economic and military competition between the major powers.

The analysis has the following table of contents:

THE FIGHTING BETWEEN RUSSIA AND UKRAINE: PREDICTING THE UNPREDICTABLE.....	6
PEACE IS THE PREFACE TO NEW WARS.....	6
THE LASTING IMPACT OF FIGHTING BETWEEN RUSSIA AND UKRAINE.....	8
FROM DAYS OF SUDDEN VICTORY TO YEARS OF A WAR OF ATTRITION?.....	8
PUTIN’S VIEW OF A RUSSIAN SETTLEMENT WITH UKRAINE	9
ZELENSKY’S TEN POINT PEACE PLAN	12
THE UNCERTAIN PROSPECTS FOR A STABLE END TO THE FIGHTING BETWEEN RUSSIA AND UKRAINE	15
EVERYTHING IS PREDICTABLE UNTIL IT IS NOT	15
THE FLOW OF AID TO UKRAINE AND THE STATE OF THE RUSSIAN ECONOMY ARE CRITICAL VARIABLES	16
ANY CEASEFIRE AND ARMISTICE MAY NOT BE A REAL PEACE.....	18
REBUILDING UKRAINE MAY EXTEND THE CIVIL SIDE OF THE WAR FOR A DECADE.....	19

MAKING UKRAINE A FORMAL OR DE FACTO PART OF NATO AND THE EUROPEAN UNION	20
THE LASTING CONFRONTATION IN TERMS OF EUROPEAN AND ATLANTIC SECURITY, AND A NEW “COLD WAR” BETWEEN THE WEST AND RUSSIA.	21
RUSSIA VERSUS THE WEST: THE WAR IN UKRAINE HAS GRAND STRATEGIC IMPACTS	21
THIS TIME THE PEACE DIVIDENDS ARE REALLY OVER	22
<i>Figure 1: Ukraine’s Strategic Position in Europe</i>	24
RUSSIA’S NEED TO LIMIT NATO’S EFFORTS TO CREATE A VALID LEVEL OF EXTENDED DETERRENCE AND FIGHT A NEW “COLD WAR”	26
THE SHEER POINTLESSNESS OF THE 2 PERCENT SOLUTION	27
PUTIN’S FOREVER WAR.....	28
PUTIN ON CONFRONTATION WITH THE WEST IN 2023: YEAR AFTER THE START OF THE WAR IN UKRAINE.....	29
PUTIN’S CALL FOR A MAJOR RUSSIAN MILITARY BUILD-UP	31
RUSSIA’S LIMITED RESOURCES FOR MILITARY SPENDING	32
<i>Figure 2: Stockholm Institute of Peace Research Estimate of Top 25 Military Spenders: 2013–2022</i>	33
LINKING UKRAINE WAR TO ENDING EFFORTS AT NUCLEAR ARMS CONTROL	33
<i>Figure 3: Failing to Negotiate Russian Noncompliance with the INF Treaty</i>	35
<i>Figure 4: The New START Treaty: Aggregate Number of Strategic Offensive Arms</i>	38
RAISING THE SPECTER OF NUCLEAR WAR WHEN NUCLEAR WEAPONS ARE THE ONLY REMAINING AREA WHERE RUSSIA IS STILL A SUPERPOWER.....	39
<i>Figure 5: Russian Nuclear Modernization Programs</i>	41
NATO AND RUSSIA’S STRATEGIC POSTURE HALF A DECADE FROM NOW: COMPLEXITY THEORY OR CHAOS THEORY	43
THE IMPACT ON GLOBAL COMPETITION: DECOUPLING FROM THE WEST AND TURNING TOWARD CHINA?	46
DECOUPLING RUSSIA FROM THE WEST AND A “RULES BASED ORDER”	46
RUSSIA IS BARELY A MID-LEVEL ECONOMIC POWER IN GLOBAL TERMS	54
<i>Figure 7: Russia Is at Most a Second-Rate Global Economy</i>	55
<i>Figure 8: Russia’s Low Growth in Annual Value</i>	56
<i>Added of Industry (including construction)</i>	56
<i>Figure 9: Russia’s Low Percentage Share of Global Research</i>	57
<i>and Development Spending</i>	57
<i>Figure 10: Russia’s Low Gross Domestic Expenditures on R&D (GERD)—a Measure of a Country’s Total R&D Investment—and National R&D Intensity (GERD-to-GDP ratio)</i>	58
<i>Figure 11: World Trade Organization Estimate of Russia’s Comparative Levels of Merchandise Exports 2016-2020</i>	59
BUT, RUSSIA DOES HAVE SOME CORE NATIONAL SECURITY STRENGTHS IN COMPETING WITH THE WEST	60
<i>Figure 12: Russia’s Conventional Forces in 2022</i>	61
RUSSIA’S MILITARY-INDUSTRIAL BASE	62
RUSSIA’S ARMS EXPORTS AS SOURCE OF DECOUPLED FUNDS AND ECONOMIES OF SCALE IN MILITARY INDUSTRY AND RESEARCH AND DEVELOPMENT	63
<i>Figure 13: SIPRI Estimate of Russia Arms Exports: 2003–2023</i>	66
OIL AND GAS EXPORTS AID RUSSIA’S ABILITY TO FINANCE AND SUSTAIN A WAR AND MILITARY-INDUSTRIAL BASE.....	67
RUSSIA’S ENERGY EXPORTS.....	67
<i>Figure 14: OEC Estimate of Russia Exports by Importing Country: January 2019 to April 2023</i>	70
<i>Figure 15: Shifts in Russian Share of European Union Gas Demand Met by Russian supply, 2001-2022</i>	71
CHINA AS A POSSIBLE FOCUS OF A MAJOR RUSSIAN DECOUPLING FROM THE WEST	72
THE PROSPECTS FOR A CLOSER RUSSO-CHINESE STRATEGIC PARTNERSHIP	72

RUSSIA AND THE CHINESE PEACE “PLAN”	76
COOPERATION BETWEEN A TRUE GREAT POWER AND MAJOR ECONOMY AND A FADING STATE	79
<i>Figure 16: China’s Major Trading Partners in 2020</i>	81
CHINESE STRATEGIC DEPENDENCE ON FOSSIL FUELS	82
<i>Figure 17: Trends in Chinese Oil and Gas Imports</i>	85
THE IMPACT OF TRENDS IN THE RUSSIAN, U.S., AND CHINESE MILITARY BALANCE	86
SHARING STRATEGIC PARTNERS?	88
THE PROBABLE LIMITS TO RUSSIAN AND CHINESE STRATEGIC COOPERATION AND MILITARY TIES	89
<i>Figure 18: U.S., Chinese. And Russian Conventional Military Forces in 2021/2022 – Part I</i>	94
<i>Figure 18: U.S., Chinese. And Russian Conventional Military Forces in 2021/2022 – Part II</i>	95
<i>Figure 19: Chronology of Russian and Chinese Military Exercises: 2005–2020 - Part One</i>	96
<i>Figure 19: Chronology of Russian and Chinese Military Exercises: 2005–2020 - Part Two</i>	97
<i>Figure 19: Chronology of Russian and Chinese Military Exercises: 2005–2020 - Part Three</i>	98

The Fighting between Russia and Ukraine: Predicting the Unpredictable

There currently is no way to predict the outcome of the current fighting in Ukraine, or its broader impact on European security and global competition with Russia and China for even a year, much less a decade or more. As the destruction of the Kakhovka dam in June 2023 has shown, there can be sudden surprises in the ongoing conflict within Ukraine.

No one predicted that near record rains and mud would delay a possible Ukrainian spring offensive earlier in 2023. No one predicted that Russia's Wagner forces would advance on Moscow in June 2023 and then suddenly halt. As of the summer of 2023, there is no way to know how the fighting will play out during the rest of the year. There also is no historical basis for predicting how long the fighting will last, and whether or when some form of conflict termination will occur.

So far, the war in Ukraine has become a war of attrition where neither side seems to have a decisive advantage, and where both sides have the resources and strong political and strategic reasons to keep fighting. They have established strong forward defenses including networks of trenches, hard points, and minefields, and defenses in depth backed by artillery, armor, drones, missiles, airpower, and air and missile defenses. The result could be a war that lasts for several more years unless major shifts take place in Russia's leadership or the West ceases to provide the aid Ukraine needs to continue fighting,

At the same time, military history warns that many wars of attrition have suddenly ended with the catalytic collapse of one side in ways that few, if any, predicted in advance. World War I and the Afghan War are just a few examples of the fact that such fighting can suddenly end because of the near exhaustion of one side. In both cases, this sudden end to a war of attrition was not widely predicted, although its possibility was clearly increasing, and any study of military history should have warned both sides that the probability of the sudden collapse of a given side was increasing with time.

Peace Is the Preface to New Wars

At the same time, history warns that conflict termination and peace agreements often do not mean an end to war. The Vietnam and Afghan wars are all too recent examples of the fact that a focus on winning battles and having some kind of peace negotiations or conflict termination agreement do not define either a victory or a real peace in grand strategic terms. One of the most serious and continuing failures in both political and military strategy is to focus on defeating the enemy or the immediate process of conflict termination without considering how to achieve lasting peace and stability.

Many wars have not ended even though the formal fighting ceased or some kind of ceasefire or peace agreement led to a pause in the fighting. Many supposed peace agreements have triggered much broader and lasting patterns of regional and global conflict. The rise of the Spanish, Swedish, British, and French empires each led to series of interconnected wars, rather than peace. In retrospect, the democratic upheavals in France that overthrew the monarchy had much the same result as the Arab spring. They led to a series of Napoleonic Wars that began in 1803 and ended in June 1815.

The Battle of Waterloos the led to an apparent lasting peace in Europe that actually involved a host of smaller conflicts that proved to be the preface to another period of “peace” that ended with the Franco-German war of 1870, and another peace that then became the preface to World War I.

Wars can also escalate in unpredictable ways. No one planned for an assassination in Sarajevo to escalate into a World War, or for the German defeat of Russia in 1917, and a seemingly successful German offensive in the West in 1918, to exhaust and defeat Germany that same year. The seeming end to World War I, peace of Versailles, and creation of the League of Nations became the preface to years of tension and then to World War II.

The allied victory in World War II then led to a Cold War between the West and Soviet Union that began before World War II even ended. The Cold War then suddenly and unexpectedly ended with the collapse of the Soviet Union and Warsaw Pact in 1991. However, something close to the same power struggle reemerged when Russian invaded of the Crimea in 2014 and reached region-wide intensity when Russia invaded Ukraine on February 14, 2022.

The Arab-Israeli conflicts led to four major wars (1948, 1956, 1967, and 1973), and the peace efforts after each war have still failed to create peace between Israel and the Palestinians after more than 70 years of conflict. The Congo, Somalia, and Sudan have all been the scene of repeated wars in Africa. North and South Korea fought from 1950-1953, still only have ceasefires punctuated by low-level clashes, and are involved in both a conventional arms race and nuclear proliferation. The Paris Accords in Vietnam were the preface to U.S. withdrawal but scarcely ended the fighting and turned the South’s supposed “victory” into a total and lasting defeat.

Iran and Iraq fought a massive war from 1980-1988 that only ended in a ceasefire and has led to repeated low level Iranian military interventions in Iraq ever since 2003. The First Gulf War to liberate Kuwait in 1990-1991 was the preface to a full-scale U.S.-led invasion of Iraq in 2003 and then two more wars for control of Iraq and fighting that still continues in Eastern Syria. Afghanistan was first the scene of civil war, then a Russia invasion, a civil war for control of Kabul, a new war between the Taliban and the Afghan Northern Alliance, and a major war involving a U.S. led coalition from 2001 to 2021. It is now the scene of clashed between the Taliban and its rivals.

The independence of Taiwan after the end of a Chinese civil war that began in the early 1930s has led to a continuing arms race and a new conflict between China and Taiwan ever since 1949—a period three quarters of a century long. Peace in Vietnam was the preface to a new major conflict, and so was the apparent U.S. victory over the Taliban in 2001-2002. If one includes the history of civil conflicts over the last two centuries, and in post-colonial states since 1945, it is all too clear that “conflict termination,” and peace agreements are s almost as likely to lead to some form continuing arms race and new outbreaks of renewed fighting and violence as they are to lasting peace and stability.

The Lasting Impact of Fighting between Russia and Ukraine

This pattern of conflict termination without real peace, and the equivalent of a whole series of a “peace to end all peace,” seems all too likely to be repeated in the case of Ukraine. In fact, the war evolved into an unexpectedly long conflict during the first weeks of the fighting. Russia originally estimated that it could build-up its forces in Russia near Ukraine and in Belarus, in ways that would allow them to win decisive battles before Ukraine and outside states could react effectively.

Russia estimated that it could repeat its successes in the Crimea in 2014, rapidly seize Ukraine without a major conflict, and take control of the country in a week to ten days. Russia massively miscalculated the capability of its own forces, the ability of Britain and the United States to provide strategic warning, Ukraine’s will and ability to resist, and the reaction of other NATO states, and the rest of the world. Russia’s war plan and efforts to execute it proved to be massive grand strategic failures in virtually every respect and conflict termination never became an issue.

From Days of Sudden Victory to Years of a War of Attrition?

In reality, the war led to a successful Ukrainian defense of most of its territory within days of a massive Russian attack, then led to successful if limited Ukrainian counterattacks, and created the current war of attrition. Ukraine halted the Russian attack and then carried out successful counterattacks from August to December 2022, inflicting major losses on Russia’s Special Forces and other elite troops.² By the winter of 2022, the war became a largely static ground war fought for urban areas in the Eastern Ukraine and along key water barriers and routes of communication by June 2023.

As is the case with most wars, tactics and technology quickly evolved in unpredictable ways. The most striking changes in the battlefield were the increasing use of the full spectrum of precision guided weapons, missiles, and UCAVs or drones; the deployment of advanced air and missile defense systems, the creation of major chains of military supply and training support of Ukraine, followed by the creation of a network of fixed defenses like shelters and trenches, other fixed defenses, and use of natural barriers—including water barriers.

By May 2023, Satellite photos showed something approaching a World War I set of trenches along the entire line of battle, although both sides were fighting with modern conventional weapons, mobile armor and combat engineering equipment, and advanced battle management, combat air and air defense, and intelligence systems. It had become a war where artillery and light precision guided weapons dominate ground combat, and where missiles and drones target military forces, political and population centers, and infrastructure targets in the rear.

Ukraine did begin a new series of offensives in June 2023, but it is far from clear at this writing that these can achieve major strategic results. If anything, their lack of major progress at the timing this analysis is written raises the possibility that both sides will continue to improve their military capability, that new longer-range weapons and strikes will be employed, and the results will be a war of attrition that did not lead to any clear outcome and continued for at least another year.

If anything, it is the political stability and economic resources of each side that may determine the outcome. The sudden advance of Wagner forces under the leadership of Yevgeny Prigozhin in

June 2023 has raised serious questions about Putin’s level of control and future in Russia, and the quality and competence of Russia’s regular military leadership. He also has challenged the very need for the war: Prigozhin's statement ending his advance on Moscow came weeks after he called Russia’s senior military leaders “traitors,” and urged Putin to declare that the goals of what Moscow calls its “special military operation in Ukraine” had been achieved and to stop the fighting, and stated that “many of those who yesterday supported the special operation, today either have doubts or are categorically opposed to what is happening.”³

At the same time, it is dangerous to rush to any view of these events that indicates such upheavals will threaten Putin’s position. Such events are more the rule in authoritarian regimes than the exception. Hitler carried out a massive purge his security forces called the night of “long knives.” He had their leader, Ernst Rohm killed and dissolved the Sturmabteilung (SA), the Nazis' paramilitary organization, or "Brownshirts" in 1934. He then survived a major assassination attempt by his own senior military on July 20, 1944.

Stalin conducted a long series of purges of his military in the 1930s, and the great purge of 1937. He too survived, but his continuing distrust of his military and senior officials led him to ignore some 80 warnings before Germany invaded Russia in June 1941—including warnings from Winston Churchill, his own military and intelligence circles, and a “red orchestra with contacts within the Nazi military planning staff.

Russia and Ukraine: A Peace That Will End in Pieces?

The war has imposed serious strains and casualties on both Russia and Ukraine. So far, however, there have been no clear signs that either Russia or Ukraine is willing to negotiate on terms acceptable to the other. Both President Putin of Russia, and President Zelensky of Ukraine, have failed to suggest terms for ending the fighting that the other side seems willing to accept.

Putin’s View of a Russian Settlement with Ukraine

To the extent that there has been expert speculation about a Russian willingness to accept some form of compromise, it has focused on Putin’s need to claim some kind of victory in keeping portions of the territory in Ukraine it has already captured. Such a settlement would mean Putin would be able to retain most of Russia’s gains in the Eastern Ukraine at the time of any settlement, and all the territory in the Crimea that it seized in 2014.

So far, however, President Putin has taken the position that Ukraine is not a legitimate state, has a government with a Nazi character, and occupies territory that is legitimately Russian. Putin provided the following justification for the war, and for the de facto annexation of Ukraine, in his state of the union speech on February 21, 2022, although he did touch upon the fact that Russia had already annexed two provinces in ways that might provide an opening for a settlement based upon a more limited set of Russian gains:⁴

Those who embarked on the path of violence, bloodshed, lawlessness did not recognize and do not recognize any other solution to the Donbass issue, except for the military one. In this regard, I consider it necessary to take a long overdue decision to immediately recognize the independence and sovereignty of the Donetsk People's Republic and the Luhansk People's Republic. I ask the Federal Assembly of the Russian Federation to support this decision, and then to ratify the treaties of friendship and mutual assistance with individual

republics. These two documents will be prepared and signed in the very near future. And from those who seized and hold power in Kyiv, we demand an immediate cessation of hostilities.

...Otherwise, all responsibility for the possible continuation of the bloodshed will be entirely on the conscience of the regime ruling on the territory of Ukraine. Announcing the decisions taken today, I am confident in the support of the citizens of Russia. Of all the patriotic forces of the country.

... Modern Ukraine was entirely created by Russia, more precisely, Bolshevik, communist Russia. This process began immediately after the revolution of 1917...As a result of Bolshevik policy, Soviet Ukraine arose, which even today can with good reason be called 'Vladimir Ilyich Lenin's Ukraine'. He is its author and architect. This is fully confirmed by archive documents ... And now grateful descendants have demolished monuments to Lenin in Ukraine. This is what they call decommunization. Do you want decommunization? Well, that suits us just fine. But it is unnecessary, as they say, to stop halfway. We are ready to show you what real decommunization means for Ukraine...

Ukraine never had a tradition of genuine statehood..." Russia assumed obligations to repay the entire Soviet debt in return for the newly independent states giving up part of their foreign assets. In 1994, such agreements were reached with Ukraine, but they were not ratified by Ukraine...

...(Ukraine) preferred to act in such a way that in relations with Russia they had all the rights and advantages but did not bear any obligations..."From the very first steps they began to build their statehood on the denial of everything that unites us. They tried to distort the consciousness, the historical memory of millions of people, entire generations living in Ukraine."

Putin was equally uncompromising in his state of the Union speech in February 2023, a year later, although he did limit his specific calls for annexation to the Donbass:⁵

One year ago, to protect the people in our historical lands, to ensure the security of our country and to eliminate the threat coming from the neo-Nazi regime that had taken hold in Ukraine after the 2014 coup, it was decided to begin the special military operation. Step by step, carefully and consistently we will deal with the tasks we have at hand.

Since 2014, Donbass has been fighting for the right to live in their land and to speak their native tongue. It fought and never gave up amid the blockade, constant shelling, and the Kiev regime's overt hatred. It hoped and waited that Russia would come to help.

In the meantime, as you know well, we were doing everything in our power to solve this problem by peaceful means, and patiently conducted talks on a peaceful solution to this devastating conflict.

Behind our backs, a very different plan was being hatched. As we can see now, the promises of Western leaders, their assurances that they were striving for peace in Donbass turned out to be a sham and outright lies. They were simply marking time, engaged in political chicanery, turning a blind eye to the Kiev regime's political assassinations and reprisals against undesirable people, their mistreatment of believers. They increasingly incited the Ukrainian neo-Nazis to stage terrorist attacks in Donbass. The officers of nationalist battalions trained at Western academies and schools. Weapons were also supplied.

I would like to emphasize that, prior to the special military operation, Kiev held negotiations with the West about the delivery of air-defense systems, war planes and other heavy equipment to Ukraine. We also recall the Kiev regime's vain attempts to obtain nuclear weapons; they discussed this issue publicly.

The United States and NATO quickly deployed their army bases and secret biological laboratories near Russian borders. They mastered the future theatre of war during war games, and they prepared the Kiev regime which they controlled and Ukraine which they had enslaved for a large-scale war...

We were open and sincerely ready for a constructive dialogue with the West; we said and insisted that both Europe and the whole world needed an indivisible security system equal for all countries, and for many years we suggested that our partners discuss this idea together and work on its implementation. But in response,

we received either an indistinct or hypocritical reaction, as far as words were concerned. But there were also actions: NATO's expansion to our borders, the creation of new deployment areas for missile defence in Europe and Asia – they decided to take cover from us under an 'umbrella' – deployment of military contingents, and not just near Russia's borders.

I would like to recall that, in the 1930s, the West had virtually paved the way to power for the Nazis in Germany. In our time, they started turning Ukraine into an "anti-Russia." Actually, this project is not new. People who are knowledgeable about history at least to some extent realize that this project dates back to the 19th century. The Austro-Hungarian Empire and Poland had conceived it for one purpose, that is, to deprive Russia of these historical territories that are now called Ukraine. This is their goal. There is nothing new here; they are repeating everything.

The West expedited the implementation of this project today by supporting the 2014 coup. That was a bloody, anti-state and unconstitutional coup. They pretended that nothing happened, and that this is how things should be. They even said how much money they had spent on it. Russophobia and extremely aggressive nationalism formed its ideological foundation.

... I am proud, and I think we are all proud that our multi-ethnic nation, the absolute majority of our citizens, have taken a principled stance on the special military operation. They understand the basic idea of what we are doing and support our actions on the defence of Donbass. This support primarily revealed their true patriotism – a feeling that is historically inherent in our nation. It is stunning in its dignity and deep understanding by everyone – I will stress, everyone – of the inseparable link between one's own destiny and the destiny of the Fatherland.

This kind of rhetoric does not mean that Putin will not eventually be willing to compromise in settling with Ukraine if he feels that this is necessary to end a war of attrition that has come to threaten his internal political support and Russia's stability, or that such a settlement will limit NATO and the West's effort to rebuild a Ukraine that has effective warfighting capabilities, that can truly achieve a convincing level of conventional and nuclear "extended deterrence." As the following analyses show, Putin must also realize that he faces massive limits on his to decouple Russia's economy from the West and its "rules-based order."

As Yevgeny Prigozhin use of his Wagner forces in his attempt to advance on Moscow in June 2023 has shown, the strains imposed by the fighting already affect Russia as well as Ukraine. The apparent stability of regimes that engage in wars of attrition often only last until it doesn't—although the following analysis shows that Ukraine is under great stress as well.

This scarcely means, however, that he or any similar successor would fully accept Ukraine's independence, return the lost territory in the Crimea or Donbass, or fail to insist on annexing the Donetsk People's Republic and the Luhansk People's Republic. It also does not mean that Russia would not persist in building up its military forces around Ukraine, conducting political or economic warfare, or accepting any form of compromise as a lasting form of conflict resolution.⁶

Zelensky's Ten Point Peace Plan

President Zelensky has been more precise in setting peace terms, although his public statements may be more of a political act and initial basis for negotiation than firm demands. He presented a ten-point peace plan on of November 15, 2022, that called for major changes in the way Russia approaches its national security.⁷

The first is radiation and nuclear safety...Radiation safety must be restored. The IAEA has already provided respective recommendations, confirming all the risks that we have repeatedly raised. Therefore, Russia must immediately withdraw all its militants from the territory of the Zaporizhzhia NPP. The station must be immediately transferred to the control of the IAEA and the Ukrainian personnel. The normal connection of the station to the power grid must be restored immediately so that nothing threatens the stability of the reactors.

We proposed that IAEA missions are sent to all Ukrainian nuclear plants - four of them, 15 nuclear units in total. Plus the Chernobyl plant, which has been shut down and is under conservation. Such missions can verify that any hostile activity against Ukrainian nuclear facilities has indeed ceased... How long does it take to implement it? Russia can begin the demilitarization of the Zaporizhzhia NPP as early as tomorrow if it is really ready to restore the radioactive safety it violated...The same goes for the crazy threats of nuclear weapons that Russian officials resort to. There are and cannot be any excuses for nuclear blackmail. And I thank you, dear G-19, for making this clear.

The second challenge is food security... The right to food is a fundamental right of every person in the world... I also ...on all countries – and in particular your countries, dear G-19 leaders – to join our initiative to help the poorest with food...We have already launched the initiative – "Grain From Ukraine". And the first vessel - Nord Vind - leaves for Ethiopia with 27 thousand tons of wheat on board...What do we propose exactly? Each country can join with a specific contribution and become a co-creator of the victory over hunger and the food crisis.

The third is energy security... All of you can witness what the Russian terror is aimed at now. This is an attempt to turn the cold into a weapon. A weapon against millions of people. About 40% of our energy infrastructure were destroyed by the strikes of Russian missiles and Iranian drones used by the occupiers. Every week, Russia blows up our power plants, transformers, and electricity supply lines.

...We have already proposed that a mission of UN experts is sent to the objects of critical energy infrastructure of Ukraine to assess the scope of damage and the needs for restoration, as well as to prevent their further destruction. We need to speed up the dispatch of this mission! This will be a specific contribution of the international community to the stabilization of the energy situation in Ukraine and Europe, and therefore in the global energy market.

However, regardless of the decisions of the world, any day Russia on its own can simply abandon strikes on Ukrainian energy generation and water and heat supply facilities. Let Russia prove by its rejection of terror that it is really interested in the restoration of peace.

We must also take a fundamental step so that energy resources are no longer used as weapons. Price restrictions on Russian energy resources should be introduced...If Russia is trying to deprive Ukraine, Europe and all energy consumers in the world of predictability and price stability, the answer to this should be a forced limitation of export prices for Russia. So that the export price was not higher than the production cost. That's fair. If you take something away, the world has the right to take from you.

The fourth challenge is the release of all prisoners and deportees... Thousands of our people - military and civilians - are in the Russian captivity. They are subjected to brutal torture - this is mass abuse!...We cannot wait...Therefore, we must unite for the sake of the only realistic model of the release of prisoners - "all for all"... And also for the release of all children and adults who were deported to Russia.

The fifth – implementation of the UN Charter and restoration of Ukraine’s territorial integrity and the world order... Therefore, we must restore the validity of international law - and without any compromises with the aggressor. Because the UN Charter cannot be applied partially, selectively or "at will"... Russia must reaffirm the territorial integrity of Ukraine within the framework of the relevant resolutions of the UN General Assembly and the applicable international legally binding documents... It is not up to negotiations.

The sixth challenge is withdrawal of Russian troops and cessation of hostilities... Russia must withdraw all its troops and armed formations from the territory of Ukraine. Ukraine's control over all sections of our state border with Russia must be restored... This will result in a real and complete cessation of hostilities.

The seventh – justice... Everywhere, when we liberate our land, we see one thing - Russia leaves behind torture chambers and mass burials of murdered people... That is why the world should endorse establishment of the Special Tribunal regarding the crime of Russia’s aggression against Ukraine and the creation of an international mechanism to compensate for all the damages caused by this war. Compensation at the expense of Russian assets, because it is the aggressor who must do everything to restore the justice violated by it... We have already proposed a resolution of the UN General Assembly regarding an international compensation mechanism for damages caused by the Russian war. It is endorsed. We ask you to implement it... We are also preparing the second resolution - on the Special Tribunal. Please join and support it.

The eighth challenge is ecocide, the need for immediate protection of environment. Millions of hectares of forest were burned by shelling... It is impossible to accurately calculate the amount of atmospheric pollution from burnt oil depots and other fires... 6 million domestic animals died. 6 million! These are official numbers. At least 50,000 dolphins were killed in the Black Sea. Thousands of hectares of soil are contaminated with harmful substances.

During the last week’s Climate Summit in Egypt, I proposed a platform to assess the environmental damage of war. We have to implement it... We must also find common responses to all environmental threats created by the war. Without this, there will be no return to a normal, stable life, and the reverberations of the war will remain for a long time - in the explosions of mines that will take the lives of children and adults, in the pollution of water, soil and atmosphere... Funds and technologies are also needed for the restoration of water treatment facilities... This is not just a Ukrainian problem. This is a challenge for the whole world.

The next - the ninth – is the prevention of escalation... A risk that still exists and will remain until our security is properly ensured... Ukraine is not a member of any of the alliances. And Russia was able to start this war precisely because Ukraine remained in the grey zone - between the Euro-Atlantic world and the Russian imperialism. Now we do not have any security assurances either. We need effective security assurances... That is why we prepared a draft agreement – the Kyiv Security Compact and have already presented it to partners.

And the tenth – confirmation of the end of the war... When all the antiwar measures are implemented, when security and justice begin to be restored, a document confirming the end of the war should be signed by the parties.

I would like to emphasize that none of the steps above can take long. A month for one step at the most. For some steps, a couple of days are enough.

It is striking that many of these ten demands are global in their impact, as well as ways of meeting Ukraine’s security needs.⁸ At the same time, they clearly call for a peace settlement that requires Russia to return all of the territory that it has seized since the present war began, for the return all of the territory in Ukraine that Russia seized in the Crimea in 2014, for the trial of Russians who committed war crimes, and for Russia to pay reparations for the full reconstruction of Ukraine.

Zelensky must realize that these demands are not negotiable even if Ukraine wins back all of the territory it has lost in the current fighting. They indicate that a vast gap exists currently between his views and those of Putin. This may explain why there are indications that the United States may have informally proposed to Zelensky that he should compromise to the extent of accepting some kind of settlement that would return all the territory that Russia has seized since the beginning of the current war, and without return of the Crimea and other areas it seized in 2014. It is doubtful that the United States believes Russia with pay reparations or accept war crimes trials.

The Uncertain Prospects for a Stable End to the Fighting Between Russia and Ukraine

Much will depend on the course of the fighting in 2023, and during any months and years that follow. Both sides have already suffered high military casualties, suffered serious losses of military equipment, and face problems in upgrading their weapons and getting adequate stocks of munitions and supplies. Both face political and economic challenges. Russia because of the military, economic and internal political costs. Ukraine because of the same costs, and its growing dependence on outside aid.

At the same time, both sides have improved their forces and warfighting capabilities. Russia has mobilized and retrained its forces and shown that it can fight effectively on the defensive. It continues to build-up its land defenses—with a network of trenches, mines, artillery, and drones. It also regularly launches missile and air attacks on the nearby population and infrastructure. The partial loss of Wagner forces may offset some of these gains in experience and warfighting capability, but it is also important to note that the main impact of the Wagner forces to win a strategically point fighting overt the virtually destroyed minor Ukrainian city of Bakhmut, and that regular Russian military forces were already fighting most of the Russian side of the war.

Russia has also shown that it can target Ukraine's economy and conduct a campaign of drone and missile strikes designed to exhaust its civil population and destroy its morale. It seems to have destroyed the Nova Kakhovka Dam on June 6, 2023.⁹ It has sporadically attacked the port of Odessa, has taken measures that could allow it to limit Ukraine's grain exports, and continues to both attack in other ways that limit Ukraine's ability to export grain and other agricultural products, that limit its industrial output, and limit its ability to provide electric power and safe water.

As for Ukraine, it began limited new offensives in June 2023, and has conducted continuing covert and not-so-covert raids on Russian territory. It has steadily modernized every aspect of its military, including air, long range missiles and drones, artillery, tactical precision guided weapons, armor, C3I/battle management systems, logistics, and training. It has suffered from attrition, and foreign aid and supply have been somewhat slow and erratic in some areas like armor, modern air power, and long-range strike capability, but it still has far more capable forces than it did at the time when Russia invaded.

Everything Is Predictable until It Is Not

The resulting mix of barriers and defense in depth, advances in weaponry, more experienced combat personnel on each side, has made the conflict steadily less predictable. The sudden destruction of the Kakhovka dam is only most dramatic example of the dangers in assuming that each side's behavior is predictable, and months of Ukraine's preparation for new offensives preparation may indicate the direction that combat will take. Like the earlier attack on the twin bridges bridge between the Taman Peninsula of Krasnodar Krai and the Kerch Peninsula of Crimea in October 2022, and the failure of Russian forces to act effectively to seize the Hostomel Airfield in preparing to attack Kyiv in the first morning of the war, the destruction of the dam everything is predictable until it isn't.

Much will depend on how well each side does in combat in the coming months, as well as its economic strength and the flow of aid to Ukraine. In broad terms, however, Russia has rebuilt its forces and defenses to the point where it is unclear that they will be as vulnerable and as prone to serious retreats as they were in 2022. At the same time, Russia scarcely has shown that it is as well led and effective as a modern army. As for Ukraine, it is modernizing and building up its armor and modern combat aircraft, but relatively slowly and it faces constant attacks on its economy and infrastructure.

Given the classic measures of the military balance, the progress in both side's forces to date indicates that Ukraine might well score gains in 2023, but Russia would have to be badly led and organized and/or the victim of surprise, to suffer major losses. This makes it all too possible that the fighting will remain a war of attrition through the summer and fall, and that both sides will become able to sustain something close to its present positions into the winter of 2023/2024.

If this happens, both sides are likely to continue to build-up their static forward defenses, while seeking to expand their deep strike capabilities, and their use of economic and political warfare. This could produce a stalemate that extended beyond 2024, although casualties seem likely to remain high on both sides, and the political and information wars to become more bitter and intense.

The Flow of Aid to Ukraine and the State of the Russian Economy Are Critical Variables

Ukraine has so far had higher morale and better military leadership and unity of effort. At the same time, Ukraine has suffered far more in civil and economic terms than Russia, and Ukraine may have less internal unity and economic capacity to ride out a longer war.

At the same time, much will depend on Russia's ability to limit the impact of Western and other economic sanctions, and on the continued flow and scale of aid to Ukraine. Russia currently seems to be able to survive the pressure of sanctions, other economic pressures, and Western political and information warfare. As the analysis in the following section shows, however, Russia is anything but an economic or industrial superpower.

The relative casualty levels are unclear, as is their impact on morale. What is clear is that Ukraine is steadily more dependent on the flow of Allied aid. Cumulative combat and civil damage to Ukraine has been far greater and Russia has suffered only limited civil damage. Ukraine's overall economy is also far more fragile, and like the rise in military and civilian casualties, this will have a cumulative impact on morale.

The World Bank warned in June 2023 that, "Ukraine's GDP declined by 29.2 percent in 2022. Inflation stood at 26.6 percent at end-2022. Poverty increased from 5.5 percent to 24.2 percent in 2022, pushing 7.1 million more people into poverty and retracting 15 years of progress. Despite a localization of active combat, Ukraine's economic outlook remains highly uncertain and is dependent on the duration of the war. GDP is expected to grow by only 0.5 percent in 2023."¹⁰ This is a grim warning as to how much the situation can deteriorate in a year, and these date pre-

date the major rise in Russian missile and attacks on civilian and infrastructure targets in the first half of 2023.

Sources like the CIA *Factbook* do not state any overall economic data for Ukraine's economy after 2021, but the *Factbook* did warn in June 2023 that, "The invasion has also created Europe's largest refugee crisis since World War II. As of 23 May 2023, approximately 21.92 million people had fled Ukraine, and 5.35 million people were internally displaced as of January 2023. More than 23,600 civilian casualties had been reported, as of 7 May 2023. The invasion of Ukraine remains one of the two largest displacement crises worldwide (the other is the conflict in Syria)." ¹¹ This means that more than half of the total population of 43.3 million had fled or been displaced as of January 2023.

The CIA also warned that, "planting of 2023 winter crops was completed by mid-November 2022 and crops are currently in winter dormancy phase; the area sown with wheat amounts to about 3.8 million hectares, well below the 6.5 million hectares planted in 2021; overall, the area sown with the 2023 winter cereal crops is estimated to be 40 percent below the average level..." ¹²

This will make Ukraine steadily more dependent on foreign aid, and the amounts of aid involved are already producing some political opposition with Europe and the United States. To put these levels of aid in perspective, an analysis issued by the Council on foreign relations in May 2023 indicated that the United States had sent \$76.8 billion in aid to Ukraine as of January 24, 2023: \$3.9 (5 percent) billion in humanitarian aid, \$26.4 (34 percent) billion in financial aid, \$18.3 billion (24 percent) in security assistance aid, \$23.5 (31 percent) billion in weapons and equipment aid, and \$4.7 billion (6 percent) in grants and loans for weapons and equipment. ¹³ If one totals the amount of aid the U.S. Congress had given and pledged, it totaled \$113 billion as early as January 2023. ¹⁴

Other major donors had committed over \$34 billion. The European Union had sent \$35.3 billion, the UK over \$9.3 billion, Germany some \$7.4 billion, Japan \$6.2 billion, the Netherlands close to \$4.0 billion, Canada \$3.8 billion, Poland \$3.5 billion, Norway \$2.4 billion, France over \$1.7 billion, Sweden \$1.4 billion, Italy over \$1.0 billion, and Denmark closes to \$1.0 billion. ¹⁵

These sums are scarcely crippling sums in terms of the overall government expenditures of each donor country or as a portion of their relative GDPs, but they are high levels of aid by international standards. At least two NATO countries—Hungary and Slovakia—have never fully supported aid or NATO support to Ukraine, and polls do show a drop in public support for such aid in many countries.

At the same time, many donor countries have already pledged future aid. NATO has held conferences that indicate that most of its members will support continued aid. Major donors like Germany, the United Kingdom, and the United States pledged major new aid in June 2023, and Britain and the European Union have announced that they are investigating legal options to shift frozen Russian assets to Ukraine. These public and private Russian assets are estimated to be worth more than \$300 billion, which could pay for a substantial part of Ukraine's reconstruction. ¹⁶

Ukraine's increasing dependence does not mean that Ukraine will lose, or Russia will win. Quite aside from the Wagner debacle, Russia has made serious mistakes in organizing its military forces

and in conducting major battles ever since the war began, and while it has suffered little combat damage to its population or economy, it has suffered serious casualties and sanctions, and other economic and political measures have affected its economy.

As a guess—and predicting the outcome of this war *is* guesswork—both sides currently seem likely to be able to find the resources to fight on through at least 2023 and possibly 2024 and beyond. As yet, there are no clear signs that Russia or Ukraine will suffer from economic and political exhaustion unless it one suffers major military losses by making major mistakes in the way it uses its forces and intaking key strategic decisions.

The longer the war of attrition lasts, however, the more the war will exhaust the military forces on both sides and do so in ways that increasingly put pressure on the leaders of both Russia and Ukraine to find some form of compromise. It also could well mean that that the fighting will become locked into a relatively static form of attrition warfare by the spring or summer of 2024.

Any Ceasefire and Armistice May Not be a Real Peace

The strains imposed by the war could also mean that the both Ukraine and Russia will eventually be willing to settle for some form of armistice and ceasefire line that reflects the state of the war at the time—giving Russia a kind of limited territorial victory that would include a land bridge to the Crimea and be based on some set of rivers to enhance its stability, but where Russia formally recognizes some kind of official boundary.

The problem would be that there may be little depth for a demilitarized zone, and any such settlement is unlikely to provide any basis for mutual trust. The resulting agreement might end the fighting but not even be a convincing image of peace. As the Armistice Agreement signed in the Korean War in July 1953—and UN Security Council Resolution 598 that ended the fighting between Iran and Iraq—demonstrate, a ceasefire agreement can allow both sides to avoid negotiating lasting solutions, to make continued informal claims, to carry out minor clashes and armed encounters, and continue a military build-up and arms race.

Negotiating such an agreement also raises questions about security guarantees, the need for a peacekeeping force, and the issue of whether Ukraine could join NATO. This might be finessed by some compromise or U.S. and European security guarantees. Any such compromise would, however, leave the threat of future clashes open. The result could easily combine the best and worst aspects of conflict termination into one lasting mess.

As for war crimes trials, the issue seems unlikely to become serious unless Russia suffers a massive defeat in the future or acquires radically different leadership. The legal case for crimes trials is almost certainly real, but the probability of actually prosecuting individuals seems doubtful, and would have to be somewhat arbitrary in two critical ways. First, if the war is a crime, the chief criminal is Putin. Trying to prosecute this particular war criminal seems a remarkably unlikely path toward conflict resolution. Second, short of creating some formal investigating and judicial bodies to fully investigate the actions of both sides—which seems equally unlikely—the result would probably be to prosecute a few easily provable cases and create “worst case” scapegoats.

More broadly, the war in Ukraine is also a warning about the future of the “laws of war.” Tragic as this new reality may be, targeting fixed civilian targets with precision guided conventional weapons is a growing fact of current military force development. It is becoming progressively easier, and much easier than striking mobile and defended military targets. Like other violations of the “laws of war,” there seems little probability of any meaningful enforcement unless the winner has a victory so decisive that such an outcome can be forced on the loser.

The issue of reparations is equally unlikely to be a real-world part of a peace settlement or ceasefire. Russia has clearly fought the war in Ukraine by deliberately attacking civilian targets, and this serves as an important warning that future wars are likely to have similar targeting patterns and strike at populated areas, infrastructure, and key economic targets. Using legal means to seize its sanctioned assets may provide a source of funding, but it also is certain to increase the lasting level of tension between Russia and Ukraine and the West.

Rebuilding Ukraine May Extend the Civil Side of the War for a Decade

Rebuilding Ukraine also involved far more than finding a source of funds. The Ukrainian GDP shrank by over 29 percent to some \$140 billion in 2022 and the Ukrainian government estimated in June 2023 that it would need at least \$18 billion in added civil aid just to its government to get through the year. This illustrates the fact that the war has already done critical damage to Ukraine’s economy, and that from end to the fighting will raise the issue of how Ukraine can make a full economic recovery, and how it can repatriate the people who have been forced to flee, taken prisoner, or been caught up in the Russian occupation.¹⁷

Much would depend on the exact nature of any peace agreement, armistice, or ceasefire line, but it seems most likely that Ukraine will not recover the Crimea, may not recover all of the Eastern Ukraine, and will face on going tension in terms of any trading across its border with Russia and Belarus. It also will not receive any meaningful reparations from Russia.

This raises serious questions about whether Ukraine will suffer the equivalent of a major economic defeat even if the war ends with a stalemate that involves no loss—or a limited additional loss of territory. In the case of European and Atlantic security, Ukraine has had major support from the United States, European states, and Canada but it is still far from clear how well they will cooperate in rebuilding NATO and in continuing to support Ukraine if the war lasts for several more years and then in helping Ukraine to rebuild if the actual fighting has some kind of end.

There is no credible way at this point to even guess at the cost of making Ukraine an economically viable state once the fighting ends. The World Bank estimated in September 2022 that the cost could be \$349 billion, but stated that, “This figure is expected to grow in the coming months as the war continues.”¹⁸ It stressed that these were only the cost of losses from February 24, to June 1, 2022, and did not include an analysis of the need to restructure the Ukrainian economy to reflect any kind of peace settlement and new trade and development needs.

The World Bank then raised the cost to \$411 billion over the next ten years in March 2023. It stated that,¹⁹

“Integrated into these needs are critical steps toward becoming a modern, low-carbon, disaster- and climate-resilient country that has aligned with European Union policies and standards in view of being ready to join the European Union, and where the population’s vulnerabilities are addressed, and people live in prosperity. While the financing envelope is overwhelming, experience from other countries shows that a phased approach to reconstruction is critical., but stressed that the figures in this report, “should be considered as minimums as needs will continue to rise as long as the war continues.”

A RAND study, issued in 2023, went further and looked at historical examples. It estimated that a longer war but one of only moderate intensity, and the probable timeframe for recovery, and estimates a total cost of \$750 billion for the period from 2023 to 2032. These costs included \$250-300 billion in partner grants, \$200-300 billion in partner debt and equity, and more than \$250 billion in private investment.²⁰

Given these data, the probability that Russia will never pay reparations, and the growing intensity of the fighting; every year the war goes on will sharply increase both the cost of Ukraine’s recovery and its need for continuing aid once the fighting ends. This will include sustaining and repatriating the population as well as development. There is no credible way to estimate how much but the post-fighting cost of foreign aid from the West, and recovery spending by Ukraine, could easily reach \$1 trillion by the time the war is over, and full implementation of repatriation and recover could take a decade.

Making Ukraine a Formal or De Facto Part of NATO and the European Union

Much may also depend on the progress made in making Ukraine a full or associated member of NATO and the European Union. Russia is almost certain to strongly resist such efforts as part of any ceasefire or peace settlement but tying Ukraine formally to NATO—either as a member of its some form of associated status—during the war, or as part of settlement- would provide a strong deterrent to anu renewal of the fighting and potentially commit NATO to coming formally to Ukraine’s defense.

The same is true of create formal likes between Ukraine and the European Union—against either as a fully member or in some special status. This would imply a new level of European commitment to both Ukraine’s security and its recovery and help reinforce the proposes for a lasting peace in ways which did not involve a military build-up.

In contrast, leaving a post-conflict Ukraine outside of the Wests main strategic alliance, and Europe’s most important economic alliance, would leave Ukraine more exposed and caught between the two sides. There are good reasons why several NATO countries senior NATO officials have called for making Ukraine part of NATO as soon as possible, but Ukraine does need to show it qualifies as a viable member and the chance that quick action would further discourage some viable form of Russian peace settlement must be considered.²¹

The Lasting Confrontation in Terms of European and Atlantic Security, and a New “Cold War” between the West and Russia.

The current fighting between Ukraine and Russia is only part of the reason the war will not end. Like many local wars, the war in Ukraine has had broader grand strategic impacts. There is no way to know exactly what Putin’s goals were in launching Russia’s second invasion of Ukraine, but his speeches and the possible strategic benefits make it clear a primary goal was to reassert Russia’s power relative to Europe and the West.

It is clear from Putin’s speeches that the war in Ukraine is the result of his perception that Russia has suffered unacceptable losses because of the break-up of the former Soviet Union, and that the pre-war expansion of NATO posed an unacceptable threat. He sees Russia’s lack of economic progress and its decline as a great power as the fault of the West, and almost regardless of the outcome of the war in Ukraine, its impact will increase the confrontation between Russia, most of Europe, the United States and Canada.

Russia versus the West: The War in Ukraine Has Grand Strategic Impacts

Figure 1 provides a map of Ukraine’s strategic position in Europe. It shows how the break-up of the Former Soviet Union (FSU) altered Russia’s strategic position from one where it dominated Eastern Europe, had strategic depth, and could easily threaten both NATO’s flanks and its central region, to a position where Germany was unified as a member of NATO and the European Union, where most of the former Eastern European states in the Central Region joined NATO—Poland, the Czech Republic, Slovak, Hungary, and Romania—and where NATO forces were positioned directly on Russia’s borders. The only highly vulnerable countries in NATO were the small Baltic states: Estonia, Latvia, and Lithuania—but these could also become serious threats from NATO to Leningrad and the core of Russia’s industry if reinforced by other NATO countries.²²

The map also shows that if Russia had been successful, the sudden seizure of all Ukraine would have given Russia a major buffer zone and increase in strategic depth. It would have given Russia potential control of the Black Sea, major strategic leverage over Turkey, the ability to ensure its dominance of Belarus and Moldova, and added access to the Mediterranean, Balkans, Bulgaria, Iran and Iraq, and the smaller spin-offs from the FSU like Georgia, Armenia, and Azerbaijan. Equally important, a sudden seizure of Ukraine would have given Russia control over a critical part of the world’s grain and other agricultural exports, potentially given it more economic leverage in using its oil and gas exports, and control over Ukraine’s industrial base which was an important part of the FSU’s military-industrial base.²³

In practice, these same strategic issues helped shape the behavior of most European and NATO states in supporting Ukraine the moment that Russia invaded, and to both continue that support and build-up their own forces in ways that have so far virtually the opposite impact on Russia’s strategic position. The invasion of Ukraine triggered the equivalent of a much broader proxy war between NATO and Russia.

Within weeks of Russia’s invasion, the war became one where almost every country in NATO—as well as Sweden, Finland, did more than support Ukraine with military funds, weapons, military

training, and economic and humanitarian aid. The United States and most of its European partners made it clear that they saw Russia's invasion as part of a much broader threat to the West and announced plans to expand their own military forces and modernize them, and NATO began to develop a new strategy and plans to improve its forward defense, interoperability, and deterrent capability to fight actual wars.

This Time the Peace Dividends Are Really Over

At the same time, the war in Ukraine has led to a broader economic and technological struggle at the civil and economic level. The United States, most European nations, and many other strategic partners and neutral states; joined in sanctioning Russia, and Russia faced a steadily growing range of sanctions, and efforts to use economic and diplomatic pressure to force Russia to end the war.

This was a very different response than the West's response to Russia's invasion of the Crimea. Russia's rapid and successful seizure of the Crimea in 2014, had only produced a largely cosmetic set of NATO military spending goals based on spending 2 percent of a member country's GDP on defense. Most NATO countries failed to make serious changes in their strategy, readiness, interoperability forward defense capabilities, and rates of progress in modernization after Russia invaded the Crimea.

Only seven members of NATO planned to reach this 2 percent of GDP goal in 2022 before the new Russian invasion and only one of these countries—Poland—focused on meaningful increases in warfighting capabilities against Russia. (The other powers included Greece which focused on Turkey, the United States which focused on China and the Pacific, the United Kingdom which focused on naval power projection outside NATO, and small powers like Lithuania, and Latvia whose added spending had a negligible regional military impact.²⁴

Once Russia invaded Ukraine, most NATO European countries—as well as Finland and Sweden—rapidly announced serious plans to increase their defense spending and to rebuild and modernize their forces as a deterrent to Russia. While the United States continued to focus on China as its primary emerging threat, it rapidly pledged massive military and civil aid to Ukraine and began to restructure its force planning to provide major improvements in the readiness of its forces in Europe and capability to project power to Europe from the United States. And NATO revitalized its force planning activities and adopted a new strategy that called for forces that would be capable of active defense against serious Russian military action against NATO countries and capable of fighting a major war.²⁵

Russia, in turn, responded in ways that helped trigger a region-wide arms race in Europe and the Atlantic and the beginning of a new form of Cold War. Russia expanded its operations to launch drone, missile, and air strikes against Ukraine in ways that made the potential Russian military threat to other European countries far clearer. It increasingly struck urban and infrastructure targets deep inside the country. It used its control of the Baltic to threaten Ukrainian grain exports and launched a political and information campaign that sought to both exhaust the Ukrainian people and deprive Ukraine of foreign support.

Russia also mobilized and expanded its military forces, began to reactivate its military industrial base, imported arms from sources as diverse as Iran. It found economic alternatives to trading with Europe, found new markets for its oil and gas exports, explored ways to speed the modernization of its military forces, and threatened the use of theater nuclear weapons and deploying such weapons to Belarus. It found many ways to bypass Western sanctions and tried to find ways to strengthen its partnership with China and with other major petroleum exporters like Saudi Arabia and the other Gulf states.

Figure 1: Ukraine’s Strategic Position in Europe



Source: Screenshot of NATO map, “NATO on the Map,” <https://www.nato.int/nato-on-the-map/#lat=51.72673918960763&lon=4.84911701440904&zoom=0&layer=1>.

More broadly, the fighting triggered a regional mix of economic warfare and military efforts that have taken on the character of active political-economic warfare between Russia and the West. Any halt to the fighting between Ukraine and Russia is extremely unlikely to end the economic struggle, arms race, and renewed emphasis on nuclear warfighting capabilities between Russia and the West.

The result is that the war in Ukraine has already to an ongoing military confrontation and regional arms race in Europe. This confrontation may or may not lead to a major conflict, but it has already led to a new form of the Cold War that existed from the end of World War II to the collapse of the former Soviet Union and the break-up of the Warsaw Pact. It is equally clear that it is adding fuel to the ongoing strategic competition and arms race between the United States and its strategic partners on the one side; and Russia, and that it may spread to included China and nations like North Korea and Iran and become truly global in character.

This new “Cold War” will now be shaped by both the course and outcome of the war between Russia and Ukraine. If Russia should somehow succeed in winning a decisive victory over Ukraine, the grand strategic impact will be to redefine the boundary of the broader confrontation between the West and Russia on the basis of Russian gains. If NATO is to create an effective level of deterrence, it will have to greatly intensify the effort to build-up its forces and ensure strategic and theater level nuclear deterrence.

A Ukrainian victory would have almost exactly the reverse effect. Unless such an outcome removed Putin and leaders like Putin, it would put even more pressure on Russia to find strategic counters to NATO, the United States, and key border states like the Baltic. It would probably push it to increase its reliance on nuclear weapons and dual capable forces. Russia would also even more to try to divide NATO, to increase its influence and military ties to nations on the periphery of NATO, and to conduct spoiler operations that would affect the United States and European powers with strategic interests and a military presence outside Europe. This could include a wide range of gray area operations and the difference between confrontation and conflict could be minimal and uncertain.

As a result, the strategic impact of the war in Ukraine may turn out be more lasting and important in terms of its regional and global effects than the outcome of the fighting in Ukraine. Any stalemate, ceasefire, or credible peace agreement between Ukraine and Russia will still make Ukraine a part of the broader confrontation developing between the West and Russia.

***Russia's Need to Limit NATO's Efforts to Create a Valid Level of
Extended Deterrence and Fight a New "Cold War"***

To put this broader aspect of the Russian invasion of Ukraine in context, the war has triggered a far broader U.S. and European focus on the need to rebuild NATO's deterrent and warfighting capabilities. The war is reshaping the patterns of NATO country military spending and force planning for years to come, leading to a new focus on concepts like joint all domain warfare, and raising questions about the future role of theater nuclear weapons and of new precision strike systems that affect every aspect of European and Atlantic security.

In 2022, NATO adopted a new Strategic Concept, and new versions of its Concept for the Deterrence and Defence of the Euro-Atlantic Area and the NATO Warfighting Capstone Concept. The annual report of NATO's Secretary General issued in 2023 calls for a new "NATO Force Model" that would substantially increase NATO's forward defense capabilities, ability to rapidly deploy forces, readiness, training, and large-scale exercises. For example, NATO has now conducted its first major international air exercises in projecting air power to defend its border with Russia in years.²⁶

If this effort is to be successful, it must last for years to come even if Russia and Ukraine do agree on some form of conflict termination, although it is far less clear whether most NATO countries will live up to their early pledges of increased military spending, modernization, and real-world deterrent and warfighting capability.

Here, it is important to note that the Secretary General's report also notes that just improving the readiness and deployment of current forces will fall far short of NATO's needs if it is to establish and maintain an effective future level of deterrence, and this means the require effort may well take over a decade to actually implement.²⁷

In the 2022 Strategic Concept, Allies confirmed the importance of missile defence capabilities for deterrence and defence, alongside conventional and nuclear capabilities, and pledged to strengthen NATO's Integrated Air and Missile Defence.

In 2022, NATO had to adapt to the new security environment created by Russia's war of aggression against Ukraine, which includes heavy use of air and missile capabilities. NATO and Allies increased the readiness and responsiveness of their air and missile defence forces, including by forward deploying aircraft and surface-based air and missile defence units. Furthermore, a significant number of Allied aircraft have been put under the Supreme Allied Commander Europe's command, in support of enhanced Air Policing activities and enhanced vigilance activities, including air patrol missions.

...At the same time, NATO must also address the growing challenge posed by the development of offensive air and missile assets by state and non-state actors, many of which can reach NATO territory or place NATO forces at risk. These challenges range from simple uncrewed systems to sophisticated hypersonic missiles. In 2022, NATO continued to enhance its Integrated Air and Missile Defence mission, including through increased readiness, exercises, and the acquisition by Allies of additional capabilities, with the aim of having the right capabilities at the right time and at the right place.

The Secretary General's report stresses the need for major improvement in missile defense, deterrence and defense in space, cyber defense, and presents maps showing a wide range of other areas where added cooperation and investment are needed. It stresses, "countering unmanned

aircraft systems; protecting harbors and other critical infrastructure; defending against terrorist use of chemical, biological, radiological and nuclear substances; electronic warfare for aircraft survivability; use and sharing of biometric data; technical exploitation; ...countering improvised explosive devices, (and) ongoing efforts to enhance the use of emerging and disruptive technologies...” It also adds a long section on “ensuring safe, secure, and effective nuclear deterrence.”

The scale, funding, and interoperability of national longer-term efforts, however, is unclear, as is the willingness of given states to act. So far, defense ministers have tended to talk the talk and fail to walk the walk. They have placed far more emphasis on meeting a pointless spending goal than taking tangible action.

Country force plans and defense budgets do not yet reflect anything like a cohesive effort to create an effective overall level of deterrence, particularly for joint all-domain operations, missile forces and missile defense, and creating options to deter a Russian build-up of theater nuclear forces.

The Sheer Pointlessness of the 2 Percent Solution

Many countries still have little more than token forces or marginal capability to deploy forces and sustain such forces in combat, and/or are paying to sustain dated major weapons systems.

As a result, the one area where many claim that the broadest improvement in NATO’s effort that has so far taken place is in the area where it has least meaning. It is the extent to which member countries have raised their levels of defense spending to two percent or more of GDP, or pledged to do so. Unclassified NATO reporting does not attempt to project such efforts for the future, and currently only provides estimates for 2022.

To the extent there is any good news in such reporting, the United States does report a significant new emphasis on European defense in its FY 2024 budget request despite its focus on China, and the defense ministers of key powers like Germany, Poland, and the U.K. have at least outline potential meaningful increases in force capability.²⁸

At the same time, the positive data NATO issues on the increases in member country military spending as a percent of GDP are more misleading than real. NATO does report that countries have raised their military spending significantly as a percent of GDP in constant U.S. dollars since 2014. Only seven countries have so far reached the 2 percent level set as a long-term goal in 2014, however, and three of the seven are the small Baltic powers that can only afford to create token forces and are dependent on outside power projection as key elements of their level of deterrence.²⁹

Far too much emphasis is still being placed on raising defense spending to 2 percent of GDP. It may have been marginally acceptable in 2014. In today’s world, it is a remarkably stupid and irrelevant goal that does not set any priorities for modernizing the forces of some 30 countries, making them more interoperable, and dealing with the need for integrated approaches to rapid forward deployment, a mutual capability for new forms of joint all domain warfare, addressing the growing threat to their economies and infrastructure, the uncertainties driven by Russia’s new emphasis on nuclear weapons, and the problems the current crisis has already revealed in war reserves and sustainability.

Setting a 2 percent of GDP spending goal may have made political sense when the real purpose of the goal was to ensure that members maintained at least the shell of core of warfighting capability during a period when the confrontation between Russia and the West seemed to have largely ended. But even a briefing skim of the country-by-country force data in the IISS military balance, or the country military summaries issued by Jane's, from 2014 onwards made it clear that spending 2 percent would not allow most countries to modernize their forces and make them properly interoperable.

As for setting a goal of 20 percent of defense spending on equipment, even an equally brief review of the very different ways countries defines such spending shows it is militarily irrelevant and often means reinforcing the lack of effective modernization and interoperability.³⁰ Even by modern political standards, it can only be described as the kind of political rhetoric that needs to be following by an unflattering expletive.

Once again, there is no clear way to predict the actual future, although one can almost certainly count on at least an annual flow of reassuring political rhetoric.

Putin's Forever War

Russia's region-wide reactions to Ukraine War have been the polar opposite of NATO's. President Putin has accused the West of starting the war in Ukraine by helping it to prepare for an attack on the areas Russian had seized in 2014. He has threatened the use of nuclear weapons, and state that defending against the West is a vital strategic objective, "For us, this is not a geopolitical task, but a task of the survival of Russian statehood, creating conditions for the future development of the country and our children."³¹

The war has led Putin to openly call for new patterns of global confrontation that also seem nearly certain to continue as long as Putin control Russia—even if Russia and Ukraine do find some way to end the fighting. U.S. strategy and that of several of its senior partners focused on broad global challenges from Russia and China before the war began, but war in Ukraine has push Russia closer to China and affecting the growing global competition between them and the world's developed democracies.

Putin made these views about an enduring military challenge from the West all too clear in the annual state of the nation speech he gave on February 21, 2022. He justified the Russian attack on Ukraine as a response to both Ukraine's supposed preparations for any attack on Russia, and as part of a far broader Western effort to use military forces to threaten Russia's security and dominate it in military terms:³²

"... "If the Ukraine was to join NATO it would serve as a direct threat to the security of Russia...Many European allies of the United States already perfectly understood all the risks of such a prospect, but were forced to come to terms with the will of their senior partner. The Americans simply used them to carry out a pronounced anti-Russian policy. A number of member states of the alliance are still very skeptical about the appearance of Ukraine in NATO. At the same time, we are receiving a signal from some European capitals, saying what are you worried about, this will not happen literally tomorrow. Yes, in fact, our American partners are also talking about this. Well, we answer, if not tomorrow, so the day after tomorrow. What does this change in a historical perspective? Basically, nothing. Moreover, we know the position and words of the U.S. leadership that active hostilities in eastern Ukraine do not exclude the possibility of this country joining

NATO if it can meet the criteria of the North Atlantic alliance and defeat corruption. At the same time, they try to convince us over and over again that NATO is a peace-loving and purely defensive alliance, saying that there are no threats to Russia. Again, they propose that we take them at their word. But we know the real value of such words."

"We clearly understand that under such a scenario, the level of military threats to Russia will dramatically increase many times over. I pay special attention to the fact that the danger of a sudden strike against our country will increase many times over. Let me explain that U.S. strategic planning documents contain the possibility of a so-called preemptive strike against enemy missile systems. And who is the main enemy for the U.S. and NATO? We know that too. It's Russia. In NATO documents, our country is officially and directly declared the main threat to North Atlantic security. And Ukraine will serve as a forward springboard for the strike. If our ancestors had heard about it, they probably would simply not have believed it. And today we don't want to believe it, but it's true."

"They are trying to blackmail us again. They are threatening us again with sanctions, which, by the way, I think they will introduce anyway as Russia's sovereignty strengthens and the power of our armed forces grows. And a pretext for another sanctions attack will always be found or fabricated. Regardless of the situation in Ukraine. There is only one goal - to restrain the development of Russia. And they will do it, as they did before. Even without any formal pretext at all. Just because we exist, and we will never compromise our sovereignty, national interests and our values. I want to say clearly and directly that in the current situation, when our proposals for an equal dialogue on fundamental issues have actually remained unanswered by the United States and NATO, when the level of threats to our country is increasing significantly, Russia has every right to take retaliatory measures to ensure its own security. That is exactly what we will do."

Putin On Confrontation with the West in 2023: Year after the Start of the War in Ukraine

Putin expanded upon these themes in more depth in his Presidential Address on February 21, 2023, roughly a year after the war in Ukraine began. Media reports on this speech necessarily summarized its key points, and his speech must be read in full to understate just how extreme Putin really became. The portions that call for anear-total decoupling the Russian economy from the West, are discussed in the next section on the global impacts of the war, but other key excerpts made it clear that his view of the threat from the West goes far beyond Ukraine and show all too clearly that his views have become progressively more extreme.³³

Putin addressed Russia's confrontation with the West, and the U.S. role in recent wars, as if Russia had gone to war to fight the equivalent of Nazi Germany as follows:³⁴

We are defending human lives and our common home, while the West seeks unlimited power. It has already spent over \$150 billion on helping and arming the Kiev regime. To give you an idea, according to the Organization for Economic Cooperation and Development, the G7 countries earmarked about \$60 billion in 2020–2021 to help the world's poorest countries. Is this clear? They spent \$150 billion on the war, while giving \$60 billion to the poorest countries, despite pretending to care about them all the time, and also conditioning this support on obedience on behalf of the beneficiary countries. What about all this talk of fighting poverty, sustainable development and protection of the environment? Where did it all go? Has it all vanished? Meanwhile, they keep channeling more money into the war effort. They eagerly invest in sowing unrest and encouraging government coups in other countries around the world.

The recent Munich Conference turned into an endless stream of accusations against Russia. One gets the impression that this was done so that everyone would forget what the so-called West has been doing over the past decades. They were the ones who let the genie out of the bottle, plunging entire regions into chaos.

According to US experts, almost 900,000 people were killed during wars unleashed by the United States after 2001, and over 38 million became refugees. Please note, we did not invent these statistics; it is the Americans who are providing them. They are now simply trying to erase all this from the memory of humankind, and they are pretending that all this never happened. However, no one in the world has forgotten this or will ever forget it.

None of them cares about human casualties and tragedies because many trillions of dollars are at stake, of course. They can also continue to rob everyone under the guise of democracy and freedoms, to impose neoliberal and essentially totalitarian values, to brand entire countries and nations, to publicly insult their leaders, to suppress dissent in their own countries and to divert attention from corruption scandals by creating an enemy image. We continue to see all this on television, which highlights greater domestic economic, social and inter-ethnic problems, contradictions and disagreements.

...In fact, the anti-Russia project is part of the revanchist policy towards our country to create flashpoints of instability and conflicts next to our borders. Back then, in the 1930s, and now the design remains the same and it is to direct aggression to the East, to spark a war in Europe, and to eliminate competitors by using a proxy force.

Putin described U.S. and European aid to Ukraine as the result of Western efforts to exploit Ukraine as a weapon in a global war against Russia:³⁵

We are not at war with the people of Ukraine. I have made that clear many times. The people of Ukraine have become hostages of the Kiev regime and its Western handlers, who have in fact occupied that country in the political, military, and economic sense and have been destroying Ukrainian industry for decades now as they plundered its natural resources. This led to social degradation and an immeasurable increase in poverty and inequality. Recruiting resources for military operations in these circumstances was easy. Nobody was thinking about people, who were conditioned for slaughter and eventually became expendables. It is a sad and dreadful thing to say, but it is a fact.

...The West is using Ukraine as a battering ram against Russia and as a testing range. I am not going to discuss in detail the West's attempts to turn the war around, or their plans to ramp up military supplies, since everyone is well aware of that. However, there is one circumstance that everyone should be clear about: the longer the range of the Western systems that will be supplied to Ukraine, the further we will have to move the threat away from our borders. This is obvious.

The Western elite make no secret of their goal, which is, I quote, "Russia's strategic defeat." What does this mean to us? This means they plan to finish us once and for all. In other words, they plan to grow a local conflict into a global confrontation. This is how we understand it and we will respond accordingly, because this represents an existential threat to our country.

However, they too realize it is impossible to defeat Russia on the battlefield and are conducting increasingly aggressive information attacks against us targeting primarily the younger generation. They never stop lying and distorting historical facts as they attack our culture, the Russian Orthodox Church and other traditional religious organizations in our country.

He summarized the sanctions on Russia's economy and military-related imports as part of a broader and failed political and economic war as follows:³⁶

...As I have already said, the West has opened not only military and informational warfare against us, but is also seeking to fight us on the economic front. However, they have not succeeded on any of these fronts, and never will. Moreover, those who initiated the sanctions are punishing themselves: they sent prices soaring in their own countries, destroyed jobs, forced companies to close, and caused an energy crisis, while telling their people that the Russians were to blame for all of this. We hear that.

What means did they use against us in their efforts to attack us with sanctions? They tried disrupting economic ties with Russian companies and depriving the financial system of its communication channels to shutter our economy, isolate us from export markets and thus undermine our revenues. They also stole our foreign exchange reserves, to call a spade a spade, tried to depreciate the ruble and drive inflation to destructive heights.

Let me reiterate that the sanctions against Russia are merely a means, while the aim as declared by the Western leaders, to quote them, is to make us suffer. “Make them suffer” – what a humane attitude. They want to make our people suffer, which is designed to destabilize our society from within.

As is discussed in the last section of this analysis, Putin went on to describe the need for the equivalent of global economic warfare to meet the threat from the West in detail, and often in anecdotal ways. He claimed that Russia had so far countered every effort to put Western pressure upon it. He coupled Russia military to economic goals and described the Western threat in cultural terms as well as military and economic ones.

Putin’s Call for a Major Russian Military Build-Up

Putin warned in his February 2023 State of the Union speech that the West’s military aid to Ukraine will force Russian to pressure on NATO and Europe, and force Russia to carry out a massive new military build-up:³⁷

...The West is using Ukraine as a battering ram against Russia and as a testing range. I am not going to discuss in detail the West's attempts to turn the war around, or their plans to ramp up military supplies, since everyone is well aware of that. However, there is one circumstance that everyone should be clear about: the longer the range of the Western systems that will be supplied to Ukraine, the further we will have to move the threat away from our borders. This is obvious.

The Western elite make no secret of their goal, which is, I quote, “Russia’s strategic defeat.” What does this mean to us? This means they plan to finish us once and for all. In other words, they plan to grow a local conflict into a global confrontation. This is how we understand it and we will respond accordingly, because this represents an existential threat to our country.

However, they too realize it is impossible to defeat Russia on the battlefield and are conducting increasingly aggressive information attacks against us targeting primarily the younger generation. They never stop lying and distorting historical facts as they attack our culture, the Russian Orthodox Church and other traditional religious organizations in our country.

...We will widely introduce the latest technology to ensure high-quality standards in the Army and Navy. We have corresponding pilot projects and samples of weapons and equipment in each area. Many of them are significantly superior to their foreign counterparts. Our goal is to start mass production. This work is underway and is picking up pace. Importantly, this relies on domestic research and the industrial base and involves small- and medium-sized high-tech businesses in implementation of the state defence order.

Today, our plants, design bureaus and research teams employ experienced specialists and increasing numbers of talented and highly skilled young people who are oriented towards breakthrough achievements while remaining true to the tradition of Russian gunsmiths, which is to spare no effort to ensure victory.

Russia also formally denounced the Treaty on Conventional Armed Forces in Europe, which has limited Russia military build-up in Europe on May 29, 2023, with no explanation other than,³⁸

The Federal Law denounces the Treaty on Conventional Armed Forces in Europe (CFE), signed in Paris on November 19, 1990, and entered into force on November 9, 1992. The Treaty ensured a balance of forces of member states of the two military-political alliances – the Warsaw Treaty Organisation and the North

Atlantic Treaty Organization (NATO) – and limited the number of conventional arms and equipment (combat tanks, armored combat vehicles, artillery, attack helicopters and combat planes) in the armed forces of these states. The Treaty was designed to establish a safe and stable balance of conventional armed forces in Europe and to eliminate the capability for launching a surprise attack or initiating large-scale offensive action in Europe.

The Russian Federation suspended its participation in the Treaty by Presidential Executive Order No. 872 of July 13, 2007, *On the Suspension by the Russian Federation of the Treaty on Conventional Armed Forces in Europe and Related International Treaties* and Federal Law No. 276-FZ of November 29, 2007, *On the Suspension by the Russian Federation of the Treaty on Conventional Armed Forces in Europe*. The Treaty has lost its relevance and does not meet Russia's interests, therefore the Russian Federation decided to withdraw from it.

Russia's Limited Resources for Military Spending

At the same time, Putin's rhetoric sharply exaggerates Russia's potential capability to compete with the West and NATO in a major military build-up *if* they actually respond by making with an effective regional build-up that provides a true level of "extended deterrence." As is discussed in depth in the next section of this analysis, Russia's economy cannot compete in terms of total military spending, if NATO nations act on their declared intentions to rebuild their military forces. NATO Europe—and particularly key countries like Britain and Germany—may have taken excessive peace dividends, but the 2023 edition of the IISS Military Balance Estimates that Russia had a total official defense budget in 2022 of \$87.8 billion, and a high estimate of \$192 billion.

Such estimates of military spending are uncertain, since authoritarian states like Russia and China can manipulate their budgets and official financial data in ways other powers cannot, but the United States alone had a defense budget \$766.6 billion by the IISS definition, or close to nine times the official Russian figure and four times the high estimate for Russia. If one looks at Europe, the three largest powers in the central region—Britain (\$70.0 billion), France (\$54.4 billion) and Germany (\$53.4 billion) had a total of \$178 billion.

If one uses the official Russian figure for military spending, the IISS estimates that Russia spent 4.4 percent of the world total. The United States spent 38.2 percent, Great Britain spent 3.5 percent, France spent 2.7 percent, Germany spent 2.7 percent, and the rest of NATO spent 7.8 percent—less Finland and Sweden. All of NATO spent 54.6 percent of the world total, or more than 12 times the percentage for Russia.³⁹

The numbers in the data issued by the Stockholm International Peace Research Institute (SIPRI) are different, but similar in terms of their portrayal of relative effort. Figure 2 uses SIPRI data for the top 25 military spenders in the world, showing the patterns for 2013–2025. SIPRI uses its own estimate of real Russian and Chinese spending versus their official figures, but Russia still lags badly behind the United States and Russia, and major Western power and America's other strategic partners far outspend Russia whose only strategic partner—Belarus—is a minor power that does not even rank among the top 50 spenders.

According to SIPRI, even if one uses a higher "real world" figure for Russian spending, U.S. military spending was 39 percent of the world total in 2022, China was second at 13 percent, and Russia was only 3.9 percent. India was 3.6 percent and Saudi Arabia was 3.3 percent. If one looks

at major strategic partners of the United States, the United Kingdom alone was close to Russia at 3.1 percent, Germany was 2.5 percent, France was 2.4 percent, Japan and South Korea were each 2.1 percent, Ukraine was 2.0 percent, Italy was 1.5 percent, Australia was 1.4 percent Canada was 1.2 percent and the rest of the world was 19 percent.⁴⁰

It should be stressed that there is no way to compare the efficiency of Russian and Western spending, its effectiveness in creating operational levels of deterrence and warfighting, or relative economies of scale, but nothing about Russia's performance in Ukraine to date indicates it has advantages in these areas over the United States and other well-equipped Western and other partner forces.

Figure 2: Stockholm Institute of Peace Research Estimate of Top 25 Military Spenders: 2013–2022

Rank 2022	Rank 2021 ^a	Country	Spending (\$ b.), 2022	Change (%)		Spending as a share of GDP (%) ^b		World share (%), 2022
				2021–22	2013–22	2022	2013	
1	1	United States	877	0.7	2.7	3.5	4.0	39
2	2	China	[292]	4.2	63	[1.6]	[1.7]	[13]
3	5	Russia	[86.4]	9.2	15	[4.1]	[3.9]	[3.9]
4	3	India	81.4	6.0	47	2.4	2.5	3.6
5	8	Saudi Arabia	[75.0]	16	-2.7	[7.4]	[9.0]	[3.3]
Subtotal top 5			1 412	..	..	..	..	63
6	4	United Kingdom	68.5	3.7	9.7	2.2	2.3	3.1
7	7	Germany	55.8	2.3	33	1.4	1.2	2.5
8	6	France	53.6	0.6	15	1.9	1.8	2.4
9	10	South Korea	46.4	-2.5	37	2.7	2.1	2.1
10	9	Japan	46.0	5.9	18	1.1	0.9	2.1
Subtotal top 10			1 682	..	..	..	..	75
11	36	Ukraine	44.0	640	1 661	[34]	1.6	2.0
12	11	Italy	33.5	-4.5	24	1.7	1.4	1.5
13	12	Australia	32.3	0.3	47	1.9	1.6	1.4
14	13	Canada	26.9	3.0	49	1.2	1.0	1.2
15	14	Israel	23.4	-4.2	26	4.5	5.5	1.0
Subtotal top 15			1 842	..	..	..	..	82
16	15	Spain	20.3	7.3	28	1.5	1.3	0.9
17	16	Brazil	20.2	-7.9	-14	1.1	1.3	0.9
18	18	Poland	16.6	11	95	2.4	1.8	0.7
19	19	Netherlands	15.6	12	53	1.6	1.2	0.7
20	22	Qatar	15.4	27	..	7.0	..	0.7
21	20	Taiwan	12.5	0.4	14	1.6	1.9	0.6
22	23	Singapore	11.7	2.8	26	2.8	3.0	0.5
23	17	Türkiye	10.6	-26	15	1.2	1.9	0.5
24	21	Pakistan	10.3	-2.0	46	2.6	3.5	0.5
25	24	Colombia	9.9	1.1	20	3.1	3.3	0.4

Excerpted from: Nan Tian, Diego Lopes da Silva, Xiao Liang, Lorenzo Scarazzato, Lucie Béraud Sudreau and Ana Carolina de Oliveira Assis; *Trends in World Military Expenditure, 2022, SIPRI Fact Sheet*, April 2013, p.2, https://www.sipri.org/sites/default/files/2023-04/2304_fs_milex_2022.pdf.

Linking Ukraine War to Ending Efforts at Nuclear Arms Control

Putin does, however, have a wide range of affordable ways to expand his options for strategic and theater nuclear warfighting. He has long made speeches announcing new strategic and dual-capable long-range delivery systems and he has made new threats since the war began that Russia might use theater nuclear weapons in response to any Western support of Ukraine that that lead to major attacks on Russia.⁴¹

Like the speeches Putin gave on Russian nuclear modernization years before Russia invaded Ukraine, this is a warning that Russia may seek to exploit its one remaining claim to be a true military superpower. As the war in Ukraine has made clear, Russia does not have anything like the conventional military forces that the former Soviet Union possessed, and a weak and militarily ineffective Belarus is its only strategic partner, but Russia has inherited the massive nuclear assets of the Former Soviet Union, and can easily transfer strategic warheads to new delivery systems, and take massive numbers of tactical and theater nuclear weapons out of storage and adapt them for use on Russia's new conventionally-armed strike systems. This not only threatens the United States with a new level of mutual assured destruction but gives Russia the potential ability to deploy the equivalent of a massive new strategic nuclear threat to Europe and other neighboring states—since most theater and tactical nuclear weapons would be destructive enough to destroy European cities and critical infrastructure and economic targets.

This may help explain why Russia has effectively withdrawn, or ceased to properly comply with, virtually of it conventional and nuclear arms reduction agreements.

The first major steps in this process occurred long before the war in Ukraine and affected nuclear forces in Europe. The United States and Russia had signed an Intermediate Range Nuclear Forces Treaty in June 1987 and had stated that they had fully dismantled their longer-range theater forces in compliance with treaty deadline of on May 28,1991, some five months before the collapse of the FSU.

By 2013, however, it had begun to deploy nuclear-capable SSC-8 or 9M729 ground-launched, intermediate-range cruise missiles with ranges that sharply exceeded the treaty's 500-kilometer range limit, and that may have reached 2,500 kilometers. As Figure 3 shows, the United States and NATO made some 30 attempts to persuade Russia to comply with the treaty, and after these failed, the United States withdraw from the treaty on August 2, 2019.

That same day, the U.S. Secretary of Defense issued the following statement, warning that Russia's actions had triggered a possible new long-range theater nuclear arms race in Europe:⁴²

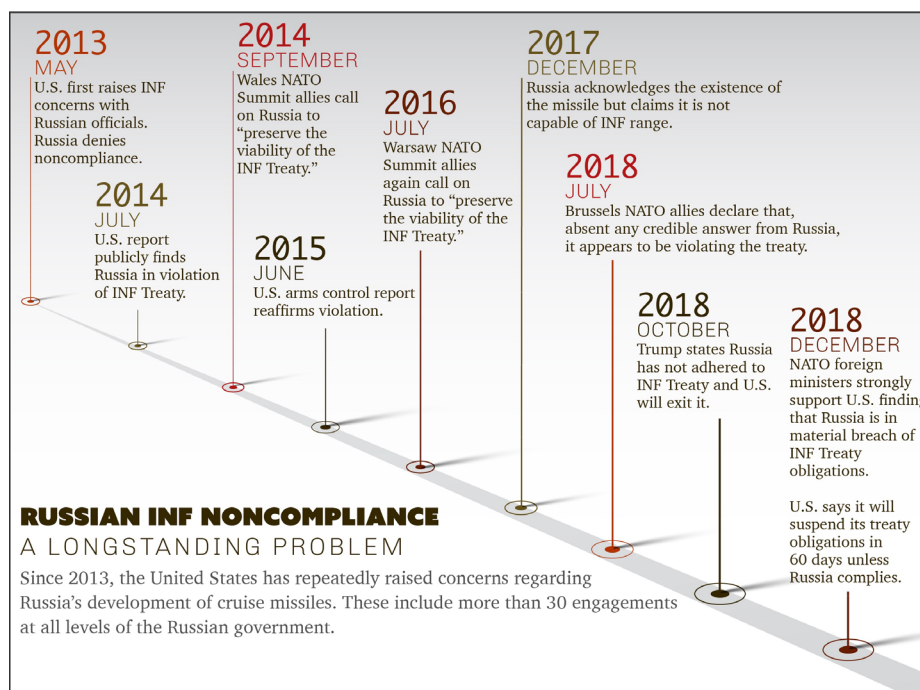
The facts are clear. The Russian Federation is producing and fielding an offensive capability that was prohibited by the INF Treaty. Russia's material breach erodes the foundation of effective arms control and the security of the United States and our allies and partners. As stated by NATO Secretary General Jens Stoltenberg today, NATO's position is united and clear: Russia is in violation of the INF Treaty. The United States is not.

In light of Russia's noncompliance, the Department of Defense commenced Treaty-compliant research and development activities beginning in 2017. The department's initial research and development efforts focused on mobile, conventional, ground-launched cruise and ballistic missile systems. Because the United States scrupulously complied with its obligations to the INF Treaty, these programs are in the early stages. Now that we have withdrawn, the Department of Defense will fully pursue the development of these ground-

launched conventional missiles as a prudent response to Russia’s actions and as part of the Joint Force’s broader portfolio of conventional strike options.

The United States will not remain a party to a treaty while Russia is in deliberate violation. The Department of Defense will work closely with our allies as we move forward in implementing the National Defense Strategy, protecting our national defense and building partner capacity.

Figure 3: Failing to Negotiate Russian Noncompliance with the INF Treaty



Source: U.S. Department of Defense, “U.S. Withdraws From Intermediate-Range Nuclear Forces Treaty,” August 2, 2019, <https://www.defense.gov/News/News-Stories/Article/Article/1924779/us-withdraws-from-intermediate-range-nuclear-forces-treaty/>.

A year after the war in Ukraine began, Putin used his part of his February 2023 State of the Union speech to accuse the United States and NATO of using nuclear arms control as a weapon to spy on Russia.⁴³

We know that the West is directly involved in the Kiev regime's attempts to strike at our strategic aviation bases. The drones used for this purpose were equipped and updated with the assistance of NATO specialists. And now they also want to inspect our defence facilities? In the current conditions of confrontation, it simply sounds insane.

I would like to draw your attention specifically to the fact that they are not letting us conduct full-scale inspections under this treaty. Our repeated applications to inspect different facilities remain unanswered or are rejected under formal pretexts, and we cannot verify anything on the other side.

I would like to stress that the United States and NATO are openly saying that their goal is to inflict a strategic defeat on Russia. And what, after such statements they are supposed to tour our defence facilities, including the latest ones, as if nothing happened? A week ago, I signed an executive order putting new land-based strategic systems on combat duty. Are they going to poke their nose there as well? Do they think we will let them go there just because?

Having made this collective statement, NATO actually claimed to be a participant in the Treaty on Strategic Offensive Arms. We agree with this, please go ahead. Moreover, we believe this framing of the issue is long overdue. Let me recall that the US is not the only nuclear power in NATO. Britain and France also have nuclear arsenals. They are developing and upgrading them, and these arsenals are also directed against us – they are also directed against Russia. The latest statements by their leaders merely confirm it – listen for yourselves.

We cannot just ignore this and have no right to do so especially now. Nor can we forget that the Soviet Union and the United States initially signed the first Treaty on Strategic Offensive Arms in 1991 in a completely different situation – in conditions of abating tensions and growing mutual trust. Subsequently, our relations reached a level that allowed Russia and the US to say they no longer considered each other enemies. Wonderful, everything was going very well.

The Treaty of 2010 that is in force contains critically important provisions about indivisible security and the direct link between strategic offensive and defensive arms. All of that has long been forgotten. The United States withdrew from the ABM Treaty. It is now a thing of the past. Importantly, our relations have degraded which can be credited entirely to the United States.

After the Soviet Union broke up, they began to revise the outcomes of World War II and to build an American-style world ruled by one master. To do this, they began to rudely destroy the foundations of the international order laid down after WWII in order to cross out the legacy of the Yalta and Potsdam conferences. Step by step, they proceeded to revise the existing international order, to dismantle security and arms control systems, and plotted and carried out a series of wars around the world.

To reiterate, all of that was done for the sole purpose of dismantling the post-WWII architecture of international relations. This is not a figure of speech. This is how it all unfolded in reality. After the Soviet Union collapsed, they sought to perpetuate their global dominance regardless of the interests of modern Russia or other countries for that matter.

Sure enough, the international situation changed after 1945. New centers of growth and influence have been formed and are rapidly expanding. This is a natural and objective process that cannot be ignored. But the United States trying to refashion the international order to suit exclusively its own needs and selfish interests is unacceptable.

Now, they are using NATO to give us signals, which, in fact, is an ultimatum whereby Russia should, no questions asked, implement everything that it agreed to, including the New START Treaty, whereas they will

do as they please. As if there is no connection between strategic offensive weapons and, say, the conflict in Ukraine or other hostile Western actions against our country. As if there are no vociferous claims about them seeking to inflict a strategic defeat on us. This is either the height of hypocrisy and cynicism, or the height of stupidity, but they are not idiots. They are not stupid after all. They want to inflict a strategic defeat on us and also to get to our nuclear sites.

In this regard, I am compelled to announce today that Russia is suspending its membership in the New START Treaty. To reiterate, we are not withdrawing from the Treaty, but rather suspending our participation. Before we come back to discussing this issue, we must have a clear idea of what NATO countries such as France or Great Britain have at stake, and how we will account for their strategic arsenals, that is, the Alliance's combined offensive capabilities.

Their statement comes, in fact, as a request to join this process. Well, come onboard, we do not mind. Just try not to lie to everyone this time and present yourselves as champions of peace and detente. We know the truth. We are aware of the fact that certain types of US nuclear weapons are reaching the end of their service life. In this regard, we know for certain that some politicians in Washington are already pondering live nuclear tests, especially since the United States is developing innovative nuclear weapons. There is information to that effect.

Given these circumstances, the Defence Ministry and Rosatom must make everything ready for Russia to conduct nuclear tests. We will not be the first to proceed with these tests, but if the United States goes ahead with them, we will as well. No one should harbor dangerous illusions that global strategic parity can be disrupted.

That same day, Russia announced it was suspending its compliance with the New START Treaty and its efforts to further reduce U.S. and Russian strategic nuclear weapons. The Treaty was a follow-on to the earlier SALT agreements and called for major further reductions in each side's stockpiles of nuclear weapons over the coming seven years. It limited the total number of ICBM, SSBN, and strategic nuclear bombers to 700 (Deployed and non-deployed systems were limited to 800), and their total holdings of nuclear bombs and warheads to 1550. It also allowed each side to make 18 inspections a year of the other nation's nuclear holding—an area where Russia had halted full compliance before suspending the treaty.⁴⁴

According to the U.S. State Department, the Treaty shaped the nuclear balance shown in Figure 4 as of September 1, 2022.

Figure 4: The New START Treaty: Aggregate Number of Strategic Offensive Arms

Category of Data	United States of America	Russian Federation
Deployed Intercontinental Ballistic Missiles (ICBMs), Deployed Submarine-Launched Ballistic Missiles (SLBMs), and Deployed Heavy Bombers	659	540
Warheads on Deployed ICBMs, on Deployed SLBMs, and Nuclear Warheads Counted for Deployed Heavy Bombers	1,420	1,549
Deployed and Non-deployed Launchers of ICBMs, Deployed and Non-deployed Launchers of SLBMs, and Deployed and Non-deployed Heavy Bombers	800	759

Note: Many unclassified other unclassified estimates differ slightly. See Figure 6.

Source: Report to Congress on Implementation of the New START Treaty Pursuant to paragraph (a)(10) of the Senate's Resolution of Advice and Consent to Ratification of the New START Treaty (Treaty Doc. 111-5). *NEW START TREATY ANNUAL IMPLEMENTATION REPORT*, <https://www.state.gov/wp-content/uploads/2023/01/2022-New-START-Implementation-Report.pdf>.

Raising the Specter of Nuclear War when Nuclear Weapons Are the Only Remaining Area Where Russia Is Still a Superpower

Putin has made it increasingly clear since the start of the war in Ukraine that that Russian nuclear modernization is directed against the United States and the West. He stated that he would redeploy theater nuclear weapons to Belarus in July 2023, and may actually have done so in June 2023.⁴⁵ As noted earlier, this threat is a broad warning that Russia is likely to do its best to exploit the only area where it remains an actual superpower in its competition with the West.

Putin does state in several of his speeches that Russia would never be the first to use nuclear weapons, but he has also made a repeated point of publicizing Russia's new weapons systems, stressed their superiority and ability to overcome defenses, while he has accused the United States and the West of making the aggressive use of nuclear deployments in ways that approach being a parody of the threat that Russia presents to the West,⁴⁶

About the threat of nuclear war...such a threat is growing, that it is a sin to hide here.

Regarding the fact that Russia under no circumstances will apply the first. But if he does not use the first one under any circumstances, then the second one will not be used either, because the possibilities of using it in the event of a nuclear strike on our territory are very limited.

Nevertheless, our strategy for the use of means of defense, namely, as a defense, we consider weapons of mass destruction, nuclear weapons, it is all tuned around the so-called retaliatory strike, that is, when we are struck, we strike back.

There is also what everyone is now discussing, the so-called tactical nuclear weapons. It, American nuclear weapons, is located in large numbers on European territory. We have not, and are not, transferring our nuclear weapons to anyone, but, of course, we will protect our allies with all the means at our disposal, if necessary.

But what's the point here? The fact is that, just as in the previous case, when they talked about Russophobia, no one notices and does not want to notice and see what is being done and said in neighboring countries, in Western countries. I have already said: we do not maintain our own nuclear weapons, including tactical ones, on the territory of other countries, we do not have them, but the Americans have them both in Turkey and in a number of other European states. They are training on the possibility of using the carriers of these countries for the use of American nuclear weapons. We haven't done any of this yet. This is the second.

Third. Did we talk about the possibility of application? No. Here's the former Prime Minister of Great Britain, don't forget tonight, she said publicly that she was ready to do it. In response to this, I had to emphasize some things too. Immediately, no one noticed her statement, and what we say immediately sticks out, and with these statements the whole world begins to frighten.

Therefore, we have not gone mad, we are fully aware of what nuclear weapons are. We have these means, and they are in a more advanced and more modern form than any other nuclear country. This is obvious, today it is an obvious fact. But we're not going to run around the world brandishing this weapon like a razor. But, of course, we proceed from the fact that it is. This is a natural deterrent, not provoking to the expansion of conflicts, but a deterrent. And I hope everyone understands this.

Russia does face some economic limits on its most advanced and expensive nuclear modernization efforts. It is uncertain that Russia can really afford to develop and deploy all of the nuclear modernization programs that Putin has announced over the past few years, both for technical reasons and because of the burden of supporting the war in Ukraine. At the same time, Russia

already has massive nuclear resources and is making clear progress in many of its new nuclear weapons and delivery system developments.

Two Figures show the trends and forces involved. Figure 5 shows an unclassified estimate of Russia's current major nuclear weapons development programs. If anything, it sharply understates the Russia effort, since it does not include a wide range of dual-capable missile systems that Russia also has under development and that could be rapidly armed with nuclear weapons.⁴⁷

Figure 6 provides an unclassified summary of Russia's current nuclear weapons holdings relative to the holding of all other nuclear powers made by several of the world's top experts.⁴⁸ It shows that current estimates of Russia nuclear capabilities give it a total of 5,889 nuclear weapons versus 5,244 for the United States. Even if New Start remains viable, it will still have some 1,674 active strategic nuclear and deployed non-strategic warheads versus 1,670 for the United States.⁴⁹

Russia also has 1,400 weapons in storage versus 1,536 for the United States. Some may be deployable and the fissile material in most can be used in other weapons. More significantly, Russia has 2,815 non-deployed weapons in reserve it could use for tactical, theater, and strategic purposes versus only 1,938 for the United States.

It is unclear whether a return to the active deployment of tactical and theater nuclear forces, and the relative modernization of strategic forces, would give either side an advantage over the other, but it means that if both sides return to major tactical and theater nuclear force deployments, Russia would have more weapons and that its potential total of active nuclear weapons could rise back to 4,215 versus 3,008 for the United States. These totals also compare with far smaller totals of 410 weapons for China, 290 for France, and 225 for the United Kingdom. (Pakistan is estimated to have 170, India 164, Israel 90, and North Korea 30.)

These numbers not only show that Russia is a true nuclear superpower, but just how rapidly it can increase the theater and tactical nuclear forces it deploys. Its leverage is severely limited by the U.S. ability to provide extended deterrence, and British and French capacity to carry strikes on Russian cities and key economic targets that would be equivalent to mutual assured destruction (MAD). At the same time, the risk to all Western states is so great that none can easily take the risk of challenging Russia.

At the same time, the mutual dangers in rejecting decades of progress in arms control and in trying to exploit any set of options that call for a return to a less safe margin of mutually assured destruction, are all too obvious. This is particularly true when advances in missile and long-range strike options mean that dual-capable conventional and nuclear armed systems can alter the escalation ladder and involve a steadily wider range of dual-capable weapons and missiles.

Figure 5: Russian Nuclear Modernization Programs ⁵⁰

System	Warheads	Notes
Avangard HGV	One per vehicle, nuclear	Can be delivered by SS-19 and potentially the Sarmat ICBMs; intended to overcome missile defense
RS-28 (Sarmat) silo ICBM	10+, nuclear	Deployment expected around 2022; intended to overcome missile defense
Poseidon Autonomous Underwater Vehicle	Conventional or nuclear	Carried by special-purpose submarines; intended as a second-strike, retaliatory weapon
Burevestnik Nuclear Powered Cruise Missile	Nuclear	“Unlimited” range, owing to its nuclear reactor; intended to overcome missile defense
Kinzhal Air-Launched Ballistic Missile	Conventional or nuclear	Intended to target naval vessels
Tsirkon Hypersonic Cruise Missile	Conventional or nuclear	Intended to attack ships and ground targets
Barguzin Rail-Mobile ICBM	up to 4? Nuclear	Program reportedly postponed in 2017
RS-26 Rubezh ICBM	up to 4? Nuclear	Program reportedly postponed in 2018

Source: Compiled by CRS.

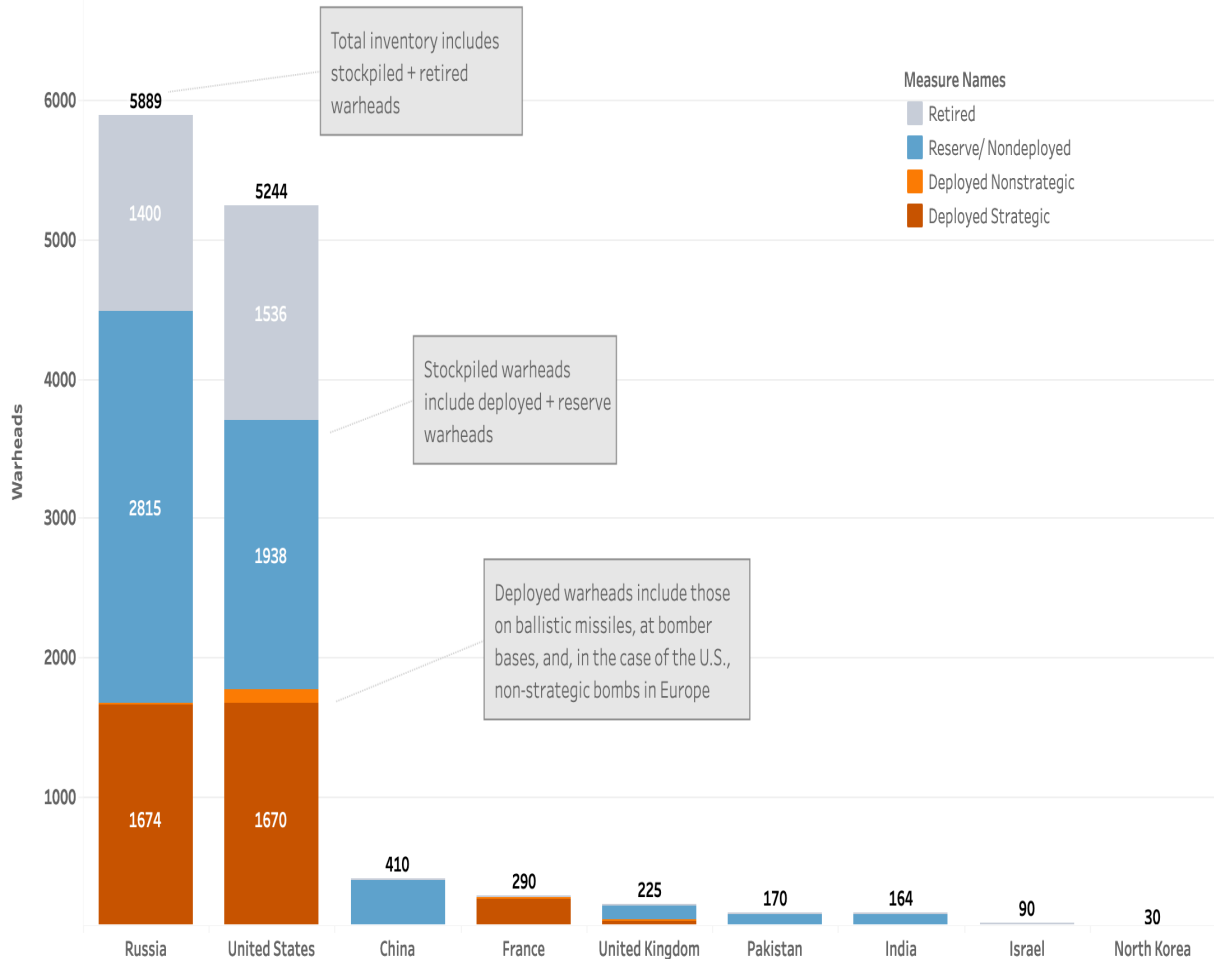
Note: While the text used both Russian designations (RS-X) and U.S./NATO designations (SS-X) to identify deployed Russian weapons systems, this table displays the Russian only the Russian designation (RS-X) because a NATO designation has not yet been assigned.

Figure 6: U.S. and Russia Are *the* Major Nuclear Powers. China Lags, but Its Nuclear Inventory Has Grown Sharply from 200–250 Weapons over the Last Few Years

Estimated Global Nuclear Warhead Inventories, 2023

Last updated: 28 March 2023

Hans M. Kristensen, Matt Korda, and Eliana Reynolds, Federation of American Scientists, 2023



Note: “Deployed strategic warheads” are those deployed on intercontinental missiles and at heavy bomber bases. “Deployed nonstrategic warheads” are those deployed on bases with operational short-range delivery systems. “Reserve/Nondeployed” warheads are those not deployed on launchers but in storage (weapons at bomber bases are considered deployed). The “military stockpile” includes active and inactive warheads that are in the custody of the military and earmarked for use by commissioned delivery vehicles. The “total inventory” includes warheads in the military stockpile as well as retired, but still intact, warheads in the queue for dismantlement.

The totals also differ in some respects from the State Department Report to Congress on Implementation of the New Start Treaty in January 2023 (<https://www.state.gov/wp-content/uploads/2023/01/2022-New-START-Implementation-Report.pdf>). Shown in Figure 4.

Source: Hans M. Kristensen, Matt Korda, and Robert Norris, “Status of World Nuclear Forces,” 2023, Federation of American Scientists (FAS), March 29, 2023, <https://fas.org/initiative/status-world-nuclear-forces/>.

***NATO and Russia's Strategic Posture Half a Decade from Now:
Complexity Theory or Chaos Theory***

Even if one ignores the broader global uncertainties shaping the world as the war either reaches some end or drags on, there is no way to predict how all of these factors will reshape the broader posture of the West and Russia even half a decade from now. There is no way to know what kind of conflict termination will take place, if any, and what the force postures will then be on each side.

There is no way to know how the West, and given countries within it, will reshape their forces, how NATO will evolve, and what the impact of new tactics and technologies will be—and efforts to create truly interoperable forms of joint all domain warfare will reshape given national and NATO capabilities even in the comparatively short period of the next half decade. About all that is predictable is that no current NATO or national military plan will survive engagement with reality without major changes, and that the longer the fight last and the more expensive Ukraine's recovery becomes, the more the West may divide over how much to spend on national security and how to react to any major shift in Russia's force posture to go back to a reliance on theater nuclear forces.

It is also far from clear how many nations back the West's support of Ukraine overtime. Early in the war, some 141 nations backed a UN resolution calling for unconditional Russian withdrawal from Ukraine and only four rejected the resolution: Belarus, Eritrea, North Korea, and Syria. Even then, however, 47 other countries abstained or missed the vote, including China, India, Pakistan, Algeria, Iran, Iraq, Morocco, Ethiopia, Mozambique, Uganda, Bangladesh, Uzbekistan, Vietnam, Sri Lanka, and Laos. Over time, Iran came to blame the United States for the war, and Brazil, Turkey, and the UAE distanced themselves from blaming Russia for the war.⁵¹

Many other nations have increased their trade with Russia despite sanctions. China, Belarus, Armenia, Bolivia, Colombia, Georgia, Iran, Kazakhstan, Kyrgyzstan, Serbia, Turkey, and Uzbekistan have made significant increases in exports. Powers as diverse as Costa Rica and Switzerland have made smaller increases, and India has increased its imports of Russian oil. Iran has also exported drones to Russia, North Korea has exported artillery shells, and number of other countries are suspected of exporting military supplies and key components needed by Russia's military industries.

As a result, Russia has largely made up the major drop in imports that suddenly took place in February 2022. While the Russian economy has not grown at the levels sometimes claimed by Putin, the IMF has reported that Russia has resumed some growth and the IMF raised its estimate for 2023 from only 0.3 percent to 2.3 percent in June 2023. Russia has scarcely escaped the effects of sanctions and other measures, but the effectiveness of measures to put pressure upon it may well continue to drop with time.

At the same time, Russia faces major uncertainties as the costs of the war and Russian casualties rise. There is no way to calculate what level of train or political instability will occur, but these risks became all too clear on June 23, 2023, when the Yevgeniy Prigozhin, the head of Russia

Wagner mercenaries, mobilized his forces against the higher command structure of the regular Russian military, and led Putin to mobilize the regular military against him. Nothing could do a better job of exposing the level of uncertainty that can and new complexities that can suddenly emerge on each side—and the fact that trying to predict longer term trends is more an exercise in chaos theory than in complexity theory—than the fact that Putin would suddenly find himself giving the following speech on the uncertainty within his own country on June 23, 2023:⁵²

Today Russia is waging a hard fight for its future, repelling the aggression of neo-Nazis and their masters. Virtually the entire military, economic and information machine of the West is directed against us. We are fighting for the life and safety of our people, for our sovereignty and independence. For the right to be and remain Russia - a state with a thousand-year history.

This battle, when the fate of our people is being decided, requires the unification of all forces, unity, consolidation and responsibility. When everything that weakens us must be thrown aside, any strife that our external enemies can and use to undermine us from within.

And therefore, actions that split our unity - are, in essence, defection from your people, from your comrades who are now fighting at the front. It's a stab in the back of our country and our people.

This is exactly the kind of blow that was dealt to Russia in 1917, when the country was fighting the First World War. But her victory was stolen. Intrigues, quarrels, politicking behind the back of the army and the people turned into the greatest upheaval, the destruction of the army and the collapse of the state, the loss of vast territories. In the end was the tragedy of the civil war.

Russians killed Russians, brothers - brothers, and the greedy profit was extracted by various political adventurers and foreign forces, which divided the country, tore it to pieces.

We will not let this happen again. We will protect both our people and our statehood from any threats. Including - from internal betrayal.

What we are facing is precisely betrayal. Exorbitant ambitions and personal interests have led to treason. To treason against their country, their people, and the cause for which, side by side with our other units and subdivisions, the fighters and commanders of the Wagner Group fought and died.

Heroes who liberated Soledar and Artemovsk, cities and settlements of Donbass, fought and gave their lives for Novorossiia, for the unity of the Russian world. Their name and glory were also betrayed by those who are trying to organize a rebellion, pushing the country towards anarchy and fratricide. Towards defeat, ultimately, and capitulation.

I repeat, any internal turmoil is a deadly threat to our statehood, to us as a nation. This is a blow to Russia, to our people. And our actions to protect the Motherland from such a threat will be harsh. Everyone who deliberately embarked on the path of betrayal, who prepared an armed rebellion, embarked on a path of blackmail and terrorist methods, will suffer the inevitable punishment, they will answer both before the law and before our people.

The Armed Forces and other state bodies have received the necessary orders, additional anti-terrorist measures are now being introduced in Moscow, the Moscow region, and a number of other regions. Decisive actions will also be taken to stabilize the situation in Rostov-on-Don. It remains complicated, the work of civil and military administration is practically blocked.

As the President of Russia and the Supreme Commander-in-Chief, as a citizen of Russia, I will do everything to defend the country, protect the constitutional order, the lives, safety, and freedom of citizens.

Those who organized and prepared the military rebellion, who took up arms against their comrades - betrayed Russia. And they will answer for it. And those who are being drawn into this crime, I urge not to make a fatal and tragic, irrevocable mistake, to make the only correct choice - to stop participating in criminal actions.

I believe that we will preserve and defend what is dear and sacred to us, and together with our Motherland we will overcome any trials, become even stronger.

The Impact on Global Competition: Decoupling from the West and Turning toward China?

The war in Ukraine has also affected Russia's global economic and military position in ways that go far beyond Ukraine and Europe. Putin has made it clear that he now seeks to find an alternative to Russia's participation in the "rules-based order" established by the United States and other Western states, and their strategic partners. At the same time, Russia is seeking to create new strategic partners like China outside Europe.

The war in Ukraine did not trigger this growing global grand strategic confrontation between Russia and the West. Putin claimed the United States was deliberately creating wars in the developed world for its own interests for years before Russia invaded Ukraine. His statements have become far stronger since the war began, however, and regardless of how the fighting proceeds or ends, it will now leave a lasting legacy of at least political and economic conflict as long as Putin or any leader like him remains in power and are at best more of a call for conformation rather than competition.

Decoupling Russia from the West and a "Rules Based Order"

As noted earlier, Putin's February 21, 2023, state of the nation speech went far beyond the war in Ukraine, and European security. Although the portions of the speech rejecting economic ties to the West and its "rules-based order" received only comparatively limited media attention, they made up nearly half his speech and were at least as hostile to the West as his remarks on the Nazi-like character of Western security efforts.

The last century has provided consistent warnings about the dangers of not taking extreme authoritarian rhetoric seriously, and Putin's February 21st speech needs to be read in full to see just how extreme it really is; how Putin tied the war in Ukraine to Russia's need to reject reliance on the United States, Western Europe, and their strategic partners in Asia; and how he called for order. It is also important to note that much of the speech was a more aggressive version of the arguments he had made for years. Putin addressed many of the same themes in his speech to the Munich security conference in February 2007—long before Russia seized the Crimea and some sixteen years before it invaded Ukraine.⁵³

Even the portions of his speech that focus most directly on the links between the war and Russia's broader grand strategic and economic resources show just how far Putin went in calling for Russia to reject most of its political and economic ties to the West and to seek out a new global political and economic system:⁵⁴

As we can see now, the promises of Western leaders, their assurances that they were striving for peace in Donbass turned out to be a sham and outright lies. They were simply marking time, engaged in political chicanery, turning a blind eye to the Kiev regime's political assassinations and reprisals against undesirable people, their mistreatment of believers. They increasingly incited the Ukrainian neo-Nazis to stage terrorist attacks in Donbass. The officers of nationalist battalions trained at Western academies and schools. Weapons were also supplied.

Over the long centuries of colonialism, diktat and hegemony, they got used to being allowed everything, got used to spitting on the whole world. It turned out that they treat people living in their own countries with

the same disdain, like a master. After all, they cynically deceived them too, tricked them with tall stories about the search for peace, about adherence to the UN Security Council resolutions on Donbass. Indeed, the Western elites have become a symbol of total, unprincipled lies.

We firmly defend our interests as well as our belief that in today's world there should be no division into so-called civilized countries and all the rest and that there is a need for an honest partnership that rejects any exclusivity, especially an aggressive one.

We were open and sincerely ready for a constructive dialogue with the West; we said and insisted that both Europe and the whole world needed an indivisible security system equal for all countries, and for many years we suggested that our partners discuss this idea together and work on its implementation. But in response, we received either an indistinct or hypocritical reaction, as far as words were concerned. But there were also actions: NATO's expansion to our borders, the creation of new deployment areas for missile defence in Europe and Asia – they decided to take cover from us under an 'umbrella' – deployment of military contingents, and not just near Russia's border.

... The Western elite make no secret of their goal, which is, I quote, "Russia's strategic defeat." What does this mean to us? This means they plan to finish us once and for all. In other words, they plan to grow a local conflict into a global confrontation. This is how we understand it and we will respond accordingly, because this represents an existential threat to our country.

However, they too realize it is impossible to defeat Russia on the battlefield and are conducting increasingly aggressive information attacks against us targeting primarily the younger generation. They never stop lying and distorting historical facts as they attack our culture, the Russian Orthodox Church, and other traditional religious organizations in our country.

Look what they are doing to their own people. It is all about the destruction of the family, of cultural and national identity, perversion, and abuse of children, including pedophilia, all of which are declared normal in their life. They are forcing the priests to bless same-sex marriages. Bless their hearts, let them do as they please. Here is what I would like to say in this regard. Adult people can do as they please. We in Russia have always seen it that way and always will: no one is going to intrude into other people's private lives, and we are not going to do it, either.

But here is what I would like to tell them: look at the holy scripture and the main books of other world religions. They say it all, including that family is the union of a man and a woman, but these sacred texts are now being questioned. Reportedly, the Anglican Church is planning, just planning, to explore the idea of a gender-neutral god. What is there to say? Father, forgive them, for they know not what they do.

Millions of people in the West realize that they are being led to a spiritual disaster. Frankly, the elite appear to have gone crazy, and it looks like there is no cure for that. But like I said, these are their problems, while we must protect our children, which we will do. We will protect our children from degradation and degeneration.

Clearly, the West will try to undermine and divide our society and to bet on the fifth columnists who, throughout history, and I want to emphasize this, have been using the same poison of contempt for their own Fatherland and the desire to make money by selling this poison to anyone who is willing to pay for it. It has always been that way.

Those who have embarked on the road of outright betrayal, committing terrorist and other crimes against the security of our society and the country's territorial integrity, will be held accountable for this under law. But we will never behave like the Kiev regime and the Western elite, which have been and still are involved in witch hunts. We will not settle scores with those who take a step aside and turn their back on their Motherland. Let this be on their conscience, let them live with this – they will have to live with it. The main point is that our people, the citizens of Russia, have given them a moral assessment.

... As I have already said, the West has opened not only military and informational warfare against us, but is also seeking to fight us on the economic front. However, they have not succeeded on any of these fronts, and never will. Moreover, those who initiated the sanctions are punishing themselves: they sent prices soaring in their own countries, destroyed jobs, forced companies to close, and caused an energy crisis, while telling their people that the Russians were to blame for all of this. We hear that.

What means did they use against us in their efforts to attack us with sanctions? They tried disrupting economic ties with Russian companies and depriving the financial system of its communication channels to shutter our economy, isolate us from export markets and thus undermine our revenues. They also stole our foreign exchange reserves, to call a spade a spade, tried to depreciate the ruble and drive inflation to destructive heights.

Let me reiterate that the sanctions against Russia are merely a means, while the aim as declared by the Western leaders, to quote them, is to make us suffer. "Make them suffer" – what a humane attitude. They want to make our people suffer, which is designed to destabilize our society from within.

However, their gamble failed to pay off. The Russian economy, as well as its governance model proved to be much more resilient than the West thought. The Government, parliament, the Bank of Russia, the regions and of course the business community and their employees all worked together to ensure that the economic situation remained stable, offered people protection and preserved jobs, prevented shortages, including of essential goods, and supported the financial system and business owners who invest in their enterprises, which also means investing in national development.

As early as in March 2022, we launched a dedicated assistance package for businesses and the economy worth about a trillion rubles. I would like to draw your attention to the fact that this has nothing to do with printing money. Not at all. Everything we do is solidly rooted in market principles.

In 2022, there was a decline in the gross domestic product. Mr. Mishustin called me to say, "I would like to ask you to mention this." I think that these data were released yesterday, right on schedule.

You may remember that some predicted that the economy would shrink by 20 to 25 percent, or maybe 10 percent. Only recently, we spoke about a 2.9 percent decline, and I was the one who announced this figure. Later it came down to 2.5 percent. However, in 2022, the GDP declined by 2.1 percent, according to the latest data. And we must be mindful of the fact that back in February and March of last year some predicted that the economy would be in free fall.

Russian businesses have restructured their logistics and have strengthened their ties with responsible, predictable partners – there are many of them, they are the majority in the world.

I would like to note that the share of the Russian ruble in our international settlements has doubled as compared to December 2021, reaching one third of the total, and including the currencies of the friendly countries, it exceeds half of all transactions.

We will continue working with our partners to create a sustainable, safe system of international settlements, which will be independent of the dollar and other Western reserve currencies that are bound to lose their universal appeal with this policy of the Western elite, the Western rulers. They are doing all this to themselves with their own hands. We are not the ones reducing transactions in dollars or other so-called universal currencies – they are doing everything with their own hands.

You know, there is a maxim, cannons versus butter. Of course, national defence is the top priority, but in resolving strategic tasks in this area, we should not repeat the mistakes of the past and should not destroy our own economy. We have everything we need to both ensure our security and create conditions for confident progress in our country. We are acting in line with this logic and we intend to continue doing this.

Thus, many basic, I will stress, civilian industries in the national economy are far from being in decline, they have increased their production last year by a considerable amount. The scale of housing put into service exceeded 100 million square meters for the first time in our modern history.

As for agricultural production, it recorded two-digit growth rates last year. Thank you very much. We are most grateful to our agricultural producers. Russian agrarians harvested a record amount – over 150 million tonnes of grain, including over 100 million tons of wheat. By the end of the agricultural season, that is, June 30, 2023, we will bring our grain exports to 55–60 million tons.

Just 10 or 15 years ago, this seemed like a fairy tale, an absolutely unfeasible plan. If you remember, and I am sure some people do remember this – the former Deputy Prime Minister and the Minister of Agriculture are here – just recently, agrarians took in 60 million tons overall in a year, whereas now 55–60 million is their export potential alone. I am convinced we have every opportunity for a similar breakthrough in other areas as well.

We prevented the labor market from collapsing. On the contrary, we were able to reduce unemployment in the current environment. Today, considering the major challenges coming at us from all sides, the labor market is even better than it used to be. You may remember that the unemployment rate was 4.7 percent before the pandemic, and now, I believe, it is 3.7 percent. What is the figure, Mr. Mishustin? 3.7 percent? This is an all-time low.

Let me reiterate that the Russian economy has prevailed over the risks it faced – it has prevailed. Of course, it was impossible to anticipate many of them, and we had to respond literally on the fly, dealing with issues as they emerged. Both the state and businesses had to move quickly. I will note that private actors, SMEs, played an essential role in these efforts, and we must remember this. We avoided having to apply excessive regulation or distorting the economy by giving the state a more prominent role.

What else there is to say? The recession was limited to the second quarter of 2022, while the economy grew in the third and fourth quarters. In fact, the Russian economy has embarked on a new growth cycle. Experts believe that it will rely on a fundamentally new model and structure. New, promising global markets, including the Asia-Pacific, are taking precedence, as is the domestic market, with its research, technology and workforce no longer geared toward exporting commodities but manufacturing goods with high added value. This will help Russia unleash its immense potential in all spheres and sectors.

We expect to see a solid increase in domestic demand as early as this year. I am convinced that companies will use this opportunity to expand their manufacturing, make new products that are in high demand, and to take over the market niches vacated or about to be vacated by Western companies as they withdraw.

Today, we clearly see what is going on and understand the structural issues we have to address in logistics, technology, finance, and human resources. Over the past years, we have been talking a lot and at length about the need to restructure our economy. Now these changes are a vital necessity, a game changer, and all for the better. We know what needs to be done to enable Russia to make steady progress and to develop independently regardless of any outside pressure or threats, while guaranteeing our national security and interests.

I would like to point out and to emphasize that the essence of our task is not to adapt to circumstances. Our strategic task is to take the economy to a new horizon. Everything is changing now and changing extremely fast. This is not only a time of challenges but also a time of opportunities. This is really so today. And our future depends on the way we realize these opportunities. We must put an end – and I want to emphasize this – to all interagency conflicts, red tape, grievances, doublespeak, or any other nonsense. Everything we do must contribute to achieving our goals and delivering results. This is what we must strive to achieve.

Enabling Russian companies and small family-run businesses to successfully tap the market is a victory in itself. Building cutting-edge factories and kilometers of new roads is a victory. Every new school, every new kindergarten we build is a victory. Scientific discoveries and new technologies – these are also victories, of course. What matters is that all of us contribute to our shared success.

What areas should we focus the partnership of the state, the regions and domestic business on?

First, we will expand promising foreign economic ties and build new logistics corridors. A decision has already been made to extend the Moscow-Kazan expressway to Yekaterinburg, Chelyabinsk and Tyumen, and eventually to Irkutsk and Vladivostok with branches to Kazakhstan, Mongolia, and China. This will, in part, allow us to considerably expand our ties with Southeast Asian markets.

...Second, we will need to significantly expand our economy's production capabilities and to increase domestic industrial capacity.

An industrial mortgage tool has been created, and an easy-term loan can now be taken out not only to purchase production facilities, but also to build or upgrade them. The size of such a loan was discussed many times and there were plans to increase it. It is a decent amount for a first step: up to 500 million rubles. It is available at a rate of 3 or 5 percent for up to seven years. It sounds like a very good program and should be put to good use.

New terms for industrial clusters took effect this year, including a lower fiscal and administrative burden on resident companies, and long-term state orders and subsidies to support demand for their innovative products, which are just entering the market.

According to estimates, these measures will generate high-demand projects worth over 10 trillion rubles by 2030. Investment is expected to reach about 2 trillion this year alone. Please note that these are not forecasts, but existing benchmarks.

Therefore, I would like the Government to expedite the launch of these projects, give a hand to businesses and come up with systemic support measures, including tax incentives. I am aware that the financial bloc does not like to provide incentives, and I partly share this approach: the taxation system must be consistent and without niches or exemptions, but this particular case calls for a creative approach.

... It is important to create additional conditions to encourage people to invest and earn at home, in the country. At the same time, it is necessary to guarantee the safety of people's investment in voluntary retirement savings. We should create a mechanism here similar to the one used for insuring bank deposits. I would like to remind you that such savings, worth up to 1.4 million rubles, are insured by the state guarantee on deposits. I propose doubling the sum to 2.8 million rubles for voluntary retirement savings. Likewise, we must protect people's investment in other long-term investment instruments, including against the possible bankruptcy of financial brokers.

Separate decisions must be taken to attract funds to rapidly growing and high-tech businesses. We will approve support for the placement of their shares on the domestic stock market, including tax benefits for both the companies and the buyers of their stock.

Freedom of enterprise is a vital element of economic sovereignty. I will repeat: against the backdrop of external attempts to contain Russia, private businesses have proven their ability to quickly adapt to the changing environment and ensure economic growth in difficult conditions. So, every business initiative aimed at benefiting the country should receive support.

I believe it is necessary to return, in this context, to the revision of a number of norms of criminal law as regards the economic elements of crime. Of course, the state must control what is happening in this area. We should not allow an anything-goes attitude here but we should not go too far, either. It is necessary to move faster towards the decriminalization I mentioned. I hope the Government will consistently and seriously conduct this work together with Parliament, the law-enforcement bodies and business associations.

At the same time, I would like to ask the Government to suggest, in close cooperation with Parliament, additional measures for speeding up the de-offshorization of the economy. Businesses, primarily those operating in key sectors and industries should operate in Russian jurisdiction – this is a fundamental principle.

Colleagues, in this context I would like to make a small philosophical digression. This is what I would like to single out.

We remember what problems and imbalances the Soviet economy faced in its later stages. This is why after the collapse of the Soviet Union and its planned system, in the chaos of the 1990s, the country began to create its economy along the lines of market relations and private ownership. Overall, this was the right thing to do. The Western countries were largely an example to follow in this respect. As you know, their advisers were a dime a dozen, and it seemed enough to simply copy their models. True, I remember they still argued with each other – the Europeans argued with the Americans on how the Russian economy should develop.

And what happened as a result? Our national economy was largely oriented to the West and for the most part as a source of raw materials. Naturally, there were different nuances, but overall, we were seen as a source of raw materials. The reasons for this are also clear – naturally, the new Russian businesses that were taking shape were primarily oriented toward generating profit, quick and easy profit in the first place. What could provide this? Of course, the sale of resources – oil, gas, metals, and timber.

Few people thought about other alternatives or, probably, they did not have the opportunity to invest long-term. This is the reason other, more complex industries did not make much headway. It took us years – other governments saw this clearly – to break this negative trend. We had to adjust our tax system and make large-scale public investments.

We have achieved real and visible change. Indeed, the results are there, but, again, we should keep in mind the circumstances in which our major businesses developed. Technologies were coming from the West, cheaper sources of financing and lucrative markets were in the West, and capital started flowing to the West as well. Unfortunately, instead of expanding production and buying equipment and technology to create new jobs in Russia, they spent their money on foreign mansions, yachts, and luxury real estate.

They began to invest in the economy later, but initially the money flowed rapidly to the West for consumption purposes. And since their money was there, that is where their children were educated, where their life was, their future. It was very difficult and almost impossible for the state to track and prevent these developments, because we lived in a free market paradigm.

Recent events have clearly shown that the image of the West as a safe haven for capital was a mirage. Those who failed to understand this in time, who saw Russia only as a source of income and planned to live mostly abroad, have lost a lot. They just got robbed there and saw even their legitimate money taken away.

At some point I made a joke – many may still remember it – I told Russian businesspeople that they will make themselves sick running from courtroom to courtroom and from office to office in the West trying to save their money. That is exactly how it turned out.

You know, I will say something that is quite simple, but truly important. Trust me, not a single ordinary citizen in our country felt sorry for those who lost their assets in foreign banks, lost their yachts or palaces abroad, and so on. In their conversations around the kitchen table, people have all recalled the privatization of the 1990s, when enterprises that had been built by our entire nation were sold for next to nothing and the so-called new elites flaunted their lavish lifestyle.

There are other key aspects. During the years that followed the breakup of the Soviet Union, the West never stopped trying to set the post-Soviet states on fire and, most importantly, finish off Russia as the largest surviving portion of the historical reaches of our state. They encouraged international terrorists to assault us, provoked regional conflicts along the perimeter of our borders, ignored our interests and tried to contain and suppress our economy.

I am saying this because big business in Russia controls strategic enterprises with thousands of workers that determine the socioeconomic well-being of many regions and, hence, the overall state of affairs. So,

whenever leaders or owners of such businesses become dependent on governments that adopt policies that are unfriendly to Russia, this poses a great threat to us, a danger to our country. This is an untenable situation.

Yes, everyone has a choice. Some may choose to live in a seized mansion with a blocked account, trying to find a place for themselves in a seemingly attractive Western capital, a resort or some other comfortable place abroad. Anyone has the right to do that, and we will never infringe on it. But it is time to see that in the West these people have always been and will always remain second class strangers who can be treated any way, and their money, connections and the acquired titles of counts, peers or mayors will not help at all. They must understand that they are second class people there.

There is another option: to stay with your Motherland, to work for your compatriots, not only to open new businesses but also to change life around you in cities, towns and throughout your country. We have quite a few businesspeople like this, real fighters in our business community, and we associate the future of our business with them. Everyone must know that the sources of their prosperity and their future can only be here, in their native country Russia.

If they do, we will create a very strong and self-sufficient economy that will not remain aloof in the world but will make use of all its competitive advantages. Russian capital, the money earned here, must be put to work for the country, for our national development. Today, we see huge potential in the development of infrastructure, the manufacturing sector, in domestic tourism and many other industries.

I would like those who have come up against the predatory mores of the West to hear what I have to say: running around with cap in hand, begging for your own money makes no sense, and most importantly, it accomplishes nothing, especially now that you realize who you are dealing with. Stop clinging to the past, resorting to the courts to get at least something back. Change your lives and your jobs, because you are strong people – I am addressing our businesspeople now, many of whom I have known for years, who know what is what in life.

Launch new projects, earn money, work hard for Russia, invest in enterprises and jobs, and help schools and universities, science and healthcare, culture, and sports. In this way, you will increase your wealth and will also win the respect and gratitude of the people for a generation ahead. The state and society will certainly support you.

Let us consider this as a message for our business: get moving in the right direction.

... We will develop cooperation with friends, with all those who are ready to work with us. We will adopt the best practices but will primarily rely on our own potential, on the creative energy of Russian society, on our traditions and values.

Here I would like to mention the character of our people who have always been distinguished by their generosity, magnanimity, mercy and compassion, and Russia, as a country, fully reflects these traits. We know how to be good friends, how to stand by one's word. We will never let anyone down and will always support those in a difficult situation without hesitation.

Everyone remembers that during the pandemic we were actually the first to support some European countries, including Italy and other states when they were going through the most difficult weeks of the COVID outbreak, and let's not forget how we are helping Syria and Turkiye after a devastating earthquake.

It is the people of Russia that are the foundation of our national sovereignty and our source of power. The rights and freedoms of our citizens are immutable – they are guaranteed by the Constitution, and we will not depart from this despite the external challenges and threats.

... I would like to emphasize in this context that elections to local and regional government bodies next September and the presidential elections in 2024 will take place in strict accordance with the law and observance of all democratic, constitutional provisions.

Elections always reveal different approaches to resolving social and economic goals. That said, the leading political forces are consolidated and united in the main idea – the security and wellbeing of the people; our sovereignty and our national interests override everything else for us.

I would like to thank you for this responsible, firm position and recall the words of Pyotr Stolypin, a patriot, and a proponent of a strong Russian state. He said this in the State Duma over a hundred years ago, but it is still consonant with our times. He said: “In the cause of defending Russia, all of us must unite and coordinate our efforts, our commitments and our rights for supporting one historical supreme right – the right of Russia to be strong.”

Volunteers at the frontline include deputies of the State Duma and regional parliaments, representatives from different levels of executive government bodies, municipalities, cities, districts, and rural areas. All parliamentary parties and leading public associations are taking part in collecting humanitarian aid to help at the front.

... The task is clear: in the next five years we need to train about a million specialists of working professions for the electronics industry, the robotics industry, mechanical engineering, metallurgy, pharmaceuticals, agriculture and the defence industry, construction, transport, nuclear and other industries that are key to ensuring the security, sovereignty, and competitiveness of Russia.

Finally, a very important question is about our higher education. Significant changes are also overdue here, considering the new requirements for specialists in the economy, social sectors, and in all spheres of life in our country. What we need here is a synthesis of all the best that was in the Soviet system of education and the experience of recent decades.

... Russia will meet any challenges because we are all one country, a big and united nation. We are confident in ourselves and confident in our strength. The truth is on our side.

The last century has provided consistent warnings about the dangers of not taking extreme authoritarian rhetoric seriously, and it is important to note that much of Putin’s speech was a more aggressive version of arguments he had made for years. For example, Putin advanced many of the same themes in his speech to the Munich security conference in February 2007—long before Russia seized the Crimea in 2014, and some sixteen years before Russia invaded Ukraine for the second time.⁵⁵

At the same time part of Putin’s speech is probably bluster and propaganda, and it is interesting to note that Putin gave a more positive view of Russia’s options for working with the present global economy when he spoke to an international audience in the St. Petersburg International Economic Forum on June 16, 2023.⁵⁶

It is important to realize that China and many states outside the developed world share some of Putin’s reservations about the impact of a “rules-based system” dominated by the West and other developed Asia powers, by their need to rely on the dollar as a reserve currency, by their vulnerability to economic sanctions, and by the extent to which the current global economic system constrains their development, economies, and political influence. They too want to alter a “rules-based” economic system that was shaped by the strength of the United States and Western Europe during the decades following the end of World War II in ways that reflect the emergence of major new economic powers—and the fact the world’s population is now dominated by states outside this system.

In balance, the present international system will probably not evolve in anything like the way Putin calls for in his February 21 speech, but it may change radically over the next decade, and could evolve in ways that would sharply increase Russia's dependence on China, the rest of Asia, the Middle East, and the rest of the world. It also seems likely that the economic war between the West and Russia that began with Russia's invasion of Ukraine will continue and become a serious factor in the evolution of the global economy, development, and stability.

Russia Is Barely a Mid-Level Economic Power in Global Terms

The key problem for Russia in influencing this process will be that its global economic influence has become so limited. As is the case with military spending, the break-up of the former Soviet Union and the collapse of the Warsaw Pact left Russia a far smaller power in terms of its overall economic strength, its role in world trade (especially in trade other than food and petroleum exports), total manufacturing output, and total research and development effort.

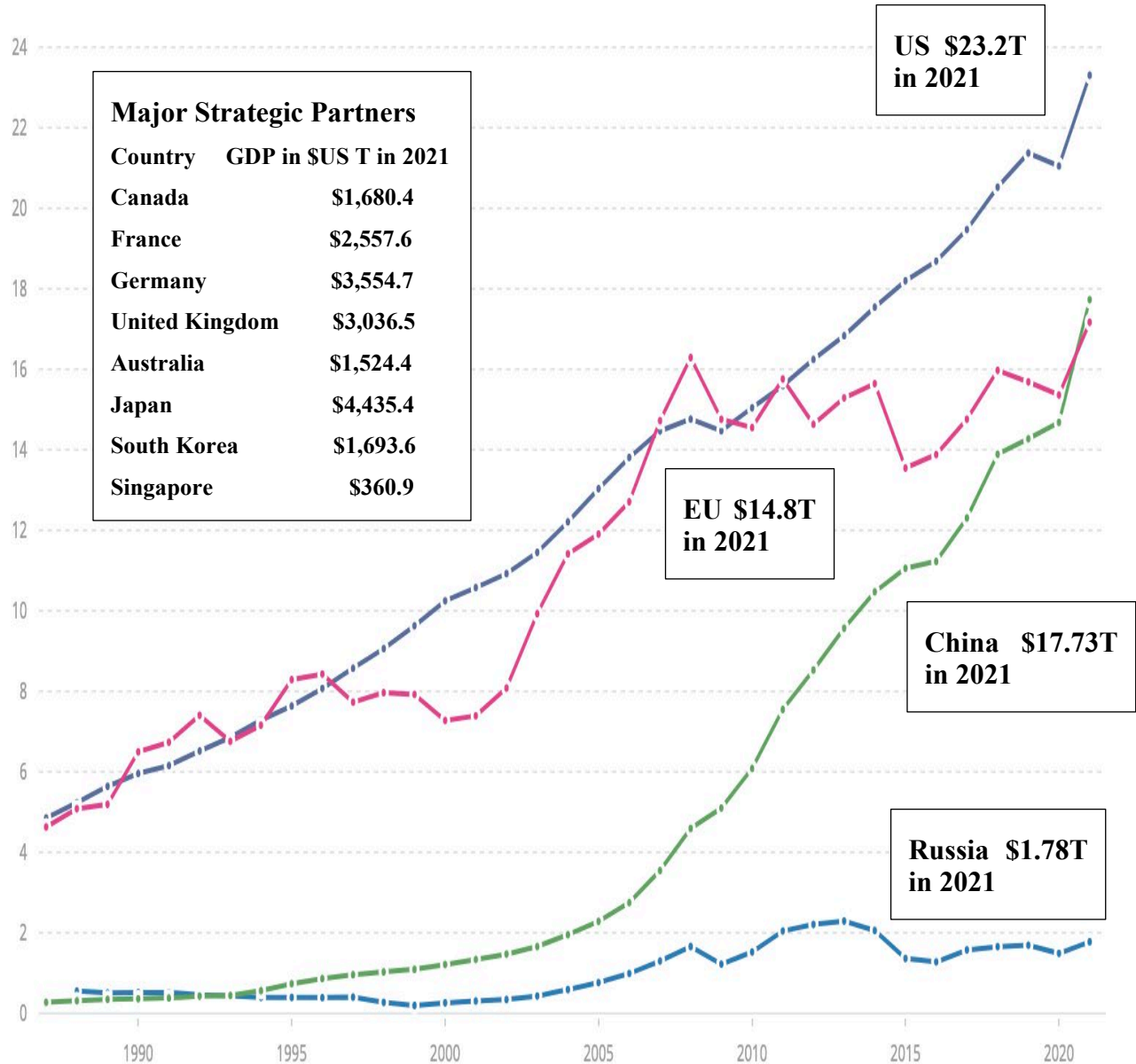
The World Bank's estimates of the trends in Russian, Western, Chinese, and other key gross national products are shown in Figure 7. Russia has clearly made far less progress than most developed states, and lagged grossly behind the United States, China, and European Union. These World Bank estimates end with 2021, and do not reflect the impact of sanctions on Russia. They do, however, indicate that Russia's relative economic strength has consistently weaker relative to that of other major powers.

The estimates of the total Russian Federation's GDP in 2021 is only \$1,778 billion. The estimate for the United States is \$23,315 billion: thirteen times as much. The estimate for the European Union is \$17.177 billion, or nearly ten times as much. The estimate for United Kingdom alone is \$3,131 billion, France is \$2,958 billion, and Germany is \$4,260 billion.⁵⁷

It should be stressed that the data involved in calculating the overall size of different economies differ from metric to metric and source to source. They are often uncertain and/or politicized, and experts often disagree as to sources, definition, and the importance of given metrics. Most experts would agree, however, that the trends just quoted—and those shown in Figure 5—are at least broadly correct in showing how small Russia's GNP has remained relative to the United States, China, and the European Union since 1990, and that it is only marginally higher—or sometimes lower—than that of European states and key strategic partners in Asia.

Figure 8, Figure 9, Figure 10, and Figure 11 provide further indications of Russia's limited economic strength. They show that Russia ranks low in manufacturing output, total research development efforts, and in its volume of key aspects of world trade like manufacturing exports. The numbers and methods involved in generating the data used in these figures draw on more controversial methods and sources than the GDP data in Figure 7, but they again seem to reflect the same broad trends as do most other source on such trends, and Russia's performance is poor in each area.

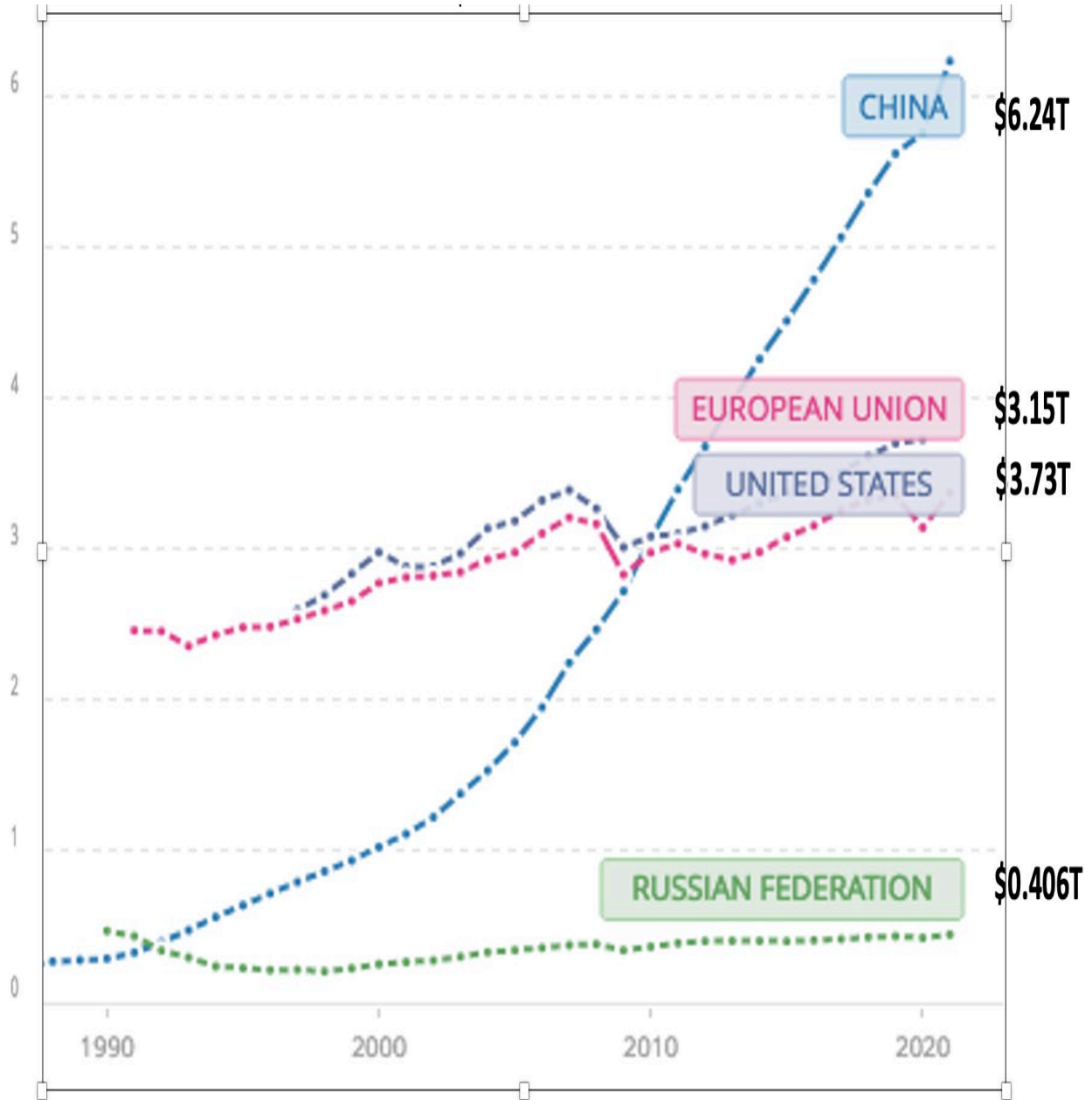
Figure 7: Russia Is At Most a Second-Rate Global Economy
 (National Annual GDP in Constant 2015 U.S.\$ Billions)



Note: GDP provides the most reliable international estimate of modern economic strength. Adding PPP data reflects population, not economic strength, and the trend in constant dollars is roughly simply to the trends in current dollars. Any such estimates, however, involved serious uncertainties.

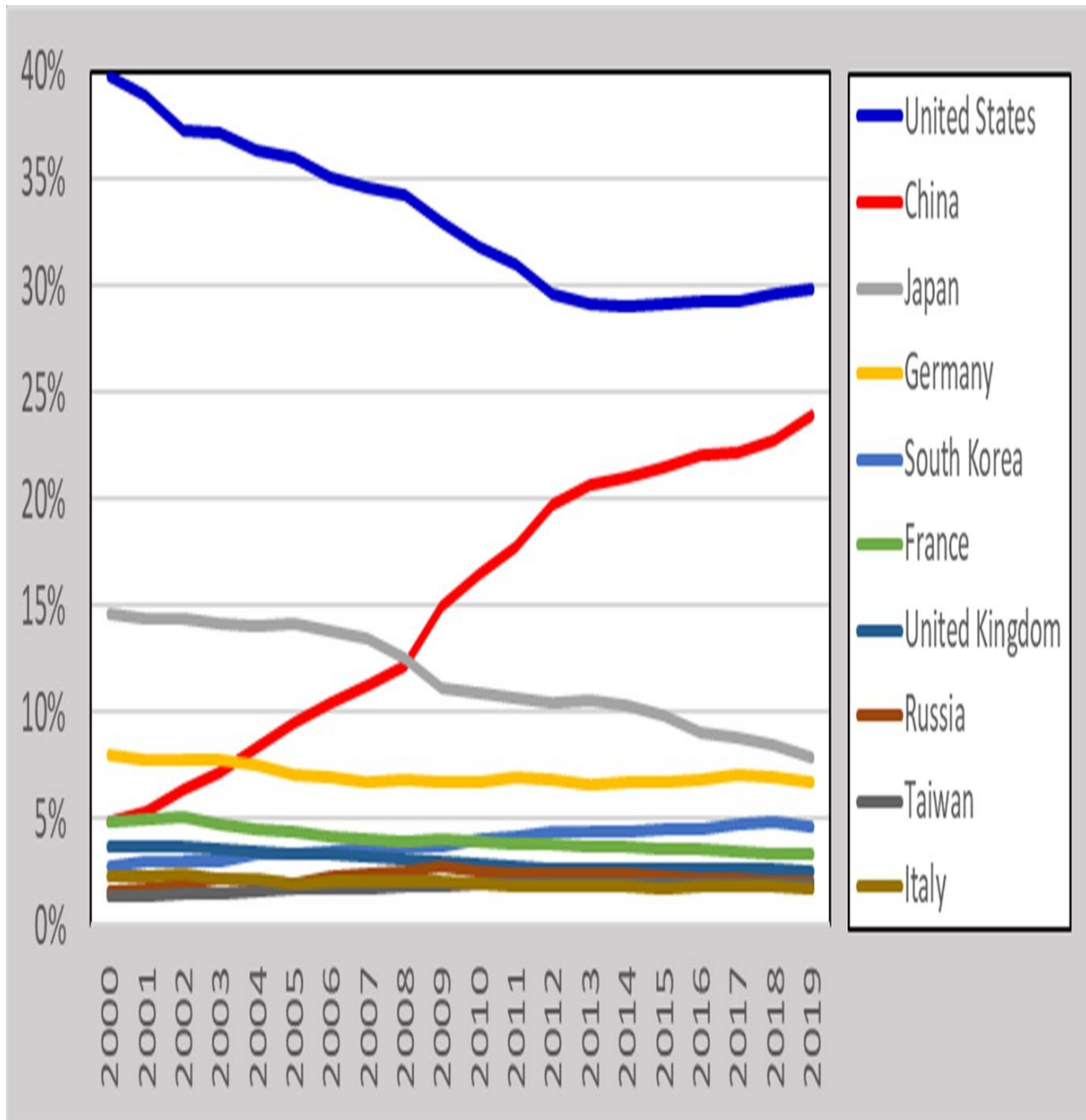
Source: Adapted from the World Bank on-line database as of June 2023. See <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2021&locations=RU-CN-US-EU&start=1987&type=points&view=chart>; and <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>.

**Figure 8: Russia’s Low Growth in Annual Value Added of Industry (including construction)
(Constant U.S.\$ Trillions: 1990–2021)**



Source: World Bank, database, <https://data.worldbank.org/indicator/NV.IND.TOTL.KD?locations=CN-RU-US>.

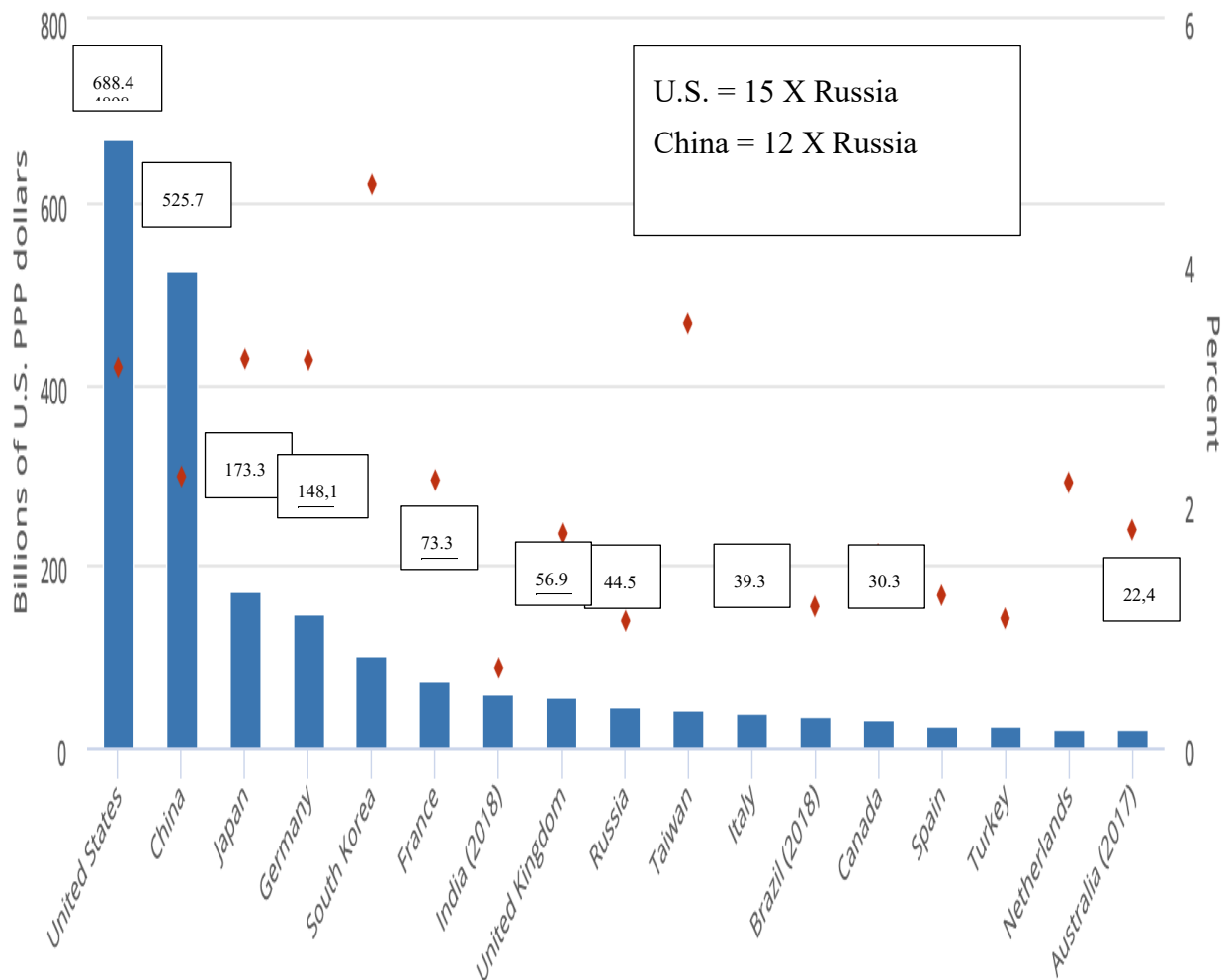
Figure 9: Russia’s Low Percentage Share of Global Research and Development Spending



Notes: Global R&D includes the expenditures of the OECD countries, Argentina, China, Romania, Russia, Singapore, South Africa, and Taiwan. Share computed in PPP terms. PPP = Purchasing Power Parity. PPP is used to determine the relative value of different currencies and to adjust data from different countries to a common currency allowing direct comparisons among them.

Source: CRS analysis of Organization for Economic Development and Cooperation, OECD.Stat database, https://stats.oecd.org/Index.aspx?DataSetCode=MSTI_PUB.

Figure 10: Russia’s Low Gross Domestic Expenditures on R&D (GERD)—a Measure of a Country’s Total R&D Investment—and National R&D Intensity (GERD-to-GDP ratio)
 (Spending for top 17 Countries in 2019, or in most recent data)



Notes: Top 17 R&D-performing countries or economies (based on annual GERD). Data for most countries are from 2019; data for India, Brazil, and Australia are 1 year or 2 years earlier. National R&D intensity is the ratio of gross domestic expenditures on R&D to gross domestic product. GERD = gross domestic expenditure on R&D measured in PPP = purchasing power parity terms.

Source: National Science Board, National Science Foundation. 2022. Research and Development: U.S. Trends and International Comparisons. Science and Engineering Indicators 2022. NSB-2022-5. Alexandria, VA. Available at <https://nces.nsf.gov/pubs/nsb20225/https://www.ncses.nsf.gov/pubs/nsb20225/cross-national-comparisons-of-r-d-performance>.

Figure 11: World Trade Organization Estimate of Russia’s Comparative Levels of Merchandise Exports 2016-2020
(In \$U.S. Current Billions)

Country	2016	2017	2018	2019	2020	2021	2022*
Russia	281.7	352.9	443.9	419.7	333.8	493.8	531.9
United States	1,451.0	1,546.3	1,664.0	1,643.2	1,425.0	1,743.3	2,064.8
European Union	2,904.2	3,213.4	3,561.0	3,439.0	3,264.8	4,069.4	4,444.0
United Kingdom	410.9	441.0	463.4	460.0	399.5	470.5	529.4
Canada	390.0	420.7	452.3	448.8	390.8	507.6	597.5
Australia	192.5	231.1	257.1	271.0	250.8	344.8	412.2
Japan	645.1	698.3	738.1	705.6	641.3	756.0	747.0
South Korea	495.4	573.7	604.9	542.2	512.5	644.4	683.6
China	2,097.6	2,263.3	2,486.7	2,499.5	2,589.0	3,358.2	3,593.6

*Estimate

Source: World Trade Organization, WTO STATS, <https://stats.wto.org/>.

But, Russia Does Have Some Core National Security Strengths in Competing with the West

That said, Putin can draw on some core strengths in funding Russia's wars, its competition with the West, and its other national security efforts. Russia has had decades in which to reshape and rebuild its forces since the end of the Cold War. Its performance in the war in Ukraine have led to substantial casualties and losses of weapons and equipment and have raised serious question about its current force levels, their training and readiness, and their modernization. Nevertheless, Russia never took the some "peace dividends in reducing its forces that most NATO countries did and had total holdings at the start of the war in Ukraine close to the ones shown in Figure 12.

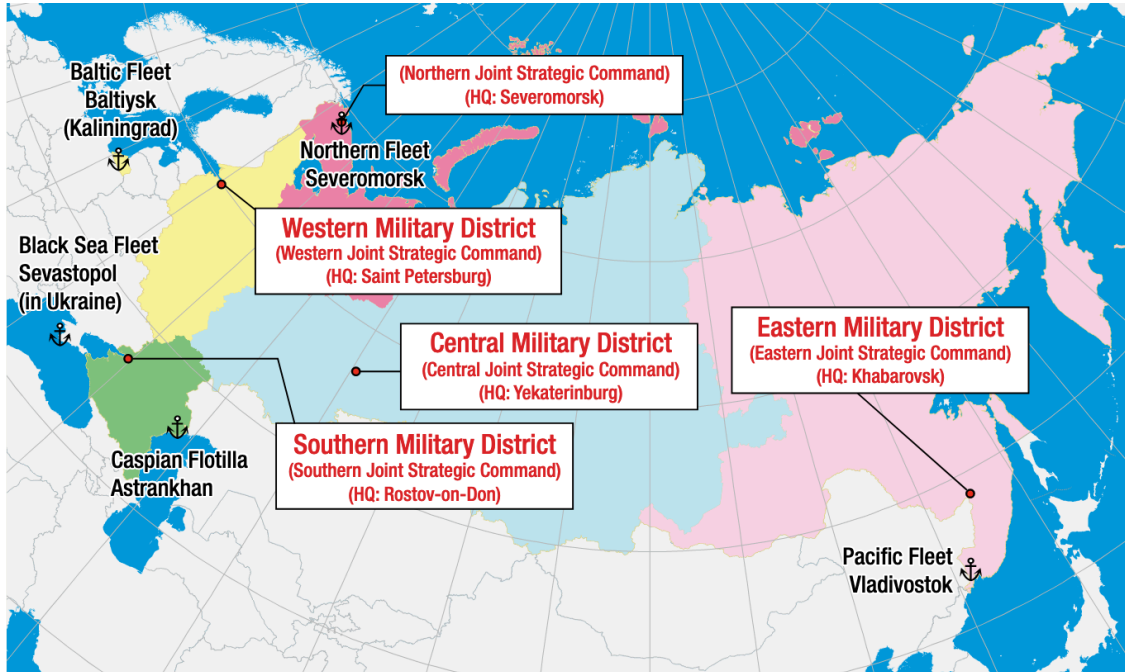
There are no reliable estimates of Russia's military casualties (killed and wounded), or weapons and equipment losses. Expert Western sources warn that their estimates are more guesstimates than analyses, and Russia does not report anything approaching reliable figures. There also are no reliable data on Russia's ability to replace its equipment losses and expenditures of ammunition and military supplies. So far, however, Russia has not exhibited any critical problems.

As is discussed in more depth shortly, Russia still has a large military industrial base and one support by major arms sales, and carried out a significant modernization effort before the war began. The United States has not issued an update of its official report on Russian military power for some years, but the Japanese Ministry of Defense reports that Russia claimed before the war that its State Armaments Program (GPV: Gosudarstvennaya Programma Vooruzheniya) *was moving ahead with* moving ahead with the development, procurement, and deployment of new equipment, such as the *Su-35 and "Su-57", which was* under development as a "fifth-generation fighter," the "T-14 Armata" tank, *and* heavy unmanned combat aerial vehicles like; the "Okhotnik."⁵⁸

It reported that the Russian Navy planned to increase the rate of modernization of its equipment to 70 percent by 2027, that its replacement of surface vessels for coastal waters was being completed, and that it would now focus on building surface vessels for the open sea. Russia undertook the construction of two of its first amphibious assault ships Russia undertook the construction of two of its first amphibious assault ships in July 2020, with an expected delivery in 2027. And, that Russia was making new developments in satellites anti-satellite missiles, and electronic warfare, improving the scale and complexity of its exercises, and creating major new facilities in the artic.⁵⁹

Some of Russia's claims to progress in building up and modernizing its forces, are suspect, but it almost certainly is spending more than it officially reports. A state-controlled economy can price national security efforts and allocate state resources with far more freedom than a market economy, can also report the total military and national security spending numbers it wants to report with only limited challenge, and report what it wants to report on the portion of its industrial base and research and development activity allocated to national security. This gives Putin's government the ability to allocate a much larger percent of Russia's national income and military forces and national security than is the case with representative governments or one where there is some form of reliable public accounting for government spending.

Figure 12: Russia’s Conventional Forces in 2022



		Russia
Total military forces		Approx. 900,000 troops
Ground forces	Ground troops	Approx. 330,000 troops
	Tanks	T-90, T-80, T-72, etc. Approx. 2,900 (Not including mothballed tanks. Approx. 13,000 including mothballed tanks)
Maritime forces	Warships	1,170 vessels, Approx. 2,070,000 tons
	Aircraft carriers	1 vessel
	Cruisers	4 vessels
	Destroyers	11 vessels
	Frigates	19 vessels
	Submarines	70 vessels
Marines		Approx. 35,000 troops
Air forces	Combat aircraft	1,530 aircraft
	Modern fighter aircraft	MiG-29 × 109 Su-30 × 132 MiG-31 × 117 Su-33 × 17 Su-25 × 199 Su-34 × 125 Su-27 × 119 Su-35 × 97 (Fourth generation fighter aircraft: Total 915)
	Bombers	Tu-160 × 16 Tu-95 × 60 Tu-22M × 61

Source: “The Military Balance 2022,” etc. Ground troops include 280,000 ground force personnel and 45,000 airborne unit personnel as adopted by the Japanese Ministry of Defense in *Defense of Japan*, p.107.

Russia’s Military-Industrial Base

Putin has made claims about the strength of Russia’s military technical and industrial base since the war in Ukraine began. One example is the claims Putin made about the ability of Russia’s military industrial base to help Russia win the war against Ukraine in a speech he gave on January 28, 2023:⁶⁰

In terms of achieving the end result and the victory that is inevitable, there are several things ... It is the unity and cohesion of the Russian and multinational Russian people, the courage and heroism of our fighters ... and of course the work of the military-industrial complex and factories like yours and people like you...Victory is assured, I have no doubt about it.

One needs to be cautious, however, in taking such statements at the face value, and accepting broad estimates of the total size of Russia military industrial base like those reported by Wikipedia: “Russia's defense industry employs 2.5 to 3 million people and accounts for 20% of all manufacturing jobs in Russia...The combined revenue of the industry's 20 largest companies in 2009 was \$12.25 billion.”⁶¹

There is no reliable database on the size of Russia military industrial base or military R&D effort. On the one hand the West has underestimated Russia’s capabilities in the past. The United States found after the break-up of the Former Soviet Union (FUS) that Russian actual military spending was nearly twice what the U.S. intelligence community had estimated before the FSU’s collapse, and that the same was true of its military industrial base.

On the other hand, estimates of Russia’s annual military spending and levels of total military manufacturing and research and development capacity by outside experts are so low that it seems unlikely that Russia’s current military-industrial base is large enough to qualify as a that of a true superpower.

There are, however, some good general analyses of the trends and capabilities of Russia’s military industrial base, including work from the U.S. Congressional Research Service (CRS). A CRS study issued in 2021 discusses upon the initial impact of the war in Ukraine, lists key transfers of modern weapons, and summarizes the current state of Russia’s military industrial base in ways that do indicate it is stronger than Russia’s overall economic problems might indicate:⁶²

Russia’s defense industry remains a domestically important sector, employing several million workers and supporting foreign arms sales...The government controls almost all of the defense industry, either directly or through equity share. In 2011, Russia launched a 10-year armament program, known as GPV-2020, with a goal to modernize the military’s weaponry. According to external analysis, the program funding allowed the sector to recapitalize many of its stagnant sectors, import precision tools, recruit a high-quality workforce, increase production, and resume development of R&D programs that had been on hold since the 1990s.

According to Russian officials, the defense industry has largely achieved the goals of GPV-2020 and developed capabilities to produce systems across all major weapons categories. Russia asserts it has increased its ability to serially produce upgraded systems, increase production volumes, and innovate new designs (such as hypersonic and cruise missiles, electronic warfare, and air defense systems). Analysts generally consider such new systems to be formidable, increasing Russia’s military capability and competitiveness in foreign

arms sales. Many of Russia's newest systems have been under development since the 1990s and only recently entered state trials and serial production.

...The Russian government views the defense industry as a key driver of technological growth and innovation. In 2015, Putin said the defense industry should "set the bar for technological and industrial development and continue to remain one of the main locomotives for innovation." Government efforts to direct the defense industry to increase the production share of civilian and dual-use goods have met with questionable success...Despite positive official statements, most analysts point to significant challenges in Russia's conversion effort.

...The Russian government and senior government officials have directed an extensive import substitution program to shift the defense industry toward a reliance on domestically produced components. Import substitution could reduce the defense industry's exposure to foreign sanctions, improve the purchasing power of domestic military expenditure, and increase profit from foreign arms sales. This policy has become more important now that European and U.S. sanctions have limited Russian access from key suppliers and Ukraine has severed access to its defense industry.

Russia's import substitution program has been somewhat successful in replacing Western components and developing domestic manufacturing and production expertise; before 2014, Russia relied on Western producers for dual-use goods, especially high-end technology. The sanctions levied following Russia's 2014 invasion of Ukraine led Russia to experience a loss of access to Western expertise and equipment; analysts assert that this loss remains. Many analysts Russian Arms Sales and Defense Industry contend that such expertise and equipment are crucial to the development and production of new and advanced systems.

In comparison, Russia's defense industry has been increasingly successful in reducing its reliance on systems and components produced in Ukraine before 2014...Russia's defense industry faces other structural limitations and deficiencies. Despite some improvements and investments, most plants and equipment are older or outdated, which constrains production output.

This is a key area for further analysis, an improved intelligence effort, and cooperative net assessment by both government and experts in the West's military industries and R&D efforts. It is not only important in understand how the war in Ukraine might evolve, and how its affect the development of the military balance between Russia and the West, but in assessing Russia's leverage in global military competition and the leverage provide by its global arms sales in help Russia decoupled from Europe.

Russia's Arms Exports as Source of Decoupled Funds and Economies of Scale in Military Industry and Research and Development

The unclassified data on the value of Russia's arms exports, and the nature and volume of its sales to given countries are as uncertain as the data on its arms exports. Once again, however, they are a Russian military strength in that they are almost certainly large enough to be one of Russia's military strengths. They allow Russia to sustain much larger military efforts than the total size of tis economy might indicate. Like its oil and gas exports, they also provide high levels of export income directly to the Russian regime in ways the government can use to allocate substantial funds to meeting military needs which have limited public transparency and political impact.

It should be stressed, however, that there also major problems in finding any source of reliable unclassified data. The U.S. State Department ceased to issue its report on *World Military Expenditures and Arms Transfers (WMEAT)* in 2022, and the United States has not provided any

estimates beyond 2019. This State Department database was the only official unclassified estimate of such spending and was once the only major source for reliable data on the actual scale and value of such sales, although the State Department effort had become increasingly uncertain several years before the report was cancelled.⁶³

Other sources on the economics and arms sales present significant problems. The United Nations Register of Conventional Arms does make an attempt to collect data on major weapons exports by type and category, but the UN effort is sharply limited by the fact it must rely on member countries for such reporting. Countries only report numbers of weapons transferred by major category of weapon, often report highly politicized and partial data, and their participation is often erratic.⁶⁴ As for national official and unofficial reporting, there are some good official data for individual countries like the United States, and some good commercial reporting on individual countries, but none on Russia that seem reliable.

As a result, the key comparative annual estimate of world arms transfers by year and country is now one made by the Stockholm International Peace Research Institute (SIPRI). This is an important source, but it is critical to note that the data do not compare that actual market value of exports and that much of media reporting on these SIPRI data totally the definition of the data that SIPRI reports.

The SIPRI database does collect and distribute some individual national and contractor reports on the commercial value of arms transfers, although SIPRI does not attempt to estimate their accuracy or cover cases where there are no reports. The SIPRI database on the size of arms transfers is not, however, based on the market value of military contracts, or on the total market value of a given country's transfers or the total income it receives. Its reporting on contracts also does not include many efforts to sustain and support such sales.

The data in SIPRI's computerized data base are SIPRI'S attempt to create a truly comparable estimate of the value of major weapons transfers using standardized prices, regardless of their actual sales price, and it estimates the overall volume of military exports and services, by measuring the volume of international transfers of major conventional weapons using a common unit, the trend-indicator value (TIV).⁶⁵

This is a useful way of trying to correct the gross differences in the quality and integrity of most of international arms sales data. The SIPRI estimates are summarized for the decade between 2013 and 2022 in **Figure 13**, and they are certainly valid in showing that Russia's arms exports are some of the largest in the world, and potentially give Russia strategic leverage in a number of key countries like China. They do not, however, show how much actual income Russia receives from arms transfers or total market price that importer paid.

It should also be noted that Russia does not normally provide the same level of maintenance, training, and other support for its weapons transfers that the United States does as part of its Foreign Military Sales (FMS) programs. This tends to exaggerate the dollar value of Russia's sales relative to the United States and other countries that do provide such services and affects the value of Russian transfers to many—if not most importing states—where ongoing in-country support by the seller can be critical to sustainability, updating, and repair.

That said, the SIPRI data in **Figure 13** almost certainly do provide useful data for comparing the total volume of weapons sales, and SIPRI Yearbook for 2023 estimates that Russia is the second largest exporter of arms in the world, and that it exported 22 percent of all global sales in 2013–2017, and 16 percent in 2018–22. Russia has certainly benefited from economies of scale and from foreign arms sales income in ways that are not reflected in its public military budgets or the overall data it releases on its economy.⁶⁶

As is the case with most previous metrics, however, the SIPRI data report that Russia arms exports are much smaller than those of the United States and its major strategic partners and provide far smaller advantages in terms of revenue and increased economies of scale. The data also show that Russia has lost market share to the United States over the last decade, and the West has a far higher market share relative to Russia than the United States alone.

Russia also clearly failed to build-up massive war reserves before it invaded Ukraine and had to become an arms importer early in the war. It may since have improved its output of key items like artillery shells and drones, but the data available are too limited to fully understand the strengths and limits of its current military industrial base and capability to sustain its exports.

What is also clear from the CRS report and virtually all other major sources is that Russia's more developed customers—including China and India—are seeking to create their own military industries, and are concerned that Russia's tensions with the West, and sanctions because of the Ukraine War, may make it less advanced, more expensive, and less reliable supplier. In short, Russia's arms exports are declining both in terms of the income and scale they provide to Russia military industries and R&D efforts, and any ability to decouple its entire economy from Europe and the West.

Figure 13: SIPRI Estimate of Russia Arms Exports: 2003–2023

(Figures are SIPRI Trend Indicator Values (TIVs) expressed in millions of nominal U.S. dollars).

Country	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Russia and Major Buyers											
Total	7923	5467	5927	6811	6199	7173	5627	3904	2857	2820	54707
China	694	602	755	691	986	1825	1237	632	773	727	8920
Algeria	304	313	545	1592	1005	1136		522	150	20	5586
Egypt	27	110	6	178	1118	860	763	454			3515
India	3852	1719	1993	1906	1534	1322	1572	1274	1455	1342	17969
Iran	4	4	4	413	3	3	3	2			436
Iraq	51	333	472	352	173	427	126				1934
Pakistan	29	29	37	43	37	79	60	37	7		357
Serbia				14	65		67	119	41		306
Syria	496	2	16	3	37	199	36	84	11		883
Turkey							280	32	31		344
Venezuela	881	79									960
Vietnam	311	1054	733	701	464	332	137	9	72	72	3885
United States	7607	9588	9918	9769	11732	9674	10888	9426	10994	14515	104111
China	2059	1308	1800	2449	1617	1372	1585	704	1462	2017	16372
France	1780	1755	2263	2155	2355	1998	3612	2378	3853	3021	25170
Germany	786	1822	1820	2529	1866	1106	1020	1172	938	1510	14569
Italy	922	677	687	621	717	539	384	848	1673	1825	8894
Switzerland	194	337	482	217	175	243	215	174	118	175	2330
India	18	40	42	49	56	47	18	151	33	11	463
Japan					2	3				13	19
Australia	54	97	87	135	100	39	104	413	188	33	1251

Source: Stockholm International Peace Research Institute (SIPRI), Arms Transfer Data Base, https://armstrade.sipri.org/armstrade/html/export_values.php, accessed June 16, 2023. The TIV is based on the known unit production costs of a core set of weapons and is intended to represent the transfer of military resources rather than the financial value of the transfer. See <https://www.sipri.org/databases/armstransfers/sources-and-methods#TIV-tables>.

Oil and Gas Exports Aid Russia's Ability to Finance and Sustain a War and Military-Industrial Base

The data on Russia's total commercial exports again reflect Russia's decline relative to the former Soviet Union, and limited capability to compete with other major developed states and economic blocs. There are, however, two categories of exports—energy products and food products—that are exceptions.

vary sharply from source to source. At the same time, they too show that they too give Russia leverage in reducing its dependence on the West, countering sanctions, and in exerting political and economic influence. They also are subject to high levels of state control and are large enough to the Russian government substantial ability to use the resulting export income to funding military efforts without publicizing the full size of the effort and creating major domestic political opposition.

Russia's wheat sales, food oil, and other food exports are both a major source of income. and one where sanctions are difficult to apply—given the humanitarian needs of many poor and developing countries. This also is an area where World Trade Organization estimates that Russia may have gained economic benefits from the war in Ukraine. Even though some customers shifted to other suppliers, the WTO estimates that the value of Ukraine's food exports dropped by 30 percent from March to November of 2021, while the value of Russian exports—which did not face a serious Ukrainian military threat—gained by 15.6 percent This rise was driven largely by the export of oilseeds, fats, and oils whose value rose by 30.4 percent to \$7,810, million. In contrast, Russian cereal exports dropped by 14.9 percent to \$5,405 billion.⁶⁷

One source, the OEC, or Observatory of Economic Complexity, provides an exceptional amount of detailed data on Russia's commercial exports which it says is drawn from a wide range on reporting by individual importing countries.⁶⁸ The reliability of such data is uncertain, but the OEC provides an exceptionally detailed breakout of national sources and summarizes Russia's total exports as follows:⁶⁹

The top exports of Russia are [Crude Petroleum](#) (\$113B), [Refined Petroleum](#) (\$81.8B), [Petroleum Gas](#) (\$37.7B), [Coal Briquettes](#) (\$19.1B), and [Gold](#) (\$19.1B), exporting mostly to [China](#) (\$70.9B), [Netherlands](#) (\$39B), [United States](#) (\$27.4B), [United Kingdom](#) (\$24.7B), and [Italy](#) (\$22.2B). In 2021, Russia was the world's biggest exporter of [Semi-Finished Iron](#) (\$9.84B), [Wheat](#) (\$8.92B), [Non-fillet Frozen Fish](#) (\$2.72B), [Pig Iron](#) (\$2.04B), and [Ammonia](#) (\$1.79B).

Figure 14 provides an OEC graph of the trends in Russia exports by country from January 2019 to April 2023. It indicates that Russia succeeded in rapidly shifting the direction of its exports to markets outside the West, despite major cuts in the volume of trade with the United Kingdom, Germany, the United States, the Netherlands, South Korea, and Japan.

Russia's Energy Exports

Russia's energy exports include oil, natural gas, coal, and nuclear fuel, and they offer Russia a potential way to shift a key portion of its economy to markets outside of Europe and the West, and possibly to build a stronger partnership with China. So far, the data on the impact of the war and

sanction are preliminary, and subject to major future changes, but they indicate that—as the case with food exports—Russia has already had major success in shifting its exports, although it has scarcely done so in ways which distance it from dependence on a global economy driven by Western and other outside economic growth and the current “rule-based” system.

Like the OEC, the IEA is only one of many conflicting sources, but it has been accurate in the past. **Figure 14** shows that the IEA indicates that Russia was able to shift its oil exports to the West away from Europe relatively rapidly after it invaded Ukraine and sanctions began to be applied. At the same time, the constant swings in global oil and gas prices mean that such data always vary sharply for other reasons.

Before the war, oil revenues constituted 30–35 percent of the total Russian budget. In early 2023, oil revenues had fallen to just 23 percent of the Russian budget. This decline in revenue has occurred despite Russia's exporting roughly 5 to 10 percent more crude oil in April 2023 compared to March 2022.

At the same time, **Figure 15** shows more mixed trends for natural gas exports, and the IEA analyzed the trends in gas exports as follows:

The European Union's commitment in the March 2022 Versailles Declaration to phase out Russian fossil fuel imports “as soon as possible” is set to transform the continent's energy and gas markets in the years to come, with implications for global trade and market dynamics. ...The EU's reliance on Russian gas has grown steadily over the past decade. The bloc's gas consumption declined only marginally over this period, but production has fallen by two-thirds since 2010 and the gap has been filled by rising imports. As a result, Russia's share of total EU gas demand increased from 26% in 2010 to an average of over 40% through 2018-2021. The IEA was among the first to raise concerns about this rising dependence. ...Russia more than halved its pipeline gas supplies to the EU in the past year. But the European gas market proved to be resilient as nations were able to fill their storage sites to above 95% capacity by ramping up non-Russian supplies and rapidly reducing consumption. Consequently, Russia's share of European gas demand fell from 23% in 2022 to below 10% in January 2023.

These data are important because the IEA estimates that Russia competes with Saudi Arabia and the United States for the title of the World's largest exporter of oil and gas, and that its exports of crude and condensate reached 10.5 million barrels a day in 2021, or 14 percent the world's supply. It also estimates that such energy exports funded 45 percent of the government's federal budget. Russia is the second-largest producer of natural gas, after the United States, and has the world's largest gas reserves and the world's largest gas exports. It produced 762 bcm of natural gas in 2021 and exported approximately 210 bcm via pipeline.⁷⁰

Russia also had begun to increasingly cooperate with OPEC and key exporters like Saudi Arabia before it invaded Ukraine in any effort to control their volume of exports in ways that would increase their net petroleum export income. The end results have been erratic from month, but Russia does seem to be successful in shifting its oil and gas exports from Europe to the other parts of the world like China, while the war in Ukraine has steadily reduced Ukraine's ability to export grain and food oil in ways that have forces importing nations to rely more on Russia.

It is far from clear, that this is—or will—produce enough income to help Russia successfully decouple its economy from the West unless Russia can somehow reach lasting agreements with

major importers at high oil and gas prices as part of some strategic agreement with major importers as distinguished from relying on global market forces.

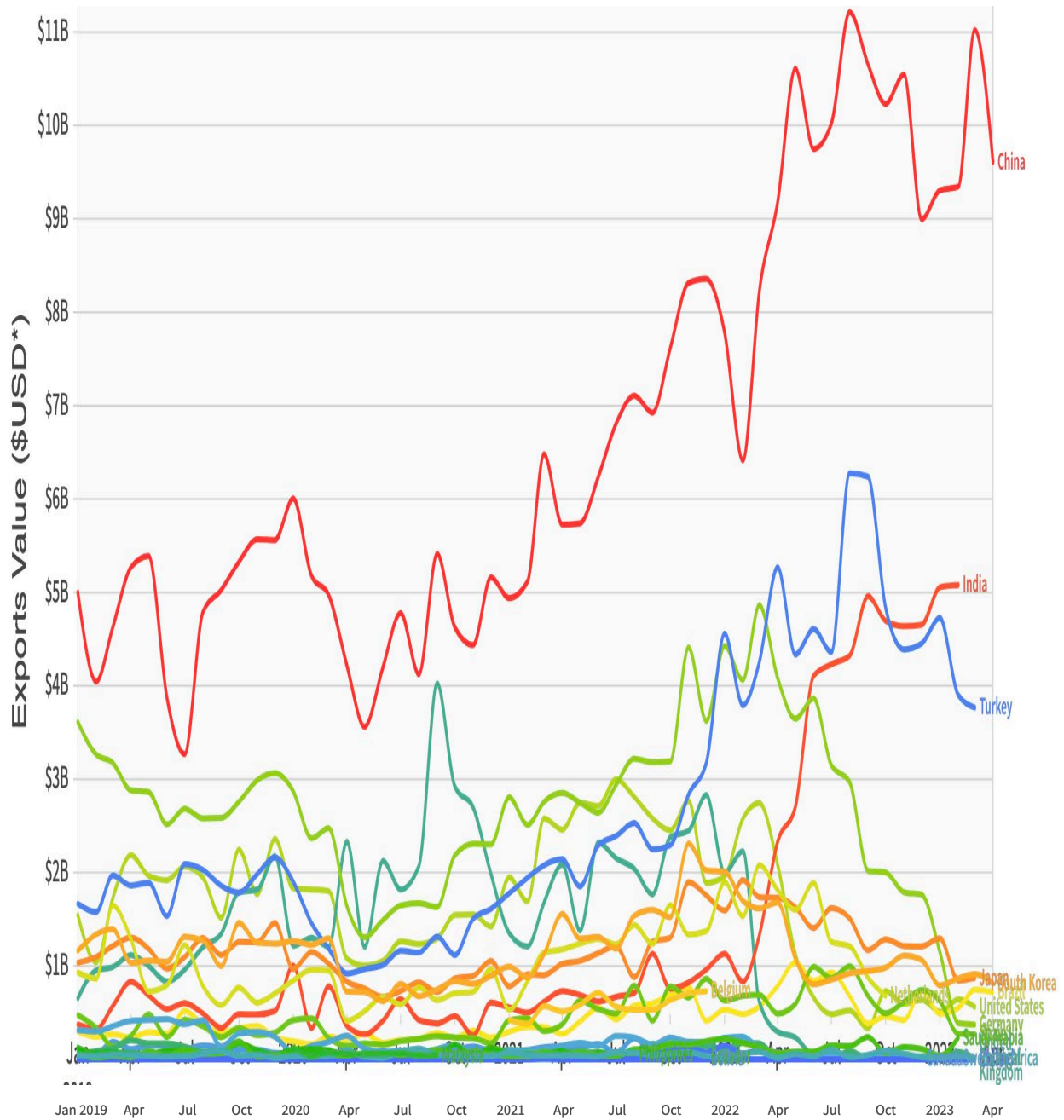
As is discussed in depth at the end of this analysis, the only way Russia seems likely to be able to do this is by reaching such an agreement in ways that shift it's a large portion of its energy exports to a major power like China. As is discussed later, there have been some shifts in Russia's exports that could have this effect. The IEA indicates that Russia's pipelines and energy shipping capabilities reach large parts of Europe and Asia, and increasingly export to Asia. Before the war, Russia's 5,500 km Druzhba pipeline system transported 750,000 bpd of crude directly to refiners in east and central Europe, and Russia supplied some 20 percent of European refinery crude. Russia also exported a large amount of product, including 750,000 bpd of diesel to Europe, or 10 percent of demand.⁷¹

In 2012, Russia launched the 4,740 km 1.6 million bpd ESPO pipeline to export crude directly to Asian markets like China and Japan. The IEA reports that this was part of "a strategy focused on shifting export dependence away from Europe." Russia also has increased its shipment by ship and rail, and that Russia see the northern route of shipping in the Arctic as another way of increasing its exports to Asia. The Arctic is the site of 80 percent of Russia gas production and 20 percent of its crude production.

As for transporting natural gas, the IEA reports that Russia's current gas export pipeline network now transits through Belarus, the Ukraine, and directly into Europe. A new Nord Stream II pipeline was not opened in 2021 because of the Ukraine War and was then sabotaged. Russia natural gas accounted for 45% of imports and almost 40% of European Union gas demand in before the war. In late 2019, Russia activated a new 3,000 km-long Power of Siberia pipeline, to send gas from to China which will gradually ramp up from 10 bcm to 38 bcm.

As is discussed in more detail in the following section of this analysis, Russia is seeking to develop a Power of Siberia-2 pipeline, with a capacity of 50 bcm/y, to supply China from the West Siberian gas fields although no final investment decision have been made. Russia also is expanding its liquefied natural gas (LNG) capacity, to compete with growing LNG exports from the United States, Australia, and Qatar. Russia exported 40 bcm of LNG in 2021, making it the world's 4th largest LNG exporter and accounting for approximately 8% of global LNG supply. In 2021, Russia also released a long-term LNG development plan, setting goals of 110-190 bcm/year LNG exports by 2025.

Figure 14: OEC Estimate of Russia Exports by Importing Country: January 2019 to April 2023

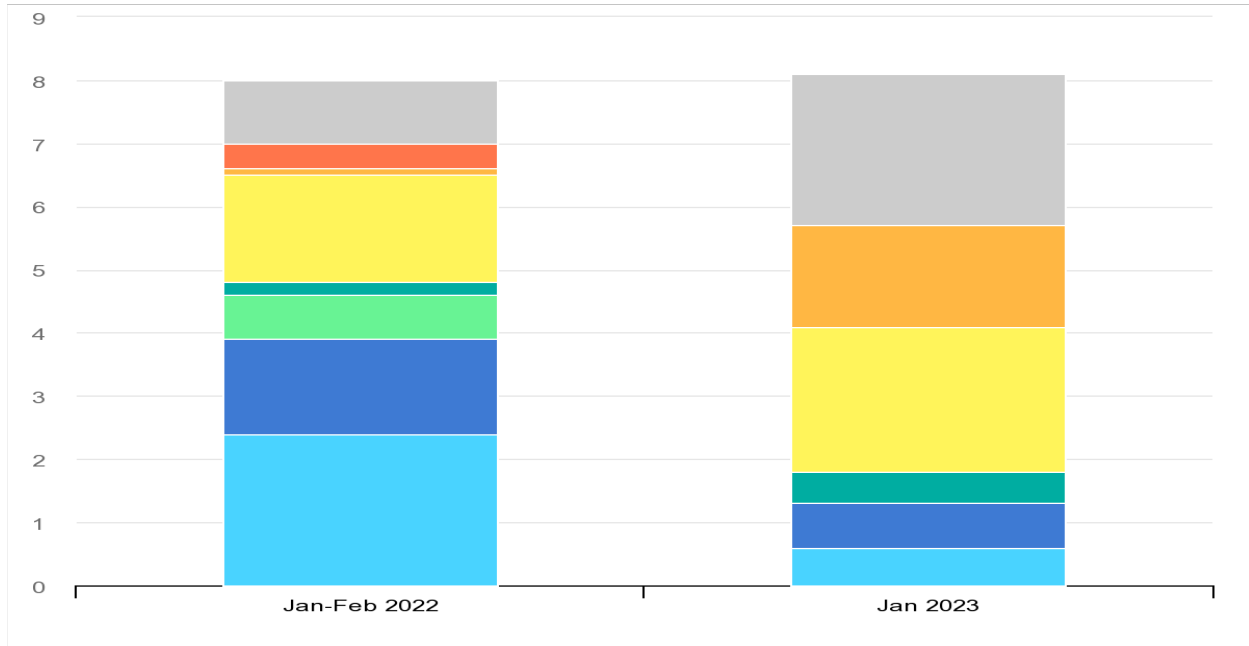


Source: OEC, <https://app-owl.oec.world/en/profile/country/rus#latest-trade>

Figure 15: Shifts in Russian Share of European Union Gas Demand Met by Russian supply, 2001–2022

(Millions of Barrels Per Day (MMBD))

Oil Exports by Major Importing Country: January 2022 to January 2023



● European Union crude oil
 ● European Union products
 ● United Kingdom + United States
 ● Türkiye
 ● China
 ● India
 ● OECD Asia
 ● Other/unknown

Source: IEA, <https://www.iea.org/data-and-statistics/charts/russian-total-oil-exports-january-2022-january-2023>.

China as A Possible Focus of a Major Russian Decoupling from the West

Given this background, Russia's one current major option for decoupling from the from the West, and the current rules-based system of most developed powers, seems to be a far stronger strategic partnership with China. As the previous Figures and data have shown, China has emerged as a major economic superpower, and China is rapidly becoming a modern conventional military and nuclear superpower as well. China's growing tension with the United States, European, and the major developed Asia states have also made it a major military and civil competitor with the West and its strategic partners and give it reasons to become a strategic partner with Russia.

Both Russia and China already claim to have such strategic partnership. They signed a *Joint Statement of the People's Republic of China and the Russian Federation on Deepening the Comprehensive Strategic Partnership of Coordination for the New Era* in Moscow on March 21, 2023. While the agreement called for dialogue to create a peaceful settlement to the war, the section that addressed to war in Ukraine made it tacitly clear that China backed Russia.⁷²

On the Ukraine issue, the two sides believe that the purposes and principles of the United Nations Charter must be observed and international law must be respected. The Russian side speaks positively of China's objective and impartial position on the Ukraine issue. The two sides oppose the practice by any country or group of countries to seek advantages in the military, political and other areas to the detriment of the legitimate security interests of other countries.

The Russian side reaffirms its commitment to the resumption of peace talks as soon as possible, which China appreciates. The Russian side welcomes China's willingness to play a positive role for the political and diplomatic settlement of the Ukraine crisis and welcomes the constructive proposals set forth in *China's Position on the Political Settlement of the Ukraine Crisis*.

The two sides point out that to settle the Ukraine crisis, the legitimate security concerns of all countries must be respected, bloc confrontation should be prevented and fanning the flames avoided. The two sides stress that responsible dialogue is the best way for appropriate solutions. To this end, the international community should provide support to the relevant constructive efforts. The two sides call for stopping all moves that lead to tensions and the protraction of fighting to prevent the crisis from getting worse or even out of control. The two sides oppose any unilateral sanctions unauthorized by the UN Security Council.

Russia's exports and strategic position also make it a natural partner China in three critical respects. First, it is harder for the United States and its strategic partners to challenge both Russia and China than to challenge or deter a single rival. Second, Russia oil and gas exports can provide a less vulnerable source of fossil fuels than shipment out the Persian Gulf or across the Pacific. Third, China is still modernizing its military forces in ways which can benefit from Russian arms exports, its remaining military R&D and technology base, and military cooperation in dealing with Japan in any confrontation with the United States in the Northwestern Pacific.

The Prospects for a Closer Russo-Chinese Strategic Partnership

There is a major difference, however, between cooperation and a true alliance, as well as any Russian ability to decouple from the West. Russia and China have come closer together over the last few decades as both have increased their respective challenges to the West and its strategic partners. and as both have made efforts to increase their influence the rest of the world.

Russia and China have also expanded their economic and military ties. The Chinese Ministry of Foreign Affairs stresses this in the history of Russo-Chinese cooperation it places on its official web site, although it does not address the fact that Russia and China have moved separately in competing with the United States, Europe, and their strategic partners, and in confronting with other states. Moreover, China has focus on expanding its economic power and global efforts like its “belt and road” program. Russia has focused on military cooperation and arms sales, and only Russia has moved to open war.⁷³

There are serious potential limits to how strong a real-world partnership between Russia and China is likely to become, and the prospects for creating such a partnership also seem to be largely independent of the course and outcome of the war in Ukraine. Even if one ignores the major past shifts from Russo-Chinese cooperation to hostility and back to cooperation since the end of world War II, both countries may again become competitors in the future in areas like Central Asia. Moreover, China has so far been so successful in competing with the West with only a limited partnership with Russia that the prospects for change currently seem limited.⁷⁴

Here it is again important to pay close attention to what national leaders and countries actually say at the official level, and China has so far been careful to limit its rhetoric about coordination with Russia, and any competition with the West. The text of a Chinese statement about Russo-Chinese cooperation that was issued under President Xi’s name by the Russian Foreign Ministry before the meeting of Xi and Putin in March 2023 clearly emphasizes China’s development and limited cooperation with Russia over any full alliance:

At the invitation of President Vladimir Putin, I will soon pay a state visit to the Russian Federation. Russia was the first country I visited after I was elected President ten years ago. Over the past decade, I have made eight visits to Russia. I came each time with high expectations and returned with fruitful results, opening a new chapter for China-Russia relations together with President Putin.

China and Russia are each other’s biggest neighbor and comprehensive strategic partner of coordination. We are both major countries in the world and permanent members of the UN Security Council. Both countries uphold an independent foreign policy and see our relationship as a high priority in our diplomacy.

There is a clear historical logic and strong internal driving force for the growth of China-Russia relations. Over the past ten years, we have come a long way in our wide-ranging cooperation and made significant strides into the new era.

— **High-level interactions have played a key strategic role in leading China-Russia relations.** We have established a whole set of mechanisms for high-level interactions and multi-faceted cooperation which provide important systemic and institutional safeguards for the growth of the bilateral ties. Over the years, I have maintained a close working relationship with President Putin. We have met 40 times on bilateral and international occasions. Together we have drawn the blueprint for the bilateral relations and cooperation in various fields, and have had timely communication on major international and regional issues of mutual interest, providing firm stewardship for the sustained, sound and stable growth of China-Russia relations.

— **Our two sides have cemented political mutual trust and fostered a new model of major-country relations.** Guided by a vision of lasting friendship and win-win cooperation, China and Russia are committed to no-alliance, no-confrontation and not targeting any third party in developing our ties. We firmly support each other in following a development path suited to our respective national realities and support each other’s development and rejuvenation. The bilateral relationship has grown more mature and resilient. It is brimming with new dynamism and vitality, setting a fine example for developing a new model of major-country relations featuring mutual respect, peaceful coexistence and win-win cooperation.

— **Our two sides have put in place an all-round and multi-tiered cooperation framework.** Thanks to the joint efforts of both sides, China-Russia trade exceeded US\$190 billion last year, up by 116 percent from ten years ago. China has been Russia's largest trading partner for 13 years running. We have seen steady increase in our two-way investment. Our cooperation on major projects in such fields as energy, aviation, space and connectivity is moving forward steadily. Our collaboration in scientific and technological innovation, cross-border e-commerce and other emerging areas is showing a strong momentum. Our cooperation at the sub-national level is also booming. All this has brought tangible benefits to both the Chinese and the Russian peoples and provided unceasing driving force for our respective development and rejuvenation.

— **Our two sides have acted on the vision of lasting friendship and steadily strengthened our traditional friendship.** On the occasion of commemorating the 20th anniversary of the *China-Russia Treaty of Good-Neighborliness and Friendly Cooperation*, President Putin and I announced the extension of the Treaty and added new dimensions to it. Our two sides have held eight "theme years" at the national level and continued to write new chapters for China-Russia friendship and cooperation. Our two peoples have stood by and rooted for each other in the fight against COVID, which once again proves that "a friend in need is a friend indeed".

— **Our two sides have had close coordination on the international stage and fulfilled our responsibilities as major countries.** China and Russia are firmly committed to safeguarding the UN-centered international system, the international order underpinned by international law, and the basic norms of international relations based on the purposes and principles of the UN Charter. We have stayed in close communication and coordination in the UN, the Shanghai Cooperation Organization, BRICS, the G20 and other multilateral mechanisms, and worked together for a multi-polar world and greater democracy in international relations. We have been active in practicing true multilateralism, promoting the common values of humanity, and championing the building of a new type of international relations and a community with a shared future for mankind.

Looking back on the extraordinary journey of China-Russia relations over the past 70 years and more, we feel strongly that our relationship has not reached easily where it is today, and that our friendship is growing steadily and must be cherished by us all. China and Russia have found a right path of state-to-state interactions. This is essential for the relationship to stand the test of changing international circumstances, a lesson borne out by both history and reality.

My upcoming visit to Russia will be a journey of friendship, cooperation and peace. I look forward to working with President Putin to jointly adopt a new vision, a new blueprint and new measures for the growth of China-Russia comprehensive strategic partnership of coordination in the years to come.

To this end, our two sides need to enhance coordination and planning. As we focus on our respective cause of development and rejuvenation, we should get creative in our thinking, create new opportunities and inject new impetus. It is important that we increase mutual trust and bring out the potential of bilateral cooperation to keep China-Russia relations at a high level.

Our two sides need to raise both the quality and quantity of investment and economic cooperation and step up policy coordination to create favorable conditions for the high-quality development of our investment cooperation. We need to boost two-way trade, foster more convergence of interests and areas of cooperation, and promote the complementary and synchronized development of traditional trade and emerging areas of cooperation. We need to make sustained efforts to synergize the Belt and Road Initiative and the Eurasian Economic Union, so as to provide more institutional support for bilateral and regional cooperation.

Our two sides need to step up people-to-people and cultural exchanges and ensure the success of China-Russia Years of Sports Exchange. We should make good use of the sub-national cooperation mechanisms to facilitate more interactions between sister provinces/states and cities. We should encourage personnel exchanges and push for the resumption of tourism cooperation. We should make available better summer camps, jointly run schools and other programs to steadily enhance the mutual understanding and friendship between our peoples, especially between the youth.

The world today is going through profound changes unseen in a century. The historical trend of peace, development and win-win cooperation is unstoppable. The prevailing trends of world multi-polarity, economic globalization and greater democracy in international relations are irreversible. On the other hand, our world is confronted with complex and intertwined traditional and non-traditional security challenges, damaging acts of hegemony, domination, and bullying, and long and tortuous global economic recovery. Countries around the world are deeply concerned and eager to find a cooperative way out of the crisis.

In March 2013, when speaking at the Moscow State Institute of International Relations, I observed that countries are linked with and dependent on one another at a level never seen before, and that mankind, living in the same global village, have increasingly emerged as a community with a shared future in which everyone's interests are closely entwined. Since then, I have proposed the Belt and Road Initiative, the Global Development Initiative, the Global Security Initiative, and the Global Civilization Initiative on different occasions. All these have enriched our vision for a community with a shared future for mankind and provided practical pathways toward it. They are part of China's response to the changes of the world, of our times, and of the historic trajectory.

Through these ten years, the common values of humanity -- peace, development, equity, justice, democracy and freedom -- have taken deeper roots in the heart of the people. An open, inclusive, clean and beautiful world with lasting peace, universal security and common prosperity has become the shared aspiration of more and more countries. The international community has recognized that no country is superior to others, no model of governance is universal, and no single country should dictate the international order. The common interest of all humankind is in a world that is united and peaceful, rather than divided and volatile.

Since last year, there has been an all-round escalation of the Ukraine crisis. China has all along upheld an objective and impartial position based on the merits of the issue, and actively promoted peace talks. I have put forth several proposals, i.e., observing the purposes and principles of the UN Charter, respect of the legitimate security concerns of all countries, supporting all efforts conducive to the peaceful settlement of the crisis, and ensuring the stability of global industrial and supply chains. They have become China's fundamental principles for addressing the Ukraine crisis.

Not long ago, we released *China's Position on the Political Settlement of the Ukraine Crisis*, which takes into account the legitimate concerns of all parties and reflects the broadest common understanding of the international community on the crisis. It has been constructive in mitigating the spillovers of the crisis and facilitating its political settlement. There is no simple solution to a complex issue. We believe that as long as all parties embrace the vision of common, comprehensive, cooperative and sustainable security, and pursue equal-footed, rational and results-oriented dialogue and consultation, they will find a reasonable way to resolve the crisis as well as a broad path toward a world of lasting peace and common security.

To run the world's affairs well, one must first and foremost run its own affairs well. The Chinese people, under the leadership of the Communist Party of China, are striving in unity to advance the rejuvenation of the Chinese nation on all fronts through the Chinese path to modernization. Chinese modernization is characterized by the following features: it is the modernization of a huge population, the modernization of common prosperity for all, the modernization of material and cultural-ethical advancement, the modernization of harmony between humanity and nature, and the modernization of peaceful development. These distinctive Chinese features are the crystallization of our practices and explorations over the years, and reflect our profound understanding of international experience. Going forward, we will steadfastly advance the cause of Chinese modernization, strive to realize high-quality development, and expand high-standard opening up. I believe that this will bring new development opportunities to Russia and all countries in the world.

Just as every new year starts with spring, every success starts with actions. We have every reason to expect that China and Russia, as fellow travelers on the journey of development and rejuvenation, will make new and greater contributions to human advancement.

Russia and the Chinese Peace “Plan”

Russia and China have not cooperated directly in the war in Ukraine, and China has carefully kept an official distance from openly supporting Russia, and from openly providing arms and other military support. It also important to note that China has presented its own 12-point peace plan and taken visible diplomatic steps to publicize and negotiate it. Once again, it is important to study what governments actually say, and the rhetoric they use, rather than rely on outside summaries and comments.

China’s peace plan for the war in Ukraine is also radically different from Putin’s hardline public rhetoric. The official text of the Chinese Foreign Ministry report on first meeting between Xi and Putin in three years, and more than a year after the beginning of the Ukraine War, presents both the following peace plan and the following call for international cooperation:⁷⁵

- 1. Respecting the sovereignty of all countries.** Universally recognized international law, including the purposes and principles of the United Nations Charter, must be strictly observed. The sovereignty, independence and territorial integrity of all countries must be effectively upheld. All countries, big or small, strong or weak, rich or poor, are equal members of the international community. All parties should jointly uphold the basic norms governing international relations and defend international fairness and justice. Equal and uniform application of international law should be promoted, while double standards must be rejected.
- 2. Abandoning the Cold War mentality.** The security of a country should not be pursued at the expense of others. The security of a region should not be achieved by strengthening or expanding military blocs. The legitimate security interests and concerns of all countries must be taken seriously and addressed properly. There is no simple solution to a complex issue. All parties should, following the vision of common, comprehensive, cooperative and sustainable security and bearing in mind the long-term peace and stability of the world, help forge a balanced, effective and sustainable European security architecture. All parties should oppose the pursuit of one’s own security at the cost of others’ security, prevent bloc confrontation, and work together for peace and stability on the Eurasian Continent.
- 3. Ceasing hostilities.** Conflict and war benefit no one. All parties must stay rational and exercise restraint, avoid fanning the flames and aggravating tensions, and prevent the crisis from deteriorating further or even spiraling out of control. All parties should support Russia and Ukraine in working in the same direction and resuming direct dialogue as quickly as possible, so as to gradually deescalate the situation and ultimately reach a comprehensive ceasefire.
- 4. Resuming peace talks.** Dialogue and negotiation are the only viable solution to the Ukraine crisis. All efforts conducive to the peaceful settlement of the crisis must be encouraged and supported. The international community should stay committed to the right approach of promoting talks for peace, help parties to the conflict open the door to a political settlement as soon as possible, and create conditions and platforms for the resumption of negotiation. China will continue to play a constructive role in this regard.
- 5. Resolving the humanitarian crisis.** All measures conducive to easing the humanitarian crisis must be encouraged and supported. Humanitarian operations should follow the principles of neutrality and impartiality, and humanitarian issues should not be politicized. The safety of civilians must be effectively protected, and humanitarian corridors should be set up for the evacuation of civilians from conflict zones. Efforts are needed to increase humanitarian assistance to relevant areas, improve humanitarian conditions, and provide rapid, safe and unimpeded humanitarian access, with a view to preventing a humanitarian crisis on a larger scale. The UN should be supported in playing a coordinating role in channeling humanitarian aid to conflict zones.
- 6. Protecting civilians and prisoners of war (POWs).** Parties to the conflict should strictly abide by international humanitarian law, avoid attacking civilians or civilian facilities, protect women, children and

other victims of the conflict, and respect the basic rights of POWs. China supports the exchange of POWs between Russia and Ukraine, and calls on all parties to create more favorable conditions for this purpose.

7. Keeping nuclear power plants safe. China opposes armed attacks against nuclear power plants or other peaceful nuclear facilities, and calls on all parties to comply with international law including the Convention on Nuclear Safety (CNS) and resolutely avoid man-made nuclear accidents. China supports the International Atomic Energy Agency (IAEA) in playing a constructive role in promoting the safety and security of peaceful nuclear facilities.

8. Reducing strategic risks. Nuclear weapons must not be used and nuclear wars must not be fought. The threat or use of nuclear weapons should be opposed. Nuclear proliferation must be prevented and nuclear crisis avoided. China opposes the research, development, and use of chemical and biological weapons by any country under any circumstances.

9. Facilitating grain exports. All parties need to implement the Black Sea Grain Initiative signed by Russia, Türkiye, Ukraine, and the UN fully and effectively in a balanced manner, and support the UN in playing an important role in this regard. The cooperation initiative on global food security proposed by China provides a feasible solution to the global food crisis.

10. Stopping unilateral sanctions. Unilateral sanctions and maximum pressure cannot solve the issue; they only create new problems. China opposes unilateral sanctions unauthorized by the UN Security Council. Relevant countries should stop abusing unilateral sanctions and “long-arm jurisdiction” against other countries, so as to do their share in deescalating the Ukraine crisis and create conditions for developing countries to grow their economies and better the lives of their people.

11. Keeping industrial and supply chains stable. All parties should earnestly maintain the existing world economic system and oppose using the world economy as a tool or weapon for political purposes. Joint efforts are needed to mitigate the spillovers of the crisis and prevent it from disrupting international cooperation in energy, finance, food trade and transportation and undermining the global economic recovery.

12. Promoting post-conflict reconstruction. The international community needs to take measures to support post-conflict reconstruction in conflict zones. China stands ready to provide assistance and play a constructive role in this endeavor.

This Chinese peace plan is carefully supportive of many of the same goals advanced by the West and other members of the international community. It should be noted, however, that the first two points are a more polite and diplomatic version of some of Putin’s critiques of the West and U.S. support of democratic protests and revolutions, as well as its policies in Afghanistan, Iraq, and Syria.

At the same time, Chinese Ministry of Foreign Affairs did make it clear in its reporting on the meeting between Xi and Putin that the war in Ukraine had not halted China’s movement toward closer cooperation with Russia in some areas. It also stated that both countries agreed to create a new strategic plan for cooperation in 2024.⁷⁶

President Xi noted that he was pleased to pay another state visit to Russia at the invitation of President Putin. Russia was the first country he visited after he was elected President ten years ago. Memories from that visit remain fresh today. Over the past ten years, he and President Putin stayed in close touch. President Xi expressed his appreciation to President Putin for immediately sending him congratulatory messages on his reelection as General Secretary of the CPC Central Committee by the 20th CPC National Congress and on his reelection not long ago as Chinese President. He noted that Russia will hold the presidential election next year, and under President Putin’s strong leadership, Russia has made good progress in development and rejuvenation. President Xi said he is confident that the Russian people will continue to give firm support to President Putin.

President Xi stressed that there is a profound historical logic for China-Russia relationship to reach where it is today. China and Russia are each other's biggest neighbor and comprehensive strategic partner of coordination. Both countries see their relationship as a high priority in their overall diplomacy and policy on external affairs. China always upholds an independent foreign policy. To consolidate and develop well China-Russia relations is a strategic choice China has made on the basis of its own fundamental interests and the prevailing trends of the world. China is firm in keeping to the general direction of strengthening strategic coordination with Russia. Both China and Russia are committed to realizing national development and rejuvenation, support world multi-polarity and work for greater democracy in international relations. The two countries should further deepen practical cooperation in various fields and strengthen coordination and collaboration on multilateral platforms such as the UN to boost their respective national development and rejuvenation, and be a bulwark for world peace and stability.

President Putin extended a warm welcome to President Xi for his state visit to Russia and once again warmly congratulated him on his reelection as Chinese President. President Putin said that in the past ten years China made impressive and great achievements in all areas of development. This is attributable to the outstanding leadership of President Xi and proves the strength of China's national political system and governance system. He was confident that under President Xi's strong leadership, China will definitely continue to develop and prosper and successfully realize all the great goals that have been set. With concerted efforts by both sides, Russia-China relations in recent years have delivered fruitful results in various areas. Russia stands ready to continue to deepen bilateral practical cooperation, step up communication and collaboration in international affairs, and promote world multi-polarity and greater democracy in international relations.

The two sides had an in-depth exchange of views on the Ukraine issue. President Xi stressed that, on the Ukraine issue, voices for peace and rationality are building. Most countries support easing tensions, stand for peace talks, and are against adding fuel to the fire. A review of history shows that conflicts in the end have to be settled through dialogue and negotiation. China released a document on its position on the Ukraine crisis, advocating the political settlement of the crisis and rejecting the Cold War mentality and unilateral sanctions. China believes that the more difficulties there are, the greater the need to keep space for peace. The more acute the problem is, the more important it is not to give up efforts for dialogue. China will continue to play a constructive role in promoting the political settlement of the Ukraine issue.

President Putin said that Russia appreciates China for consistently upholding an impartial, objective, and balanced position and standing for fairness and justice on major international issues. Russia has carefully studied China's position paper on the political settlement of the Ukraine issue and is open to talks for peace. Russia welcomes China to play a constructive role in this regard.

The two Presidents said that they look forward to formal talks on the next day to draw up a new blueprint for China-Russia comprehensive strategic partnership of coordination in the years to come.

The Chinese Ministry of Foreign Affairs also issued a separate document describing new movements toward Russian and Chinese economic cooperation, and highlighting an increase in the volume of trade after the beginning of the war in Ukraine:⁷⁷

... he and President Putin held candid, friendly and fruitful talks. They had an in-depth exchange of views on the bilateral ties and major regional and international issues of mutual interest, and reached new, important common understandings in many fields. They signed and issued a *Joint Statement of the People's Republic of China and the Russian Federation on Deepening the Comprehensive Strategic Partnership of Coordination for the New Era* and a *Joint Statement of the President of the People's Republic of China and the President of the Russian Federation on Pre-2030 Development Plan on Priorities in China-Russia Economic Cooperation*, making plans and arrangements for the growth of the bilateral relations and wide-ranging cooperation between the two countries going forward.

President Xi stressed that he and President Putin reviewed the achievements of the growing bilateral relationship over the last ten years. They shared the view that this relationship has gone far beyond the bilateral scope and acquired critical importance for the global landscape and the future of humanity. China and Russia have followed the principles of good-neighborliness, friendship and win-win cooperation in advancing exchanges and cooperation in various areas. Under the new historical circumstances, the two sides will view and handle China-Russia relations with a broad vision and a long-term perspective, in a bid to make greater contribution to human progress.

President Xi pointed out that since last year, the all-round practical cooperation between China and Russia has yielded fruitful outcomes, and continued to manifest its strengths of solid fundamentals, high complementarity and strong resilience. Two-way trade has grown by 116 percent over the last ten years. This has not only consolidated the material foundation for the bilateral relations, but also given an important boost to economic and social development in both countries. This is not an easy achievement.

He and President Putin agreed that the two sides need to strengthen overall design and top-level planning, boost trade in energy, resources, and electromechanical products, enhance the resilience of their industrial and supply chains, expand cooperation in such areas as information technology, the digital economy, agriculture and trade in services, promote greater complementarity and joint development of traditional trade and emerging areas of cooperation, and further facilitate cross-border logistics and transportation.

They shared the view that the two sides should continue to cement the cornerstone of people-to-people exchanges. To be specific, efforts should be made to encourage more interactions between sister provinces/states and between sister cities, ensure the success of the Years of Sports Exchange, and facilitate the personnel movement between the two countries.

The two sides noted that as permanent members of the UN Security Council, China and Russia will continue to work with the international community to firmly uphold the basic norms governing international relations based on the purposes and principles of the UN Charter. China and Russia will work more closely within multilateral frameworks including the Shanghai Cooperation Organization, BRICS and the G20, practice true multilateralism, and promote post-COVID economic recovery. The two sides will boost the constructive force for building a multi-polar world and improving the global governance system, contribute more to maintaining global food and energy security and keeping industrial and supply chains stable, and work together for a community with a shared future for mankind.

Cooperation between a True Great Power and Major Economy and a Fading State

The practical problem with these Chinese statements about partnership—and their Russian equivalent in statements about China—is that both countries now have radically different levels of power, and trends in military and economic development. As Figures 7 through Figure 11, and Figures 14 and 15, have shown Russia is now a small economic power relative to China, and both nations only had limited trade in manufactured goods and modern areas of economic development before the war in Ukraine began. This makes any partnership that calls for a decoupling of the Russian and Chinese economies from the West far less credible, both because China has a far stronger interest in its global economic ties and far fewer practical options in replacing its economic links to the West.

Once again, the data involved differ by source. However, the World Bank estimates in Figure 16 indicate the size of China's major trading partners before the beginning of the war in Ukraine, and Russia is only a fraction of the total. The United States and other Western powers have since added some additional sanctions and restrictions on their trade and sharing of technology with China, but

their impact has not altered the fact that China's trade, economy, and development remains critically dependent on civil trade with the West and other developed states.

It seems clear that continued Chinese economic growth and development are overwhelmingly dependent on trading partners other than Russia. In fact, the U.S. Department of Commerce reported a significant increase in U.S. trade with China in 2022—trends that provide an important caution as to how easy it is to decouple the trade between the two states:⁷⁸

In 2022, both U.S. exports to China and imports from China continued to grow for a third year in a row. U.S. exports totaled \$153.8 billion, an increase of 1.6% (\$2.4 billion) from 2021; U.S. imports from China totaled \$536.8 billion, an increase of 6.3% (\$31.8 billion); and the trade deficit with China was \$382.9 billion, an increase of 8.3% of (\$29.4 billion). In 2022, 7.5% of total U.S. exports of \$2.1 trillion to the World were exported to China, 16.5% of total U.S. imports of \$3.2 trillion were imported from China, and 32.4% of total U.S. trade deficit was with China.

There is certainly a growing level of tension between China and the United States, and between many of China's other trading partners over China's economic policies, efforts to dominate key markets and technologies, and desire to compete on its own terms. This makes it possible that a combination of Russia's desire to decouple from the West, and the growing level of confrontation between key developed states like United States, European Union, Japan, and South Korea could drive Russia and China closer together.

As is discussed shortly, the sanctions on Russian gas exports to Europe have moved in this direction. Yet Russia and China have economies so radically different in structure, size, and levels of growth that Russia cannot provide a basis for some of decoupling. China's need for a massive volume of trade in advanced manufactured goods still makes it unlikely that China will fail to find some form of compromise with other highly developed states and chose to create the kind of partnership with Russia that would both limit its growth and development and require China to subsidize Russia's economy to some extent.

Figure 16: China's Major Trading Partners in 2020**(Thousands of Current \$U.S.)**

Partner Name	Trade Balance (US\$ Th)	Export (US\$ Th)	Import (US\$ Th)
Japan	-32,058,554.29	142,596,624.65	174,655,178.94
United States	316,153,355.35	452,492,876.33	136,339,520.98
Hong Kong, China	264,725,718.30	271,708,494.67	6,982,776.37
Vietnam	35,342,167.71	113,815,239.35	78,473,071.64
Korea, Rep.	-60,623,954.84	112,476,215.95	173,100,170.79
Thailand	2,373,671.48	50,513,175.95	48,139,504.47
Malaysia	-18,873,529.82	56,300,820.69	75,174,350.51
Australia	-64,225,575.73	53,468,167.17	117,693,742.90
Indonesia	3,500,433.34	40,980,976.64	37,480,543.31
Singapore	26,008,504.81	57,624,786.43	31,616,281.62
Germany	-18,303,444.77	86,807,061.05	105,110,505.82
India	45,742,185.21	66,719,471.59	20,977,286.37
Russian Federation	-7,340,076.48	50,504,392.05	57,844,468.53
Canada	20,030,990.77	42,094,313.39	22,063,322.62
United Kingdom	52,689,787.19	72,561,343.66	19,871,556.47
Philippines	22,544,920.75	41,880,388.82	19,335,468.06
Belgium	12,923,704.85	20,751,809.14	7,828,104.29
United Arab Emirates	15,255,539.90	32,310,092.21	17,054,552.30
Italy	10,664,779.56	32,914,226.69	22,249,447.13
Netherlands	66,216,695.79	79,006,012.37	12,789,316.58
Mexico	28,610,279.92	44,827,693.17	16,217,413.25
Pakistan	13,232,719.31	15,357,592.99	2,124,873.68
Turkey	16,615,393.71	20,346,420.26	3,731,026.55
France	7,622,835.76	37,335,184.95	29,712,349.18

Source: Adapted from World Bank, WITS database,

<https://wits.worldbank.org/CountryProfile/en/Country/CHN/Year/2020/TradeFlow/EXPIMP/Partner/by-country#>.

Chinese Strategic Dependence on Fossil Fuels

If one looks in detail at the structure of Chinese economic relations and trade with Russia, there are few areas other than arms where China seems to have a need for special economic ties to Russia. Some experts have suggested that China's need for fossil fuels might be such a case. China is now heavily dependent on imports of oil and gas, most of which come by sea and from the Persian Gulf states rather than the United States and its strategic partners.

The U.S. government's Energy Information Administration (EIA) reports the trends in oil imports from Russia shown in Figure 17. It shows that Chinese General Administration of Customs reports that China's crude oil imports were 508.28 Mt (10.17 mb/d) in 2022 and 513 Mt in 2021. These same data also show that the growth in Russia's exports to China lagged behind the growth of supplies from other countries before the war in Ukraine.

Many of China's other suppliers did reduce their oil exports to China once the war began, while China increased its petroleum imports from Malaysia and Russia. At the same time, most of these cuts in supply were driven by price rather than China's tensions with other powers or the invasion of Ukraine, and the increase in imports that came from Malaysia was nearly twice that from Russia.

The EIA describes these trends as follows,⁷⁹

In the second quarter of 2022, China processed the least crude oil since the first quarter of 2020, when the COVID-19 pandemic had the strongest effect on China's economic activity. The resurgence of COVID-19 cases since March 2022 and China's policy of localized mobility restrictions explain China's reduced demand for petroleum products, and as a result, reduced refinery activity, in the second quarter of 2022.

In addition to decreased domestic demand, [lower export quotas for finished petroleum products, beginning around the second half of 2021](#), have contributed to reduced demand for crude oil processing in China. Because China has been processing less crude oil, it has also been importing less crude oil for processing. China's crude oil imports peaked in late 2020 and early 2021 before decreasing as a result of lower domestic demand and higher global crude oil prices.

China's crude oil imports were particularly low in June and July 2022. In June, China's crude oil imports decreased to 8.8 million barrels per day (b/d), the least since July 2018. Imports remained at 8.8 million b/d in July, down 2.0 million b/d from May of this year but increased to 9.5 million b/d in August.

Despite China's total crude oil imports decreasing in recent months, China's crude oil imports from Russia have increased from 8% (slightly less than 400,000 b/d) of total crude oil imports in 2011 to about 16% (1.6 million b/d) in 2021, and to as much as 21% (2.0 million b/d) in August 2022. Russia's share of China's crude oil imports was 20% in June and 19% in July.

Western economic sanctions have reduced consumption of Russia's crude oil in many countries. Europe, for example, has been looking for alternative sources, [driving up prices for Brent crude oil and leaving crude oil prices in Russia at a discount](#). Likely in response to these dynamics, China has shifted its imports away from more expensive western sources to imports from Russia.

As for natural gas, the EIA reports that,⁸⁰

China's natural gas consumption more than tripled from 10.4 Bcf/d in 2010 to 35.1 Bcf/d in 2022. The industrial sector led this growth and increased by, increasing by 10.3 Bcf/d, followed by the residential and commercial sector at 6.5 Bcf/d and the electric power sector at 3.4 Bcf/d." It also reports that Strong economic

growth, urbanization, and environmental policies supporting coal-to-natural gas switching in an effort to reduce air pollution and meet emissions targets all contributed to rapid growth in China's natural gas consumption over the last decade.”

After becoming the [world's largest LNG importer in 2021](#), China's LNG imports fell by 20% (2.0 Bcf/d) in 2022, mainly because of reduced demand and relatively high LNG spot prices. China's LNG imports averaged 8.3 Bcf/d in 2022—the least since 2019, according to data from China's General Administration of Customs. In 2022, imports by pipeline offset some of the declines in LNG imports, increasing by 8% (0.4 Bcf/d) compared with 2021, mainly because of increased [flows from Russia via the Power of Siberia pipeline](#).

81

China has also turned to other nations for its long-range supplies of gas as well as than Russia. For example, China signed a 27-year agreement with Qatar on June 20, 2023, to supply China with a total of four million tons of liquified natural gas a year, and the China National Petroleum Corporation took a five percent stake in the expansion of Qatar's North Field East gas production train—equaling a capacity of 8 million tons a year.⁸²

If China has any reason to secure its oil and gas supplies in any ways that create lasting dependence on Russia, they will grow out of China's growing confrontation with the United States over Taiwan and other states rather than the war in Ukraine. China is vulnerable to attacks or interdiction by the United States and other regional powers, and to maritime interdiction to such imports through the Strait of Malacca—which is the second most serious chokepoint in the flow of oil and gas exports after the Strait of Hormuz.

This does give China an incentive to import oil and gas directly by pipeline from Russia, and by sea from the northern route through the Arctic. This helps explain why China might cooperate with Russia to fund a major new set of pipelines from Siberia to replace the pipelines that shipped gas to Europe and that would guarantee part of Russia's export income.

It is interesting to note that the U.S. Department of Defense's annual unclassified report to Congress on China's military power addressed this issue in some detail, although it noted that China already has other ways to bypass the Pacific:

China relies on maritime routes that transit the South China Sea and Strait of Malacca for most of its hydrocarbon deliveries. Approximately 76 percent of China's oil imports and 23 percent of its total natural gas imports transit the South China Sea and Strait of Malacca. Despite China's efforts to diversify energy suppliers, the sheer volume of oil and natural gas imported from Africa and the Middle East will make securing strategic maritime routes a priority for Beijing for at least the next 15 years.

Crude oil pipelines from Russia and Kazakhstan to China demonstrate China's interest in increasing overland fuel supply. In 2021, China imported about 600,000 barrels per day of Russian crude oil via the East Siberia–Pacific Ocean pipeline, which has a total designed capacity of 1.6 million barrels per day. China also imports crude oil from Middle Eastern— primarily Saudi—and African suppliers via a crude oil pipeline across Burma. This 440,000-barrels-per-day pipeline bypasses the Strait of Malacca by transporting crude oil from Kyaukpyu, Burma, to Yunnan Province, China, and reduces shipping time by more than a third.

In 2021, approximately 20 percent of China's natural gas imports came from Turkmenistan via a pipeline that runs through Kazakhstan and Uzbekistan. This pipeline can transport 55 billion cubic meters per year; Turkmenistan and China are planning to expand it to 80 billion cubic meters per year. A natural gas pipeline connecting China to Burma can deliver 12 billion cubic meters per year, but only 4.1 billion cubic meters of gas was shipped in 2021. In early December 2020, the middle section of the China-Russia East natural gas

pipeline—which is connected to the Power of Siberia pipeline—began operations, which will increase gas supply to 27 million cubic meters per day. The pipeline is projected to reach an annual capacity of 38 billion cubic meters per year by 2025.

As noted earlier, Russia already has pipelines to China, and creating a major new gas pipeline called the Power of Siberia 2 to export Russian natural gas from the Yamal Peninsula in Western Siberia to China was a one of the subjects discussed during President Xi's meeting with President Putin in March 2023. Such a project was not approved, however, and studies of the pipeline's cost and the revenues it would provide Russia have raised serious question about the benefits Russia would actually receive.⁸³

Moreover, China faces other challenges that could lead it to avoid dependence on Russia. One is to reduce the cost of fossil fuel imports, and some reports indicate that China is now planning major investments in new coal-fired power plants using domestic coal. At the same time, China faces the same need to reduce carbon emissions as other developed states and may wish to avoid a long-term commitment to a Russian pipeline that would import some three times more gas than the Power of Siberia 1.

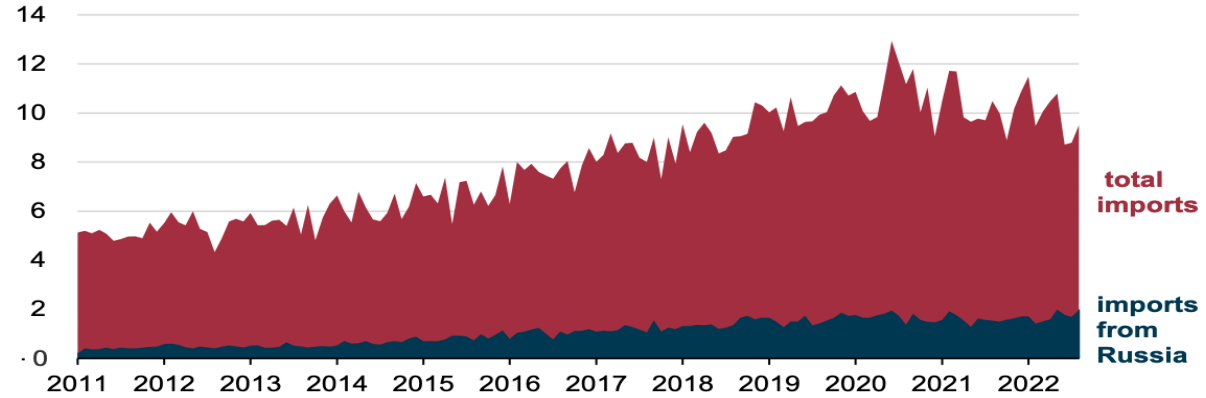
In short, China's current dependence on oil and gas imports does not mean that China needs special trade relations, and pipelines and shipping routes, that make it dependent on Russia. Barring some massive new level of confrontation with other powers, or a war over Taiwan, it is likely to continue to tie the sources of its imports to the sources that provide the lowest market prices.

In practice, the arguments for a major Chinese commitment to Russian energy supplies currently seem to be no more certain in the case of fossil fuels than in the other aspects of civil trade and investment. Moreover, even if major increases do take place in Russian energy exports to China, it seems unlikely that they will be on terms that would give Russia anything approaching the of income that would allow it to seriously decouple from the West, or lead China to integrate key aspects of the Chinese and Russian economies.

Figure 17: Trends in Chinese Oil and Gas Imports

China's monthly crude oil imports, total and from Russia (Jan 2011–Aug 2022)

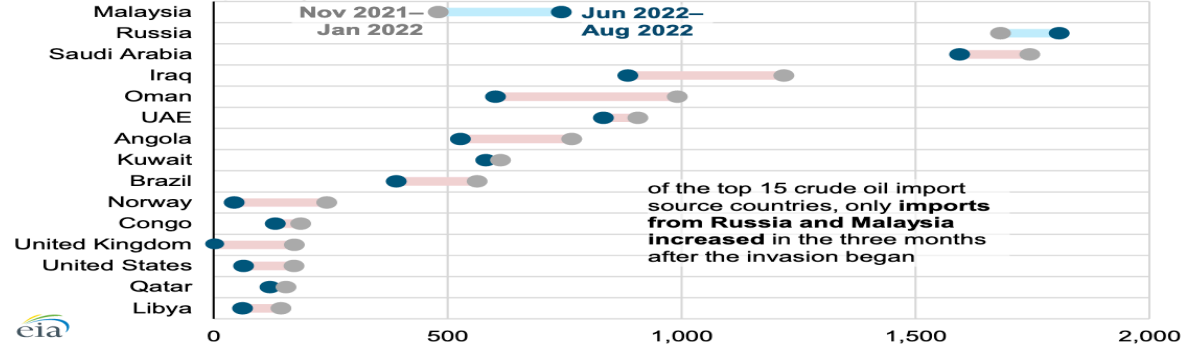
million barrels per day



Data source: China General Administration of Customs, as compiled by Bloomberg, L.P.

China crude oil imports by country before and after Russia's full-scale invasion of Ukraine (Nov 2021–Jan 2022 vs. Jun 2022–Aug 2022)

thousand barrels per day

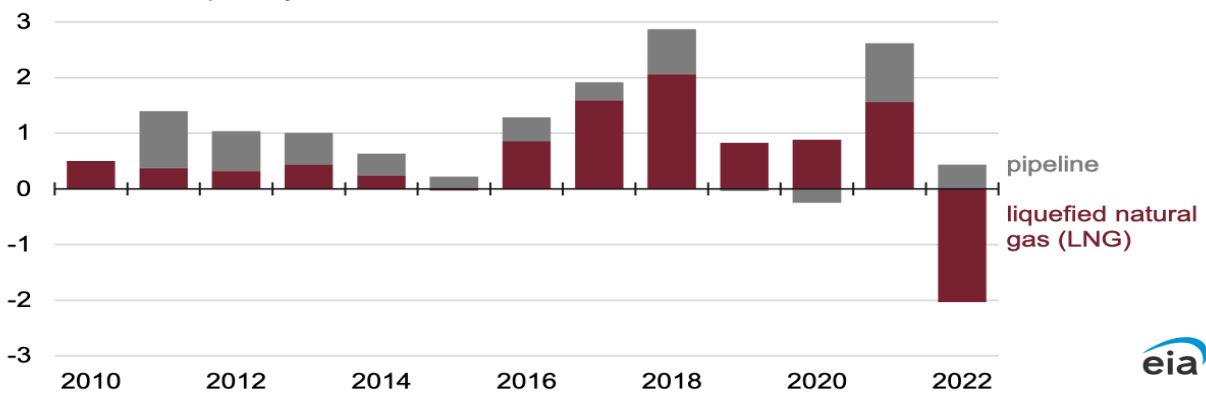


Data source: China General Administration of Customs, as compiled by Bloomberg, L.P.

Note: Figure includes China's top 15 crude oil import sources, based on imports from November 2021 to January 2022.

China natural gas imports, annual change (2010–2022)

billion cubic feet per day



Data source: China General Administration of Customs, Global Trade Tracker

Source: EIA, “ [China processed the least crude oil since early 2020 in second-quarter 2022](https://www.eia.gov/todayinenergy/detail.php?id=54139), *Today in Energy*, October 5, 2022, <https://www.eia.gov/todayinenergy/detail.php?id=54139>; and Energy Information Administration, [China’s natural gas consumption and LNG imports declined in 2022, amid zero-COVID policies](https://www.eia.gov/todayinenergy/detail.php?id=56680), June 1, 2023, <https://www.eia.gov/todayinenergy/detail.php?id=56680>.

The Impact of Trends in the Russian, United States, and Chinese Military Balance

Russia’s ability to create new forms of strategic and military ties to China are another possible way in which the war in Ukraine might increase Russia’s ties to China, make Russia less dependent on the current global economic system, and give Russia broader global military influence. Here again, however, China has different needs from Russia and reasons to place significant limits on any real-world strategic partnership.

As the previous data on military spending show, China’s growth in military spending, and in manufacturing and research and development capabilities, are rapidly making it modern global superpower. China is now competing with the United States and its strategic partners in military as well as in economic terms, and in finding ways to expand its global influence.

Figure 6 has shown that China is now a much smaller nuclear power, but China does not need massive strategic forces to threaten U.S. cities with high levels of mutual assured destruction in a countervalue strike. Moreover, China is already deploying new ICBM fields and modern nuclear delivery systems. It seems to be on path that goes from deploying some 250 nuclear weapons to deploying 1,500 weapons—and possibly 2,000 including new theater nuclear warheads. China clearly has no current plans to have any kind of nuclear dependence on Russia.

The most recent U.S. Department of Defense report on China’s military power summarizes China’s new nuclear efforts as follows, and they are clearly designed to give China a much higher level of nuclear capability and one that is not dependent on Russia:⁸⁴

- Over the next decade, the PRC aims to modernize, diversify, and expand its nuclear forces. Compared to the PLA’s nuclear modernization efforts a decade ago, current efforts exceed previous modernization attempts in both scale and complexity.
- The PRC is investing in and expanding the number of its land-, sea-, and air-based nuclear delivery platforms and constructing the infrastructure necessary to support this major expansion of its nuclear forces. The PRC is also supporting this expansion by increasing its capacity to produce and separate plutonium by constructing fast breeder reactors and reprocessing facilities.
- In 2021, Beijing probably accelerated its nuclear expansion. The Department of Defense estimates that the PRC’s operational nuclear warheads stockpile has surpassed 400.
- The PLA plans to "basically complete modernization" of its national defense and armed forces by 2035. If China continues the pace of its nuclear expansion, it will likely field a stockpile of about 1500 warheads by its 2035 timeline.

The same seems true of China’s effort to increase the strength, readiness, and modernization of its conventional forces. Figure 18 shows that China was a much larger military power than Russia in conventional terms even before the Ukraine War began and Russia suffered major equipment losses. As the previous analyses show, China also is the only power that has the economic strength

to compete with the West in military spending, and in most measures of total economic strength, and it is making massive investments in military research and development, industries, facilities, and infrastructure that Russia cannot afford.

Virtually every assessment of Chinese conventional forces shown that China is making serious progress in virtually every area of military capability. China's official statements indicate that China feels it will reach key levels of modernization as early as 2027 and is focused on a longer-term effort to match potential threats like the United States by a date like 2035 or 2040. These goals are described as realistic ones in the same unclassified report issued by the U.S. Department of Defense in 2022. It cites 2027 as the goal "to develop the capabilities to be a more credible military tool for the CCP to wield as it pursues Taiwan unification," and 2035 as the goal to complete modernization of its national defense goals and armed forces" when "it could likely field a stockpile of about 1,500 weapons..."⁸⁵

The summary of this 2022 report also indicates that China is pursuing broader military goals, none of which make China dependent on Russia:⁸⁶

Expanding PRC National Power to Transform International System: The PRC increasingly views the United States as deploying a whole-of-government effort meant to contain the PRC's rise, which presents obstacles to its national strategy. The PRC's strategy aims to achieve "the great rejuvenation of the Chinese nation" by 2049 in a determined pursuit to amass its national power to transform an international system more favorable to the PRC's political governance system and national interests.

Increasing PRC Military Coercion: Over the course of 2021, and as seen in 2022, the CCP has increasingly turned to the PLA as an instrument of statecraft in support of its national strategy and global ambitions. The report highlights that the PLA has adopted more dangerous, coercive, and aggressive actions in the Indo-Pacific region.

Strengthening PLA Nuclear, Space, and Counterspace Capabilities: The PRC has clearly stated its ambition to strengthen its "strategic deterrent," and has continued to accelerate the modernization, diversification, and expansion of its nuclear forces, as well as the development of its space and counterspace capabilities.

Intensifying Diplomatic, Economic, Political, and Military Pressure against Taiwan: The PLA will likely continue to increase military pressure—in concert with diplomatic, information, and economic pressure—in an attempt to compel Taiwan toward unification.

There are no reliable unclassified data that provide a convincing picture of how far China has come in achieving parity or superiority in military manufacturing and R&D. China has clearly made major advances in many areas, but it might well still benefit from access to Russian military technology and weapons for at least the next decade. Here again, however, the report on Chinese military power helps put these trends in perspective:⁸⁷

China is continuing to reorganize its defense, science, and commercial industries to ensure PLA access to the resources, technologies, and expertise required to militarily surpass the United States and develop capabilities for complex future military contingencies. China's efforts include developing and incorporating military-AI and other emerging disruptive technologies (EDT) to build an "Intelligentized" force sufficiently equipped with high-tech weapons and advanced communications and information technologies to wage and win dynamic wars. While China's Military-Civil Fusion (MCF) strategy supports acquisition of foreign materiel, technology, and expertise through overt and illicit means, China is also accelerating efforts to build domestic capacity in these areas and reduce its vulnerabilities to foreign supply chokepoints.

...China seeks to be an innovation superpower that is largely non-reliant on foreign technology and that serves as a global center for high-tech industries. The goal of attaining self-sufficiency in key S&T sectors—a theme of Chinese state plans going back decades—was recently reiterated in the 14th Five-Year Plan. As part of this self-sufficiency drive, Beijing has mobilized its bureaucracies to rapidly develop the country's capacity for domestic innovation. Published in 2006, the National Medium-and-Long-Term Plan for the Development of Science and Technology (2006-2020), was a landmark policy that formalized China's push for domestic innovation while also calling for the assimilation and "re-innovation" of advanced foreign technologies. In 2015, with the Made In China 2025 plan, Beijing sharpened its emphasis on technological independence by establishing import substitution quotas across a range of core technologies. The plan also called for the reform of state-owned enterprises, the establishment of regional innovation centers, and the leveraging of private sector capabilities in order to leapfrog foreign technological competitors and create a superior innovation ecosystem.

China is particularly focused on dominating a range of emerging, dual-use technologies that promise to be both disruptive and foundational for future economies; these technologies include AI, autonomous systems, smart city platforms, quantum technologies, biotechnology, and advanced materials and manufacturing. Beijing has a clear understanding of its S&T deficiencies, particularly China's vulnerability and reliance on western companies for enabling technologies such as semiconductors, new materials, and in some cases basic research. In addition, Beijing aims to address the challenges present in growing its science and technology talent pool. As a result of these vulnerabilities, the PRC has focused their industrial policies and the country's massive tech transfer apparatus in an effort to reduce these dependencies, ensure their resilience, and to become a market leader in emerging technologies. China also sustains high levels of R&D funding and offers significant subsidies to domestic companies working on frontier technologies, and has developed a focused effort to improve their domestic education, attract overseas Chinese talent, and attract foreign talent.

Figure 13 has shown that China is still importing significant—if dropping—levels of Russian arms. It is important to note, however, that Russia increasingly lags in many of the technologies and manufacturing capabilities that China is now pursuing—something that has become clearer as Russia has had to import key components to replenish its weapons and military needs during the war in Ukraine. Like gas and oil imports, China might still welcome some new cooperative arrangements that it felt benefit China but does not seem dependent on such arrangement or in need of any strategic arrangement that would make or leave it dependent on Russia.

Sharing Strategic Partners?

As for mutual strategic partners, China has not shown any open support of Russia's invasion of Ukraine or made any arrangements that would commit China to actively providing military support to Russia in a conflict in Europe or outside Asia. China also has emphasized increasing economic and political influence over military influence in many of its relations with Russia—again emphasizing economic power over military power where its territorial claims are not directly involved.

A case in point is the Shanghai Cooperation Organization (SCO), which was founded in 2001, and is based in Beijing. Both China and Russia are members, and they have worked together to create the Shanghai Five group, and to create a Treaty on Deepening Military Trust in Border Regions that was signed by the heads of states of China, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan in Shanghai on April 26, 1996.

At present, the SCO includes eight members: China, India, Kazakhstan, Kyrgyzstan, Russia, Pakistan, Tajikistan, and Uzbekistan. There are four Observer States interested in acceding to full

membership (Afghanistan, Belarus, Iran, and Mongolia) and six “Dialogue Partners” (Armenia, Azerbaijan, Cambodia, Nepal, Sri Lanka and Turkey). In 2021, Iran started the accession process to become a full member, and Egypt, Qatar, and Saudi Arabia became dialogue partners.⁸⁸

Members of the SCO have conducted joint military exercises, but they have focused on political, economic, and internal security issues, rather than on becoming a military alliance, and the SCO’s membership and observers have increased steadily with time and in ways that limit the possibility of making it into an integrated military force.

It is also clear the Russia and China have to some extent become competitors for influence in Central Asia, and for dealing with associated powers. Russia also continues to be India’s major source and arms and China and India have repeated border clashes and have built-up their military forces in the border area. They compete at some level for influence in Iran and while they do not necessarily compete in many other areas, Russia focuses on military presence, the use of military paramilitary efforts and mercenaries like the Wagner forces, and spoiler operations that affect U.S. and Western military interests, while China gives priority to economic cooperation, military access, and political and economic influence.

The Probable Limits to Russian and Chinese Strategic Cooperation and Military Ties

If one looks at each country’s military needs, both Russia and China have strong incentives not to deploy conventional military forces in the other nation’s wars or major military confrontations that are far from their own main areas of strategic interest, and for reasons that only meet the interest of the other partner.

They have even less reason to risk escalation to nuclear warfare, given the risk of escalation to truly massive destruction, and the fact that any nuclear war that involved the United States could be so destructive that China or Russia would gain far more from staying out of the war and becoming the surviving superpower than by participating in it.

This in no way means, however, that China and Russia cannot cooperate strategically in many ways on a global basis in area like grey area wars, use of bases and facilities, and limited theater conflicts. They have already done so in a number of ways. They have conducted an increasing number of joint military exercises since 2005, many in the Northwestern Pacific and areas near Japan, before the war began.

The detailed chronology of these exercises in Figure 19, which is taken from work for CSIS by Richard Weitz, predates the war in Ukraine, but it shows that such an exercise in Russia’s Eastern Military District in September 2018 did reach comparatively high force levels: Russia deployed some 300,000 personnel, 1,000 aircraft, and 36,000 tanks and armored vehicles; China contributed 3,200 personnel, 900 tanks and armored vehicles, and 30 aircraft⁸⁹ and helicopters.

Most other large Russian and Chinese exercises, however, involved a range of countries other than China and had only limited Chinese participation. One in September 2019 in Russia’s central military district had some 130,000 Russian troops but only 1,600 Chinese troops and participants from six other countries including India. One in September 2020 in Russia’s military district near

the Caspian and Black Seas involved 80,000 Russian troops, but no Chinese troops except for a joint director's department, joint campaign command post, synthetic battle group, command and support team, aftermarket support team, and health and anti-epidemic team. It had nine other countries participating or observing, including Iran.⁹⁰

Russia and China have continued such exercises in 2022 and 2023 and seem likely to do so in the future. A Tas announcement of a June 2023 exercise described the exercise plan as follows, although it conspicuously noted that the Chinese Defense Ministry had no comment:⁹¹

Russian military plans to participate in the North. Interaction-2023 exercises organized by China, the Chinese Defense Ministry said on Friday. ...General Liu Zhenli, chief of staff of the Joint Staff Department of the Central Military Commission, spoke by phone with Army General Valery Gerasimov, chief of the General Staff of the Russian Armed Forces, the Chinese ministry said in a statement.

"The sides exchanged views on the implementation of the consensus that had been reached by the heads of the two states and the deepening of cooperation between the military of the two countries," the statement said. "The sides jointly reaffirmed that Russia, responding to an invitation, will take part in the North. Interaction-2023 exercises organized by China."...The Chinese ministry didn't elaborate.

The Chinese Defense Ministry on Tuesday said that Russian Aerospace Forces and the Chinese People's Liberation Army Air Force conducted their sixth joint air patrol over the Sea of Japan and the East China Sea. Chinese Defense Minister Li Shangfu said at the Shangri-La Dialogue security conference in Singapore on June 4th that the China would continue to deepen bilateral and multilateral exchanges as part of international military cooperation and participate in joint military exercises with Russia and other countries in the Asia-Pacific region.

Russia and China have also played a joint role in exercises in areas as distant as South Africa and Iran since the war in Ukraine began.⁹² Here again, the U.S. Department of Defense report on China's military power provides a unique official U.S. estimate of the strategic impact of Russo-Chinese military cooperation. It indicates that none of it focuses on the West. It indicates such activity focuses on the Arctic and energy, exercises in northeast Asia, and cooperation in military technology, but at levels that fall far short of any integration, mutual security guarantees, or cooperation related to the war in Ukraine. It is also only a small portion of the report's analysis of China's military relations with other states:⁹³

The PRC's expanding Arctic engagement has created new opportunities for engagement between the PRC and Russia. Russian Foreign Minister referred to the PRC as Russia's "priority partner" in the Arctic. In April 2019, China and Russia established the Sino-Russian Arctic Research Center. PRC and Russia plans to use this center to conduct a joint expedition to research optimal routes of the Northern Sea Route (NSR) and climate change were probably limited due to a continuation of the COVID-19 pandemic.

In mid-2021, during a virtual summit between PRC President Xi Jinping and Russian President Vladimir Putin, the PRC and Russia agreed to deepen cooperation in the Arctic and strengthen collaboration on the use of the NSR. The PRC and Russia support further cooperation on commercial issues, energy development, and infrastructure projects such as the Yamal LNG project in north-central Siberia and LNG 2, a notional second natural gas plant which Russia and the PRC signed agreements for in 2018. In 2019, Russia and China also agreed to found a joint Arctic research center, furthering their academic cooperation alongside economic measures. As of late 2021, PRC banks agreed to provide 2.5 billion rubles, although the PRC continued to raise the issues of Yamal LNG dividend taxation. However, some limitations and potential bilateral friction points remain. In 2019 and in 2022, Russia proposed regulations governing the passage along the Northern Sea Route, which would have required foreign warships to give Moscow 45 days' notice of their intention to transit and to have a Russian pilot on board, and would have reserved Moscow the right to refuse passage.

Additionally, Russian experts have noted private Russian objections to China's "Polar Silk Road" concept, saying it undermines a Russian-led Northern Sea Route.

The PRC is also increasing its presence in the Antarctic through scientific projects, commercial ventures, and infrastructure and capability investments, likely intended to strengthen its position for future claims to natural resources and maritime access. The PRC's strategy for Antarctica includes the use of dual-use technologies, facilities, and scientific research, which are likely intended, at least in part, to improve PLA capabilities. Beijing's 2015 National Security Law identifies polar regions, along with deep sea and outer space, as areas for development and exploitation.

China-Russia Relations. Throughout 2021, Russia and the PRC continued to broaden their strategic diplomatic, informational, military and economic cooperation, primarily aimed countering the United States. PRC leaders, including PRC President Xi Jinping, have reiterated on multiple occasions the strength and commitment toward sustaining Sino-Russian relations. In August 2021, more than 13,000 Russian and Chinese military personnel reportedly conducted joint land and air operations within Chinese territory as part of Western Joint 2021. China and Russia probably used their participation in WESTERN JOINT/ZAPAD INTERACTION 2021 to signal the strength of Sino-Russian cooperation rather than to improve interoperability. Separately, both navies conducted joint operations in the Sea of Japan in October 2021 as part of Joint Sea 2021.

The PRC and Russia likely perceive further cooperation between the two militaries, including joint defense technology development, exercises, and other military modernization initiatives, as advantageous to their respective interests. Ahead of Russia's invasion of Ukraine, on February 4, 2022, PRC President Xi Jinping and Russian President Vladimir Putin released a joint statement underscoring China and Russia's commitment to "deepening strategic coordination of mutual support." The PRC has maintained rhetorical and diplomatic alignment with Russia before, following, and during Russia's invasion of Ukraine. Despite on-going military cooperation, the PRC and Russia continue to stop short of characterizing its partnership as a formal alliance with mutual security guarantees.

Japan also provides a useful official description of the Russian build-up near Japan as follows in detail in its 2022 Defense White Paper.⁹⁴ And, describes a growing level of Russo-Chinese cooperation in the region, but one that again is comparatively limited in scope:⁹⁵

In recent years, Russia and China have been increasing cooperation in the military sector. In the past, there was tension between the Soviet Union and China, including militarily, with the two countries experiencing, among other incidents, the Sino-Soviet border conflict in 1969. Since the 1980s, the two countries have been gradually improving relations. As a catalyst event for the normalization of relations in May 1989, in what had been a pending issue in the relations between the two countries, the work of demarcating borders was resumed (demarcated conclusively in 2008). In parallel with such work, efforts including the reduction of forces in border regions in accordance with agreements have been implemented to establish the foundation of proximity between the countries that can be seen today.

In 2003 Russia and China conducted their first joint counter- terrorism military exercise "Cooperation 2003" of the Shanghai Cooperation Organization (SCO), which was established with the framework for border demarcation, with Russia incorporating countries of the former Soviet Union, Central Asian countries, and China as the parent body. In 2005 the two countries renamed the exercise "Peace Mission" and have been implementing the joint counter-terrorism military exercise. The two countries have also been conducting "Joint Sea" joint naval exercises since 2012. From the outset, there have been years where "Peace Mission" exercises were implemented together with Central Asian countries, and years where the exercises were implemented by only China and Russia. In recent years, India and Pakistan, which have become new SCO member countries, have also been participating, therefore it can be considered that a focus of the exercises is the enhancement of military capabilities of Central Asian countries, keeping in mind the strengthening of military ties between Eurasian countries, centering on Russia and China, and the situation in Afghanistan.

While Joint Sea activities have been identified as “inward-facing” to allow Russia and China to ascertain the other’s naval capabilities, the activities may also be considered “outward facing,” demonstrating the cooperation and interests of each to third countries in waters where their respective interests are significant, with the exercises conducted not only in the Sea of Japan, East China Sea, Yellow Sea and other waters of major activity for both the Russian Pacific Fleet and People’s Liberation Army Navy, the main participating units in the exercises, but also in the Mediterranean Sea in 2015, South China Sea in 2016, and Baltic Sea in 2017.

In recent years, cooperation between Russia China on the military front has become more conspicuous, as if to promote it as “strategic coordination” movements. For example, between 2018 and 2020, the People’s Liberation Army participated in Russia’s internal yearly strategic command and staff exercise, and in August 2021, the Armed Forces of the Russian Federation participated in ZAPAD/INTERACTION-2021 bilateral strategic exercise within China for the first time. In addition, since 2019, Russia and China have conducted joint bomber flights in airspace over the Sea of Japan, East China Sea, and Pacific Ocean. In October 2021, the two countries implemented joint navigations for the first time by 10 naval vessels, mainly those vessels participating in the aforementioned “Joint Sea” exercises, which involved orbiting Japan. In November of the same year, joint flights were conducted with bombers from Russia and China, with Russian planes passing through Chinese airspace and Chinese planes passing through Russian airspace, each for the first time. The bombers advanced directly toward the Sea of Japan, and from the Sea of Japan to the East China Sea and the Pacific Ocean.

Appearing to substantiate the view that these actions are a strengthening of “strategic coordination,” in an online conference between the defense ministers of Russia and China in November 2021, the Russian side asserted that the increased frequency of activity by U.S. strategic bombers in the airspace adjacent to Russia’s is a threat not only for Russia but also for China. Alongside this, it was announced that the militaries of the two countries have agreed to strengthen their partnership relating to a “Joint Patrol,” which is believed to refer to bilateral strategic exercises, as well as the aforementioned joint flights and joint navigation. Furthermore, in January 2022 Russia and China announced that they had conducted joint naval training including Iran in the Arabian Sea. In May, three months into Russia’s aggression against Ukraine, the fourth joint flight with bombers from Russia and China was conducted in the skies over the Sea of Japan, the East China Sea, and the Pacific on the day of the Japan–US–Australia–India leaders’ summit in Tokyo. These moves show that the joint military activity between Russia and China is gradually expanding and shifting its focus from initial bilateral confidence-building in inner Eurasia to widely appealing their bilateral cooperation to the international community, including Japan, the United States, and Europe as “strategic coordination” in the waters on the periphery of Eurasia.

In the field of military technology, as well, it appears to be shifting from an emphasis on commercial interests seen in the 1990s with the export of Russian finished products to China to a deeper partnership on a strategic level, where a certain degree of trust is assumed, such as, as an example from recent years, support for the construction of a ballistic missile early warning system.

In joint statements by Russia and China in February 2022, the two confirmed their mutually supportive stances regarding each other’s “core interests,” with China, following Russia, declaring its opposition to NATO’s further expansion, and Russia expressing respect for the “One China” policy and opposition to any form of Taiwanese independence. As evidenced throughout the statements, both Russia and China seem to remain ever mindful of the United States as a common competitor while advancing their cooperative relationship. On February 24, Russia launched an aggression against Ukraine, and while China has taken the stance that it is not concerned with Russia’s plans for aggression, it insists that Russia’s actions are caused by the “Cold War mentality” of the United States and other NATO countries without being critical of Russia. China has also

President Putin and General Secretary Xi Jinping at the Russia-China summit meeting held in Beijing on February 2, 2022, expressed the opinion that it understands Russia’s reasonable concerns in respect of security issues. As made clear by Russia’s actions this time, the mutual support of each other’s “core

interests” indicated by Russia and China in their Comprehensive Strategic Partnership can be said to lead to a relationship in which one country condones the other’s aggression against other countries, that is, changing the status quo by force unilaterally, despite the fact that Russia and China are permanent members of the United Nations Security Council, an organization that takes prime responsibility for maintaining international peace and security. From the standpoint of the security of Japan, this is not something that can be overlooked.

While only one aspect of the bilateral relationship, Russia and China’s military cooperation is linked with the current international military situation, including the resurgence of the China-India border dispute and Russia’s aggression against Ukraine, which has led to the promotion of cooperation between Western countries. Therefore, it is considered to have various impacts on many fronts beyond the security environment of East Asia, the major area of focus of Russia and China’s military cooperation, such as relations between Russia and India, Europe’s recognition of China, and similar, and these developments need to be continually monitored with concern.

This kind of “softer” Russo-Chinese cooperation may well grow in the future because of the broader confrontations between Russia and the West, and between China and the United States, Australia, Japan, South Korea, and Taiwan. There are many aspects of trade, military R&D and production, influence operations, and grey area competition, confrontation, and even low-level conflict where Russia can benefit, and often benefit from some form of cooperation with China.

This does not, however, indicate that Russia can use China to find some way to decouple from the West, that China or Russia will take serious strategic risks for the other power, or that there is any clear link to new levels of close Chinese and Russian cooperation that will come out of fighting or end of the war in Ukraine. It is the uncertainties surrounding each power’s economic and military confrontation with the United States, other Western powers and their strategic partners, and their neighbor that might trigger some kind of unpredictable change.

Figure 18: U.S., Chinese. And Russian Conventional Military Forces in 2021/2022 – Part I

Category	U.S.	China	Russia
Military Budget (\$U.S. billions)	768	207?	62.2?
Military Expenditures (U.S. Billions)	811?	270?	45.8?
Total Active Military Personnel	1,395,350	2,035,000	900,000
Reserve Military Personnel	843,450	510,000	2,000,000
SSBN	14	6	11
ICBM	400	116	339
IRBM	NA	110+	?
Nuclear Bombers	66	NA	76
Satellites	142	161	113
Army Active/Reserves Personnel	489,050	965,000	280,000
Main Battle Tanks	2,645	5,400	2,927
Other Armored Fighting Vehicles	2,931	8,950	6,880
Armored Personnel Carriers	10,607	4,350	6,050+
Major Artillery (Towed, SP, MRL)	2,616	7,034+	3,354
Surface-to-Surface Missiles	?	?	180+
Attack Helicopters	740	300+	?
Navy Active Personnel	349,600	260,000	150,000
Tactical Nuclear Submarines	53	53	18
Conventional Submarines	0	46	20
Principal Surface Combatants	124	86	32
Aircraft Carriers	11	2	1
Cruisers	24	3	4
Destroyers and Frigates	87	81	27
Patrol and Coastal Combatants	86	196	129
Principal Amphibious and Landing Ships	31	9	21
Mine Warfare	8	57	42
Combat Capable Aircraft	954	446	219
ASW and Mine Warfare Helicopters	557	50	60

Figure 18: U.S., Chinese. And Russian Conventional Military Forces in 2021/2022 – Part II

	U.S.	China	Russia
Marine Active Personnel	179,250	35,000	35,000
Tanks	0	0	330
AFVs and APCs	1,949	280+	1,660
Major Artillery	859	40+	405
Combat Capable Aircraft	366	NA	NA
Attack Helicopters	131	NA	NA
Air Force Active Personnel	329,400	395,000	165,000
Combat Capable Aircraft	1,574	2,475	1,172
Bomber	123	176	137
Fighter Ground Attack	1,055	972+	427+
Fighter	261	517	185
Attack	135	140	264
Electronic Warfare, IS&R, ELINT	24?	73	92
AE&W and C2	35	24	17
Tanker/Tanker Transport	238	16	15
Transport Airlift	333	247+	448
Long Range Surface-to-Air Missile/Missile Defense Launchers	522	608+	454+

Source: Adapted from IISS, *Military Balance 2022*; and U.S. military data by Anthony H. Cordesman. Does not include reserve capabilities by service, Coast Guards, coastal defense, paramilitary forces, and 175,000 active personnel in Chinese strategic support forces.

Figure 19: Chronology of Russian and Chinese Military Exercises: 2005-2020 - Part One

Exercise	Participants	Purpose	Location	Forces
Peace Mission 2005 (Aug 18–25, 2005)	Russia, China	Neutralizing anti-aircraft defenses; enforcing maritime blockades; conducting amphibious assault missions	Russia's Vladivostok port, then China's Shandong Peninsula	Some 10,000 troops in total; while most troops (8,000 versus 2,000) were Chinese, Russia provided the most sophisticated equipment, including Tu-160 and Tu-95 bombers
Peace Mission 2007 (Aug 9–17, 2007)	Russia, China, and SCO members	Suppressing Islamist insurgency and/or popular rebellion	Urumqi in China's Xinjiang, then Russia's Chelyabinsk military training range	6,500 personnel and 80 aircraft, including 2,000 troops from Russia and 1,600 from China
Peace Mission 2009 (July 22–27, 2009)	Russia, China; SCO members attended as observers	Theater-level combined anti-terrorist campaign	Russia's Khabarovsk, then China's Taonan base	6,500 troops, of which about 1,300 came from Russia and China
Peace Blue Shield 2009 (Sep 18, 2009)	Russia, China	Joint maneuvering and anti-piracy drills	Gulf of Aden	Several ships already in area
Peace Mission 2010 (Sep 10–25, 2010)	Russia, China, and SCO members	Three-phase counterterrorism exercise	Southern Kazakhstan	Some 5,000 troops, 300 major combat pieces such as tanks, and more than 50 combat planes and helicopters; Russia and China each contributed about 1,000 troops
Naval Interaction (Joint Sea) 2012 (Apr 22–27, 2012)	Russia, China	Rescuing hijacked ships; escorting commercial vessels in pirate-infested waters; joint air defense; maritime search and rescue; anti-submarine warfare	Yellow Sea off China's Qingdao Port	Russia sent four combat ships and three supply vessels; China sent 16 surface ships, two submarines, and 13 aircraft
Peace Mission 2012 (June 8–14, 2012)	Russia, China, and SCO members	Counterterrorism; counterinsurgency; air and ground strikes; encirclement and suppression; pursuit and vertical interception	Tajikistan's Chorukh-Dayron training range	More than 2,000 troops and 500 vehicles in total; Russia and China each sent about 350 troops
Naval Interaction (Joint Sea) 2013 (July 5–13, 2013)	Russia, China	Similar to Naval Interaction 2012, but larger and more sophisticated	Russia's Peter the Great Gulf	4,000 personnel and some two dozen combat vessels in total
Peace Mission 2013 (July 27–August 15, 2013)	Russia, China	Campaign-level counterterrorism exercises	Chebarkul military range	Thousands of virtual troops as well as 900 Russian troops and 600 PLA troops

Figure 19: Chronology of Russian and Chinese Military Exercises: 2005-2020 - Part Two

Naval Interaction (Joint Sea) 2014 (May 20–26, 2014)	Russia, China	Counterterrorism; anti-piracy; air and missile defense; anti-submarine warfare; escorting vessels; search and rescue missions; recapturing seized ship	East China Sea	Russia sent a Slava-class guided-missile cruiser, other ships, and two fighter planes; China sent destroyers, frigates, attack submarines, and warplanes
Peace Mission 2014 (August 24–29, 2014)	Russia, China, and SCO members	Counterterrorism and counterinsurgency; combating separatism; liberating occupied zone	China's Zurihe training base	Russia sent 1,000 troops, more than 100 military vehicles, and warplanes and helicopters; China sent 5,000 troops, 400 combat systems, and warplanes and helicopters
Naval Interaction (Joint Sea) 2015 (Phase I: May 11–12, 2015; Phase II: August 20–28, 2015)	Russia, China	Live-fire exercises, at-sea replenishment, cargo transfer, escorting missions, and troop control; radioactive, chemical, and biological protection; anti-submarine and anti-aircraft training	Mediterranean Sea, then Peter the Great Gulf and Sea of Japan	For the first phase, Russia sent a guided-missile cruiser, frigate, hoverborne guided-missile corvette, landing ship, and an MB-31 tugboat, while China contributed two frigates and a replenishment ship; for the second phase, Russia sent 16 surface ships, two submarines, 12 aircraft, nine amphibious vehicles, and 200 marines
Peace Mission 2016 (September 15–21, 2016)	Russia, China, and SCO members Kazakhstan, Kyrgyzstan, and Tajikistan	Countering terrorism, separatism, and extremism in mountainous terrain	Western region of Issky-Kul, Kyrgyzstan	The drills involved about 500 Russian soldiers and 300 PLA soldiers, as well as 40 aircraft and dozens of armored vehicles, helicopters, UAVs, fighter-bombers, tanks, and armored vehicles
Naval Interaction (Joint Sea) 2016 (September 12–19, 2016)	Russia, China	Simulated beachhead battles, maritime search and rescue, anti-submarine warfare, combined air defense, and seizing and protecting islands	The South China Sea, near China's southern city of Guangdong	Russia sent anti-submarine destroyers and other ships, helicopters, and almost 100 marines; China contributed several types of destroyers, multirole frigates, submarines, and 160 marines
Aerospace Security 2016 (April 29, 2016)	Russia, China	Air and missile defense	Moscow	Computer-based command post exercise
Naval Interaction (Joint Sea) 2017 (Phase I: July 21–28, 2017; Phase II: September 22–26, 2017)	Russia, China	Anti-piracy, maritime rescue, air defense, anti-submarine warfare, ship-to-ship combat, joint landing and inspection, maritime search and rescue, underway cargo replenishment	Phase I: Kaliningrad, Baltic Sea; Phase II: Sea of Japan and Sea of Okhotsk	Russia sent two corvettes, a rescue tug, helicopters, fighter-bombers, and military transport planes; China contributed a destroyer, a missile frigate, and a supply ship
Aerospace Security 2017 (December 11–16, 2017)	Russia, China	Air and missile defense	Beijing, China	Computer-based command post exercise
Peace Mission 2018 (August 24–29, 2018)	Russia, China, India, Pakistan, and SCO members (Kazakhstan, Kyrgyzstan, and Tajikistan)	Anti-terrorism operations and fighter jet air strikes	Cherbarkulsky Training Ground in Chelyabinsk Oblast (Central Military District)	Russia sent 1,700 troops; China sent 750 personnel

Figure 19: Chronology of Russian and Chinese Military Exercises: 2005-2020 - Part Three

Vostok 2018 (September 11–17, 2018)	Russia, China, and Mongolia (first non-Soviet Union nations to participate in exercise)	Strategic command and control of combined arms operations and numerous operational and tactical skills	Russia's Eastern Military District	Russia deployed some 300,000 personnel, 1,000 aircraft, and 36,000 tanks and armored vehicles; China contributed 3,200 personnel, 900 tanks and armored vehicles, and 30 aircrafts and helicopters
Naval Interaction (Joint Sea) 2019 (April 29 – May 4, 2019)	Russia, China	Live-fire drills, joint air and anti-submarine defense, and joint submergence rescue	Yellow Sea off China's Qingdao Port	Russia sent a rescue vessel, an anti-submarine warship, a destroyer, and a corvette; China sent a submarine rescue ship, guided-missile destroyers, and guided-missile frigates
Joint Aerial Strategic Patrol 2019 (July 23, 2019)	Russia, China	Combined aerial patrolling	Sea of Japan and East China Sea	Two Russian Tu-95 strategic bombers and two Chinese H-6K bombers
Tsentr 2019 (September 16–21, 2019)	Russia, China, India, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, and Uzbekistan	Improving strategic command and control of combined arms operations and numerous tactical skills; scenario focused on a terrorist threat emanating from central Asia	Russian training grounds Totsky, Donguz, Adanak, Chebarkulsky, Yurginsky, and Aleysky (Central Military District)	Some 130,000 Russian military personnel participated in total, along with more than 20,000 pieces of major military equipment, 600 aircraft consisting of warplanes, helicopters and drones, and 15 warships; China sent 1,600 air and ground troops, battle tanks, infantry fighting vehicles, combat aircraft, and bombers
Naval Operation Mosi (November 27–December 1, 2019)	Russia, China, South Africa	Protecting navigation and security of maritime economic activities, surface gunnery exercise, helicopter cross-deck landings	Off the Port of Cape Town	Russia sent a Slava-class missile cruiser, a tanker, and a rescue tug; China sent a frigate; South Africa sent a frigate and a replenishment ship
Operation Marine Security Belt (December 25–29, 2019)	Russia, China, and Iran	Fighting terrorism and piracy; exchanging experience in maritime rescue operations	Gulf of Oman and Indian Ocean	Russia sent a frigate, a tanker, and a sea tug; China sent a guided-missile destroyer; Iran sent two frigates, a corvette, a hovercraft, a Coast Guard vessel, and a catamaran
Kavkaz 2020 (September 21–26, 2020)	Russia, China, Armenia, Belarus, Myanmar, and Pakistan (observers: Azerbaijan, Iran, Kazakhstan, Tajikistan, and Turkey)	Improving strategic command and control of combined arms operations and numerous tactical skills	Russian training grounds in the Southern Military District along with the Caspian and Black Seas	Russia deployed 80,000 personnel, 250 tanks, 450 infantry fighting vehicles, and 200 artillery systems; China contributed a joint director's department, joint campaign command post, synthetic battle group, command and support team, aftermarket support team, and health and anti-epidemic team
Joint Aerial Strategic Patrol 2020 (December 22, 2020)	Russia, China	Combined aerial patrolling	Sea of Japan and East China Sea	Two Russian Tu-95 strategic bombers and four Chinese H-6K bombers

Source: Richard Weitz, *Assessing Chinese-Russian Military Exercises Past Progress and Future Trends*, CSIS, July 2021, pp. 7-9, <https://www.csis.org/analysis/assessing-chinese-russian-military-exercises-past-progress-and-future-trends>.

¹ It is important to note that officials in the Biden Administration often talk about the “rules-based order” and link to an American strategy of extended deterrence. Seen from a Western and U.S. perspective, the “rules-based order” is also called the “liberal international order,” and refers to the largely U.S. and European political and economic system that evolved after World War II, that uses the U.S. dollar as a reserve currency, operates according to Western economic norms, and is like a representative or “democratic government, and that includes the United States, Canada, and major Asian economies like Australia, New Zealand, Japan, Singapore, South Korea, and Taiwan.

Experts differ over most of the details involved. Wikipedia provides a summary of many of these differences, but provides the following summary of the liberal international order: “In [international relations](#), the liberal international order (LIO), also known as the rules-based international order (RBIO), or the rules-based order (RBO), describes a set of global, rule-based, structured relationships based on [political liberalism](#), [economic liberalism](#) and [liberal internationalism](#) since the late 1940s. More specifically, it entails international cooperation through [multilateral institutions](#) (like the [United Nations](#), [World Trade Organization](#) and [International Monetary Fund](#)) and is constituted by [human equality](#) (freedom, rule of law and human rights), [open markets](#), [security cooperation](#), promotion of [liberal democracy](#), and [monetary cooperation](#). The order was established in the aftermath of [World War II](#), led in large part by the [United States](#). . . . The nature of the LIO, as well as its very existence, has been debated by scholars. The LIO has been credited with expanding [free trade](#), increasing [capital mobility](#), [spreading democracy](#), promoting [human rights](#), and collectively defending the West from the [Soviet Union](#). The LIO facilitated unprecedented cooperation among the states of [North America](#), [Western Europe](#) and [Japan](#). Over time, the LIO facilitated the spread of economic liberalism to the rest of the world, as well as helped consolidate democracy in formerly fascist or communist countries. (See https://en.wikipedia.org/wiki/Liberal_international_order, footnotes deleted.)

² For satellite photos of the level of damage done to Russia special forces, see Alex Horton, Russia’s commando units gutted by Ukraine war, U.S. leak shows, *Washington Post*, April 14, 2023, <https://www.washingtonpost.com/national-security/2023/04/14/leaked-documents-russian-spetsnaz/>.

³ “Wagner Group Leader Accuses Russian ‘Decision-Makers’ Of Treason For Lack Of Ammunition In Ukraine,” RFE/RL, April 26, 2023, <https://www.rferl.org/a/russia-pirgozhin-wagner-ammunition-treason-ukraine-war/32380761.html>.

⁴ *Extracts from Putin’s Speech on the Ukraine*, Reuters, February 21, 2021, <https://www.reuters.com/world/europe/extracts-putins-speech-ukraine-2022-02-21/>

⁵ Excerpted from Putin’s Presidential Address to the Federal Assembly at Gostiny Dvor, Moscow. February 21, 2023, and the full text is available at the President of Russia website: <http://www.en.kremlin.ru/events/president/transcripts/messages>.

⁶ Like “rules-based order,” the United States uses the term “extended deterrence” in its national strategy without defining it in detail, and experts differ over its scope and definition. The U.S. Air Force does, however, provide the following broad definition in its doctrine. (https://www.doctrine.af.mil/Portals/61/documents/AFDP_3-72/3-72-D12-NUKE-OPS-Extended-Deterrence.pdf):

“Extended deterrence is a commitment to deter and, if necessary, to respond across the spectrum of potential nuclear and non-nuclear scenarios in defense of allies and partners. This commitment is often described as providing a “nuclear umbrella.” Extended deterrence also serves as a nonproliferation tool by obviating the need for allies and partners to develop or acquire and field their own nuclear arsenals.

In the case of the North Atlantic Treaty Organization (NATO), the continued deployment of US nuclear weapons in Europe is a strategic alliance issue. This ongoing forward basing of US nuclear capabilities not only deters adversaries on behalf of European allies, but also assures NATO partners that the US is capable of helping ensure their collective national security.

According to the NATO Deterrence and Defence Posture Review, “Nuclear weapons are a core component of NATO’s overall capabilities for deterrence and defense alongside conventional and missile defense forces.... Consistent with our commitment to remain a nuclear alliance for as long as nuclear weapons exist, Allies agree...to develop concepts for how to ensure broadest possible participation of Allies concerned in their nuclear sharing arrangements.” The US also provides a nuclear umbrella over several Pacific partners including Japan, South Korea, and Australia.

Complementing extended deterrence, where the objective is to influence the decision- making of an adversary, assurance involves easing the fears and sensitivities of allies and partners. Extended deterrence and assurance of allies and partners are two sides of the same coin. For example, shows of force shape both allied and adversary beliefs.”

For a practical example of how it would operate in a strategic partnership, see the Department of Defense press release, *Joint Statement on the Extended Deterrence Strategy and Consultation Group Meeting*, Sept. 16, 2022, and <https://www.defense.gov/News/Releases/Release/Article/3161720/joint-statement-on-the-extended-deterrence-strategy-and-consultation-group-meet/>; and Victor Cha, “Strengthening U.S. extended deterrence,” CSIS, December 14, 2022, <https://www.csis.org/analysis/strengthening-us-extended-deterrence>.

⁷ “Explainer: What is Zelensky's 10-point peace plan?,” Reuters, December 28, 2022:34 AM EST, <https://www.reuters.com/authors/reuters/>; Olena Roschina, “Zelenskyy outlines Ukraine’s 10-point “formula for peace” at G20 summit,” *Ukrainska Pravda*, 15 November 2022, 08:22, <https://www.pravda.com.ua/eng/news/2022/11/15/7376378/>.

⁸ President of Ukraine Volodymyr Zelensky, “Ukraine has always been a leader in peacemaking efforts; if Russia wants to end this war, let it prove it with actions - speech by the President of Ukraine at the G20 Summit,” Official Web Site, November 15, 2022, <https://www.president.gov.ua/en/news/ukrayina-zavzhdi-bula-liderom-mirotvorchih-zusil-yaksho-rosi-79141>.

⁹ The full impact of the dam’s destruction is still very uncertain at this writing. For early estimates, see Carlotta Gall, “‘Everything Will Die’: A Dam Blast Imperils Ukraine’s Vital Lifeline,” *New York Times*, June 11, 2023, <https://www.nytimes.com/2023/06/11/world/europe/ukraine-dam-reservoir-explosion.html?smid=nytcore-ios-share&referringSource=articleShare>.

¹⁰ World Bank, “Ukraine at a Glance,” <https://www.worldbank.org/en/country/ukraine>, accessed June 7, 2023.

¹¹ CIA, World Factbook, “Ukraine,” Updated May 26, 2023, <https://www.cia.gov/the-world-factbook/countries/ukraine/>.

¹² CIA, World Factbook, “Ukraine,” Updated May 26, 2023, <https://www.cia.gov/the-world-factbook/countries/ukraine/>.

¹³ Johnathan Masers and Will Mellow, “How Much Aid Has the U.S. Sent Ukraine? Here Are Six Charts, Council on foreign Relations, May 19, 2023, <https://www.cfr.org/article/how-much-aid-has-us-sent-ukraine-here-are-six-charts>.

¹⁴ Anthony H. Cordesman, “Saving by Spending: The True Value and Cost-Effectiveness of U.S. Aid to Ukraine,” February 2, 2023, <https://www.csis.org/analysis/saving-spending-true-value-and-cost-effectiveness-us-aid-ukraine>.

¹⁵ Johnathan Masers and Will Mellow, “How Much Aid Has the U.S. Sent Ukraine? Here Are Six Charts, Council on foreign Relations, May 19, 2023, <https://www.cfr.org/article/how-much-aid-has-us-sent-ukraine-here-are-six-charts>.

¹⁶ Mark Landler, “Allies Pledge Billions for Ukraine’s Recovery as Zelensky Stresses Urgency,” *New York Times*, June 21, 2023, <https://www.nytimes.com/2023/06/21/world/europe/ukraine-war-recovery.html?smid=nytcore-ios-share&referringSource=articleShare>.

¹⁷ Yalda Hakim, “Ukraine war: Zelensky admits slow progress but says offensive is not a movie,” BBC. 6.21.2023, <https://www.bbc.com/news/world-europe-65971790>; and Jonathan Josephs, “Ukraine war: Push to rebuild economy starts with UK's \$3bn,” 6,21,2023, <https://www.bbc.com/news/world-europe-65969456>.

¹⁸ World Bank, “Ukraine Recovery and Reconstruction Needs Estimated \$349 Billion,” September 9, 2022, <https://www.worldbank.org/en/news/press-release/2022/09/09/ukraine-recovery-and-reconstruction-needs-estimated-349-billion>; Ukraine Rapid Damage and Needs Assessment – Full Report, (English), September 7, 2022, <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099445209072239810/p17884304837910630b9c6040ac12428d5c>.

¹⁹ Al Jazeera, “World Bank says \$411bn cost to rebuild war-torn Ukraine,” March 23, 2023, <https://www.aljazeera.com/news/2023/3/23/cost-of-rebuilding-ukraine-due-to-russian-war-411bn-world-bank>; and World Bank, Ukraine Rapid Damage and Needs Assessment: February 2022 - February 2023 (English), March 23, 2022, <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099184503212328877/p1801740d1177f03c0ab180057556615497>.

²⁰ See Howard J. Shatz, Gabrielle Tarini, Charles P. Ries, James Dobbins, *Reconstructing Ukraine*, RAND, RRA2200-1, 2023.

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²⁵ See *NATO 2022 Strategic Concept*, NATO, March 3, 2023, https://www.nato.int/cps/en/natohq/topics_210907.htm.

²⁶ See Lara Jakes, “NATO Members Use a Major Air Exercise to Send a Message to Russia,” *New York Times*, June 13, 2023, <https://www.nytimes.com/2023/06/12/world/europe/nato-exercises-germany.html?smid=nytcore-ios-share&referringSource=articleShare>.

²⁷ The Secretary General’s Annual Report for 2022, NATO, https://www.nato.int/nato_static_fl2014/assets/pdf/2023/3/pdf/sgar22-en.pdf. See p. 28 for quotes.

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³¹ Pjotr Sauer and Andrew Roth, “Putin prepares Russia for ‘forever war’ with west as Ukraine invasion stalls,” *The Guardian*, March 28, 2023, <https://www.theguardian.com/world/2023/mar/28/putin-prepares-russia-for-forever-war-with-west-as-ukraine-invasion-stalls>. Andrew Kendall-Taylor and Erica Frantz, “How the Invasion Empowers Russia’s President,” *Foreign Affairs*, March 23, 2023, <https://www.foreignaffairs.com/ukraine/putins-forever-war>.

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³³ Putin’s speeches since 2020 are well worth reading in full. These excerpts are taken from the Russian government translation into English of Putin’s Presidential Address to the Federal Assembly at Gostiny Dvor, Moscow. February 21, 2023, and the full text is available at the President of Russia website: <http://www.en.kremlin.ru/events/president/transcripts/messages>.

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³⁹ IISS, “Defense budgets and expenditure,” *Military Balance 2023*, p. 14.

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⁴⁷ See Amy F. Woolf, *Russian Nuclear Forces, Doctrine, Forces, and Modernization*, Congressional Research Service, R45861, April 21, 2022.

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⁵⁰ For the full CRS analysis, see Amy F. Woolf and Anya Fink, *Russia's Nuclear Weapons: Doctrine, Forces, and Modernization*, Congressional Research Service, R45861, April 21, 2022.

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⁵⁴ These excerpts are taken from the Russian government translation into English of Putin's Presidential Address to the Federal Assembly at Gostiny Dvor, Moscow. February 21, 2023, and the full text is available at the President of Russia website: <http://www.en.kremlin.ru/events/president/transcripts/messages>.

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⁵⁶ Plenary Session of the St Petersburg International Economic Forum, June 16, 2023, <http://en.kremlin.ru/events/president/transcripts/71445>.

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⁵⁸ The last U.S. official version of Russian Military Power, issued by its Defense Intelligence agency dates back to 2017. See https://www.dia.mil/Portals/110/Images/News/Military_Powers_Publications/Russia_Military_Power_Report_2017.pdf. The Japanese are taken from Japanese Ministry of Defense, Defense of Japan 2022, pp. 106-109, https://www.mod.go.jp/en/publ/w_paper/index.html.

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⁶⁰ Putin claimed during this speech to Russian factory workers that Russian companies “made nearly the same number of anti-aircraft missiles as the rest of the world combined, and three times more than the United States.” Reuters, “Putin: Russian military-industrial might makes victory in Ukraine 'inevitable.’” January 18, 2023 11:14 AM EST, <https://www.reuters.com/world/europe/putin-russian-military-industrial-might-makes-ukraine-victory-inevitable-2023-01-18/>.

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⁶⁴ See United Nations Register of Conventional Arms, <https://www.unroca.org/>, and <https://www.unroca.org/russian-federation/report/2021/>, and <https://www.unroca.org/participation>.

⁶⁵ The TIV is based on the known unit production costs of a core set of weapons and is intended to represent the transfer of military resources rather than the financial value of the transfer. Weapons for which a production cost is not known are compared with core weapons based on: size and performance characteristics (weight, speed, range and payload); type of electronics, loading or unloading arrangements, engine, tracks or wheels, armament and materials; and the year in which the weapon was produced. A weapon that has been in service in another armed force is given a value 40 per cent of that of a new weapon. A used weapon that has been significantly refurbished or modified by the supplier before delivery is given a value of 66 per cent of that of a new weapon.

SIPRI calculates the volume of transfers to, from and between all parties using the TIV and the number of weapon systems or subsystems delivered in a given year. This data is intended to provide a common unit to allow the measurement of trends in the flow of arms to particular countries and regions over time. Therefore, the main priority is to ensure that the TIV system remains consistent over time, and that any changes introduced are backdated.

In cases where deliveries are identified but it is not possible to identify either the supplier or the recipient with an acceptable degree of certainty, transfers are registered as coming from 'unknown' suppliers or going to 'unknown' recipients. In cases where there is an arms transfer agreement for weapons that are produced by two or more cooperating countries, and if it is not clear which country will make the final delivery, the supplier is listed as 'multiple'.

SIPRI TIV figures do not represent sales prices for arms transfers. They should therefore *not* be directly compared with gross domestic product (GDP), military expenditure, sales values or the financial value of export licences in an attempt to measure the economic burden of arms imports or the economic benefits of exports. They are best used as

the raw data for calculating trends in international arms transfers over periods of time, global percentages for suppliers and recipients, and percentages for the volume of transfers to or from particular states.

⁶⁶ See Pieter D. Wezeman, Justine Gadon and Siemon T. Wezeman; *TRENDS IN INTERNATIONAL ARMS TRANSFERS, 2022, SIPRI Factsheet, March 2023*, https://www.sipri.org/sites/default/files/2023-03/2303_at_fact_sheet_2022_v2.pdf.

⁶⁷ See World Trade Organization, *One Year of War in the Ukraine*, pp. 2& 9, https://www.wto.org/english/res_e/booksp_e/oneyukr_e.pdf.

⁶⁸ See OEC, Russia, <https://oec.world/en/profile/country/rus>. Data are reported to be drawn from the National Bureau of Statistics of China [Customs Statistics](#),. United States Census Bureau [USA Trade® Online](#),. Ministry of Development, Industry and Foreign Trade of Brazil [Comex Stat](#),. HM Revenue and Customs [Overseas Trade Statistics](#),. Statistics Canada [Canadian International Merchandise Trade Database \(CIMT\)](#),. Ministry of Commerce and Industry, Government of India [Directorate General of Commercial Intelligence and Statistics](#),. Ministry of Public Action and Accounts of France [Statistiques Régionales du Commerce Extérieur](#),. Spanish Tax Agency [Datos estadísticos de Comercio Exterior](#),. Instituto Nacional de Estadística [International Trade](#),. Malaysia Department of Statistics [Malaysia External Trade Statistics Online](#),. National Bank of Belgium [Foreign trade - Belgium - National concept](#),. Federal Statistical Office of Germany [Foreign Trade Statistics](#),. Instituto Nacional de Estadística [Comercio Exterior](#),. Norway Statistics [Statistical Product - External Trade](#),. Turkish Statistical Institute [Foreign Trade Indices](#),. Central Statistics Office of Ireland [Statistical Product - External Trade](#),. Servicio Nacional de Aduana del Ecuador [Exportaciones / Importaciones](#),. Statistics Sweden [Statistical Database](#),. Philippine Statistics Authority [Trade: International Merchandise and Domestic](#),. Ministry of Finance of Japan [Trade Statistics of Japan](#),. Portal de Datos Público [Informe Mensual de Comercio Exterior](#),. Statistics Netherlands [International Trade](#),. General Authority for Statistics (Saudi Arabia) [Foreign Trade Statistics](#),. Department of Statistics, Singapore [Merchandise Trade](#),. Federal Customs Service of Russia [Customs Statistics of Foreign Trade](#),. Korea Customs Service [Trade Statistics](#),. and South African Revenue Service [Merchandise Trade Statistics](#).

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⁷¹ The data are taken from the IEA data base at <https://www.iea.org/articles/energy-fact-sheet-why-does-russian-oil-and-gas-matter>. The current figures pre-date the invasion and the data on future pipeline and export routs are highly uncertain.

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⁹⁴ The following text on Russia is presented in the annual defense white paper issued by the Japanese Ministry of Defense, *Defense of Japan 2020*, pp. 11-14.

The number of exercises carried out by the Russian Land Forces in the areas adjacent to Japan has decreased from the peak. However, its activities are generally increasing.

With regard to naval vessels, their activities are generally increasing in recent years. For example, various exercises and long-distance voyages have been carried out by Pacific Fleet vessels, along with patrols by nuclear-powered submarines. In September 2018, 28 naval vessels including a Slava-class guided missile cruiser passed through the Soya Strait. This was the largest number of vessels announced by the Ministry of Defense (MOD) as having transited this strait at the same time since the end of the Cold War. From the end of January to mid-March 2022, a large-scale maritime exercise, believed to be a part of the Russian Navy’s whole fleet exercise, was conducted in the Sea of Okhotsk and other areas with the participation of more than 20 naval vessels. During the exercise period, a total of 49 vessels, including those not announced as participating in the exercise, sailed through the Soya and Tsugaru Straits.

The exercise was unique in terms of both its timing and scale. In addition, given the characteristics of the sea area during the ice floes season in which the exercise was conducted, it is clear that it was intended to demonstrate Russia’s ability to actively operate in the Sea of Okhotsk, which Russia places importance on as an area of operation for strategic nuclear-powered submarines. This should be a subject of concern, considering the series of statements about the use of nuclear force made by Russia relating to its invasion of Ukraine. Regarding aircraft, since the resumption of the patrol activities by its strategic aviation units in 2007, Russia has been increasing flights by long range bombers. Also, there were flights of Tu-95 bombers refueled in mid-flight and supported by A-50 early warning and control aircraft and Su-27 fighters as well as flights of Tu-160. In December 2021, an IL-20 intelligence-gathering aircraft flew from the Sea of Japan to the Pacific Ocean via the Sea of Okhotsk, and another eight presumed Russian aircraft were confirmed to have flown over the Sea of Japan. The number of scrambles against Russian aircraft increased from the previous year, and Russian aircraft continued to be active in 2021, with two incursions into Japanese airspace, involving SDF aircraft scrambled against the Russian aircraft, confirmed to have occurred.

Since 1978 during the former Soviet Union era, Russia has redeployed Land Forces units on Kunashiri, Etorofu, and Shikotan Islands of the Northern Territories, which are inherent territories of Japan. While the Russian troop strength is thought to be far less than that at peak times, one division, which belongs to a corps stationed in Southern Sakhalin (Karafuto), is still located on Kunashiri and Etorofu Islands. Furthermore, tanks, armored vehicles, various types of artillery, anti-air missiles, and unmanned reconnaissance vehicles are deployed. Furthermore, in recent years, Russia has been upgrading the facilities of its troops located in the Northern Territories.

Russia is also deploying new equipment such as coastal (surface-to-ship) missiles belonging to its Navy and fighter aircraft belonging to its Aerospace Forces, conducting large-scale exercises, and implementing other such activities as it increases its military activities under the illegal occupation of the Northern Territories, which are inherent territories of Japan. Some point out the background for such moves as being the rising military importance of the Northern Territories adjacent to the Sea of Okhotsk, an operating area of SSBN, as well as the trend of increasing Russian military activities not only in the Northern Territories but also in Southern Sakhalin and the Chishima Islands, whose jurisdiction has not been determined.

In recent years, the deployment of major new equipment in the Northern Territories has included the announced deployment of coastal (surface-to-ship) missiles to Etorofu and Kunashiri Islands in 2016, and in August 2018, three Su-35 fighters were reportedly deployed at the new civilian airport on Etorofu Island, which was opened to military and civilian dual use in January of that year.

As for equipment of the Land Forces, in December 2020, media related to the Russian Ministry of Defence reported the deployment of “S-300V4” surface-to-air missile (maximum firing range of 400 km) in Etorofu and Kunashiri Islands. Furthermore, in January 2022, it was announced that in the previous year, the tanks of the units located in the Northern Territories had been replaced with the “T-80BV,” which is suitable for operation in cold regions.

Military exercises have also continued in the Northern Territories. In June 2021, landing and anti-landing exercises were conducted on Etorofu Island, Kunashiri Island, and Southern Sakhalin, involving over 10,000 military personnel, 500 ground equipment and machines, 32 aircraft, and 12 vessels.

In addition, in the vicinity of Sakhalin and the Chishima Islands, which, like the Northern Territories, are adjacent to the Sea of Okhotsk, the AFRF announced in February 2021 that it had newly deployed the S-400 surface-to-air missile system to Southern Sakhalin. In December of the same year, it announced the deployment of the “Bastion” surface-to-ship missile system to Matua (Matsuwa) island of the Chishima Islands. There are reports on the establishment of a new coastal (surface-to-ship) missile brigade placed in Southern Sakhalin, with jurisdiction over units located on Etorofu and Kunashiri Islands. It is necessary to monitor with concern the Russian military movements in the Far East, including the Northern Territories, while taking into account developments in the invasion of Ukraine.

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