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# Russia Futures

## *Three Trajectories*

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### *Introduction*

Beginning in 2018, the Europe, Russia, and Eurasia Program at CSIS initiated a research project to explore scenarios related to Russia's future development and to consider the transatlantic implications of each scenario. The project, which was generously funded by the Norwegian Foreign Ministry, was intended to provide policymakers with an understanding of how Russia's domestic political situation, economic outlook, military activities, and foreign policy might evolve in response to modern-day challenges including climate change, growing competition in the Arctic, and the fraught relationship between China and the collective West.

Based on original research and workshops involving U.S., Norwegian, and European experts, CSIS identified three potential scenarios for Russia's future development. The first scenario envisioned a path of continuity, in which Russian leaders strove to maintain the status quo. The second scenario foresaw a trend of risk reduction in the Kremlin's decisionmaking that led to a partial normalization of relations with the West. The third scenario considered a darker future, in which Russian leaders accepted a higher degree of risk to manage mounting problems at home and abroad, leading to sustained confrontation with the West and the further detachment of the Russian government from its people.

These scenarios were being prepared for publication when Russian president Vladimir Putin launched a renewed invasion of Ukraine on February 24 and ushered in a period of deep uncertainty for European and global affairs. Almost immediately, Russia's act of aggression turned the country into a global pariah, triggering international sanctions far beyond the Kremlin's expectations and consolidating transatlantic unity to an extent that was difficult to imagine in the tense months immediately preceding the invasion. As orthodoxies have been challenged and expectations reconsidered, contingencies that were thought impossible—from embargoes of Russian hydrocarbons to the potential use of nuclear weapons by the Kremlin—are starting to feature into conversations among policymakers and analysts.

The war has underscored a key challenge associated with political forecasting: the subject of study is constantly evolving, so certain assumptions held at the start of the assessment may appear more or less viable by the time the research period ends. In this case, the dramatic changes that have taken place over the past two months have altered the context of the scenarios outlined below. For example, given the reckless approach that Putin has taken to achieve his geostrategic ambitions, the third scenario appears to be the new baseline for analytical assessments of Russia's future course, whereas the possibility of rapprochement envisioned in the second scenario does not appear viable as long as Putin remains in power.

Although the highly dynamic nature of the war presents challenges to exploring Russia's long-term development, the authors believe these scenarios still serve as a useful analytical framework to the informed reader. First, they provide an opportunity to consider the extent to which Russia's path will deviate from pre-war conditions. Understanding which paths have closed, and which ones remain open could help improve and expedite the development of new policies regarding Russia. Second, certain aspects of these scenarios are already playing out in real time; in some cases, outcomes that had been considered as long-term possibilities look more likely to occur in the near term. Policymakers would benefit from understanding the potential implications of these developments, despite the altered timeframe.

As Europe and the United States appear headed toward period of prolonged confrontation with Russia, a new status quo is forming. The CSIS Europe, Russia, and Eurasia Program hopes that these scenarios will illuminate potential policy responses to a changing geopolitical landscape.

## *Trajectory 1: “Baseline”/ “Path of Continuity”*

### **OVERVIEW**

- Confrontation with the West continues, but open conflict is avoided; partnership with China becomes more uneven; Russian foreign policy is guided by concept of “Greater Eurasia” and status-quo partnerships with a mosaic of Eurasian powers
- The Kremlin plans for prolonged stagnation; politics do not allow for a “course correction” internally
- Social unrest grows but is contained by force

Consecutive, large-scale protests across Russia over the past three years, culminating in the largest in a decade in January 2021, were symptomatic of what remains the Kremlin's biggest vulnerability: its inability to provide consistent economic growth and improved quality of life for the Russian people. Tepid economic growth and growing evidence of mismanagement continue to erode the implicit bargain at the heart of Putinism: acquiescence to autocratic rule and curtailed political freedoms in exchange for improved living standards. Coupled with declining political legitimacy during Putin's fourth and then fifth terms—the result of ever more conspicuous falsification of elections—Russia's unresolved economic challenges slowly erode the popularity of President Putin to the range of 50–60 percent, although he remains a largely uncontested political figure. The regime continues along the path of confrontation with the West, but the growing recognition within Russia's elite that punishing economic sanctions are not sustainable prevents Moscow from entering into open conflict to achieve its aims. In Ukraine, Moscow uses sub-threshold actions to obtain leverage over the country without jeopardizing its role as Europe's energy provider. Russia avoids making political concessions to the West on the European security order or on attempts to “resolve” points of tension elsewhere in the world (e.g., Syria, Libya), which sustains an image of Russia's great power status internally.

## ECONOMY

The Kremlin plans for a prolonged stagnation. Economic policy remains conservative, designed to insulate Russia from external shocks—such as sanctions or swings in commodity prices—rather than spur investment and technological innovation. This state-driven growth model produces small annual increases in GDP of 1 to 2 percent and stable macroeconomic conditions, but it does so at a great human cost. Real income continues to lag behind Russia’s peers and remains below its 2013 level, while wealth inequality deepens due to a combination of underinvestment in Russia’s peripheral regions, deteriorating public services, entrenched corruption, and the intensified channeling of rents to elites to maintain their loyalty. More and more Russians rely on social support, but the routine annual payouts are inadequate to improve their living standards, and the government has failed to address a raft of public health crises associated with low incomes, including elevated rates of substance abuse and depression. As a result of relatively low production costs, Russia remains Europe’s **largest supplier** of natural gas and a significant economic partner, but the absence of meaningful state investment aimed at growing the share of renewables in Russian exports, coupled with chronically low rates of domestic investment, casts doubt on the sustainability of Russia’s economic model. Global demand for oil plummets by 2035, and gas consumption declines precipitously by mid-century, as world economies implement (albeit imperfectly) commitments under the Paris Agreement and new private investment in energy is overwhelmingly directed toward renewables. Even as early as 2030, this approaching demand cliff is a major source of elite jitters in Russia, but material incentives and systemic constraints favor a path of continuity.

The Kremlin’s desire to retain technological independence from both the West and China compel it to facilitate significant state investments into 5G and artificial intelligence (AI). Russia’s universities and research centers are certainly up to the task, but rampant corruption and the state’s expanding hand in the economy constrain private investment, and Russia remains unable to manufacture these technologies at scale. As a result, Russia continues to import key technologies from abroad—China, Japan, South Korea, the European Union, and the United States—ensuring a degree of economic interdependence despite talk of “technological sovereignty” from Moscow. The pillars of Russia’s economy remain minerals and fossil fuels.

Meanwhile, the effects of climate change on Russia’s economic prospects and internal politics become ever more apparent. In the Arctic, liquefied natural gas (LNG) development continues apace, with willing customers in Europe and China until at least 2035 as major economies continue to rely on gas to allay some of the risks inherent in a rapid transition to renewables (including seasonal variability, challenges related to scaled electricity storage, and energy price fluctuations). However, the economic benefits of a much-hyped Northern Sea Route never materialize; melting sea ice opens the passage for longer parts of the year, but loose ice sheets create new obstacles to safe navigation, while the green agenda in the European Union and international environmental pressure on shipping insurance companies dampen commercial interest. The Kremlin’s insistence on Russian naval escorts onboard commercial ships is an unattractive proposition for major companies. On land, an uptick in extreme weather events—heatwaves, droughts, wildfires, floods—takes a higher human toll and has measurable economic costs, disrupting agriculture in Russia’s productive breadbasket regions and creating new localized public health crises, from frequent incidences of hazardous air to outbreaks of malaria associated with permafrost thaw. In the face of public anger, the Kremlin shifts the blame for environmental mismanagement onto regional officials who, with few exceptions, are under-resourced and ill-equipped to implement climate adaptation plans. These budgetary pressures amplify Russia’s center-region divisions and begin to wear on Putin’s approval ratings nationally.

## FOREIGN AND SECURITY POLICY

Confrontation with the West continues. The refusal of the United States and the North Atlantic Treaty Organization (NATO) to provide “security guarantees” prompts Russia to escalate the situation in Ukraine by launching widespread cyberattacks and intensifying support to separatist forces in the Donbas, where fighting intensifies along existing battle lines. Russia’s activities remain below the threshold of outright aggression, complicating a united Western response and resulting in the uneven application of sanctions and other punitive measures. Meanwhile, the Kremlin applies sufficient pressure to compel the Ukrainian government to implement certain unpopular political aspects of the Minsk agreements (e.g., providing limited self-rule to the Donetsk and Luhansk regions, offering amnesty for former fighters), triggering a wave of unrest in the country but providing Russia with a lever of influence over decisionmaking in Kyiv. Russia retains a heightened force posture along the Ukrainian border, in Crimea, and in Belarus for an extended period, on the grounds that it must maintain an elevated state of readiness in case the situation spirals out of control.

Satisfied that Ukraine’s path toward Western integration is effectively blocked, Russia declares victory in the standoff. Russian attempts to exert influence in other regions—such as the Western Balkans—and unresolved divergent views on the European security order create lingering concerns about the potential for future conflicts between Russia and the West, undermining investor confidence in Russia. The Kremlin propagates an old narrative of Western encirclement of Russia, fueled by an increase in NATO forces’ presence on the eastern flank of the alliance in response to events in Ukraine. Political incentives remain in place for the Kremlin to stoke tensions, ensuring that the Baltic and Black Sea regions remain active zones of contestation where fly-bys and at times dangerous sea maneuvers become the norm. With Belarusian leader Alexander Lukashenko isolated internationally and dependent on Russian aid to maintain domestic control, the Kremlin facilitates (and pays for) closer political and economic integration with Belarus, even establishing a permanent military presence in the country. It stops short of establishing a fully fledged political union in favor of maintaining a client state that can “independently” apply pressure on Western Europe when needed.

Russia’s relations with China deepen but become more uneven. China’s share of Russian foreign trade continues to grow, reaching 30 percent by the end of the decade (from 18 percent in 2020), driven primarily by the sale of fossil fuels and heavy machinery to China. The Kremlin’s attempts to counterbalance relations with China through a foreign policy concept of Greater Eurasia—emphasizing active diplomatic engagement with India, Iran, the Association of Southeast Asian Nations (ASEAN), and Turkey—are half-hearted and lack substance, limited to a variable troika of state visits, weapons sales, and low-impact trade deals that fail to meaningfully offset Russia’s growing dependence on China as a source of economic growth. Despite their close economic ties, ideological alignment, and growing security cooperation, however, neither Moscow nor Beijing take measures to formalize their relationship with a military alliance.

Russia arms itself to operate in a more proliferated world where it is in open competition with the West. Arms control talks between the United States and Russia stall during the height of tensions over Ukraine but eventually produce limited, non-binding agreements prohibiting the use of cyber weapons against nuclear command and control systems or health infrastructure. Flare-ups of tensions with the West lead Russia to negotiate limited conventional arms control measures, resurrecting aspects of the Conventional Forces in Europe (CFE) Treaty and modernizing the Vienna Document. However, they produce no significant reduction in nuclear stockpiles or formal treaties governing the persistent sources

of destabilization: missile defense, non-strategic nuclear weapons, conventional strike systems, and hypersonic missiles. Russia continues to emphasize the development of exotic new systems but is forced to abandon its most ambitious projects due to financial constraints amid a sluggish economy. Russia continues to rely on its exceptional cyber capabilities to advance the Kremlin's national security goals. A fierce competition in cyberspace sees Russia probe and penetrate U.S. systems using increasingly sophisticated methods and deniable third-party actors. Where attribution to the Russian state is possible, the United States responds in kind, but no manner of sanctions or cyber responses dissuades Russia from relying on this cost-effective and generally deniable tool to weaken its adversaries. Russia's militarization of the Arctic accelerates as the balance between economic development and defense interests tips in favor of the latter. Naval activity, including training exercises and missile testing, increases in the more remote areas of the Arctic (e.g., the Bering Sea) as Russia seeks to project dominance along its long northern border and deter challenges from both the United States and China.

*Despite their close economic ties, ideological alignment, and growing security cooperation, however, neither Moscow nor Beijing take measures to formalize their relationship with a military alliance.*

#### **INTERNAL POLITICS AND SUCCESSION**

Russia's authoritarian turn gathers momentum. The 2020 constitutional referendum, the attempted assassination and subsequent arrest of Alexey Navalny, the banning of the Meduza news site and pressure on RFE/RL (not to mention other media outlets), and the violent arrest and detention of thousands of protestors were all signs of Russia's evolution from a "hybrid democracy" to a more traditional autocracy, whereby authorities rely on instruments of state repression and fear rather than skillful political manipulation to achieve desired outcomes. Taking their cues from the Kremlin, Russia's security services continue to dismantle elements of the non-systemic "opposition," broadly defined to include the political infrastructure created by Alexei Navalny and his allies but also some independent media. As a result, the opposition becomes weaker and more diffuse, no longer centered around one figure and lacking a national political strategy, but also harder for the Kremlin to analyze and understand. Protests occur on an ad-hoc basis in reaction to state overreach and election falsification, at times surprising the state and provoking hurried and violent responses, but the absence of a cohesive opposition political movement and continued political apathy create the conditions for an enduring political stability. The Kremlin relies more on digital tools of repression, such as face recognition software, to identify and prosecute protestors. It forces Western social media platforms to comply with regulations that provide authorities with increased access to user data and more control over blocking or removing content. By the end of the 2020s, most Western tech platforms have left Russia due to stakeholder activism and concern for the safety of staff; they are replaced with Russian analogues. Authorities refrain from instituting a more intrusive Chinese model of digital authoritarianism due to fear of popular backlash in a highly educated and globally integrated society and the expense of replicating this model. Instead, they issue harsh sentences against a handful of offenders who serve as an example of what happens to those who break the rules. New legislation makes organized political opposition almost impossible.

Putin's succession problem is unresolved, in spite of a constitutional amendment that allows him to run for a fifth and sixth term in 2024 and 2030. Chronically low ratings for the ruling United Russia party and greater societal distrust of Vladimir Putin himself raise the cost of electoral victory, which in turn requires more fraud and more repression. This dims society's enthusiasm for the electoral process. Among Russia's

various elite camps, concerns grow as Putin's health becomes an unpredictable factor (he will be 72 in 2024) as he embarks on his fifth presidential term. From the various security services to the Mishustin technocrats to the conservative ideologues, Russia's elites are eager to preserve their own influence and material interests. Decisionmaking grows more difficult as each circle attempts to elevate their preferred successor in the run-up to 2030, even as Putin's own intentions remain unclear. This internal uncertainty makes the U.S. and Europe even more cautious in their political and economic relations with the regime.

*New legislation makes organized political opposition almost impossible.*

## *Trajectory 2: "Positive" / "Risk Reduction and Partial Normalization"*

### **OVERVIEW**

- Economic stagnation forces the Kremlin to improve management of its internal economic system by loosening borrowing requirements and breaking into National Reserves
- The imperative to lower external risks (sanctions) combined with a united transatlantic approach that also brings in like-minded Indo-Pacific allies and partners leads Russia to moderate its foreign and security policies and accept a begrudging cohabitation with the broader transatlantic community
- Social unrest is allayed by increase in state expenditures, but force is still used to quell protests (no "undoing" Russia's recent turn toward repression)

Confronted with a compounding series of crises that threaten the future of the Russian state, the Kremlin initiates a series of reforms aimed at stabilization. Economic policies attempt to strike a more sustainable balance between the fulfillment of the government's obligations under an eroding social contract and the allocation of rents to political elites. Meanwhile, Russian leaders moderate their confrontational approach toward Europe and the collective West, which brings sanctions relief and helps unlock trade and investment opportunities. The slight thaw that results from these efforts fosters a change in the domestic political scene that favors Russia's technocrats.

### **ECONOMY**

Continued economic stagnation forces a political choice that the Kremlin had heretofore avoided. As Russia enters its 15th year of GDP growth of 1–2 percent and real incomes remain below what they were in 2013, social discontent rises.<sup>1</sup> Protests that had once been isolated become more widespread, occurring more frequently and across more regions and raising the specter of broader social discontent. With wholesale reform and market liberalization of the economy out of the question for fear of losing its grip on power, the Kremlin is faced with a choice: make a statist economy work more for the Russian people by increasing social spending while also making strategic investments into high-growth industries, or maintain the current line of "stability over prosperity," characterized by low debt, high reserves, and fiscal austerity. As domestic unrest becomes more difficult to measure and manifests in increasingly sudden and unpredictable protests, a critical mass of operators in the Kremlin (including, begrudgingly, Vladimir Putin himself) choose to revise its budgetary rule, loosen borrowing restrictions, and dip into Russia's massive foreign reserves in an attempt to improve economic conditions. Annual payouts to Russia's poorest and

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1. From 2013 to 2020, the average growth rate barely topped 0.3 percent per annum, and in 2020 the real income of the population was about 10 percent lower than in 2013. For more information, see: <https://www.intellinews.com/russians-real-disposable-incomes-fell-to-an-eight-year-low-in-2020-but-the-outlook-for-2021-is-brighter-206565/>.

families with young children are bolstered by more direct fiscal support to wider segments of society. The state makes significant investments into IT and infrastructure and offers sizeable state subsidies to the renewables sector—solar panels, hydrogen, wind turbines—which opens the door for some investment into renewables from Europe, while also increasing pressure on state-owned enterprises to reinvest a larger share of their profits. Cumulatively, these actions constitute a more socially sensitive state role in the economy that does little to change Russia’s long-term growth prospects but provides for a modest boost in GDP growth and helps assuage socioeconomic anxiety and limit unrest.

Meanwhile, the government turns in earnest to the looming challenge of climate adaptation. Framed correctly, this challenge presents certain opportunities for the Kremlin. For one, it provides a new mandate for the Russian government and grounds for legitimacy. After all, a steady hand is required to steer Russia through an uncertain future of adverse climate impacts and decarbonization. The imperative to now factor in climate adaptation to all elements of the government’s strategic vision also provides a convenient explanation for chronic delays to the mammoth National Projects.<sup>2</sup> With a new climate threat on the horizon, work on the National Projects gains momentum, and the government earmarks more money to modernize urban and transportation infrastructure in the economically vital Arctic and sub-Arctic regions. This investment also serves to quell regional discontent and lessen the costs to Russian exporters of the European Union’s impending Carbon Border Adjustment Mechanism. A slight liberalization of Russia’s political climate and the perception of greater economic opportunity inspires a large number of young people and professionals to either remain in Russia or return from abroad to help shape the country’s future, reversing brain drain and further bolstering Russia’s economic prospects.

China’s share of Russia’s trade continues to grow, but the European Union remains by far Russia’s largest trading partner, and Europe continues to exercise sway over the Russian economy, retaining roughly 40 percent of Russia’s trade volume as gas exports remain steady. Although EU domestic gas production declines sharply, imports are unaffected for the time being, and the much-hyped Power of Siberia pipeline, even at full capacity, only raises China’s share of total gas exports to 15 percent. Russia’s trumpeted strategic partnership with Beijing encourages some joint ventures in space and military exercises, but cooperation on sensitive technologies remains limited. This is due in part to a lack of enthusiasm from Chinese business and investors, but more so to the Kremlin’s desire to maintain technological sovereignty in sensitive areas—AI, space, and high-end weapons systems—even while some joint research projects with China are underway. Russia continues to rely on lower-end technologies produced in China, but Moscow’s positive relations with China never “upgrade” to the technological and military compatibility that would be most concerning to the West. Increased demand for rare earth metals becomes a source of friction between Russia and China, as the latter looks to shore up its large but diminishing supply through investments and trade deals, while the former seeks to develop its mining sector to compete on the global market.

## **FOREIGN AND SECURITY POLICY**

Concerns over the economic impact of “extreme” measures threatened by the transatlantic community in the event of further military action in Ukraine lead Russia to de-escalate the immediate crisis along the border. An increase in state investments at the price of macroeconomic insularity brings about modest changes in Russian foreign policy and a partial normalization of relations with the West, even while Russia continues to defend and assert its interests in the Black Sea, eastern Mediterranean, and Arctic regions. Moscow’s new foreign policy line is risk reduction without capitulation. Engagement with the West on new

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2. Announced by Putin in 2018, the National Projects are a US \$400 billion spending plan meant to increase living standards by 2024. They focus on 13 key policy areas, including healthcare, education, and infrastructure.

issue areas, from climate change to nuclear nonproliferation, produces small victories that contribute to an overall lowering of tension, even as relations with the West remain tense.

### *Moscow's new foreign policy line is risk reduction without capitulation.*

Russia takes measures to incrementally de-escalate the standoff with Ukraine and the West in return for sanctions relief and assurances about the non-deployment of offensive weapons systems, limitations on NATO-led exercises, and the stationing of outside forces in Ukraine. After Russian forces on the border with Ukraine return to their barracks, talks within the Minsk format progress as negotiators hold meaningful discussions on implementation of the Steinmeier agreement. A tentative calm at the contact line holds as progress is made in this forum, similar to what occurred in July 2020 after the signing of the “Additional measures to strengthen the ceasefire,” as well as in the Normandy Format. With Ukraine’s parliamentary approval of greater decentralization and OSCE-supervised regional elections that support this outcome, Moscow withdraws its undeclared forces in incremental fashion and its proxies in the Donetsk and Luhansk region return control of the state border to Ukraine. The withdrawal of forces from the frontline in separatist-held areas—conducted in mirror-like fashion in government-controlled areas—creates a path for the European Union to lift certain Donbas-related sanctions. While Moscow and the West continue to disagree fundamentally about the future of Ukraine (including the status of Crimea) and the European security architecture generally, progress in the Minsk format and the reversal of some EU sanctions encourage the U.S. president to lift some U.S. sanctions by executive order. Both steps provide at least a moderate boost to the Russian economy.

Beyond sanctions removal, the EU demand for clean energy and Russia’s commitment to become an energy superpower of the future facilitates European investment into Russia. This lends more substance to Russia’s concept of more balanced, flexible, and multi-vector foreign policy, sometimes termed “Greater Eurasia.” Such a policy emphasizes a close strategic partnership with China but also the cultivation of relations with other Eurasian powers—the European Union, Turkey, India, Iran and ASEAN—as a way of balancing and preserving strategic space. However, in economic terms, it is the European Union that plays the most crucial balancing role, since Russia’s relations with other poles of Eurasian power rely primarily on arms sales, tourism, and state visits and fail to produce meaningful new investment or trade deals. Meanwhile, economic relations with the United States also recover as U.S. investments in Russia accelerate, thanks to the easing of sanctions and gradual reduction in political risk.

#### **INTERNAL POLITICS AND SUCCESSION**

A modest reduction in tension with the West has implications for Russia internally. For one, it reduces the political standing of the most hardline and conservative elite faction—the security services. Moreover, Russia’s begrudging acknowledgement of the need to increase social payouts, stymie the physical and economic toll of climate change, and decarbonize the economy, as well as the opportunities presented by greater investment from Europe, creates a new strategic mandate for the Russian government. Pressure from the very top for the prime minister to forge a more responsive, efficient, and digital bureaucracy creates political conditions for the rise of Mikhail Mishustin, who becomes the most natural candidate to succeed Putin as the end of his fifth term looms in 2030. After extensive behind-the-scenes negotiations to secure his wealth and influence—complicated by the recent fate of former Kazakhstani president Nursultan Nazarbayev—Putin accepts a sinecure position, either replacing his aging colleague Nikolai Patrushev in the Security Council or leading an enhanced version of the State Council, where he is able to serve as an elder statesman and continue to participate in decisionmaking on critical issues.

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### *Trajectory 3: "Negative" / "Risk Acceptance and Rise of the Siloviki"*

#### **OVERVIEW**

- Economic stagnation and mismanagement of accelerating climate impacts fuel public discontent
- Moscow proceeds with a renewed military incursion in Ukraine and establishes de facto control of Belarus, leading to an era of deeper confrontation with the West, while deepening its security partnership with China
- Regime decisionmaking suffers; representatives of the security services (the *siloviki*) assert themselves

The Kremlin has grown confident that its risk-taking usually achieves favorable results, leading it to adopt a more confrontational stance with the West to achieve its strategic aims. That attitude of risk tolerance rests on a perception that Russia and the current regime do not face any imminent existential threats, despite fevered statements from top officials about the dangers posed by NATO enlargement and Ukraine's cooperation with Euro-Atlantic partners. In reality, the most likely threats to regime survival are likely to come from within and not from the West. A genuine political crisis emerges that threatens the regime politically—for instance, the emergence of a nationwide protest movement calling for new leadership over poor economic conditions and endemic corruption, an excessively violent crackdown on public protests that ignites outrage, or the emergence of a grassroots anti-war movement as Russian soldiers are killed and wounded while enforcing Russia's claims to a sphere of influence—could induce the Kremlin to move toward extreme risk acceptance as it hopes to deflect emerging discontent by mobilizing the country against external threats.

#### **ECONOMY**

The timeline for the "baseline" economic trajectory of prolonged stagnation (outlined in the first scenario) is accelerated by the rate of decarbonization globally. State coffers shrink while the costs of climate change for Russia grow, due in part to penalties imposed by third-party countries on Russian imports. The government is forced to make further cuts to social services, increase taxes to offset lost oil and gas revenues, and freeze or reduce state workers' wages in an effort to maintain equilibrium. However, declining commodity prices linked to lower demand for hydrocarbons cause the value of the ruble to drop substantially, increasing poverty rates and leading to large-scale street protests. Russia begins to tap into its Sovereign Wealth Fund with increasing frequency to prop up the ruble and to issue bailouts and subsidies in the hope of maintaining order.

## *Declining commodity prices linked to lower demand for hydrocarbons cause the value of the ruble to drop substantially, increasing poverty rates and leading to large-scale street protests.*

Low levels of investor confidence, caused in part by Russia's aggressive moves in neighboring states, drive Russia to seek loans from China. Russia is forced to make significant concessions to Chinese lenders such as high interest rates, exclusive rights to certain rare earth metals deposits, and increased permissions in the Arctic. Within a few years, it becomes clear that Russia will not be able to pay off all of these loans. Chinese banks take over some assets offered as collateral, but overall Beijing opts to extract repayment from Russia in the form of political support for its strategic ambitions. As this relationship deepens, so too does scientific-technical cooperation. In spite of Russian concerns over IT theft, joint cooperation increases on AI, cloud computing, surveillance, and biotechnology. Increasingly, the balance of technological know-how tilts toward China, yet Russia's university system remains an attractive source of talent for China. Chinese companies such as Huawei become key sources of investment in Russian universities to develop training and innovation centers, from which they select the brightest minds to join their staff. Meanwhile, Russian procurement of high-grade electronic components for defense systems shifts almost exclusively to Chinese providers. This deepening technical cooperation also extends to the energy sector, as additional Western sanctions dampen enthusiasm among Western energy companies for collaborating with their Russian counterparts.

Russia's failure to adapt to climate-related disruptions incurs even **greater economic and political costs** as the Arctic warms three times faster than the global average. Record-breaking forest and tundra fires and flash floods desolate large swaths of Siberia, while permafrost thaw results in new environmental catastrophes. Coastal erosion, an increase in floods, and the degradation of permafrost and resulting release of anthrax and methane threaten people and critical infrastructure, adding to social unrest. This threat is compounded by the Russian government's reluctance to acknowledge that the costs of its profit-driven Arctic policies may exceed their benefits, particularly as key members of the Kremlin's inner circle seek additional state resources to grow their stake in the region. Russia's Arctic and sub-Arctic regions experience an uptick in political protests against Moscow, and they become the backdrop of many more domestic political flashpoints as climate-related accidents increase and economic distribution of any benefits is delayed or postponed indefinitely.

### **FOREIGN AND SECURITY POLICY**

While continuous internal protests and the succession question remain problematic for Russia, the Kremlin believes that the West is in rapid decline and that it has more opportunities at its disposal than ever before to achieve zero-sum advantages against its rivals. At the cost of punishing new sanctions, Russia launches a limited incursion into Ukraine intended to enforce claims to a sphere of influence in Europe and to force NATO to ban post-Soviet states from acceding to the alliance. Belarus allows its territory to be used as a staging area and commits its own forces in support of the Russian offensive, cementing its alignment with Moscow and leading to the establishment of a permanent Russian military presence there. Ukraine eventually agrees to Russia's demands of enforced neutrality, which triggers the government's collapse and a period of profound political unrest as a significant part of the population perceives the negotiated peace as treasonous.

Disagreement within the transatlantic community over whether to impose punitive measures that would also harm European economies and energy security at a time of already high inflation results in a muted response from the West. Although NATO force posture increases along the alliance's eastern flank (especially with Sweden and Finland applying for NATO membership), the lack of appetite for an all-out military conflict with Russia puts pressure on NATO and the European Union to offer some concessions to Moscow. The EU sanctions regime erodes as member states split on the question of whether to accept the new status quo or to continue defending core principles of inter-state relations after Russia's successful challenge. This outcome reinforces Russia's increased risk appetite in foreign affairs. For the time being, Russia refrains from outwardly hostile actions toward NATO members that would trigger an Article V response, but it increases pressure on Moldova, Georgia, and several of the Western Balkan countries to create a de facto two-tiered system in Europe. Russia focuses on supporting local proxy forces, conducting joint military exercises with them in countries where they are present, funneling money to local pro-Russian candidates, and relying on information manipulation and hack-and-leak operations to influence political discourse. Despite setbacks in Europe, the United States continues to act as a bulwark against further Russian aggression, resulting in a prolonged period of tensions and proxy conflicts.

Russia deepens its security partnership with China—which already has the makings of an entente if not quite an enduring alliance—based on a mutual desire to transition the global order to a polycentric model according to which each has more freedom to pursue strategic interests. China closely watches Russia's actions in Europe and considers them precedent-setting for its own foreign and defense policies. Domestic developments in Russia influence bilateral relations with Beijing: as Russia's attempts to change the status quo in Europe puts an economic strain on the public, mounting protests are inevitable. Despite their domestic origins, plenty of Russian officials say (and likely believe) that the protests are encouraged by outside forces that seek to destabilize and weaken Russia. The narrative of Western democracy promotion as an excuse to force regime change is embraced in Beijing and reinforces the deepening Sino-Russian partnership. Within this context, China is a natural partner and ally, providing Russia with political support in international fora and increasing technology transfers to Russia to help the regime restrict online speech and enhance its domestic surveillance capacity.

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Diverging interests around a range of issues—from the South China Sea to the Arctic—remain an irritant in the relationship, but Russia's growing dependence on China for investment and political support leads to the intensification of bilateral engagement to find flexible arrangements, and accommodations are cautiously considered when core interests are not threatened. As this relationship develops, Moscow presumably seeks China's understanding in the event it chooses to pursue more high-risk steps in Europe that pose the risk of an armed confrontation with NATO, or if it further militarizes the Arctic. In return, Beijing expects the same understanding from Moscow. In spite of Moscow's desire to maintain flexibility in its political relations in the

Indo-Pacific, this constrains Russia's ability to diversify its relations with other Asian powers such as India or Vietnam, who are increasingly wary of China's regional ambitions and conduct.

### **INTERNAL POLITICS AND SUCCESSION**

Although Putin's popularity rating has been remarkably resilient to rising poverty and falling real incomes, by 2025 this economic decay begins to rapidly wear on his approval. Ever more blatant instances of repression and fraud at the ballot box ensure predictable political outcomes, but they dampen society's enthusiasm for elections. Local protests become a regular feature of Russian life, but only the largest demonstrations in major cities are forcefully dispersed, aided in part by authorities' reliance on technological forms of repression such as facial recognition. The regime becomes less responsive to the needs of civil society as the Kremlin increasingly perceives protestors and more independent-minded politicians as part of a "fifth column." The number of independent civil society organizations shrinks due to pressure from government offices, accusations of Western financial influence, and ever-tightening legal restrictions on civic activity.

Meanwhile, an aging President Putin disengages from the day-to-day management of Russia's affairs. State functions remain divided among elite camps, but the Kremlin ceases to coordinate and deconflict. The Federal Security Service now occupies a privileged position within decisionmaking, since it enjoys both the physical resources of state power and the trust of Vladimir Putin himself. The security services begin to operate with greater independence from the center, quelling the loudest expressions of public dissent through violence and intimidation but also ensuring the "loyalty" of oligarchs, Russian business leaders, and the technocratic class to a personalist autocracy that now lacks a leader. With little oversight from a central authority, this enforcement becomes arbitrary and opportunistic, resulting in more arrests of business figures and state seizures of private or partially private assets. As a result, investor enthusiasm in Russia, already severely weakened as a result of its aggressive actions in Europe, plummets further. Technocrats in government mostly stay out of the fray, but tension between Russia's oligarchic class and the security services reaches new levels, with the former relying more on private militias to protect its assets and guarantee personal safety.

Compounding this tension is a growing divide along Russia's center-region vector, as regional governors refuse to take the flak for falling living standards and the mismanagement of climate impacts while receiving precious little support from Moscow. A center-region divide also exacerbates tension between the ruling United Russia party and "systemic" opposition—the Just Russia, New People, Communist, and LDPR parties—the latter of which have higher representation in Siberia and the Far East and benefit politically from regional antipathy toward Moscow. No longer willing to toe the Kremlin's line and seeing opportunities to advance their own standing at the expense of the regime, these opposition parties begin to operate more independently and draw attention to the mismanagement and corruption of the ruling United Russia party. They are also more nationalistic than United Russia. A climate of internal repression brews, and the influence of ultra-nationalists grows among the military and security services. The regime's brittleness, enduring hostility to Euro-Atlantic institutions, and nationalistic rhetoric begin to worry the international community about Russia's control of its nuclear forces. The regime itself begins to destabilize. ■

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