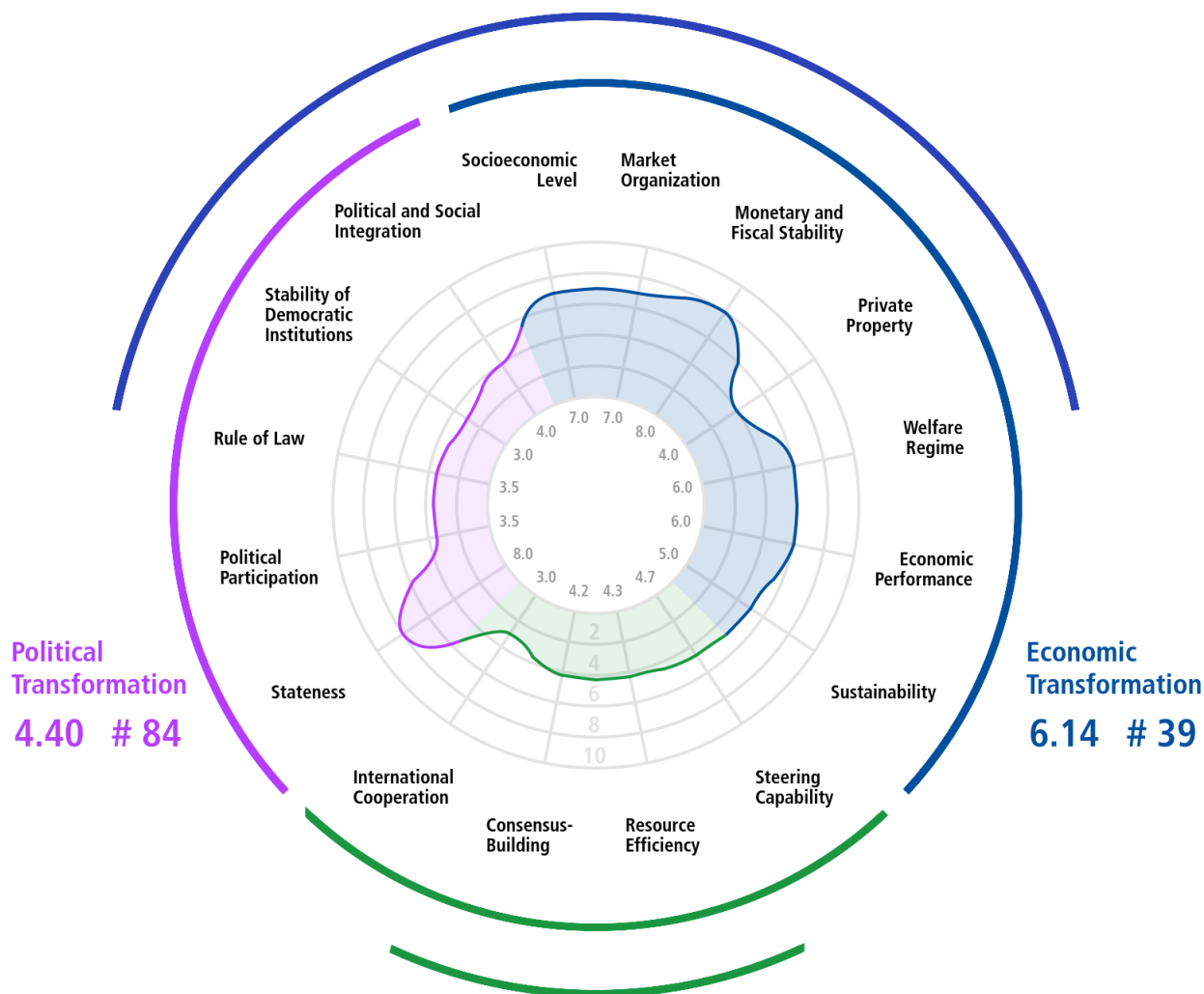


Russia

Status Index

5.27 # 66

on 1-10 scale out of 137



Political Transformation
4.40 # 84

Economic Transformation
6.14 # 39

Governance Index

3.48 # 111

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	144.1	HDI	0.824	GDP p.c., PPP \$	28213
Pop. growth ¹	% p.a.	-0.2	HDI rank of 189	52	Gini Index	37.5
Life expectancy	years	73.1	UN Education Index	0.823	Poverty ³	% 0.4
Urban population	%	74.8	Gender inequality ²	0.225	Aid per capita	\$ -

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

Vladimir Putin has been influencing the Russian political, economic and cultural landscape for approximately twenty years – first during two terms as president, then in one term as prime minister and now serving his fourth term as president. In January 2020, President Putin initiated a constitutional reform, as a result of which it became possible for him to serve two additional terms starting in 2024. The reform went into effect in July 2020.

Putin's return to the Kremlin in 2012 prompted large public protests, mainly because of his exchanging of posts with President Medvedev and the fraudulent December 2011 parliamentary elections. These protests provoked a political backlash marked by ever-increasing repression. The Kremlin exerts pressure on private businesses, local administrations, non-state media and politically active NGOs - to an ever-increasing degree.

In an effort to consolidate power and to increase control over Russia's elites, the president and his government have effectively given rise to an authoritarian-bureaucratic nomenklatura system. This is characterized by:

- a small group of people in the Security Council who make decisions with little control from representatives at the federal or regional level;
- an even more pronounced role for the “siloviki” (i.e., politicians who began their careers in the security services or the military), while the role of the judiciary has become weaker;
- the dominance of vertical over horizontal decision-making, which is ensured, among other means, by removing old cadres and appointing loyal young technocrats to high-ranking posts;
- an increasingly flexible interpretation of moral and legal norms for those in power with respect to ordinary citizens;
- a drive to be seen as a global power, on par with the United States, the EU and China.

These developments in domestic politics have been accompanied by a previously unseen resolute and somewhat belligerent foreign policy. The conflict in and around Ukraine continues with Russian support, the annexation of Crimea is seen as a *fait accompli*, there is ongoing Russian military intervention in Syria and now Africa appears to be a target. As a consequence, relations with the EU and the U.S. have deteriorated dramatically and are now at their lowest since the end of the Cold War.

At the same time, Russia's neighboring allies such as Kazakhstan and Belarus have become concerned about their own sovereignty. The Kremlin's open hostility toward the United States and EU countries became manifest in Russia's attempts to influence politics abroad through a combination of state-sponsored propaganda and alleged illegal activities, such as hacking into foreign computer systems (German Bundestag and U.S. Democrats) – both officially denied by the Russian authorities.

The lingering effects of the international financial crisis persisted throughout 2020. They were, as before, caused by structural deficiencies in the economic system, high dependency on the sale of raw materials, a dramatic drop in world oil prices and, importantly, economic sanctions imposed by the EU and the U.S. The COVID-19 pandemic added to pre-existing economic hardship.

Thus far, the Russian government has coped with these difficulties. Internally, there is no serious political competition due to the opposition's limited resources and ability to be heard. For the time being the government has succeeded in finding a balance between the center and the regions, between state and society and between domestic and foreign policies.

There is a clear conviction among Russia's leaders that as the largest country in the world, Russia can only survive as a great power, not subordinate to any other state. Most attempts at serious dialogue with the EU and the United States have failed. One reason is that from Russia's perspective, its foreign policy interests have been mostly ignored by the EU and the United States.

Russia therefore decided to prioritize security interests by creating a *cordon sanitaire* around its western and some of its southern borders. These interests, characterized as vital by the Russian government and supported by the majority of the Russian people, are for the time being considered more important than the needs of Russia's economic development.

Russia's response to the COVID-19 pandemic came rather late. Some very limited measures were taken at the end of December 2019, but it was only on 30 March 30, 2020, that the government responded to a spike in infections by announcing a range of quarantine-like restrictions. These varied in scope from one region to another, but in all cases, people were required to stay at home during a paid "non-working period" in which the state would guarantee wages.

A new spike in infections in November 2020 led most of the regional authorities to reintroduce a limited set of restrictions. These vary between regions. Despite the alleged advantages of a highly centralized state, the actual crisis management increasingly relies on the residual regional autonomy inherited from the pre-Putin period. This allows the blame for unpopular measures to

be shifted from the president to regional governors. Modest additional measures of social support implemented in 2020 are primarily attributable to the federal center.

Russia is facing an old problem: how to adjust the country to the realities of a globalized world, without the government and the elite losing control over the people and without the Russian state collapsing, which happened twice in the 20th century.

History and Characteristics of Transformation

The processes of economic and political transformation that led to the end of the Soviet Union were initiated through reforms introduced by the General Secretary of the Communist Party, Mikhail Gorbachev, during the second half of the 1980s. However, the reforms advanced by Russian President Boris Yeltsin in the 1990s have defined post-Soviet Russia the most. Following a war-like battle between the president and the parliament, a new Russian constitution was approved in December 1993 by a public referendum. The political balance of power in favor of a strong executive remained fairly constant until 1999, when Yeltsin stepped down from office.

Under President Yeltsin, the discrepancies between constitutional provisions and political reality were substantial. This can be attributed to a dramatic economic transformation from a planned to a market economy, which led to hyperinflation and left many Russians barely surviving. The Yeltsin administration created a political context in which actors without democratic legitimacy (i.e., oligarchs) were able to exercise considerable influence over political decision-making.

The 1992 reform package marked the first milestone in Russia's transformation toward a market economy. This reform package included price liberalization and a massive privatization plan. However, the anticipated economic upswing remained a distant goal as Russia plunged into a prolonged economic crisis. By 1999, GDP had declined by more than 60%, from \$516.8 billion in 1990 to \$195.9 billion. Russia remained competitive on the global market only as an exporter of raw materials and military equipment, while imported goods dominated the domestic market.

The situation changed markedly after President Yeltsin appointed Vladimir Putin first as prime minister in 1999 and then as his successor as president, which became official after Putin won the presidential election in 2000. The transfer of power coincided with the growth of Russia's financial clout as the price of oil and other raw materials started to rise substantially. President Putin enjoyed sustained support from significantly more than half of voters throughout most of his first two presidential terms (2000–2008), as well as when he ran for office again in 2012 and 2018.

Stability was the main goal, through the imposition of constraints on democratic principles, in particular by interfering with press freedoms, subjecting NGOs to harassment, perpetrating severe human rights violations in the Chechen War, and showing flagrant disregard for the federal principles of the constitution. The most notable instance of the latter occurred when the government strengthened central control over the regions in 2004.

Whereas authoritarian tendencies have characterized the political transformation of Russia under President Putin, economic policy was initially dominated by liberal ideas and only gave way during his second term to an increased focus on gaining control over “strategic” economic sectors. Largely driven by increases in world oil prices Russia experienced a decade of strong economic growth, with GDP increasing by an average of 6.9% per year until 2008. Yet, despite large-scale social projects, socioeconomic development has been slowed by widespread corruption, an extensive shadow economy and the executive branch’s manipulation of the judiciary.

At the end of his second term as president, Putin accepted a constitutional limit of two presidential terms in a row. He hand-picked his successor, First Deputy Prime Minister Dmitry Medvedev, as the new president, who then appointed Putin as prime minister, a decision that appeared to confirm speculations that former President Putin was maintaining his hold on power.

Under Medvedev’s presidency, Russia opened up considerably. A “reset” with the United States started, a new Strategic Arms Reduction Treaty (START) agreement was signed, and the president proposed a new security architecture for Europe. There was more social freedom. Think tanks were able to present new ideas for the future of Russia.

But one year before the next presidential election Prime Minister Putin and President Medvedev publicly announced their decision to trade places. This triggered massive protests in the urban centers, primarily in Moscow. The Kremlin responded, as before, with a sustained propaganda campaign that presented the West and particularly the United States, as a threat to Russia, using the so-called color revolutions in Ukraine and Georgia as examples of how the West was undermining Russia’s security.

The state media machinery, developed in the 2000s and further streamlined later, proved highly effective in promoting this image. The massive propaganda effort along with improved government performance greatly contributed to an increased level of support for the state in Russian society. This refers mainly to Russia’s role in the world, and less to domestic politics. Russians are still very critical of the political elite, with one exception: the institution of the president.

In 2016, parliamentary elections were decisively won by the presidential party, United Russia, as it gained a three-quarters majority in the State Duma (the lower house of parliament). The 2018 presidential election returned Putin to his fourth six-year term in office, while the 2020 constitutional reform makes it possible for him to remain in power up to 2036. However, wide-ranging demonstrations against corruption and in support of the jailed political activist Alexei Navalny in January 2021 have put unprecedented pressure on long-serving President Putin.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

Russia's statehood is not challenged by any actor - with one exception: religious extremists and separatists in some republics in the North Caucasus do not agree with being ruled by the Russian state. In the case of Chechnya, the regional government's rule adds religious norms to the existing secular laws.

So far, the Russian state has been unable to establish full control in Chechnya, even though, in the past several years, significant advances have been made toward achieving this aim. Still, some of the North Caucasus republics, primarily Dagestan, but also Ingushetia, Kabardino-Balkaria and Karachay-Cherkessia are regularly subject to attacks by rebels targeting representatives of Russia's central power. However, the number of terrorist acts in the region has decreased, especially in comparison with the period from 2001 to 2014.

Apart from the separatist conflicts in the North Caucasus, citizenship and who qualifies for it is not a politically contentious issue. The vast majority of the population understands, accepts and supports the current Russian state as a legitimate entity based on those people who irrespective of creed or ethnicity have lived within its borders for centuries, with a dominant role ascribed to the Russian nation.

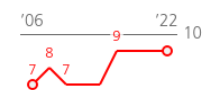
Those migrant workers who seek Russian citizenship through naturalization must meet the five-year permanent residence requirement and pass tests on the Russian language and knowledge about the constitution. The five-year requirement may be reduced for refugees, former citizens of the Soviet Union or Russia, and some other categories.

Xenophobia is widespread and directed primarily at labor migrants from the South Caucasus and Central Asia, and students from Africa. There are also many cases of Russian public servants discriminating against other Russian citizens, namely ethnic minorities from the North Caucasus or the Far East.

Question
Score

Monopoly on the
use of force

9



State identity

9



According to the constitution there is a separation of church and state. However, in many respects the Russian Orthodox Church enjoys a privileged status within the state and among other religions. Some government officials publicly demonstrate their denominational preference, while the church occasionally interferes in cultural affairs. Traditional Russian Orthodox and so-called family values have been employed by the Kremlin administration to forge a new ideological identity.

For years, the Russian population has seen the Orthodox Church as one of the most trusted institutions in the country. From 2015 to 2020, these attitudes were increasingly expressed in the state-controlled media and influenced policies on culture and education, as well as, most significantly, the foundation of Russian identity.

At the same time, the Russian government has adopted an explicitly pro-Muslim stance on several occasions and President Vladimir Putin has repeatedly pointed out that Russia has one of the world's largest Muslim populations. The Russian military presence in Syria and civilian casualties there pose a challenge in terms of placating Russia's Muslim minority.

Basic administration (i.e., institutions with functioning state bodies of justice, law enforcement and the means of implementing policies) exists throughout the country. The main problems of basic administration in Russia are an inefficient bureaucracy and corruption, which are partly related to a lack of funds, especially at the regional level, and partly to the strictly hierarchical nature of the political regime.

Although basic services (e.g., water supply, transport, communication, health services, education) have been in place throughout the country since Soviet times, some rural areas, especially in the regions of North Caucasus and South Siberia, still have limited or no access to some services, including electricity, water and sanitation. Moreover, the lack of funds for maintenance and modernization have resulted in a decline in the quality and the availability of basic services in many regions. This tendency became more evident as the economic situation declined between 2015 and 2020 and budgetary constraints forced the Russian authorities to cut necessary funding. Services in basic infrastructure have not been limited or disrupted by the COVID-19 pandemic.

No interference of religious dogmas

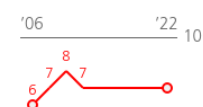
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1

Basic administration

7



1

2 | Political Participation

The Russian electoral system is nominally democratic. Access to the voting process is generally free. However, there are severe constraints on candidate registration and media access. In many elections, officials deny registration to opposition candidates and parties. Election campaigns are regularly manipulated by the state administration. This includes biased media coverage on state-controlled TV, the use of state resources to support specific parties or candidates and bans on public demonstrations or assemblies organized by opposition parties. Electoral fraud is widespread, which is especially evident in some republics, particularly in the North Caucasus.

After the outbreak of the COVID-19 pandemic, Russia held a national vote (in effect, a referendum) on constitutional reform between June 25 and July 1, 2020, and a regular series of subnational elections in September 2020. The national vote, originally scheduled for April 22, 2020, was postponed due to the pandemic. The event was defined as a national vote because legally, amendments to the Russian constitution cannot be subjected to a referendum.

Because of the lack of a legal framework for conducting this unusual vote, the national vote was regulated by special guidelines issued by the Central Election Commission, which included many novel practices specifically aimed at preventing the spread of COVID-19, such as screening at the entrance to polling stations, providing election workers with personal protective equipment, distributing masks to the voters and encouraging social distancing.

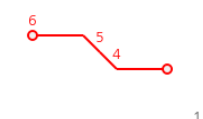
Some of the new practices, even if officially justified with reference to COVID-19, were characterized as tools of large-scale election rigging by the opposition media. These practices included an extension of the voting period to five days and provisions for voting outside the polling station and contactless voting from home. The regulatory framework of the national vote practically excluded independent observation. According to the official results, the amendments to the constitution were approved by 78.6% of the voters with a 67.9% turnout.

Anti-COVID-19 precautions were also taken in the September 2020 regional elections. United Russia won the regional election, in which some governors received more than 80% of votes. But in two cities, Novosibirsk and Tomsk, opposition parties won seats unexpectedly.

Free and fair elections

4

'06 '22 10



Officially, elected representatives have full power to govern. The informal power of non-state actors (i.e., oligarchs) has been successfully curtailed by President Putin, only to be replaced by his close allies and former colleagues. It is generally known that representatives of the secret services, law enforcement and the military (referred to in Russia as *siloviki*) have acquired broad political influence. This is indicated by numerous appointments to official positions in government agencies and state-owned companies. Thus, concern about the effective power to govern focuses more on the influence of informal networks, especially shady business deals, and less on the influence of potential veto powers outside the Kremlin's power circle.

Parliament has virtually no control over the executive branch. At the regional level, governors are the primary decision-makers. They are in close contact with the central government, while the role of regional assemblies is even more limited than that of the federal parliament.

The constitution guarantees freedoms of association and assembly. However, in practice, there are considerable restrictions. Opposition parties have been systematically discriminated against by the state administration and state media. Formally, this situation improved after the adoption of the 2012 law on political parties. The law has eased the most prohibitive restrictions on party registration. Yet the authorities can still deny registration to parties that are suspected of actual or potential disloyalty. For example, the opposition party of Alexei Navalny has been systematically denied registration.

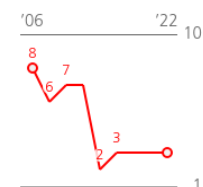
Legislation on public demonstrations has become much more restrictive since 2012. According to the Council of Europe's Venice Commission, the law violates a number of European standards (e.g., by allowing the authorities to arbitrarily change the location of a rally). Unauthorized demonstrations have, on many occasions, been violently dispersed by the police, who arrest an ever-greater number of participants. The rights of several important opposition figures remain restricted, to which end the authorities have often brought criminal charges against them.

The already limited freedom of assembly was further restricted during the COVID-19 pandemic. In practice, no political gatherings were allowed (at least if organized by people critical of the regime), and even one-person pickets that, according to the law, did not need authorization from the authorities and were not prohibited under the COVID-19 regulations, were systematically suppressed by political police, with participants subject to detention and court prosecution. These restrictions remained in place throughout 2020 and are still in force at the beginning of 2021.

Since 2012, NGOs that engage in "political" activities and receive financing from abroad must register as "foreign agents." The authorities can list NGOs as "foreign agents" without their consent. Being on the list means that the organization must cope with the highest level of state scrutiny, making it very difficult to operate. In 2020 parliament passed laws with even stronger regulations (e.g., requiring the reporting of planned activities). Moreover, in addition to organizations, even individuals can now be labeled "foreign agents."

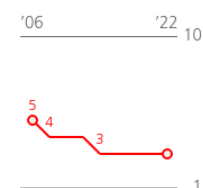
Effective power to govern

3



Association / assembly rights

3



Most organizations have ceased to exist after being placed on the list. In addition to Russian “foreign agents” as of December 2020, there are 29 foreign “undesirable organizations,” including the National Endowment for Democracy, the National Democratic Institute and the International Republican Institute.

The constitution guarantees freedom of expression. Relevant legislation is in place, but in practice, the mass media and journalists face heavy pressure. The state directly controls most influential media outlets. According to an assessment by the Russian Ombudsman for Human Rights, since 2006 “the main mass media, and above all the leading electronic media, accounting for 90% of the information segment of the country and forming public opinion, have been under the very strict control of state organs.”

Opinions critical of the government are often restricted to a handful of newspapers and radio stations with a very limited reach, often confined to the internet. The Kremlin defines the scope of controversial issues that can be discussed publicly. Critical journalists and media are often subjected to administrative harassment, in the form of extensive fines for libel or intensive investigations by state organs into tax avoidance, inter alia. From 2015 to 2020, several important, critically minded media outlets, such as the internet portal Lenta.ru, drastically changed their editorial policies in order to comply with ever-growing demands from the authorities.

In March 2020, as a response to the COVID-19 pandemic, Russian lawmakers passed new legislation that introduced substantial fines for people spreading misinformation or insulting the state in traditional or social media. Moreover, the new law makes this punishable under the criminal code. The government has centralized public health information during the crisis. Individual medical professionals have been banned from speaking to the media, while heads of health institutions must seek approval and coordinate with central authorities before giving interviews to the press.

From 2018 to 2020, the authorities invested significant efforts in implementing the legal requirement that internet companies must store user data for six months and supply law-enforcement agencies with this data upon request. Some pro-government politicians systematically advance even more radical ideas for internet regulation in Russia, aimed at replicating a Chinese-style “internet-wall.”

Freedom of
expression

4

'06 _____ '22 10



1

3 | Rule of Law

Serious deficiencies exist in the checks and balances among the executive, legislative and judicial branches. A working division of powers exists only in part. The institution of the president controls parliament. No law can be adopted without prior approval by the Kremlin. The governing party United Russia, has, since the 2016 parliamentary elections, held a super-majority of seats in the legislature. All other parties in parliament, the so-called “systemic opposition,” almost unanimously support the official line. The same goes for the upper house of parliament, the Federation Council, and also by and large at the regional level.

The constitutionally guaranteed independence of the judiciary is seriously compromised by political trials in which courts follow direct orders from the executive, both at the national and the regional level.

The COVID-19 pandemic-related restrictions were introduced by presidential decree. This way of enacting emergency measures was unprecedented and outside of the regular legal framework. The regional-level measures were also introduced by the executive authorities. They were rather modest with respect to combating the disease yet recognizably disproportionate with respect to the restrictions of some basic freedoms, particularly the freedoms of speech and assembly.

The constitutional reform of 2020 further reduced the separation of powers in Russia by greatly expanding the power of the presidency and, through a last-minute provision, enabling the acting president to continue to potentially rule until 2036.

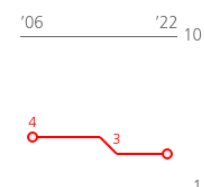
The judiciary is institutionally differentiated and a formally adequate education and appointment system for judges exists. It is also nominally independent, but lower-court decisions in particular are often influenced by corruption and political pressure. Direct interference by the Kremlin on the federal level or by governors on the regional level are no exceptions. The rulings of the Constitutional Court of Russia are almost invariably in favor of the executive branch. The more political the case and the higher the stakes, the greater the pressure exerted – including directives from the higher echelons – from the state.

According to many surveys of entrepreneurs, courts are perceived to operate fairly in the case of inter-firm disputes. In contrast, court cases against state agencies are perceived to be unfair. However, the takeover of the relatively autonomous and modern Highest Court of Arbitrage in 2014 by the more government-controlled Supreme Court was a serious blow to what remained of judicial independence.

The attempt to overrule international norms and laws by national legislation began in 2015, when the Constitutional Court ruled that the decisions of international courts may be overruled if they “do not correspond to the Russian constitution.” A year later,

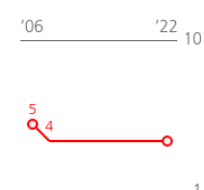
Separation of powers

3



Independent judiciary

4



parliament adopted a law, according to which judgments from the European Court of Human Rights could be overruled. In November 2018, the Moscow Commercial Court issued a high-profile ruling in which it refused to enforce a decision by the International Chamber of Commerce (ICC) International Court of Arbitration on the grounds that the ICC decision contradicted Russian public policy. The 2020 constitutional reform ultimately legalized this practice by establishing, as a constitutional norm, the primacy of the national constitutional norms over international law.

The Russian political leadership has for years repeatedly stated that corruption is a key challenge to the proper functioning of the state. For a long time, however, most anti-corruption efforts remained symbolic in nature. Accusations of corruption among the political elite are considered to be instruments in power struggles.

In 2019, an independent Russian journalist discovered that the firm that controlled Moscow's lucrative funeral business had connections with the Federal Security Service (FSB), a state security agency. He was arrested for alleged drug possession, but charges were dropped due to a public outcry.

The Russian Corruption Report by the Risk & Compliance Portal GAN (updated in June 2020), which examines different institutions such as the police, public services, tax administration, customs and also the field of natural resources, red-flagged all of the aforementioned for their high risk of corruption.

Despite Russia's comprehensive legal framework, anti-corruption enforcement is inconsistent. In 2015, the government reduced penalties for bribery, decreasing the fines for both passive and active bribery. Financial disclosure laws, which apply to government officials, are inconsistently enforced and violations are rarely addressed.

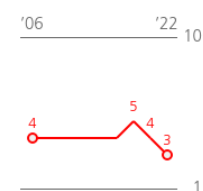
Prosecutions of corruption appear to be guided by political rather than judicial motives. Opposition politician Alexei Navalny regularly documents cases of corruption at the highest political level, with almost no response from state structures – except to repeatedly prosecute him.

In the Russian constitution, 47 articles guarantee civil rights. The Russian Ombudsman for Human Rights, together with colleagues at the regional level and independent NGOs, serve to monitor the implementation. However, Russia's political leadership often denies civil and human rights as well as the rule of law in order to strengthen its own political power in the name of stability.

Lower courts are often biased and pressured into favoring local politicians who do not adequately protect civil rights. The state prosecution has initiated biased and selective investigations against a considerable number of independent journalists and NGOs. Harassment of minorities and LGBTQ+ activists has become commonplace, and extremely negative media coverage is occasionally supported by high-ranking Russian officials.

Prosecution of office abuse

3



Civil rights

4



One of the reasons for this is a belief among politicians and society that, over the last 25 years, the topic of human rights has been used by foreign powers, mainly the EU and the U.S., to interfere in Russia's domestic policy. The influential Russian Orthodox Church also holds that Russia has its own history and definition of human rights. The debate as to whether Russia should leave the Council of Europe is ongoing, in spite of the fact that the government very much welcomed Russia's readmittance to the Parliamentary Assembly of the Council of Europe in June 2019. Russia follows rulings from the European Court increasingly grudgingly.

During the COVID-19 pandemic, fundamental rights remained legally protected under the regulations imposed at the regional level. However, since the health care system in Russia has been in crisis for many years due to financial cutbacks, there is a potentially powerful argument that the failure of the state to provide adequate protective equipment to health care workers could have violated their right to life.

The authorities have used the "anti-virus" laws to prevent public protest, thus restricting the freedom of assembly, and to detain individuals on a short-term basis through the use of "administrative arrest" powers. Russia's legislation against "fake news," as amended in the conditions of the pandemic, negatively affected the freedoms of speech and expression.

4 | Stability of Democratic Institutions

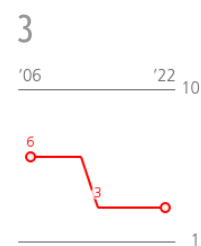
Democratic institutions are in place. In practice, however, parliament and the judiciary are controlled by the executive branch. This is true for both the federal and the regional levels.

In general, the efficiency of democratic institutions is hampered both by legal restrictions concerning their registration and activities, and through systematic informal interference from the executive. A further obstacle is the country's weak party system, which is very much dominated by the "party of power," United Russia. An overall passive society and a weakened civil society, who must cope with excessive state control, contributes to the weak performance of democratic institutions.

Legislative provisions are often poorly enacted by an inefficient administration. This presents citizens with opportunities to take advantage of the state's weaknesses. President Dmitry Medvedev during his term criticized "legal nihilism," but efforts to shield the law from state interference did not prove to be successful.

The constitution defines Russia as a federal state, but for years elections for regional governors were abandoned, with the president appointing these officials. In 2012, direct elections of regional governors were reintroduced, but due to a number of institutionally entrenched and informal checks, election processes are heavily influenced in favor of candidates proposed by the regional administration and agreed to by the Kremlin.

Performance of democratic institutions



There are differences among the 85 federal subjects of the Russian Federation. Elections in Moscow and St. Petersburg are more open than those in other parts of the country, especially in the Northern Caucasus republics. The parliament's upper chamber, the Federation Council, which consists of representatives from all federal subjects, has become more of an institution representing the federal government in the regions than the other way around.

The 2020 constitutional reform, having the potential extension of presidential terms as its main consequence, did not make significant changes to the institutional structure but rather solidified the status quo by reasserting the primacy of the federal executive and the president in particular.

Although democratic institutions are not openly challenged by any relevant actor, they are manipulated using undemocratic methods, which is seen as useful and perfectly normal by the elites. The acceptance of democratic institutions is, for most influential actors, more a matter of pragmatism than of principle. The introduction of democracy coincided with the catastrophic years of the 1990s, whereas “sovereign democracy” under President Putin is portrayed as Russia's most stable and prosperous period. The general public shares this view.

There is very little trust in democratic institutions such as the parliament, political parties or even the press. There is one institution that has had the highest approval levels for years – that of the president. The COVID-19 pandemic, which has been a huge challenge for the state and people, has not altered this.

5 | Political and Social Integration

Since 1992, the Russian state and society have been unable to establish a stable and socially rooted party system. The population is highly skeptical of political parties. According to most public opinion surveys, trust in parties has never exceeded 10%, which was reflected in the low electoral turnout during the last parliamentary election in 2016 at only 47.8% (2011: 60.2%).

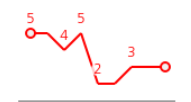
The presidential party, United Russia, claims a relatively large membership of over 500,000. However, it is not clear how many see the party simply as a way to climb the career ladder. Membership in other parties, with the enduring exception of the Communist party, is small.

United Russia won only 54.2% in the proportional section of the last parliamentary elections, but it holds a three-quarter majority in the federal parliament, the Duma. As of January 2019, it also holds majorities in all but four regional parliaments. There is no serious opposition party in parliament. As a result, there is a low level of differing views and ideological differentiation in the party system.

Commitment to democratic institutions

3

'06 '22 10



Party system

4

'06 '22 10



As of December 2020, the number of parties eligible to run in elections is 41.

Due to the controlled nature of Russia's party system, voter volatility is moderate by international standards. This property of the Russian voters, however, stems not so much from their genuine commitment to political parties as from the lack of credible alternatives. Some analysts contend that clientelism may play an additional role in the stability of the Russian electorate.

There is significant evidence that the locally based political machinery of the all-powerful United Russia party and its governors greatly contribute to United Russia's performance in some regions, especially in ethnic republics and in regions with a predominantly rural population. However, in the regions more parties are voted into local parliaments. The so-called smart voting system (meaning everybody but United Russia) initiated by political activist Alexei Navalny inflicted some unexpected losses on United Russia during regional elections in 2020.

Interest groups campaigning on strictly political issues are generally weak. The representation of social interests is a different issue. Even though trade unions remain dominated by the successors to the socialist unions, the state acts on social issues in a much more nuanced way than on political issues (in spite of the fact that the freedom to strike, for instance, is highly restricted).

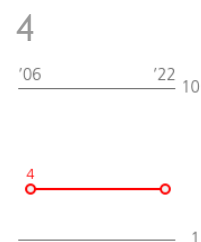
The law that forces politically active, foreign-funded NGOs in Russia to register as "foreign agents" has had a severe negative impact on civil society organizations, as many of them are at least partly dependent on foreign funding. Political NGOs critical of the government have been excluded from the dialogue between the state and civil society.

The years 2020 and 2021 saw an increase in street protests, and not only in Moscow and St. Petersburg. People demonstrated in the city of Khabarovsk in the far east of Russia against the sacking of a popular governor by the Kremlin. Protests continued for months. The large public demonstrations which followed the return of Alexei Navalny to Russia in January 2021 also indicated that a sizable and primarily urban segment of Russian society was beginning to assume a more active role in public life – even though politically active people in many instances face political repression and persecution.

NGOs that concentrate on social issues are able to function. There are also numerous state-sponsored civil organizations that openly support the government. In the second half of 2018, the authorities provided about RUB 4.7 billion in presidential grants to NGOs and business associations that did not challenge the government. Business associations generally have more impact on politics than non-business associations because their issues are vital to the state.

There are regular protests in response to redundancies in the health and education sectors as well as to any increase in the cost of accessing public services.

Interest groups



The population's approval of democracy as voiced in public polls is moderate to high, depending on the wording of the question.

However, when asked about specific democratic principles, including democratic elections, accountability and civil rights, the majority of the population did not consider any of these principles to be as important as welfare or security. This may be a direct result of the tumultuous transformation of the 1990s. The impression of the Russian population, according to opinion polls, is that democracy and prosperity were promised, but that instead things became very unstable and were neither secure nor democratic. This view still holds today in spite of stagnating levels of income for many years.

Based on polls by Russian institutes such as the Public Opinion Foundation (FOM) and the Levada Center, it can be estimated that about a quarter of the population is openly opposed to Western-style liberal democracy, mostly preferring models that feature a very strong government, with flexible state institutions open to negotiating the law. A little more than 10% are strong supporters of liberal democracy. Others tend to support democracy, while viewing it as equivalent to Russia's current political regime, although other respondents oppose democracy for the very same reason.

According to an opinion poll conducted in 2019 among youth (14 to 29 years), their support for democracy is marginally higher and they would like to see more opportunities for youth involvement in politics. Yet they too have little trust in democratic institutions such as parties (16%) or parliament (24%).

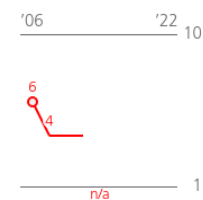
In general, there seems to be a sort of silent consent to democratic norms, pluralism and human rights but no principled opposition to infringements of these norms. There is no apparent reason to believe that the state response to the COVID-19 pandemic has affected this situation.

In Russia, trust among citizens – as measured in public surveys with the question of whether most people can be trusted – is lower than in Western Europe. Only 23% of the population has trust in their fellow citizens. While very low in comparison to Sweden, for example, where trust in others is at 76%, this result is on par with the worldwide average, as registered in the latest round of the World Values Survey. In Russia, this average level of trust translates into a comparatively low level of voluntary and autonomous activity for the common good. The state in general is suspicious of a strong, independent society and hence does not actively support - and in some cases prohibits - autonomous citizens' activities.

In recent years, however, the situation has started to change as thousands of volunteers organized through social networks participated, inter alia, in fighting forest fires or assisting those hit by floods. This development can be seen almost all over Russia, and according to a study conducted in 2020, Russia saw its greatest improvement on the topic of social capital.

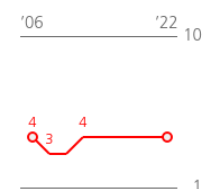
Approval of democracy

n/a



Social capital

4



Self-organization in civil society encounters strong barriers, namely the burden of a long Soviet past in which NGOs did not exist, and harassment by the state. NGOs are unevenly distributed, flourishing mainly, but not exclusively, in the two largest cities, Moscow and St. Petersburg. Even so, activism is increasing in other parts of the country.

The role played by NGOs in combating the COVID-19 pandemic was modest. Some degree of volunteering on a personal basis was registered in the largest cities, but the overall effects of the pandemic on the sense of solidarity and trust in the society are barely visible.

II. Economic Transformation

6 | Level of Socioeconomic Development

The key indicators show a relatively high level of socioeconomic development in Russia. The country's level of development permits adequate freedom of choice for almost all citizens. In the 2020 HDI report, Russia ranks 52, placing it in the category of "very high human development" alongside countries like Romania and Turkey.

There is no indication of fundamental social exclusion on the basis of poverty, education or gender. According to the 2018 UNDP Gender Inequality Index, Russia scores 0.255, which is higher than in most countries in Western Europe.

The national poverty rate in Russia decreased slightly from 13.5% in 2015 to 12.9% in 2018, according to the World Bank, which is optimistic that Russia can meet its poverty rate target of 6.6% by 2024. However, real disposable income has continued to stagnate or even decline for five consecutive years.

According to the 2020 Human Capital Index from the World Bank, Russia is among the top 10 states worldwide that improved their human capital over the last 10 years. The index covers health and education, among other factors.

There are considerable socioeconomic differences between regions in Russia. The large cities, primarily Moscow and St. Petersburg, have achieved levels of development and related lifestyles close to middle-income European countries. There are regions that have seen improvement, such as the Khanty-Mansiysk Autonomous District (Okrug), where development is based on natural gas. But there is a vast rural periphery, including the North Caucasus, with very low levels of development. Financial transfers have not substantially reduced these discrepancies.

Question
Score

Socioeconomic
barriers

7

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The COVID-19 pandemic affected social exclusion in two ways: by causing a drop in real disposable income (estimated by the Russian statistical agency to be 8.4% in the second quarter of 2020, and 4.8% in the third quarter in year-on-year terms), and by provoking a sharp rise in unemployment. Unemployment increased rapidly in spring 2020 and continued to rise slightly in summer. In July and August 2020, slightly less than 6.5% of the Russian workforce was officially unemployed (i.e., well above the historical low of less than 4.5% about a year previously). Using ILO methodology, the broader unemployment rate, including the potential labor force, was approximately 8.5% in the summer of 2020.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	1574199.4	1657328.9	1687448.5	1483497.8
GDP growth	%	1.8	2.8	2.0	-3.0
Inflation (CPI)	%	3.7	2.9	4.5	3.4
Unemployment	%	5.2	4.9	4.6	5.7
Foreign direct investment	% of GDP	1.8	0.5	1.9	-
Export growth	%	5.0	5.6	0.7	-4.3
Import growth	%	17.3	2.7	3.4	-12.0
Current account balance	\$ M	32178.6	115679.9	64806.3	33948.9
Public debt	% of GDP	14.3	13.6	13.8	19.3
External debt	\$ M	514279.5	471885.0	484240.5	475518.2
Total debt service	\$ M	81118.1	109997.5	96208.2	97614.2
Net lending/borrowing	% of GDP	-1.6	3.0	2.3	-
Tax revenue	% of GDP	10.3	11.5	11.0	-
Government consumption	% of GDP	18.2	17.7	18.4	20.7
Public education spending	% of GDP	4.7	4.7	-	-
Public health spending	% of GDP	3.1	3.2	-	-
R&D expenditure	% of GDP	1.1	1.0	-	-
Military expenditure	% of GDP	4.2	3.7	3.8	4.3

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Market-based competition is institutionally guaranteed. Price regulation by the state is restricted to utilities, even though there have been several attempts by the state to intervene in price-setting (e.g., in the fuel sector in November 2018). The state also provides subsidies for agricultural products, although these have decreased since Russia joined the WTO in August 2012. The national currency became freely convertible in summer 2006. Foreign trade has been liberalized and the remaining restrictions are no more extensive than those found in the OECD countries.

The state has substantially increased the share of companies it owns and that it considers to have strategic relevance, thus discriminating against private and foreign investors. Nonetheless, Russia ranks 31 out of 190 countries in the World Bank's 2019 "Ease of Doing Business" index, which is an improvement in comparison to five years earlier when it ranked 51.

Still, as a result of unattractive conditions for business, especially the uncertainty of property rights, investments lie far below the levels needed to satisfy the needs of Russia's economy. Red tape presents a serious obstacle to running a small or medium-sized enterprise.

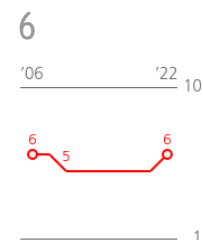
The shadow economy remains a challenge for the Russian state. The Russian Presidential Academy of National Economy and Public Administration estimates that the informal labor market in Russia consists of 30 million people, 21.7 million of whom combine official employment with informal earnings.

The IMF estimates the informal sector to represent around 30% of GDP (down from over 40% in the late 1990s). Official Russian figures put it at around 20%.

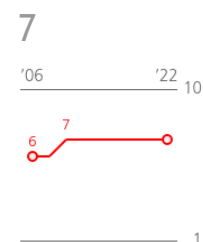
Broad sectors of the economy, defined as significant to national security, are shielded from competitive pressures and have been amalgamated within sector-specific conglomerates, such as Russian Technologies (ROSTEC), which is headed by Sergey Chemezov, an old acquaintance of Vladimir Putin. The 2006 law on the protection of competition provides relevant legal definitions and places restrictions on subsidies from federal, provincial or municipal governments and on their public procurement policies. The Code of Administrative Offenses establishes liability for anti-competitive practices. Punitive measures include a share of a company's revenues. Company directors can be criminally liable in cases of repeated abuse. Despite long-running debates, the "natural" monopolies in the natural gas and transportation industries have not been subject to substantial reform.

Russia's anti-monopoly agency is efficient in addressing the liberalized sectors of the economy, though this is less true at the regional level, where some administrations have blocked competition. Nevertheless, investigations of abuses of dominant market powers and the forming of cartels number several hundreds annually.

Market
organization



Competition policy



In 2017 a new decree on legal policy provisions was introduced, the main objective of which was to encourage competition. There are multiple targets. One is customer satisfaction, attained by expanding the range of available goods and services, improving their quality and putting pressure on prices to keep them low. Another is increasing the economic efficiency and competitiveness of economic entities (e.g., via creating equal access to the goods and services of natural monopolies and public services, stimulating innovation, and increasing the share of high-tech goods and services).

According to the latest Trading Economics Global Competitiveness Report from 2019, Russia ranks 43 among 140 countries. Its foreign trade has been liberalized in the eight years since the country has been a member of the WTO. According to WTO data the simple average MFN applied tariff was 6.7% in 2019.

Some barriers to free trade remain, primarily as a consequence of Russia's sometimes disruptive foreign policy. Since the annexation of Crimea, Western economic sanctions have been in place and the Russian authorities have introduced a wide range of (counter-)sanctions against the U.S., the EU and several other countries, targeting the import of agricultural products. The Russian authorities often claim that their sanctions encourage import substitution and help revitalize Russia's domestic production, especially in the agricultural sector.

Russia is part of the Eurasian Economic Union with a single market of approximately 180 million people. Together with its members Armenia, Belarus, Kazakhstan and Kyrgyzstan, this customs union allows for common tariffs and has removed customs duties and other barriers to mutual trade, with the exception of protective measures to prevent price dumping.

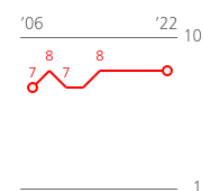
Whereas the four smaller countries view this union as a purely economic venture, for Russia it also has political meaning. That was made clear when the above sanctions were set in motion against the U.S. and the EU. Even though only Russia initiated them, the other member states suffer too – except for Belarus, which is proficient in re-exporting.

Although Russia has a two-tier banking system and a central bank that is eager to demonstrate its independence, the Russian banking sector remains underdeveloped and is not able to efficiently perform as a financial intermediary. It is dominated by state-owned banks. Regulation of the banking sector has some deficits and the adoption of international standards (Basel II, Basel II.5, Basel III) is proceeding more slowly than originally planned.

State support has been reinstated in the wake of the current economic crisis, which has helped Russia's banking system cope with the problem of non-performing loans. According to the World Bank, non-performing loans represented 10% of total gross loans in 2017 and the ratio of bank capital to assets was 10.0 in 2018.

Liberalization of foreign trade

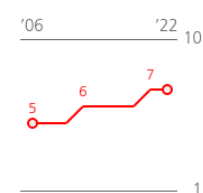
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Banking system

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The number of banks in Russia remains high but has been rapidly decreasing. In December 2014, there were 842 banks operating in Russia, including 74 banks with only foreign capital. As of January 2019, only 149 banks had retained their licenses.

The COVID-19 pandemic and low oil prices, resulting in an economic contraction and currency depreciation, have caused banks' asset quality to weaken, putting moderate pressure on their credit profiles. However, the sector ratio of doubtful and loss loans was stable in the first quarter of 2020. According to the Fitch Ratings estimate, banks restructured approximately 11% of loans in the period from March 20 to September 9, 2020. Thus, while not entirely inconsequential, the pandemic did not cause a crisis in the banking sector of Russia, partly because of state support for the sector.

8 | Monetary and fiscal stability

The economic sanctions imposed on Russia following the Ukraine crisis, combined with a depreciation in world oil prices, led the central bank to reverse its exchange rate management strategy by adopting a free-floating rate. Following this policy reversal, the ruble recovered by over 10%, having previously lost more than 40% of its value.

Through a combination of stabilizing oil prices and limited improvements in the national economy, the Russian monetary authorities succeeded in achieving greater stability for the national currency. But in 2020 the ruble's exchange rate to the U.S. dollar contracted once again, this time by 20% according to the latest World Bank report.

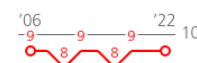
The rapid depreciation of the Russian currency in March 2020 was caused not so much by the COVID-19 pandemic but by another collapse in oil prices, which was partly caused by Russia's refusal to continue its support for the OPEC+ policy of low oil extraction in order to stabilize prices (this ill-conceived Russian policy, advocated by the Rosneft CEO Sechin, was aimed at driving U.S. fracking out of the market, but failed to do so).

According to the World Bank, the consumer price index inflation averaged 3.4% in 2020, almost half a percent higher than the previous year. Disinflationary pressures from a decrease in aggregate demand outweighed the impact of currency depreciation.

For years Russia has experienced a net capital outflow. The country's central bank estimated the outflow in 2020 to be \$47.8 billion, more than double the previous year (\$22.1 billion).

Monetary stability

9



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Over the last decade, Russia has adhered to a consistent austerity policy that has regularly led to budget surpluses. This has allowed for a significant reduction in the sovereign debt owed to foreign actors. According to the World Population Review and based on data from the United Nations and the IMF, Russia is the “ninth least indebted country in the world” with \$216 billion outstanding. However, this contrasts sharply to trends in private debt owed to foreign actors.

The saving of windfall profits in the Reserve Fund allowed the Russian government to react to economic crises with extensive liquidity support and stabilization programs. According to the World Bank, Russia has strong “macroeconomic fundamentals.” The report states that “the adjustment to lower oil prices in 2020 could have been much more severe without the fiscal rule.” In explaining the budget, Russian officials have been open about their desire to set aside funds in case of external shocks from fresh sanctions or a new global crisis.

Still, Russia’s GDP decreased in three of four quarters in 2020. The pandemic had its effect not only at the federal but also at the regional level. Less than half of Russia’s 85 regions (federal subjects) saw growth in industrial production; in the previous year, that was the case in 72 regions.

The pandemic resulted in reduced fiscal revenues. In the first five months of 2020, despite the contribution to revenues from the sale of Sberbank shares, the federal budget registered a deficit of RUB 406.6 billion compared to a surplus of RUB 1,283.3 billion in the same period in the previous year, which resulted from higher pandemic-related spending and lower oil/gas revenues.

The Russian government did not apply for debt relief and has not received any from international financial institutions.

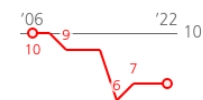
9 | Private Property

Property rights and the regulation of property acquisition are defined by law. With the exception of the sale of farmland, legal provisions are in place. They are not, however, consistently implemented or adequately safeguarded, especially against intervention by state organs and well-connected civil servants or businesspeople. This has not changed during the reporting period as illustrated by Russia’s ranking in the International Property Rights Index (88 of 129 countries in the 2020 ranking). Regular complaints by the highest authorities to this effect have not altered the overall picture.

Moreover, in sectors deemed strategic (e.g., the oil industry), the state has systematically reduced the share of private ownership through various means, including administrative pressure, which has led to confiscations or negotiated sales. Privatization of state assets has been announced for many years but has barely materialized.

Fiscal stability

7



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Property rights

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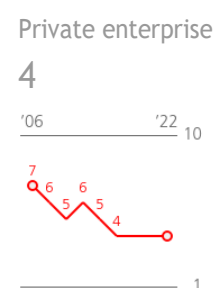
In one of the most prominent examples, the state company Rosneft in 2012/2013 paid a mere \$44.4 billion in cash to acquire Russia's second largest private oil company, TNK-BP. In another salient case, Bashneft, a major oil company, was "deprivatized" when the Sistema corporation was forced to hand it back to the state in 2014, having bought it from the state in 2009. The "double" privatization of Bashneft and Rosneft in the period between October and December 2016, when Bashneft was acquired from the state by Rosneft, was very problematic. It involved a prolonged political debate and apparently had the secondary effect of leading to the arrest of Minister of Economic Development Aleksey Ulyukaev on corruption charges because he criticized the deal.

Some property rights, especially copyrights, are ignored on a regular basis.

Russia's initial acts of privatization, conducted in the 1990s, facilitated the transfer of significant wealth to a relatively small group of business oligarchs, particularly bankers and natural gas and oil executives. At the same time, some "strategic" assets, including much of Russia's defense industry, were not privatized. Since 2000, the share of state-controlled assets in the energy sector has steadily increased. As a result, according to the IMF, the state now controls 71% of the economy, which is almost twice the 38% share it held in 2006.

Under conditions of economic crisis, efforts are underway to reduce the scope of state intervention in the economy, including through accelerating privatization. In December 2019, for example, the government was putting together a list of companies for privatization that included the pipeline giant Transneft, the Russian Railways Company and the shipping group Sovcomflot. The government has not nationalized companies and/or taken equity stakes in troubled firms during the COVID-19 pandemic.

The percentage of small and medium businesses in the economy is only 16%. This figure is decreasing. The lack of sufficient protection for property rights is a major constraint on the vibrancy of the private sector, particularly concerning SMEs. In many cases, well-connected businesspeople or civil servants have managed to strip successful businesspeople of their property with the help of law-enforcement agencies, tax authorities and health inspectors. The government is well aware of these corporate raids. Putin has personally raised the issue several times but is either unwilling or unable to put an end to such practice.



10 | Welfare Regime

The social security system is relatively well developed in Russia. But efficiency and availability are reduced by widespread red tape and corruption. Special government programs to improve health care and fight rural poverty have had only limited effect, primarily because of the magnitude of the problem. Inefficiency in the state bureaucracy adds to the difficulty. According to the latest World Bank data for 2018, Russia spent 5.3% of GDP on health care. The sheer size of the state health care sector, with 700,000 doctors and an additional 1.5 million trained medical personnel, makes funding a challenge.

In 2018, the government raised the retirement age by five years, to 60 for women and 65 for men. Public opinion polls registered massive negative reactions, reflected in the deterioration of approval ratings both for the government and the president, which were reflected in protest rallies.

The key additional social policy measures to cushion hardships in relation to the socioeconomic effects of the COVID-19 pandemic, as listed by the IMF Covid Policy Tracker, include increased funding for families; compensation for frontline medical staff as well as health and safety inspectors; sick leave benefits and pay for individuals under quarantine; the standard unemployment benefit to equal the minimum wage for five months for those who lost a job after March 1, 2020; the tripling of the minimum unemployment benefit until the end of August 2020, with eligibility extended by 3 months; and lump sum benefits for children differentiated by age categories and employment status of their parents.

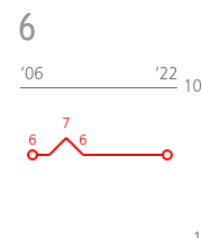
Russia has gradually improved its social safety net for a number of years. But the government no longer distributes sufficient funds, not least because of its heavy focus on military spending.

The poverty rate of 12.3% in 2019 may rise to 14.2% by the end of 2020, according to the latest World Bank report. But because of state social programs, single households are likely to be more affected than those with families.

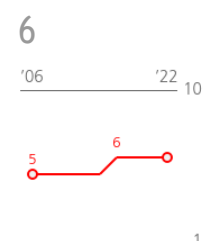
Equality of opportunity is not fully assured. There are substantial differences from one region to another. Members of non-Russian ethnic groups, in particular those from the North Caucasus, are subject to systematic discrimination in the education system and in the job market. For instance, citizens from that region have been banned from working at public markets in Moscow.

Social exclusion extends to people living in the North Caucasus where, in many regions, living standards and wages are far below the national average and a quarter of the population is unemployed. There is a substantial number of homeless people in the larger Russian cities.

Social safety nets



Equal opportunity



Throughout the country, women have equal access to education. According to the World Bank, the ratio of female to male tertiary education enrollment in Russia is very high by international standards. Russia's female labor force participation rate (percentage of female population ages 15+) is 57%, approximately the same level as in Germany (55%). At the same time, women are underrepresented among business executives and in politics. For example, according to the Inter-Parliamentary Union, Russia ranks 128 out of 187 countries on women's representation in national parliaments (15.8%).

There is ongoing harassment of lesbian, gay, bisexual, transgender and queer or questioning sexual identity minorities (LGBTQ+). In 2020 voters approved a package of constitutional amendments, one of which states that marriage can only be between a man and a woman which has now become a constitutional norm.

11 | Economic Performance

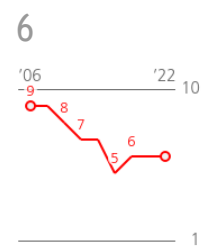
While the Russian economy grew by 1.3% in 2019, it is projected to have contracted by 4% in 2020. The COVID-19 pandemic led to a substantial contraction in the first two quarters of 2020. However, because Russia has a comparatively low public debt, the state was able to introduce heavy-handed social support policies, such as increasing unemployment benefits to the maximum level, according to the World Bank.

Russia's Current Account Balance in 2019 stood at around \$65 billion (3.8% of GDP) according to World Bank data. In 2020 it is expected to shrink by at least 50%. As of the end of 2020, Russia's credit ratings stood at BBB- (S&P), Baa3 (Moody's), and BBB (Fitch), all with a stable prognosis.

The Russian economy faces the challenge of a lack of diversification. The share of oil and gas products was estimated as 60% of GDP in 2019. The level of foreign investment remains insufficient, as recognized by Russia's authorities. There are various reasons – including the adverse effects of the depression on the global energy markets, the collateral damage of the Ukrainian crisis and the exhaustion of Russia's resource-based economic model with its insufficient modernization and diversification.

According to Rosstat, the unemployment rate in Russia was 4.8% in November 2018. As a result of the COVID-19 pandemic, this increased to approximately 6.5% by the summer of 2020. When assessing this rather low figure, one must consider that a large portion of Russia's labor force receives salaries at the minimum wage level, which is well below the official subsistence level.

Output strength



12 | Sustainability

In 2020 Russia experienced multiple environmental disasters. Some of these could be attributed to human error, such as the devastating oil spill near Norilsk in May 2020, but for the most part they happened because of the considerable legacy of environmental damage from the Soviet era, combined with the effects of climate change. 2020 saw the second warmest January in Russia since records began, and the summer heat waves caused wildfires over a combined area the size of Greece.

The Russian government has introduced a plan on climate change, admitting the challenges for the population but also pointing out the possible benefits, notably the increasing amount of arable land.

The state appears to finally understand the challenges: in 2012, the president issued a decree that was meant to guide Russia's environmental policy until the year 2030. Four years later, a presidential executive order was signed "to attract public attention to Russia's environmental issues." In May 2018, in a major decree setting out strategic objectives for his fourth term, President Putin defined several new targets for Russia's environmental policy, including provisions for another five million hectares of protected environmental areas and for the reintroduction of disappearing species to boost biodiversity. However, implementation of all these measures has been slow.

So far, environmental concerns have been addressed only when they promised to deliver short-term benefits (and could be used to put pressure on unwanted investors) or when rewards in the international arena were expected in return (e.g., when the EU agreed to Russia's WTO accession terms in return for Russia's ratification of the Kyoto Protocol).

In general, environmental organizations such as World Wildlife Federation Russia and Greenpeace Russia have noted a lack of support from the Kremlin, and they have even encountered harassment by the state.

For the Russian government education is a top priority and one of four national projects to receive considerable funding. According to the World Bank, Russia is among the top 10 countries globally for improvements to human capital development over the last decade. Hence Russia's UN Education Index score reached 0.823. In 2020 its expenditure on education equaled 4.7% of GDP. But this development is at risk because of the COVID-19 pandemic. Schools and universities were mostly closed during the major part of the second wave 2020/2021, and few institutions are prepared for e-learning.

In the past decade, 10 research universities have been established and have been assured substantial financing from the federal budget. But flaws remain in the education system. Even though Russia joined the Bologna Process, which aims to establish common European academic standards, only a few academic institutions

Environmental
policy

4

'06 '22 10



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Education policy /
R&D

6

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(mainly in Moscow and St. Petersburg) are able to teach according to these standards. Research and development in some areas (e.g., space technology) is still on par with international standards, but overall Russia fails to meet the OECD average on spending and output.

The Russian government has repeatedly declared research and development a top priority, but spending has hovered around just 1% of GDP in recent years. A government-initiated project to create a Russian Silicon Valley in Skolkovo, near Moscow, has not had any discernible effect on innovation in the Russian economy.

Governance

I. Level of Difficulty

The structural constraints on governance in Russia are fairly low and key indicators show a relatively high level of socioeconomic development. The country has an educated workforce that is, however, shrinking by 0.7 to 0.8 million people a year as a result of demographic shifts. A decline in health care standards, a high rate of alcoholism and an aging population continue to generate serious demographic problems. Russia's population declined from 147 million people in 2000 to 143.7 million in 2014. One year later, it rose to 146.3 million, due to the inclusion of Crimea in the statistics. For 2019, the United Nations estimates a population of 145.9 million.

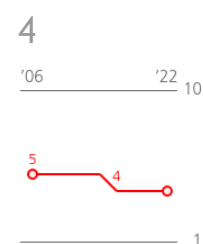
Russia's sheer size in landmass, physical geography and climatic conditions continue to pose challenges to infrastructure that are difficult to overcome, even with good governance. The country's population is concentrated in the more climate-friendly western and southern regions of the country, leaving vast areas sparsely populated. These areas, where most of the country's natural resources are located, remain essentially cut off from domestic and international markets. Russia has yet to develop high-speed transcontinental rail links and, no less important, a modern highway system. These failures make transporting goods and raw materials difficult and costly.

As of the end of December 2020, Russia reported almost 3 million cases of COVID-19. The death toll was estimated at 57,000 but later officially corrected to 180,000. However, according to independent calculations the figure may be considerably higher. Russia is currently ranked third in the world for deaths caused by COVID-19.

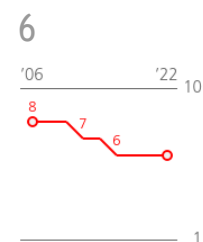
In 2020 Russia saw an increase in social engagement by ordinary citizens, which culminated in nationwide demonstrations in January 2021 in support of the political activist Alexei Navalny, leading to the detentions of more than 10,000 people in over 100 cities.

Analysts differ on the size of the support. Some see a new culture of civic engagement, others are less optimistic because of the dominance of the state, which can be traced back to czarist times and the Soviet Union which followed. There, the first opening for civil society came from within and was the "thaw," introduced by Nikita Khrushchev, who criticized the regime of terror of his predecessor, Josef Stalin. Another breakthrough came from abroad via the Helsinki Final Act of the Commission on Security and Cooperation in Europe (CSCE) in 1975, in which human rights were given a prominent status in its third basket.

Structural
constraints



Civil society
traditions



This is the period in recent history to which NGOs today mainly refer: dissidents and human rights activists of the late Soviet period, which explains their deeply rooted political motivation. Independent NGOs started to develop in the late 1980s and their number exploded in the 1990s. Since then, civil society has been diversifying, engaging with an increasing number of issues. Those organizations that have pursued a political agenda critical of the regime have been increasingly subject to state pressure. Consequently, Russia's civic associations do not have a major political impact.

Trust in institutions is low in Russia. A culture of participation in public life is developing, but at a slow pace. Social capital, in the sense of informal networks needed to get things done, was a matter of survival in the Soviet Union; in the Russian Federation from 1992 onwards, less so. However, according to opinion polls, the importance of strong social networks among relatives, friends and beyond is growing again.

Many of President Putin's political associates perceive politics in terms of "us versus them," which has resulted in several opposition figures and political movements being subject to harassment via populist slogans, biased media reports and police raids. The political leadership's capacity to dominate public discourse has created an atmosphere of passivity among much of the Russian population and has marginalized the opposition, which is not represented in parliament.

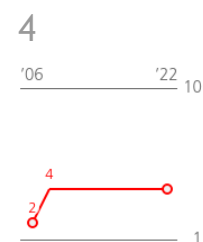
The unofficial social contract between state and society, in which the state provides social support and a measure of economic progress, to a certain extent in exchange for society staying out of politics, has come under increasing pressure. This began nine years ago, when citizens in the country's large cities demonstrated against falsified election results and Putin's return to power.

A combination of overt repression and successful nationalist mobilization in the wake of the annexation of the Crimea has made it possible for the Russian authorities to significantly reduce public discontent. Despite the perceived importance of pension reform and the widespread dissatisfaction expressed in public opinion polls, the 2018 protests against it were not substantial, contrary to the ones in 2020/2021. The COVID-19 pandemic has not caused any additional political tension.

The constant harassment of the most prominent popular political activist, Alexei Navalny, has led to support for his criticism of corruption at the highest level. It is far from a large-scale popular uprising, but support for the political elite, even the political institution of the president, is declining.

In the North Caucasus, ethnic and religious conflicts have the character of a low-intensity civil war with regular but infrequent terrorist acts. Apart from this, visible divisions within Russian society have not transformed into violent conflicts. The non-Caucasian ethnic communities traditionally living in Russian territory have been accommodated within the federal system. The same applies to religious communities.

Conflict intensity



II. Governance Performance

14 | Steering Capability

Whereas Russian policies under President Boris Yeltsin, who was under immense pressure to transform the economy from socialist to capitalist, presented a picture of incompetence and short-term power grabs, his successors, both Vladimir Putin and Dmitry Medvedev, have tended to define long-term priorities in more precise and comprehensive ways. However, these long-term priorities have been implemented only randomly and are frequently inconsistent with the goals of establishing a democracy and a socially based market economy.

Following the 2018 presidential elections, President Putin issued the May Decree, laying out the priorities for his third term in office. His main goal was to bring Russia into the top five global economies by the middle of the next decade, generating GDP growth above the global average (which has not yet materialized). According to the decree, Russia would invest heavily in new roads and ports to increase cargo traffic and would increase the volume of annual residential construction to at least 120 million square meters per year.

The Financial Times called the president's goals not just ambitious, but "outright utopian." It is hard to imagine Russia jumping to the level of the world's largest economies from its current 11th place (at least if one does not employ questionable PPP data, as the Russian authorities tend to do). Another of the Russian government's goals, namely, to be a more active player in international affairs, has proven more successful but very expensive. The annexation of Crimea and the ongoing conflict in and around Ukraine are both costly operations.

As a response to the pandemic, Russia launched a RUB 5 trillion recovery plan. The program of increased spending will last until the end of 2021, with the aim of bringing Russia's unemployment rate back below 5% and getting the economy growing at 2.5% a year. In the statements of Russian officials, this recovery plan is presented as not compromising the long-term economic goals, which continue to be prioritized. No additional mechanisms have been established to enhance strategic capacities within the government.

Question
Score

Prioritization

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Although the government sets and maintains strategic priorities, its capacity to implement policy measures is limited. The administration is unable to realize large-scale projects due to insufficient resources and corruption. There are exceptions, as one-off, prestigious events such as the Winter Olympics in Sochi and the soccer World Cup have shown. Yet strategic policies in areas such as health care, welfare provision and education, which depend on support from the state administration throughout the regions, are not implemented successfully.

Neither is the fight against corruption. The failure to do so has been, on many occasions, acknowledged publicly by both Vladimir Putin and Dmitry Medvedev. Putin's concern is that serious modernization, including reforms of political processes, could lead to a more critical population questioning the status quo.

The government has not made any statement indicating that its major policy priorities have been delayed, postponed or shelved in reaction to the pandemic.

Nevertheless, policy measures that require just a small team of technocrats, such as monetary policy, are realized successfully on the basis of long-term strategies. The so-called "economic bloc" of Russia's leadership, including the Ministry of Finance, the Ministry of Economic Development and the central bank, the Bank of Russia, take credit for preventing the deterioration of Russia's economy and achieving some long-standing goals, such as curtailing inflation in 2017/2018.

Hence the only true agents of modernization in the last two years can be found in the ministries of finance and economy. The president has supported them on many occasions as long as geopolitical goals do not interfere. In that case the sober views of economic stability take a back seat.

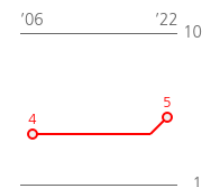
In response to administrative and political resistance to reform, the government has increasingly resorted to power and pressure tactics. One prominent person is fined or arrested to show the rest where the red line is and what the government is capable of doing. This practice occurs in federal and regional bureaucracies. A very prominent example of this is the anti-corruption activist Alexei Navalny.

Political criticism originating from outside the president's circle (as opposed to criticism of failures within the state administration by the president or the prime minister themselves) is received with increasing displeasure. Independent decision-makers, advisory bodies and civil society organizations have been increasingly brought under the Kremlin's control, and opposition voices repressed or ridiculed.

One of the few areas where different opinions are welcome is in developing and implementing the financial and economic strategy of the country. It has to be emphasized, however, that the number of such channels of policy learning is limited, as these are restricted to a small number of people trusted by Putin; no new channels of this kind are likely to emerge in the near future, and flexibility in coping with

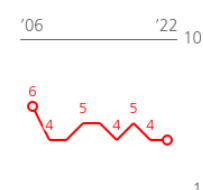
Implementation

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Policy learning

4



economic problems does not translate into a similarly flexible approach in other policy domains, particularly that of foreign policy.

In response to the COVID-19 pandemic, the Russian leadership has not demonstrated any signs of improved institutional learning. The pandemic-related policies were developed by relying on the old institutional mechanisms and implementation practices, even though some of the technical solutions in health care provision and operative management seem to be influenced by international experience.

15 | Resource Efficiency

Although reforms have improved resource efficiency in the last decade and a stringent austerity policy has rendered government funds more efficient, the efficient use of human and organizational resources continues to suffer at the hands of an often corrupt and incompetent state bureaucracy.

The state budget has been consolidated. The level of state debt is very low by international standards. Budget planning and spending have improved considerably. For the first time since 2014, Russia had surplus budgets in 2019 and 2020. The reserves of the National Welfare Fund accounted for almost 12% of GDP by the end of 2020 (as compared to 3.8% of GDP in 2018).

Compared to 2018, nominal spending on national security – after a break – is expected to grow again by 10% in 2021, and on national defense by 5.5%, while spending on social policy will remain at almost the same level.

Representing 2% of total employment, the state executive's bureaucracy is not oversized by international standards. However, its organizational structure and work ethic often lead to considerable inefficiency. The political leadership's coherent strategy, often translated into less coherent legislation, is regularly distorted when it comes to implementation at the federal and regional levels. Similarly, critical reports by the Audit Chamber have mostly been ignored.

The RUB 5 trillion support package delivered by the Russian government in response to the COVID-19 pandemic was funded primarily from significant savings accumulated in the National Welfare Fund and the Unified Treasury Account. In the fall of 2020 fiscal discipline was relaxed, which is expected to provide more than \$11 billion to help recovery in 2021. RUB 200 billion have been allocated to the regions to balance their budgets.

Efficient use of assets

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Due to the increasingly central role of the president and his inner circle in Russia's political system, policy coordination is predominantly hierarchical, and at the discretion of the president and his apparatus. At the same time, the "system" only works with personal connections. Therefore, the president makes use of presidential commissions that are composed of government ministers, advisers and presidential appointees, rarely involving elected deputies from the federal or regional level.

Since the Ukraine crisis, the balance of power between liberal economists and siloviki, who favor a strong Russia in international affairs and have little faith in cooperation with the EU and the United States, has tilted even more toward the latter group.

Still, former Minister of Finance and prominent economic liberal Alexei Kudrin, while forced to resign from the government in 2011, remains influential and trusted by Putin, as confirmed by his appointment as chairman of the Audit Chamber of Russia in 2018.

No significant changes in policy coordination and coherence have occurred as a result of the COVID-19 pandemic.

Corruption is widespread in Russia and places a heavy burden on any development. This impression is shared not only by independent experts and surveys of foreign as well as domestic business, but also by top state representatives, including the president, who regularly cites corruption as a key problem hindering modernization and the path to becoming a prosperous and just state.

This situation can be explained by the near complete lack of functioning integrity mechanisms. State auditors are often competent but lack enforcement powers. Rules to hold politicians or bureaucrats accountable are seldom enforced. While public procurement processes remain open to manipulation, the introduction of mandatory tenders has improved the regulation and transparency of these processes, but still enables circumvention.

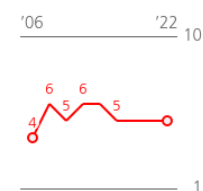
Corruption is not systematically prosecuted by the courts, which themselves are partly corrupt. Civil society is too weak and passive to have a real impact, while the media and NGOs are systematically discouraged from speaking out or taking on alleged corruption cases and public integrity issues.

Alexei Navalny's high-profile activities focus on corruption, mainly at the top political and business levels, and have elevated the subject. In January 2021 he and his team published a 120-minute documentary on a palace-like mansion in Sochi that allegedly belongs to the state to be used by the president.

Systemic counter incentives to corruption remain weak. This is partly because Russia's citizens see bribing bureaucrats as an important way to get things done.

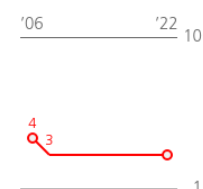
Policy coordination

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Anti-corruption policy

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16 | Consensus-Building

The elite consensus developed over the years since the collapse of the Soviet Union is not oriented toward building a solid foundation for developing sustainable democratic institutions. While adherence to democratic ideals remains part of official rhetoric of the president and prime minister, the focal point of the consensus achieved by Russia's major political actors is "stability," which is implicitly understood as preservation of the current model of political control. Accordingly, democracy is a long-term goal (with Russian characteristics), to be achieved gradually and through evolution, not revolution. Elections are manipulated to ensure the victory of pro-presidential parties and candidates. The reasoning is that only the current elite is able to move the country through difficult times toward stability and prosperity. These political manipulations render democratic processes meaningless. Actors in favor of democracy, such as the political parties Yabloko and PARNAS, have been marginalized, with their access to public discourse consistently curtailed. The same goes for the political activist Alexei Navalny, who was detained immediately upon his return to Russia in January 2021 after being the victim of a poison attack several months earlier.

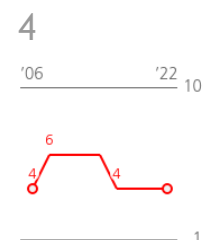
While the fundamental principles of a market economy are not rejected by Russia's key political actors, they are partly ignored in practice. The elite consensus is oriented toward a model of a limited market economy to ensure stability. Market forces with a weak society pose a risk. Too much economic freedom could lead to political opposition. Accordingly, market rules are bent to support state enterprises.

Representatives of genuine, active democratic movements have been marginalized in Russian politics. There are only a few relevant pro-democratic reformers represented within the ruling federal and local elite.

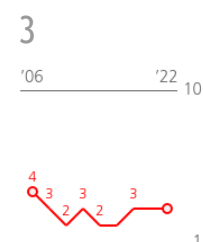
Because of the importance of the economy as a foundation for global power, reformers within state structures and in the government have some limited leverage over anti-democratic actors. Alexei Kudrin, who was appointed chairman of the Audit Chamber of Russia, has expressed pro-reform views on many occasions. Some other prominent figures in economic management are firmly pro-market, though not necessarily pro-democracy.

However, the core representatives of the regime (i.e., those who make crucial decisions outside the domain of economic policy) adhere to democratic principles only selectively, if not entirely superficially. According to a recent comment by Moscow's Carnegie Center Director Dmitri Trenin, the Russian ruling elite no longer pretend to follow the West or to cherish its declared values.

Consensus on goals



Anti-democratic actors



During his first two presidential terms, Vladimir Putin achieved considerable progress in consensus-building, compared with his predecessor Boris Yeltsin. This was true at both the federal and the regional levels. Opponents and critics of the federal government in the regions have seen their positions weakened. A large though decreasing majority of the population supports the president and his government, whose political rhetoric focuses on the need for broad-based collaboration to ensure stability. Even during the pandemic in 2020 a potential widening of cleavages between different groups in general did not occur.

Officially, the state executive seeks a dialogue with civil society. For this purpose, the president initiated in 2005 a Public Chamber, consisting of citizen representatives and NGOs, intended both to advise decision-makers on public issues and to serve as a kind of ministry tasked with civil society issues. Many of its members represent government-created NGOs, while others are prominent public figures supportive of the government, with no relation to civil society.

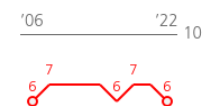
Another such organ is the Presidential Council for Civil Society Development and Human Rights. The council is composed of a large number of representatives from civil society and academia, some of them independent-minded. The president holds consultative meetings with the council or its chairperson usually twice a year. On more than one occasion, the council has voiced serious concerns and criticism of government decisions.

Both civil society and the mass media risk harassment from state organs when they engage in unwelcome criticism and risk a lot more if they criticize the president. Most mass media outlets have been brought under state control. Those outside state control are often oppressed or ridiculed. Still, some activists are able to criticize even corruption by prominent political decision-makers, although repression against one such activist escalated in the period under review with an attempt on Alexei Navalny's life.

On April 30, 2020, Vladimir Putin suggested allocating RUB 3 billion (approximately \$42 million) to support social NGOs actively involved in fighting the COVID-19 pandemic, and adopting a clause on tax deductions for charitable donations of goods and food products. In general, however, the role of NGOs in fighting the pandemic was limited, reflecting the weakness of Russia's non-profit sector.

Cleavage /
conflict
management

6



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Civil society
participation

3



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Dealing with past injustices is not a priority in Russian politics. Public debate on Soviet human rights abuses is hampered by a government policy that aims to celebrate Soviet successes such as the victory in World War II. The Soviet victory over Germany remains the most important component of Russian identity (increasingly so). Still, there are publications that examine terror in the Soviet Union, the purges and the Gulag and even Putin somehow draws a line between Stalin's repression domestically and his allegedly correct foreign policy. Hence in 2017, Putin personally inaugurated a monument on Academician Sakharov Prospekt commemorating the victims of Stalin's mass repressions.

Yet reconciliation is compromised by the portrayal of Russia's current foreign policy as a direct continuation of the strength and prestige of the Soviet Union, which naturally invites a less-than-critical attitude toward the Stalin period. Relics of the Soviet past are even seen by some as cool and interesting and part of their own cultural heritage.

The commemoration of the 100th anniversary of the October Revolution in November 2017 revealed the ambiguity toward Russia's history: was it a good historical revolution that catapulted Russia into becoming a superpower, or was it the first "color revolution" that severely crippled Russia's transformation into a successful country at the beginning of the 20th century?

There is no simple answer because Russia profited and suffered at the same time. This makes analyzing Russia's history difficult. The Russian witticism that nothing is as unpredictable as Russian history holds true.

17 | International Cooperation

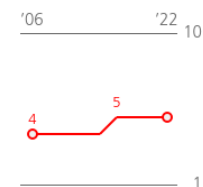
International cooperation should be increasingly differentiated between Russia's Western and Eastern approaches. Western partners at the state or society level are increasingly lower down the agenda of Russia's authorities. The need for "assistance" has been completely discarded, while a modernization partnership with the EU, initiated during Dmitry Medvedev's presidency, has been abandoned.

After the annexation of Crimea, Russia's relationship with the EU and the United States rapidly deteriorated and, since the poisoning of Alexei Navalny, is at an all-time low since the end of the Cold War. The West is seen as the significant "other" and a foe whose only aim is to interfere in domestic affairs.

But since Russia wants to be a global power, Moscow is interested in some cooperation. It created the Eurasian Economic Union with four former Soviet republics, which facilitates the exertion of regional influence. But Russia struggles with its development. Far more important is its broad-based cooperation with China. This partnership is seen by Moscow as being strategic, primarily as a means of

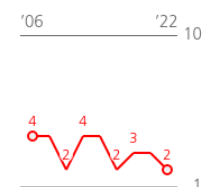
Reconciliation

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Effective use of support

2



balancing the scales with the West, knowing that this relationship with Beijing is certainly not without risks in light of the growing asymmetry in favor of China.

Whenever Moscow sees a chance to get involved globally, as in the G20, it is willing to work on a common goal together with other countries. This approach is not strategic and long-term but rather tactical and short-term.

Starting in summer 2020, Russian officials mentioned the country's participation in the international effort to fight the pandemic, which is almost exclusively through use of the Russian-made vaccine, Sputnik-V, by foreign governments.

Russia is attempting to become a global power in its own right, oscillating between the EU and China in Eurasia and maintaining pragmatic relations with the United States when that fits Russian interests. As a side effect of this approach, Russia's leadership views all aspects of domestic policy, including human rights issues, as its exclusive domain to be protected from any foreign involvement, which results in low compliance with international standards. However, Russia remains a member of the Council of Europe.

This conceptual framework does not prevent Russia from honoring or even promoting important international agreements and cooperation projects, particularly with regard to environmental policies. However, the concept of great power has serious ramifications for Russia's credibility in the international arena. Russia treats the CIS (Commonwealth of Independent States) region as its exclusive sphere of interest and reacts to conflicts that might threaten its own security with increasing assertiveness.

The worst cases are the annexation of Crimea and the armed conflict in Ukraine, where the Russian military is actively involved. The denial of any involvement in this and other instances (such as the Litvinenko, Skripal and Navalny poisonings), through dishonest and contradictory statements from government sources, has further undermined Russian credibility. Russia has taken a similarly deceptive and controversial stance with regard to its military involvement in Syria.

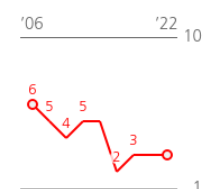
Another problematic activity is Russia's support for populist movements in the West. Financial support, trolling and hacking are widely used tools.

Russia has used its permanent seat at the U.N. Security Council and its close relations with some states facing considerable international pressure (e.g., Iran, Syria and Venezuela) to hinder international conflict resolution.

A major effort to boost the international credibility of Russia was undertaken in connection with the development of the Russian-made vaccine Sputnik-V. A number of countries, including Hungary, Venezuela, South Korea and Turkey, purchased Sputnik-V.

Credibility

3



In relations with neighboring countries, Russia applies a policy aimed at regional hegemony. However, Russia has been unable to transform the Commonwealth of Independent States (CIS) into its own “backyard.” Some CIS countries, like Kazakhstan, Belarus and Armenia, have accepted Russian dominance in return for preferential economic treatment and security guarantees. Others, like Uzbekistan, have opted for pragmatic cooperation but refrain from closer integration. Others such as Georgia and Ukraine are in open opposition to Russia’s foreign policy, and both have left the CIS. In dealing with these neighboring countries critical of Russia’s foreign policy, Russia regularly provokes the escalation of single-issue conflicts into broader state affairs.

At the same time, Russia understands that any imagined great power needs partners. Therefore, President Putin, since his return to office in 2012, has intensified efforts to enhance economic and political integration, not through the CIS, but through the Eurasian Economic Union.

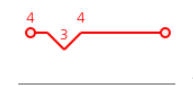
However, the main party required for creating a successful rival to the European Union, Ukraine, refused to join. Russia’s attempts to prevent it from signing the Association Agreement with the EU led to the well-known events in Ukraine. As a result, Russia has seen its relations with Central East European countries like Poland and the three Baltic states deteriorate, Hungary being the exception.

Cooperation with China (and to some extent other East Asian neighbors such as South Korea and Japan) clearly follows a different, more conciliatory – and hence more productive – trajectory. Russia is generally dissatisfied with the status quo of its international relations but unwilling to take more initiative. Moscow views any initiative within the Western camp with suspicion since the Kremlin feels it has already paid a high price with the collapse of the Soviet Union.

Regional
cooperation

4

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Strategic Outlook

During the period under review, Russia's autocratic transformation continued. The mass protests 10 years ago temporarily disconcerted the regime and were met with an increasingly repressive response. Since Putin won the presidential elections in March 2012 and 2018, numerous legislative changes have consolidated the government's control and further restricted the freedoms of assembly and of the press.

For example, fines for participating in unauthorized demonstrations have been dramatically increased, slander has again been made illegal and a blacklist of websites that can be blocked even in the absence of a judicial order has been created. Nevertheless, countrywide organized demonstrations against corruption took place at the beginning of 2021, not excluding criticism of the president.

The international financial and economic crisis of 2008 marked the end of a long period of strong economic growth in Russia. After a brief recovery, the economic situation worsened again in 2014 due to a combination of several negative factors such as serious flaws in Russia's economic model, weak institutions, economic sanctions imposed on Russia and, especially, the dramatic drop in world oil prices. It has not recovered since.

Externally, Russia has embarked on a decidedly more assertive course. The reasons for this are controversial. On the one hand, there are domestic motives, primarily to encourage the population to rally behind the flag. On the other hand, as the largest country in the world, the Russian government seeks to have its interests better represented. Further NATO expansion toward its borders is not in Russia's interest.

As a result of these negative tendencies, Russia's current political regime can be characterized as an electoral authoritarianism, a regime that, while authoritarian in the basic patterns of power distribution and reproduction, at the same time permits institutions normally associated with democracy a shallow existence.

Russia's response to the COVID-19 pandemic revealed both the advantages of the authoritarian model in crisis management and its pitfalls. The measures decreed in March 2020 were implemented rather smoothly and did not cause any significant social unrest. On the other hand, the regime's prioritization of political tasks, such as the emphasis on holding the referendum on constitutional reform and staging the (delayed) May parade in early summer, probably contributed to a significant spike in infections in the fall of 2020.

Both the scale of infections and the resulting economic contraction require a more consistent anti-crisis strategy at the federal level, but the ability of Russia's authorities to deliver this remains in question.

Russia is at an impasse. The flagrant violation of international rules and norms and the consequences has degraded Russia's economic and political climate. Economic inequalities between regions are increasing and government management is inefficient. This approach seems unsustainable and almost certainly will require a fundamental turnaround in the future. But since revolutions in Russia are strongly feared by both the government and society, an evolutionary approach is desirable.

A new reform-oriented model must be found, combining state stability, sustainable economic growth and the democratic participation of society – something that has been tried many times but only intermittently and never successfully. Russia alone will not be able to pursue this course. If the EU and the U.S. perceive Russia only as a threat, and vice versa, very little political progress can be expected. But one should not forget that a failing Russia is not in the interests of Europe, the United States or the world as a whole.