



Making Russia Great Again?

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Fake news and the future of the Federation

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Russian President Vladimir Putin should be very worried.

Sure, he was re-elected with 77 percent of the vote; with 67 percent of the electorate turning out to cast a ballot (slightly shy of the 70 percent he'd hoped for). His rule is unchallenged, with no one political figure or power center strong enough to challenge the influence he's consolidated while governing Russia for 17 years. His modest public servant's salary, ownership of two garages and a few vintage Volgas have miraculously increased his net worth to over \$200 billion, according to *The Washington Post*. Even if he falls on hard times, a loyal billionaire friend would likely help. He could be president for life, if he wants. Life would seem to be pretty good.

And yet, for the average Russian, life isn't so good. *The Moscow Times* reports that the average national salary is \$6,700 — on par with that of neighboring Kazakhstan. Overall life expectancy is about 70 years, 110th in the world, with an alarming average male life expectancy of 65 years. The sovereign wealth funds set up to capture Russia's resource prosperity and invest it in the future have been drained or swallowed up by ongoing liabilities, according to *The Moscow Times*. Putin's short-term strategic genius — essential in consolidating his domestic position and providing leverage abroad — is slowly unravelling as conflicts in Ukraine soak up more and more resources, while driving that nation closer to partners hostile toward Russia. A foray into Syria to prop up President Bashar Assad holds the real prospect of becoming a repeat of the Soviet Union's disaster in Afghanistan, with

the potential to escalate into conflict with the United States and its allies. Interference in various democracies (with an assassination or two to boot) have transformed Russia into an international pariah, on par with North Korea or Iran.

In short, Russia and Putin — the two have become, in the manner of 17th century France and Louis XIV, almost synonymous — are on a downward trajectory. Indeed, the situation is likely to worsen over the coming decades. Russian interference in the 2016 U.S. presidential and congressional elections has rightfully drawn the world's attention. It is only a small piece of a long-term Russian campaign to disrupt democracies around the world. But what has it achieved? Multiple trends suggest Russia is in decline. While its short-term strategic success with global information operations may be temporarily empowering, long-term trends suggest that Russia faces a reckoning — one that, so far, Putin's fake news factories have only exacerbated and accelerated.

A fundamental link here is that the long-term drivers of instability at home have driven Putin's behavior abroad, including the Kremlin's indulgence in a widespread international war of disinformation. This, along with other factors, drives the vicious cycle of Russian policies internally and externally — trouble at home, which drives trouble abroad to divert attention, which (through sanctions and other mechanisms) drives further trouble at home. Further, the doctrine of Putinism creates a stability nexus to justify Kremlin influence abroad while shoring up the political regime at home through the centralization of power. Coming

to terms with Russia's export of propaganda and fake news, and creating strategies to counter it, requires an understanding of the trends that are driving the country's internal instability.

Desperation trajectory

Several trends point the way for Russia's potential downward trajectory. First, Russia is in a devastating demographic decline. The World Bank projects Russia's population will shrink by 15 million in the next three decades. This sharply curtails the possibilities for Russia's demographic and economic future in a global age, when large populations and economic power are considered synonymous.

Further, the structure of Russia's economy spells trouble for its future. It has been stratified into a two-sector system, where a highly productive and profitable resource sector heavily subsidizes an unproductive

and inefficient economic sector consisting of all the other essential elements of a modern economic system. Unlike other resource-rich nations, Russia has not positioned itself to be competitive in other economic sectors as its resource boom declines — indeed, it remains reliant on a boom-and-bust economic megacycle as the world slowly transitions away from the resources Russia seeks to export.

Socially and culturally, Russia has been shaped by fears of a breakdown in the social compact the public accepted under former Russian President Boris Yeltsin — the sacrifice of political and social liberty for the guarantee of a high standard of living. These

days, there are strong signs that the government can't uphold its end of that compact. Living standards are deteriorating, corruption and inequality are growing, and the political response to dissent is growing increasingly more severe. The deadly shopping center fire in March 2018 in Kemerovo, and Putin's chastisements of "criminal negligence" afterward, show just how vulnerable the Kremlin is to a groundswell of Russian popular anger. The sources of dissatisfaction are numerous, and an unexpected event could be the match that sets them alight.

As the stress builds, the regime is employing a foreign policy adventurism and Soviet revanchism to shore up its position at home. Yet, it is becoming clear that Russia is headed toward a serious reckoning. The bargains Putin struck to maintain an unprecedented degree of post-communist control are unravelling. As these bargains become more unstable, Putin resorts more and more to waging a war of disinformation on Russians and on audiences abroad in an attempt to cloak these sources of instability and unrest. Or, at the very least it ensures that other nations experience similar instability so that Putin can maintain that his own brand of "managed democracy" is at least better than the alternatives offered abroad.

Russia is shrinking

In examining Russia's demographic trends, one thing becomes immediately clear: Russia is shrinking. After reaching a peak of 148.7 million in 1992, Russia's population has declined every year since — dropping to 145.3 million in 2002, and to 144.1 million in 2015, according to the World Bank. If this trend continues, Russia's population will fall to 143.4 million in 2020, 139.3 million in 2030, and 129.0 million in 2050. Nicholas Eberstadt, in his landmark work on Russian demographics, writes that "over the course of just under seventeen-and-a-half years, Russia's population had thus fallen by nearly 7 million people, or by close to 5 percent," and "from an economic standpoint, moreover, there is no obvious historical example of a society that has demonstrated sustained material advance in the face of long-term population decline." This has been driven by three fundamental and negative trends: Russia's catastrophically high mortality rate, an aging and unhealthy population, and a low fertility rate.

The economic "drag" attributed to an aging population is quantifiable. A World Bank report on Russia's aging found that the effects of population aging on growth in per capita gross domestic product (GDP) ranges from a negative 1.5 percent to a negative 2.3 percent, leading to significant fiscal and investment consequences. "A possible implication is that aggregate savings will decline as the elderly share of the population rises, thus reducing the funds available for investment, and therefore growth," the World Bank report said. Additionally, Russia's shrinking workforce, plus its fluctuating economy and depleted reserve fund, have already necessitated reductions in state-funded pensions. Several social consequences are worth considering — poor educational outcomes, higher levels of poverty and increasing inequality. As one World Bank report highlights, "in Russia, the evidence is that the circumstances into which a child is born matter for opportunities later in life."

Russia's mortality rate is similarly grim. Eberstadt remarks that "since the end of the Soviet era, Russia's total population has fallen by nearly 7 million," comparable to "China in the wake of the disastrous

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‘Great Leap Forward’ campaign.” The demographic statistics themselves are sobering: Studies show Russia’s death rate is 22nd highest in the world (higher than Mali, Burundi or Cameroon); the gap between male and female life expectancy is 12 years; more Russians have died than are born in the nation every year since 2005. Four factors seem to play a fundamental role in Russia’s catastrophic mortality rate: excessive consumption of alcohol, high injury rates, high prevalence of cardiovascular disease, and shrinking public health quality and access.

Migration is unlikely to become a source of population replenishment, particularly as continued economic woes make Russia a less attractive destination for economic migrants such as those from Central Asia. Finally, the combination of these factors means that Russia faces a concurrent problem of rapid population aging, and increasing dependency ratios for working populations to pensioners, just as its population is shrinking.

Economic challenges

When evaluating the consequences of prevailing trends on Russia’s economy, it is worthwhile remembering the origins of those trends and why key decisions made sense within the system of Putinism. Putin assumed the Russian presidency amid a prolonged cycle of economic crisis, partially caused by the “shock therapy” policies

Russia’s Rosneft oil company sits on the banks of the Moskva River in Moscow. Low oil prices over a sustained period have left the country in a protracted recession.

of the previous government, but also exacerbated by open warfare among the oligarchs who had consolidated private control of Russia’s economy for their own benefit.

The Putin government implemented fundamental structural reforms to Russia’s economy that made it more productive and competitive, as well as managing to capture larger shares of revenue for public benefit. Added to this, booming oil revenues swelled Russia’s reserve accounts and cushioned the impact of the 2008 financial crisis. A World Bank report notes that the “share of the population living in poverty fell by two-thirds, from about 30 percent in 2000 to just under 11 percent in 2012, based on the national poverty line,” and the “consumption of the population in the bottom 40 percent of the income distribution rose more rapidly than that of the total population, and the middle class expanded dramatically.” As a result, Putin was understandably popular and able to consolidate control of Russia through the promise of continued prosperity. It was a price most Russians were happy to pay. From 2000 to 2013, the World Bank reports, GDP rose by an average of 5.2 percent a year, and by 2008 Putin’s government had a financial stockpile of \$584 billion.



Protesters in St. Petersburg, Russia, hold a poster depicting Russian President Vladimir Putin that says: "Prices, tariffs and poverty rise, you chose all this." Russia's flagging economy motivates Putin to wage propaganda and disinformation campaigns in other countries.



The role that the price of oil played in this financial windfall was significant — average prices went from \$28 per barrel in 2000 to \$105 in 2013. One World Bank report observes that “oil and gas exports [increased] from about 40 percent of total exports in 1999 to nearly 70 percent in 2013.” During this time, the expenditure of the Russian government grew tenfold, rising “as a share of GDP from 32.8 to 38.2 percent, solely because recurrent spending was going up.” Natural resource revenues were fundamental in allowing Putin to guarantee the features of the Russian social contract.

But it did not last. In 2012, this commodity super-cycle came to an end. This was due to three factors — commodity prices dropped sharply; very little of the dramatic expansion in revenue was captured and reinvested in sources of long-term, sustainable growth; and complacency let fundamental economic reforms go unimplemented, according to a World Bank report. Growth slowed, and reserves started to drain. In the background, the demographic challenges highlighted above exacerbated the economic impact of these downward trends. These factors — coupled with Russia’s aggressive foreign policy — brought the crisis to a head in 2014, and Russia found itself in a weaker position than when it weathered the 2008 crisis.

As Russia’s population and economy diminishes, so too does its ability to maintain critical relationships and project power internationally.

The Russian economy now finds itself in a protracted recession, with a sustained period of low oil prices impacting revenues and sanctions limiting access to international markets. This is having a direct impact on the Russian social contract, which is buckling. The fundamental strengths that underpinned Putinism are now key vulnerabilities. While Russia’s political economy has been “politically and socially efficient” in times of plenty, it is not efficient in terms of allocating resources and sustaining long-term growth independent of energy exports, according to Dr. Richard Connolly, co-director of the Centre for Russian, European and Eurasian Studies at the University of Birmingham. Further, potential political and economic instability has caused a jump in private capital outflows — those that can be financially fleeing the nation, which does not bode well. This means that “as a result, the Russian economy now appears to be stagnating at best, and heading towards crisis at worst,” Connolly writes.



Nagorno-Karabakh Army artillerymen move away from a howitzer prepped to fire in Azerbaijan in 2016. Russia's manipulation of the dispute keeps both Armenia and Azerbaijan in its orbit.

trends, and when nations decline and become threatened by their own vulnerability, they are increasingly likely to resort to tactics that have been traditionally considered outside the bounds of conventional warfare. This includes the conduct of disinformation warfare to level the playing field by making an opponent just as unstable as the nation that feels threatened.

The response to Putin's desperate adventurism and disinformation campaigns has been more sanctions and a slow squeezing of the Russian economy, creating a vicious cycle where deteriorating internal conditions have pushed Putin to act even more aggressively abroad.

There is sufficient evidence to suspect that Putin and other leaders positively inclined toward his regime seek a grand bargain with the U.S. that will let Russia resume full participation in the global economy and shed its pariah status with parts of the international community. It is also possible that Putin figures that his internal audience — the Russian people and the elites he effectively corrals to maintain control over Russia — won't be as forgiving. Therefore, a strategy of doubling down on adventurism, disinformation and international norm-breaking may be his only workable option until the international pressure relents.

The international community has a key part to play in this dire calculus. It is easy to impose sanctions, carefully calibrated pressure and condemnation when a rogue nation breaks yet another international norm. Previously,

the approach has been to apply “strategic patience” in the firm belief that rogue actors will eventually relent to the pressure, even as they engage in more extreme provocations. It's critical now that the international community think hard about what comes next, after sanctions and condemnation. In the past, many regimes have shown themselves able to live with the hardship of sanctions and isolation, provided the cost is borne by their most vulnerable people. And the long-term imposition of this cost courts even harsher crackdowns, worse behavior by the regime, and eventual collapse. Hopefully, the view from 2050 shows us that nobody wins when defaulting to this status quo. The potential result of a “peaceful” weapon such as sanctions is regime change and national collapse. And perhaps the only thing worse than a potential opponent's strength is that opponent's collapse.

Countering propaganda means finding innovative ways to counter the trends causing them — to find new ways of dealing with or breaking through to the actors who are being driven by them. Russia's future may look grim, and the chances slim for Putin to make Russia great again, but perhaps there is no choice but to find new ways to work toward making a better future for Russia. □



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