
A New “Cold War”?

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CASIMIR DADAK

The collapse of the Soviet Union changed Russia’s international status dramatically; the country lost its global power status overnight and soon afterward suffered international humiliation when the government defaulted on its debts in 1998. Therefore, it should come as little surprise that a Russian nationalist lamented the USSR’s demise as a “major geopolitical catastrophe.”¹

Russia enjoyed a substantial economic rebound following the 1998 debacle, however, and its leaders regained confidence. Moreover, Russia was admitted to the Group of 7 (which was therefore renamed the Group of 8). Although President George W. Bush afforded his Russian counterpart a special relationship, Russian leaders soon began to challenge U.S. supremacy in words and deeds.

President Vladimir Putin blamed a “unipolar world” for “an almost uncontained hyper use of force—military force—in international relations . . . that is plunging the world into an abyss of permanent conflicts,” and he concluded his tirade by saying, “One state and, of course, first and foremost the United States, has overstepped its national borders in every way” (2007c). His successor, Dmitry Medvedev, did not want to be outdone and offered the following counsel: “The world cannot be run from one capital. Those who refuse to understand this will only create new problems for themselves and others.” In this address, the new president also proposed turning Russia into a leading financial center and boosting “the ruble’s role as one of the currencies involved in international payments” (Medvedev 2008a). This statement was a prelude to an overt attack on the U.S. dollar’s role in the world economy at the

Casimir Dadak is an associate professor of finance and economics at Hollins University.

1. The official Kremlin translation uses the word *disaster*, but the Russian original clearly has the word *catastrophe* (катастрофа) (Putin 2005).

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June 2009 meeting of Brazil, Russia, India, and China held in Yekaterinburg, Russia (Halpin 2009).²

Russia has also taken specific steps in the military sphere; today, Russia's strategic bombers again patrol both U.S. coasts, and its navy conducts exercises in the Caribbean. Moreover, the Kremlin invests heavily in upgrading its strategic nuclear arsenal, a weapons system useful only in a global confrontation. These actions clearly indicate that the brief war with Georgia in August 2008, the maintenance of a military presence in Transnistria in contravention of an earlier agreement, and the attempt to incite Kyrgyzstan into shutting down U.S. operations at the air base in Manas are not merely efforts to control the "Near Abroad," but integral parts of a strategy to regain a global power status. Indeed, President Medvedev (2009a) seems to believe that Russia never lost this international standing.³ Putin and Medvedev now behave in a manner similar to that of the leaders of the Soviet Union, and some observers perceive that the world is sliding into a new "cold war."

In this article, I analyze Russia's potential to regain a global power status. Ray Cline (1975) identifies several key features that determine a nation's weight in the international arena: economic strength and technological advancement; demographic vitality and ethnic cohesion; military expenditures and power; and political factors. Overall, with very few exceptions (nuclear arsenal, size of territory, and production of raw materials), present-day Russia possesses no assets that would equip it to play the role of a global power and enable it to challenge the United States.

Economic Performance

Following the 1998 crisis, Russia enjoyed a significant economic turnaround, including a robust economic growth and a very high surplus in the balance of trade (table 1). Anders Åslund (2004) believes that fiscal reforms and partial economic liberalization introduced by Putin brought about the turnaround. Marshall Goldman (2004) and Philip Hanson (2004) stress, respectively, the effect of the ruble's real depreciation and rapidly increasing energy prices. The World Bank (2009) finds that capital inflows and access to low-cost external financing played an important role, too.

Russia is the world's second-largest exporter of oil, and *The Economist* ("Russia's Economy" 2008) estimates that oil and gas account for more than 31 percent of the nation's gross domestic product (GDP). In 2005, taxes on exports of oil and gas generated 37.6 percent of the Russian government's total revenue

2. Yekaterinburg (also spelled Ekaterinburg) is incidentally the city where the Bolsheviks murdered the last czar, Nicholas II, and his family.

3. In the 2009 annual address to the Federal Assembly of the Russian Federation, the president stated: "The foundation of my vision for the future is the firm conviction that Russia can and must become a global power on a completely new basis. Our country's prestige and national prosperity cannot rest forever on past achievements" (Medvedev 2009a). In sum, Medvedev seeks a "new basis" for this status and by no means implies a struggle to regain it.

Table 1
Macroeconomic Indicators

	GDP Growth (%) (1999–2007 average)	2007 Current Account Balance (% of GDP)	2007 Total GDP (in billion \$ at current prices and PPP*)	Investment (% of GDP, 1999–2007 average)
Brazil	2.3	+0.1	1,833.6	16.3
China	9.6	+11.3	7,055.1	37.7
European Union 27	2.3	–0.6	14,852.4	20.2
India	6.8	–1.0	3,092.1	26.5
Russia	6.8	+5.9	2,088.2	17.9
United States	2.4	–5.3	13,741.6	18.9

* PPP = purchasing power parity.

Source: Data from OECD 2009.

(World Bank 2008). Heavy taxation of the energy sector allowed the government to accumulate \$596.8 billion in official reserves by mid-2008 (Central Bank of the Russian Federation n.d.), and the increase in official reserves encouraged the state to engage in another type of market interference—fixing the ruble’s exchange rate.

The fallacy of these policies became apparent when the recent global financial crisis hit Russia in the fall of 2008; the nation was among the countries most severely affected by the turmoil. In 2009, Russian GDP sank 7.9 percent, with construction and manufacturing output plunging 16.4 and 13.9 percent, respectively (“2009 GDP Drops” 2010). The World Bank (2009) foresees a slow recovery in 2010 and a return to the precrisis level of real GDP only in late 2012.

In spite of the huge amount of official reserves in the Russian treasury, the global financial crisis spawned a debilitating capital outflow—in the fourth quarter of 2008 alone, Russia lost more than \$130 billion (World Bank 2009). As a consequence, the value of official reserves declined to \$383.9 billion by the end of April 2009 (CBRF n.d.). The capital flight led to a huge drop in stock prices that severely weakened the Russian financial system, so much that in the fall of 2008 the government had to pledge massive aid to banks. Nevertheless, in June 2009 Standard & Poor’s estimated the amount of “troubled assets” held by Russian banks at \$213 billion (Maternovsky and Khrennikov 2009). Moreover, heavy taxation left even the energy sector with depleted resources, and the government had to help oil and gas producers with servicing of foreign debt when bank financing dried up.

The spectacular deterioration in economic fortunes took its toll on government finances. A substantial federal budget surplus equal to 5.4 percent of GDP in 2007 gave way to a shortfall of 6.8 percent of GDP in 2009 alone. Deficits are expected to continue into the future, and Moscow plans to plug the hole with a drawdown from two nest eggs, the Reserve Fund and the National Welfare Fund. A draft law on

the federal budget for 2010–12 anticipates that the former, which at the end of 2008 stood at more than 10 percent of GDP, will completely disappear by the end of 2010, and the value of the latter will sink from 6.6 percent of GDP at the end of 2008 to 2.0 percent by the end of 2012 (World Bank 2009, 11).

A closer look at economic data points to other significant weaknesses (table 1). In 2007, Russian GDP was equal to only a small fraction of the U.S. or European Union GDP and less than one-third as large as China's. The prospects for a quick catch-up are not good, however, because the level of investment has been relatively low. The robust rate of economic growth between 1999 and 2007 was to a large extent a consequence of increasing oil and natural gas prices rather than a rapid growth in investment and production.

The Organization for Economic Cooperation and Development (OECD 2009) reports that Russian exports of goods grew rapidly from 1998 to 2005, from \$72.3 billion to \$241.5 billion (and further to \$352.3 billion in 2007). This rise, however, was largely a result of quickly increasing exports of commodities, especially of oil and natural gas, and their rapid price increases. In 1998, fuel exports accounted for 39.2 percent of all export revenue, and by 2005 their share had increased to 49.0 percent (World Bank 2008). Russia also exported significant quantities of other commodities, and unprocessed goods accounted for approximately 80 percent of the nation's exports.

In contrast, in 2005 manufactured goods constituted only 18.9 percent of exports, a decrease from 28.7 percent in 1998 (World Bank 2008). This decline in the share of manufactured goods in total exports indicates that the tremendous increase in commodity prices and the associated strengthening of the ruble made other industries less competitive on world markets, an occurrence known as the "Dutch disease."⁴ In the second half of 2008, prices of raw materials dropped significantly, and the negative effects of the disease are setting in, as Russia's plummeting GDP illustrates.

Russia is a major exporter of military hardware; however, the data are significantly skewed because the key buyers of Russian weapons are countries that face restrictions on arms trade imposed by the West (for example, China and Iran). Apart from weapons, Russia produces few high-tech products that can be sold on world markets. Table 2 shows that the 2005 total value of Russian exports in this category was a miniscule fraction of the amount the major economic powers produce.

The small amount of high-tech exports reflects the extremely poor outcome of the nation's research and development (R&D) effort (table 3). In 2005, Russians recorded an insignificant number of "Triad family" patents.⁵ This outcome is less than impressive given the manpower and resources invested in R&D. The low yield

4. This phenomenon was first discussed in Corden and Neary 1982. Ebrahim-zadeh 2003 provides a useful overview of recent research on the topic.

5. Discoveries that obtain legal protection simultaneously in the United States, the European Union, and Japan.

Table 2
Merchandise Exports (2005)

	Total (current billion \$)	Arms (constant 1990 billion \$)	High-Tech (current billion \$)
Brazil	118.5	0.06	8.0
China	762.0	0.13	214.2
EU15	3,586.2	7.62	470.1
India	103.4	0.00	2.8 ¹
Russia	241.5	5.78	3.7
USA	904.3	7.10	233.1

¹ 2004 data.

Sources: Data from World Bank 2008; OECD 2009.

Table 3
Research and Development Effort (2006)

	Triadic Patent Families	R&D Employment (per 1,000 employed)	R&D Spending (% of GDP)
Brazil	65	1.3	1.20
China	484	1.6	1.42
European Union 27	14,795	6.1	1.77
India	136	N/A	0.71 ¹
Russia	63	6.7	1.07
United States	15,942	9.6 ²	2.66

¹ 2004.

² 2005.

Source: Data from OECD 2009.

of patentable discoveries reflects the low quality of equipment in Russian laboratories, a high degree of bureaucratization, the focus on theoretical research, and the backwardness of local firms.

In addition, an authoritarian political system, widespread corruption, and limited protection of property rights do not offer incentives to invest time and energy in R&D. Without greater innovation, fast economic progress is impossible. Therefore, Medvedev's (2009a) dream of building a new Russia based on human capital, knowledge, and cutting-edge technologies in medicine, information, energy, space, and telecommunications industries will be very difficult to realize.⁶

6. The president said in one breath that Russia's modernization must be accomplished by free and responsible people, but in another that "a special presidential commission has approved specific projects in all of these five areas [critical for the effort] and has drawn up detailed timetables for their implementation" (Medvedev 2009a).

Table 4
Development Indicators, 2005

	Brazil	China	India	Italy	Russia	United States
GDP per capita (PPP*, current international \$)	8,402	6,757	3,452	28,529	10,845	41,890
GDP per unit of energy used (constant 2000 PPP \$/kg of oil equivalent) ¹	6.76	4.36	5.48	8.17	2.04	4.60
Employment in agriculture (% of total)	21.0 ¹	44.1 ²	66.7 ³	4.2	10.2	1.6
Information and communication technology expenditure/capita (U.S.\$)	333	90	42	1,308	191	3,690
Broadband subscribers (per 1,000 people)	18	29	1	116	11	167
Roads, total network (thousands of km)	1,725	1,403	3,316	480 ⁴	532	6,359

* PPP = purchasing power parity.

¹ 2004 data.

² 2002 data.

³ 1995 data.

⁴ 1999 data.

Source: Data from World Bank 2008.

Table 4 illustrates the chasm that separates Russia from the developed world. Its GDP per capita is much smaller than that of the United States or Italy.⁷ The Russian economy generates much less output from a unit of energy and employs a much greater proportion of its labor force in agriculture than the United States or Italy does. Similarly, spending on information and communication technologies and penetration of broadband Internet lag behind the corresponding amounts in the developed world and Brazil. Russian infrastructure, represented in table 4 by the road network, is vastly inadequate. Moreover, Putin (2007a) admits that the road system quality is poor.

Russia's enormous total territory of 17 million square kilometers (6.6 million square miles), considered by many to be a major asset, is ironically also a great handicap. Paul Krugman (1991) demonstrates that distance is an important determinant of economic growth, and Russia, with a declining population dispersed over an

7. Italy serves as a proxy for the European Union.

immense territory, will find it difficult to create domestic markets conducive to the development of large-scale firms able to compete globally.

Overall, Russia has a long way to go to catch up with the industrialized world. Its impressive economic performance between 1999 and 2007 reflected primarily the booming markets for its exports of oil, gas, and other raw materials. The economic infrastructure—from the justice system to R&D efforts and the quality and density of communication networks—does not support the emergence of a modern, internationally competitive economy.

Demographic Factors

Population is another critical factor that determines a nation’s place on the world stage. From this standpoint, Russia’s situation is becoming increasingly precarious.

In 1989, the Soviet Union was the world’s third most-populous country and accounted for 5.5 percent of the world total. The disintegration of the Soviet Union changed this picture radically: after peaking at 149.4 million in 1993, the Russian population has kept dropping and now stands at 142.5 million, or 2.1 percent of global population. This decline took place in spite of substantial net immigration, primarily of ethnic Russians from former Soviet republics (DaVanzo and Grammich 2001). Moreover, the OECD (2009) forecasts that by 2050 the Russian population will decline to less than 108 million. This forecast is by no means an isolated prediction; the World Bank (2008) estimates a decline to 110.5 million, or some 1.2 percent of the world’s total. The data presented in table 5 indicate that over the next four decades Russia is expected to experience an unprecedented decline in population. Therefore, it is not surprising that Arnon Gutfeld (2008) predicts that by 2050 Russia will have insufficient human resources to control the territory it occupies.

Table 5
Population (in Millions)

	1989	2007	2050 ¹
Brazil	147.0	189.3	259.8
China	1,133.4	1,328.6	1,408.9
European Union 27	469.5	495.1	515.3
India	841.9	1,169.0	1,658.3
Russia	286.7 ²	142.5	107.8
United States	247.3	301.6	419.9
World	5,207.0	6,671.2	9,191.3

¹ Estimates.

² Soviet Union.

Source: Data from OECD 2009.

Table 6
Health Situation, 2005

	Infant Mortality (deaths per 1,000 live births)	Incidence of Tuberculosis (per 100,000 people)	Prevalence of HIV (% of population ages 15–49)
Brazil	25.8	59.6	0.54
China	24.3	100.3	0.08
India	58.0	167.8	0.92
Italy	3.9 ¹	6.8	0.50
Russia	11.0	119.0	1.09
United States	6.9	4.5	0.60

¹ 2004 data.

Sources: Data from World Bank 2008; OECD 2009.

Russia's fertility rate is now among the lowest in the world, and the country has a high death rate because of deplorable health conditions (especially among the men, who suffer greatly from alcoholism) and vastly inadequate health-care facilities. These facts are admitted even at the highest levels of the Russian government (Putin 2005).⁸ A set of important related statistics is presented in table 6. Given the severity of the health crisis, it should come as no surprise that Russian life expectancy at birth is now lower than it was under the Soviet Union—in the period from 1999 to 2005, the average life expectancy at birth was sixty-five years, compared to sixty-eight years during the period from 1980 to 1985 (World Bank 2008).

Depopulation also raises the question of immigration of non-Russians. This problem is particularly acute in the Far East, where the populace has been declining most rapidly. At the same time, the region encounters growing illegal Chinese immigration, which “could create a series of social, political, and foreign policy tensions” (U.S. Central Intelligence Agency [CIA] 2001). Brækhus and Øverland (2007) believe that, on balance, China and Russia have much more to gain from cooperation than from rivalry; nevertheless, they note the apprehension that Moscow must feel because of the enormous population disparity in the Far East—where the 6.5-million-large Russian community (expected to decline to 4.5 million by 2015) faces 107 million Chinese living right across the border.

Another important demographic aspect is ethnic homogeneity. Under the Soviet Union, an increase in Russian nationalism, especially after 1953, caused a revival of similar feelings among other nationalities (Wimbush 1978). Interethnic

8. The president has even acknowledged that, on average, forty thousand Russians, mostly young people, die every year from alcohol poisoning.

strife eventually contributed directly to the USSR's collapse. Ethnic centrifugal forces, one might recall, also played a role in the fall of the Russian Empire.

Russian Federal State Statistics Service (2002) data reveal that the USSR dissolved at a time when the share of ethnic Russians in the total population had declined to 50.8 percent, down from 54.6 percent and 53.4 percent in 1959 and 1970, respectively. The same source also reports that although in 1989 Russians made up 81.53 percent of the present-day Russian Federation, by 2002 this proportion had declined to 79.83 percent in spite of the substantial immigration of ethnic Russians from former Soviet republics to Russia, especially in the early 1990s. This population shift is by no means a recent development. Forty years ago Rein Taagepera (1971) noted that non-Russians were increasing their share in the population of the then Russian Soviet Federative Socialist Republic. Again, as in Soviet times, non-Slavic (primarily Muslim) minorities have much higher birth rates than do Russians (Federal Research Division 1998).

It is also significant that non-Russians tend to maintain their ethnic identity. The U.S. CIA (2009) estimates that practicing Muslims represent 10 to 15 percent of the entire population of Russia. This figure implies a high rate of active participation in religious services and may be an overestimate; nevertheless, Islam certainly has made a substantial comeback after the collapse of communism, and the heavy-handed treatment of Muslims under Putin did not foster their assimilation (Myers 2005). The Soviet experience during World War II indicated the feelings that ethnic minorities harbored toward the state in which they lived. Despite very brutal treatment by the Nazis, Soviet citizens joined their ranks in large numbers. Alex Alexiev (1982) estimates that former Soviet citizens, most of them non-Russians, constituted at least 20 percent of German manpower on the eastern front.

Andrei Amalrik (1970) and Richard Pipes (1975) predicted the emergence of significant ethnic strife in the Soviet Union prior to its demise. The wars that erupted in the Caucasus in the 1990s alerted Western experts to national problems in this region and to the salience of Muslim militancy. Although these conflicts disappeared from the front pages of the newspapers, the situation in this part of Russia remains precarious (Nation 2007; Wingfield-Hayes 2009). Muslims are also concentrated in other regions (especially in the Tatar and Bashkir republics), however, and secessionist feelings may emerge there if the proportion of these regions' Russian inhabitants dwindles.

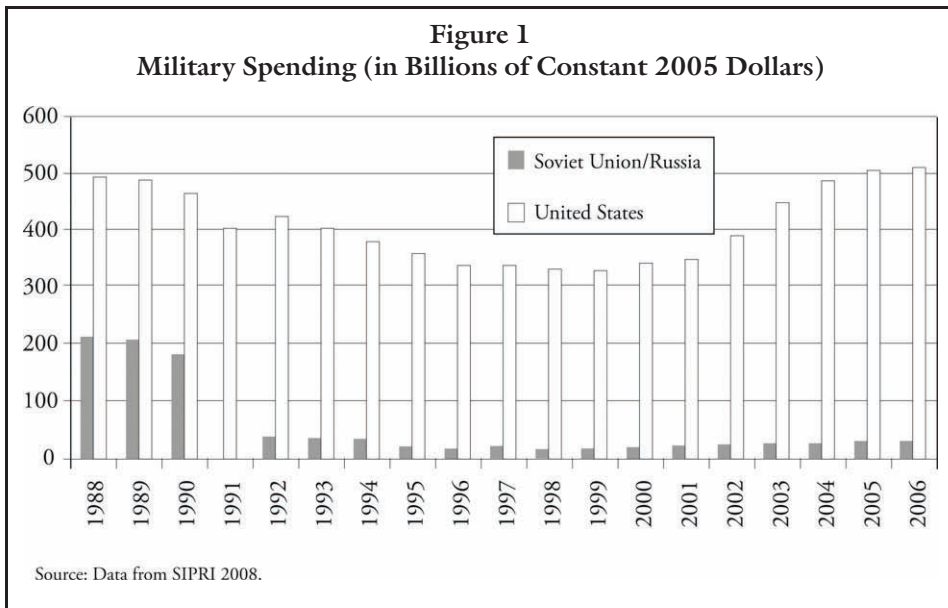
The present-day Russian nationalist movement has a close relationship with the Orthodox Church. Putin intensely promotes membership in this congregation, and many of his closest collaborators show affinity for this church. This affiliation can be an attractive way to mobilize ethnic Russians around Putin's United Russia Party, but it can easily alienate members of other faiths, especially Muslims.

Overall, the declining population of ethnic Russians may lead to the emergence of both external and internal threats that may challenge the country's territorial integrity.

Military Power

After the Soviet Union collapsed, Russia inherited most of the Red Army's military hardware, including its strategic nuclear forces. As a result, Russia possesses approximately 50 percent of all nuclear weapons in the world and is only slightly behind the United States in the number of strategic warheads it has. Russia is no match for the United States and the North Atlantic Treaty Organization (NATO) in any other category, however. The Stockholm International Peace Research Institute (SIPRI) estimates that Russia spent \$35.4 billion on the military in 2007 (at a market exchange rate), a far cry from the amount spent in the Soviet era (figure 1). This amount is less than the \$59.7 billion disbursed by the United Kingdom, \$53.6 billion by France, \$43.6 billion by Japan, and \$36.9 by Germany, not to mention the \$547 billion spent by the United States and \$58.3 billion by China. If expenditures on armaments are adjusted for purchasing power, Russia spent an equivalent of \$78.8 billion, third behind China (\$140 billion) and the United States (\$547 billion). Nevertheless, the amount Russia spent is a small fraction of what all the European Union nations combined disbursed and only slightly more than India's military spending (\$72.7 billion) (SIPRI 2008).

How does the Russian military compare on the world stage? J. Michael McConnell, director of U.S. National Intelligence, summarizes the state of Russia's military capabilities by saying that Russia "has begun to reverse a long, deep deterioration in its capabilities that started before the collapse of the Soviet Union," and by "2006 the military had significantly increased the number of high-readiness units



from 1999 levels." However, "[t]he military still faces significant challenges"; in particular, "Russia's defense industry suffers from overcapacity, loss of skilled and experienced personnel, lack of modern machine tools, rising material and labor costs, and dwindling component suppliers" (2008, 28). Stephen Blank similarly concludes that the Russian defense industry "has been in failure for over 15 years and already was backward technologically during the late Soviet epoch" (2007, 72).

These views are echoed even by top military commanders in Russia. Army general Nikolai Makarov, chief of the General Staff and first deputy defense minister, admitted that the current inventory of weapons is for the most part obsolete and that the army is overall on the brink of collapse (Felgenhauer 2009). Real-world developments fully support these observations. For example, in February 2008 Russian arms manufacturers were greatly embarrassed when Algeria announced that it wanted to return fifteen just-delivered MiG29 jet fighters because of poor quality ("Algeria Returns" 2008). Hardware that the Russian army uses is frequently defective owing to age and wear; Reuters quotes an article published in *Kommersant Daily* online stating that "Russia's Defense Ministry for the first time recognized that around 200 of its MiG-29s [one-third of the entire fleet of jet fighters] are not only unable to cope with their combat tasks, but just cannot take off" ("One-Third of Russian Fighter Jets Old" 2009). In the Russian daily *Gazeta*, Alexander Sargin and Denis Telmanov (2009) offered a synopsis of a leaked evaluation of individual unit combat readiness at the end of 2008–2009 training year that had been prepared by the General Staff and that similarly paints a bleak picture. As much as 47 percent of divisions, more than 60 percent of brigades, and more than 50 percent of regiments received a "C" grade (on an "A" to "D" scale, with the last grade indicating "not combat ready"). According to the report, units of the Strategic Rocket Forces, air force, and navy perform better, but the only four "A" grades were given to ships.

The brief war with Georgia also provides invaluable insights into the state of the Russian military. The International Institute for Strategic Studies (2008) finds that Russia is unprepared to fight a modern, high-technology war. The air force is incapable of overcoming air defenses and lacks night-vision capabilities. During the first day of fighting in the Georgia war, the Russian air force lost four planes, including a strategic bomber Tupolev TU-22. The Russian military also showed significant weaknesses in command, control, and communication. As a result, an advancing Russian column was ambushed, and the commander of the Fifty-eighth Army, General Anatoly Khrulev, was wounded.

President Medvedev gave a somber assessment of this conflict, saying that the army was restored to "combat potential to a considerable degree. Nevertheless, military leaders need to examine not only our successes but also our mistakes. And to draw the most serious lessons from these" (2008a). The mistakes must have been extremely painful because the president returned to this topic a few months later and spoke of "weaknesses" and "problems associated with certain types of weapons and with communications" that were "well known and require[d] an immediate

response” (Medvedev 2009c). Overall, Russia won a quick victory not because of its superiority, but because the opponent’s army collapsed after three days of fighting.

The Putin–Medvedev regime has announced a major effort to upgrade Russia’s military forces starting in 2011 (Medvedev 2009c). The challenges that this effort faces and the distance that has to be covered must be enormous because Medvedev stresses that the goal is “not just regular improvement but a quantum leap.” The efficacy of the drive may be in doubt, not only because of the problems mentioned here, but also because the post–Cold War Russian military has failed to make appropriate reforms. Its doctrine and armed forces are still designed to fight an all-out war against NATO, but the main current threats are internal (terrorism) or require the development of rapid-response forces (Barany 2008). Russian plans, however, focus above all on the strategic nuclear forces (Putin 2007b; Medvedev 2009c). There the leaders’ ideas are quickly turned into reality: following a successful test in November 2008, Russia announced that it would immediately start full-scale production of the latest intercontinental ballistic missile, Bulava (Faulconbridge 2008).⁹

Corruption is another important issue. “Corruption is deeply rooted in the upper echelons of the armed forces,” declares Aleksander Kanshin. This senior Russian military official also acknowledges that “[one-]third of all money spent by the Russian government on its armed forces is lost to corruption” and that in 2007 alone “almost 600 senior military personnel were convicted” on corruption charges (Eke 2008).

As discussed previously, Russia faces severe demographic challenges, which are rooted in serious health-related problems that severely limit military-age people’s availability for service. U.S. CIA (2009) data indicate that only 58.3 percent of Russian males sixteen to forty-nine years old are fit for military service. The percentages for Brazil, China, India, Italy, and the United States are 72.5, 83.9, 78.7, 80.6, and 82.2, respectively. The authors of a Council on Foreign Relations (2006) report predict that by 2015, Russia may encounter difficulties in drafting approximately three hundred thousand men annually as usual.

Russia also faces other numerous challenges, both internal and external, many of which are of its own making. In a recent interview, President Medvedev (2008b) stated that “as is the case of other countries, there are regions in which Russia has privileged interests. These regions are home to countries with which we share special historical relations and are bound together as friends and good neighbors.” Military might is obviously necessary to maintain those “special historical relations” with nations that in many cases express opposite feelings about relations with their former occupier.

Russia withdrew from the Conventional Armed Forces in Europe Treaty to have more freedom in applying pressure on “Near Abroad” nations. This step, combined

9. None of Russia’s neighbors, except China, is large enough to threaten Russia militarily or possesses nuclear weapons, and Russia has very close relations with China. Therefore, the decision to install this system (even before an upgrade of conventional forces that could be possibly used in local conflicts is complete) is an indication that Moscow sees itself in direct competition with the United States for world dominance.

with U.S. abandonment of the Anti-Ballistic Missile Treaty, means an end to the European arms-control system. All of these developments require the allocation of additional resources in a system that is already strained (table 7).

Russia reacted sharply to the NATO plan to establish an antimissile shield in Poland and the Czech Republic and promised countermeasures. Although this project has been abandoned for now, Russia faces other challenges on the European front—most notably the prospect of Ukraine’s joining NATO. If this event were to occur, Russia would lose any hope of regaining firm control over a region that, owing to its size and location, is critical to Kremlin’s dreams of reclaiming global power status.

In the short and medium term, the success or failure of efforts to increase control over former Soviet republics, to counterbalance NATO on the western frontier, and to project power globally depends critically on Russia’s ability to allocate enough resources to the military. This task hinges to a large extent on a single factor—the price of energy. In the long-run, however, if the demographic projections come to pass, Russia’s ability to accomplish its goals will diminish greatly.

Political System

The USSR’s totalitarian rulers could allocate resources to power ministries at will, and this allocation strengthened their ability to expand the empire. Today’s Russia is neither a totalitarian state nor a vibrant, unified democracy determined to pursue an expansionistic policy. According to Stephen Sestanovich (2006), Russian political structure is highly centralized and run by a small number of people not held accountable for their decisions because, as Goldman (2004) stresses, the judiciary is subordinated to the government. Dimitri Trenin (2006) even concludes that Russia has reverted to the czarist system—all decisions are made by the president, and other top institutions depend on him. This setup is possible because the government has attained almost

Table 7
Military Expenditure Burden (2005)

	Military Expenditure (% of government expenditure)	Military Expenditure (% of GDP)	Military Personnel (% of total labor force)
Brazil	N/A	1.57	0.74
China	18.22 ¹	1.98	0.48
Italy	4.50	1.77	1.82
India	18.62 ¹	2.87	0.70
Russia	18.76	3.74	1.98
United States	19.26	4.08	0.99

¹ 2004 data.

Source: Data from World Bank 2008.

complete control over the news media, and therefore the role of opposition political parties has been greatly reduced (McFaul and Stoner-Weiss 2008).¹⁰

In sum, the government enjoys significant but limited power. It can manipulate public opinion, but it lacks the Communist regime's unlimited power to mobilize resources for imperial purposes.

Soft Power

Present-day Russia does not have the ideological trump card that the Soviet Union had. Communism, on paper, was an anti-imperial idea. For this reason, millions of people from Vietnam to Nicaragua were willing to support “the cause” directly or indirectly. Anti-imperialism was popular among citizens of former British, French, and Portuguese colonies, and Communist ideology struck a cord with poor people living under authoritarian governments in Latin America. Millions of blue-collar workers and many intellectuals in western Europe also embraced leftist ideologies, including communism. In sum, the Soviet cause, which effectively assisted Russian expansionism, enjoyed considerable support throughout the world.

The USSR's collapse put an end to this support. At present, Russia elicits no such favorable feelings across the globe. On the contrary, millions abhor Russian atrocities in Chechnya and protest the invasion of Georgia and the killing of dissidents at home and abroad. Under Putin, Russia turned into an authoritarian regime. This type of government does not enjoy widespread support among the world's populace—people overwhelmingly prefer liberal democracy instead. Moreover, Russian rulers have used nationalism as a unifying force, and this tactic obviously runs against the feelings of all non-Russians.

The low degree of respect Russia enjoys internationally is well illustrated by the number of nations that followed it in recognizing the independence of Abkhazia and South Ossetia—only two: Nicaragua and Venezuela.

Conclusion

The years following the 1998 financial crash represented a significant economic rebound for Russia. The driving force behind this development, however, was the global boom in commodity prices. Putin's administration failed to take advantage of

10. Such an environment is highly conducive to fraud. Transparency International has consistently rated Russia among the most corrupt nations in the world. In 1996, the Corruption Perception Index for Russia stood at 2.6 (a value of 10 indicates no corruption at all), placing the nation 47th out of 54; it stood at 2.2 in 2009, or 146th out of 180 nations (Transparency International 2009). PricewaterhouseCoopers LLP finds that with regard to employee theft and extortion by officials, Russia is the worst country on earth (Nicholson 2009). Even President Medvedev speaks of “endemic corruption” that has “debilitated Russia from time immemorial” (2009b). Indications are few, however, that the issue will be effectively tackled any time soon.

this period of prosperity and did not introduce reforms that could put Russia on a long-term, fast-growth path. Today, Russia is less democratic, open, and market oriented, and property rights have less protection than under Boris Yeltsin, yet the country is equally corrupt. This environment does not foster innovation, investment, and risk taking, and the boom masked the fact that the Russian economy not only is much less developed than Western countries' economies, but also is falling rapidly behind the economies of some developing nations, China in particular.

Russia is also undergoing a health crisis and has a very low birth rate, and these conditions contribute to an unprecedented demographic disaster. The population has been shrinking, and this shrinkage is expected to continue for decades. Moreover, the ethnic composition may shift significantly in favor of minorities associated with Islam, who were traditionally indifferent, if not hostile, to Russian expansionism. Economic underdevelopment, combined with a declining population, will make Russia's ability to regain past military strength extremely difficult. The loss of ideological attractiveness will also hinder Russian attempts to reclaim a global power status; the nation now champions no principles that might appeal to the world public.

Nevertheless, the Kremlin seems oblivious to current realities and long-term trends. Almost at every turn, Moscow assumes an offensive posture and creates problems for U.S. foreign policy, even in circumstances in which a U.S. failure might pose a mortal danger to Russia itself. The best example is the attempt to interrupt U.S. operations at the air base in Manas, a vital link in the Afghan war effort. If the United States were to limit its engagement in Afghanistan and the country were further destabilized, this development would create much graver problems for the Kremlin than for the United States because it might well reinvigorate unrest in the Muslim-populated “Near Abroad” and reignite a full-scale guerilla war in the northern Caucasus—developments that Moscow should avoid at any cost. Therefore, the Putin–Medvedev era has every potential to be remembered as a period of overstretch for which future generations may pay a heavy price.

The Russian position on the world stage is predicted to weaken overall. The recent resurgence of Russian expansionism, intimidation of former Soviet republics, and the challenging of U.S. global dominance are most likely to backfire, and the likelihood of a new cold war is remote.

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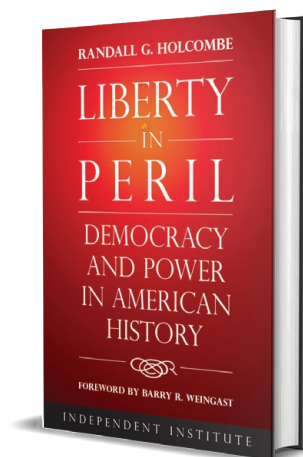
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