

# Putin's Paranoia, More Than Nuclear Weapons and Oil, Make Russia Dangerous

The remarks by United States President Joseph Biden at the Office of the Director of National Intelligence last week (July 27) made a strong but ambivalent impression in Moscow. His warning regarding Russian misinformation and interference in the 2022 mid-term elections in the US was countered with the usual denials (RIA Novosti, July 28). Instead, the most emotional protests came in response to Biden's assertion that his Russian counterpart, Vladimir Putin, was dangerous because he presides over a weak economy. Russia boasts "nuclear weapons and oil wells and nothing else," he argued (Izvestia, July 28). This was certainly a deliberate oversimplification: the US president was addressing an expert audience that surely knew better, and so the offense to Moscow was most probably intended. Indeed, Putin's troubles are far more complicated than overseeing shrinking petro-revenues and an aging nuclear arsenal. And that complexity of challenges to his autocratic regime is key to understanding what actually makes the Kremlin leader dangerous (Ezednevny Zhurnal, July 29).

Russia's nuclear might is beyond doubt. The nuclear sphere has been prioritized in successive armament programs over the last ten years, with massive funding channeled into the modernization of its key elements. These colossal investments yield scant political dividends at home. But the newly established strategic stability talks with the US have granted Russia the desired status of an equal counterpart and boosted its self-confidence on the international stage (Izvestia, July 28). Russian officials confirm their readiness to discuss even such formerly non-negotiable matters as non-strategic nuclear warheads, and they suggest expanding the format to include France and the United Kingdom—though remaining conspicuously mum about China (Nezavisimaya Gazeta, July 28). New data on the fast buildup of Chinese strategic missiles has come as a surprise for Moscow, proving that political declarations about the ever-tightening partnership with Beijing are mostly rhetorical (Kommersant, July 28). China's intercontinental nuclear strike capabilities, however, are set to transform the global strategic balance, creating new risks for Russia, whose territory would necessarily be crisscrossed by the planned flight paths of these new Chinese missiles (Novaya

Gazeta, July 29).

Meanwhile, in the world of oil and natural gas markets, Russia's positions are quite vulnerable. Even though the oil and gas industry makes up only 15 percent of Russia's GDP, according to the Kremlin's riposte to Biden's comments (RIA Novosti, July 28), the national dependency on the inflow of energy export revenues is much more profound, making up between roughly a third and a half of the state's annual budget each year since 2005 (Warsawinstitute.org, August 25, 2020). Yet China is interested in pressing the benchmark oil price down, and Russia is wary of acting against this interest (Izvestia, July 31, 2021). The main target of Moscow's instrumentalization of gas export for political purposes is Europe. Therefore, the US-German July compromise on the controversial Nord Stream Two pipeline is perceived as a major success (see EDM, July 21). Ukraine has every reason to expect that in the next round of tensions, Moscow will shut down the gas transit through its territory (Gas & Money, July 23). However, such crude pressure might backfire severely in the situation where the European Union places a strong priority on reducing emissions. The proposition on cutting down energy imports from Russia could be converted into a political directive (Carnegie.ru, July 26).

The Russian economy certainly has sources of strength beyond the production of oil, gas and coal: agriculture is benefitting from state subsidies aimed at ensuring self-sufficiency; timber remains a valuable export resource; and the bosses of metal corporations sit at the top of the list of Russian billionaires (Forbes.ru, April 23). The Russian IT sector is also blossoming notwithstanding persistent government efforts to expand control over the virtual economy, justified by an informational security doctrine that treats the cyber domain as part of state sovereignty (see EDM, December 16, 2016 and March 27, 2018; Kommersant, July 30, 2021). Russia also has solid financial reserves estimated at \$600 billion, and the state budget remains balanced even in the situation of protracted stagnation (RBC, June 30).

This complexity of Russia's economic structures and interactions renders "simple" political instructions, like the prescription to minimize the holdings of US dollars in the national currency reserves, unfeasible or counterproductive (Carnegie.ru, July 29). The Russian economy has shown remarkable resilience against Western sanctions, but it cannot—despite whatever orders are issued by the Kremlin—achieve a strong recovery from the contraction caused by the still

spreading pandemic (Nezavisimaya Gazeta, July 27). Macro-economic statistics can be carefully doctored, but the continuing contraction of household incomes translates into worsening demographics. It is impossible to hide the plain fact that in 2020, Russia's population declined by 700,000 people. This year may see an even sharper drop (Rosbalt, July 27).

Putin is eager to simulate firm leadership in economic policymaking while delegating the responsibility for setbacks to lower levels of the monumental bureaucratic pyramid (Ezhednevny Zhurnal, July 20). He advertises a package of technological innovations designed by "technocrats" in the government. Still, he relies far more on traditional bureaucrats, who manage the distribution of funding according to an informal balance of interests (Forbes.ru, July 30). Corruption is the fundamental principle of this management of stagnation, and the occasional punishments of some "excesses" only illuminate the scope of this phenomenon (Novaya Gazeta, July 29). The working assumption in the Kremlin is that the system of bureaucratic corruption has sufficient reserves of stability and capacity for self-reproduction, while public discontent can be effectively suppressed (Republic.ru, July 28). Protest activity in Russia has been all but eliminated by the escalation of repressions; but what this enforcement of autocratic order cannot deliver is a capacity to mobilize society and the economy for a sustained struggle against the much castigated external "enemies."

Official discourse on the irreducible confrontation between a "besieged" Russia on the one hand and an "aggressive" West on the other serves the interests of the beneficiaries of institutionalized corruption just fine, until the state starts to demand a concentration of all available resources—including their ill-gotten fortunes—for the task of military buildup. Putin is caught between the greed of his "oligarchs" and the ambitions of his *siloviki* (security services personnel). He may be enjoying every luxury his status as "great leader" provides, but dark visions of inescapable global violent conflict increasingly cloud his judgment. Biden's reference to a "real shooting war" was intended as a warning about the risks of cyberattacks, but Putin apparently believes that Russia's interminable war with the US-led West can remain "hybrid" for only so long. It is this conviction, exploited by the top brass and fueled by self-deceiving propaganda, that makes Russia dangerous.

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