

# Is Russia Rising?

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**A** great deal has changed for the better in Russia in the past ten or so years. Political authority is determined by competitive elections at virtually every level. More than 70 percent of Russia's gross domestic product (GDP) is produced in the private sector. The economy and the society of Russia have been demilitarized to a greater extent than at any time in modern history. Several hundred thousand nongovernmental organizations have emerged to form the core of a growing civil society. The transformation that is taking place in Russian politics, economics, and society has been accompanied by a revolution in foreign and security policy as well. After more than forty years of opposition to the West during the cold war, Russia has worked with the North Atlantic Treaty Organization (NATO) to bring peace to Yugoslavia and has supported the United States in the war against the Taliban in Afghanistan. Russia has acquiesced to a U.S. military presence in Central Asia as well as in the Caucasus; is actively seeking membership in the World Trade Organization; and seeks to integrate more deeply with NATO and the European Union (EU).

Of course, there are many dark spots in the picture as well. The war in Chechnya grinds on with no end in sight. Arbitrary arrest and imprisonment of some activists and scholars and the curtailment of media freedom impinge on human and civil rights. Political life has acquired a stage-managed quality, and political parties have been stunted in their development. Social services for most of the population have continued their decline and poverty has grown. The overall health of the Russian population has worsened, contributing to a deepening demographic crisis. Despite protestations to the contrary, Russian enterprises continue to proliferate nuclear and ballistic missile technologies.

In the past year there have been many articles, essays, and commentaries marking the tenth anniversary of the collapse of the Soviet Union and addressing various aspects of Russian development over the first post-Soviet decade. In this essay, I look farther into Russia's future. What will we be saying about Russia twenty or thirty years after the collapse of the Soviet Union? What forces will shape Russia in the next decade or two? Can one make a plausible argument that

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Russia is rising after an undeniably precipitous fall? Let us stretch our imaginations and get beyond what may or may not be the inscrutable Putin's true intentions, the implications of NATO expansion, and other issues of the day. I should say at the outset that one embarks on such an exercise with much trepidation and humility; after all, in 1982 virtually nobody predicted the Russia that exists today.

### **Potential Economic Growth and Great Power Status**

The future economic development of Russia is a reasonable place to begin, as success in that area could provide the foundation for increasing both the size of the middle class, which is essential to Russia's democratic development, and the resources allocatable to foreign and security policy. Fortunately, the egregious miscalculations that marred estimates of the size of the Soviet economy twenty years ago are most certainly a thing of the past. It is unlikely that present estimates of the Russian economy are as far off the mark and they thus provide a more reasonable basis for speculation on Russia's future economic performance. For example, in *The Rise and Fall of Great Powers*, Paul Kennedy cited World Bank figures indicating that the Soviet GDP in 1980 was a little less than 50 percent of the U.S. GDP (\$1.2 and \$2.6 trillion, respectively).<sup>1</sup> Nineteen years later, in 1999, the World Bank estimated the U.S. GDP at \$9.1 trillion and the Russian GDP at \$401 billion. Taking into account that Russia is not as large as the Soviet Union, which skews the comparison somewhat, it is hard to believe that even Russia fell that far that fast. It is certain that Russia will not be able rapidly to recover such relative economic power, if indeed it ever had it.

To help us think about how large the Russian economy could be in ten or twenty years, tables 1 and 2 list World Bank calculations of Russia's GDP and relative position in 1999 and projections of possible growth, along with comparisons of growth in selected countries.<sup>2</sup> The projections show average growth rates over ten and twenty years for Russia and other leading countries at 3, 5, and 7 percent, using 1999 figures at fixed exchange rates.

In the next twenty years, probably the best-case scenario for Russia would produce an economy about the size of Brazil's or India's, depending on their own growth rates. Instead of being less than 5 percent of the U.S. economy, perhaps Russia could grow to 10 percent of the U.S. economy; a far cry from where we thought the Soviet Union was twenty years ago.<sup>3</sup> It will almost certainly not be possible for Russia to catch up with China, although its per capita income will remain substantially higher. Instead of being one-fifth of the size of the German economy, Russia may be one-quarter or one-third, and it may be more than half the size of the economy of France or Great Britain. Rather than languishing in fifteenth place in the world, Russia has a reasonable chance of cracking the top ten world economies in twenty years, but it will be nearly impossible to advance beyond eighth place in that time.

### **Russian Foreign and Security Policy**

Because military power is derived from economic and technological strength, we can also conclude that it is impossible for Russia to mount the kind of superpower

**TABLE 1. Gross Domestic Products of Russia and Selected Countries, 1999  
(in current U.S. \$ billions)**

Rank <sup>a</sup>	Country	GDP	GDP, PPP	Rank in PPP
1	United States	9152.1	8867.7	1
2	Japan	4346.9	3151.3	3
3	Germany	2111.9	1949.2	5
4	France	1441.8	1342.2	6
5	United Kingdom	1432.3	1314.6	7
6	Italy	1171.0	1278.1	8
7	China	989.5	4534.9	2
8	Brazil	751.5	1182.0	9
9	Canada	634.9	800.4	12
10	Spain	595.9	712.5	14
11	Mexico	483.7	801.3	11
12	India	447.3	2242.0	4
13	Korea, Rep.	406.9	736.3	13
14	Australia	404.0	466.1	16
15	Russia	401.4	1092.6	10
16	Netherlands	393.7	382.7	19
17	Argentina	283.2	449.1	17
18	Switzerland	258.6	193.9	33
19	Belgium	248.4	260.2	26
20	Sweden	238.7	200.5	32
21	Austria	208.2	203.0	31
22	Turkey	185.7	410.8	18
23	Denmark	174.3	137.8	42

Source: World Bank, *World Development Indicators 2001*, CD-Rom (Washington, D.C.: World Bank, 2001).

<sup>a</sup>Countries listed in order of gross domestic product, not adjusted for purchasing power parity (PPP).

military capacity that it did during the cold war, even if it wishes to do so. Military expenditures beyond 5 percent of GDP would have a detrimental effect on long-term economic growth (compared with the astronomical level of more than 20 percent allocated for the military during the Soviet period). Thus, Russia will be in no position to balance U.S. power but will likely instead choose to bandwagon with the United States, a strategy that proved extraordinarily successful for Western Europe and Japan during the cold war and after. Because of its long shared border with China, Russia's relations with China will remain important, but an alliance with China (or any other state) against the United States is unlikely as it would conflict with Russia's developmental needs. The combination of the need for internal development and the nature of Russia's external security environment will push Russia to further advance a foreign policy orientation of "leaning to one side" (the West), while simultaneously continuing to develop constructive relations with key partners on its periphery including China, Japan, India, and Iran.

**TABLE 2. Projected Growth Rates for Selected Countries (GDP in current U.S. \$ billions)**

	10 years <sup>a</sup>			20 years <sup>b</sup>		
	3%	5%	7%	3%	5%	7%
United States	12299.7	14907.8	18003.6	16529.7	24283.2	35415.7
Japan	5841.9	7080.6	8551.0	7851.0	11533.6	16821.1
Germany	2838.2	3440.1	4154.4	3814.3	5603.5	8172.4
China	1329.8	1611.8	1946.5	1787.1	2625.4	3829.1
Brazil	1010.0	1224.1	1478.3	1357.3	1994.0	2908.1
India	601.1	728.6	879.9	807.9	1186.8	1730.9
Russia	539.4	653.8	789.6	725.0	1065.0	1553.3
Turkey	249.6	302.5	365.3	335.4	492.7	718.6
Korea, Rep.	546.8	662.8	800.4	734.9	1079.6	1574.6
Mexico	650.1	787.9	951.5	873.6	1283.4	1871.8

Source: World Bank, *World Development Indicators 2001*, CD-Rom (Washington, D.C.: World Bank, 2001).

<sup>a</sup>Calculated assuming growth of 3, 5, or 7 percent every year for 10 years.

<sup>b</sup>Calculated assuming growth of 3, 5, or 7 percent every year for 20 years.

Russia has been extraordinarily sensitive about developments in Central Asia and the Caucasus. This southern periphery is composed of former Soviet republics and has been jealously viewed by Moscow as within its sphere of influence. It would be premature at this point to suggest that Russian acquiescence to the U.S. military presence in Central Asia and Georgia in the wake of 11 September amounts to a real partnership. However, there are a number of indications—including Russia's more flexible position on the legal demarcation of the Caspian Sea and its interest in resolving conflict between Armenia and Azerbaijan—that Russia's zero-sum approach to the Commonwealth of Independent States (CIS) is gradually dissipating. First there is the recognition that Russia does not have the capacity alone to address potential security threats such as terrorism, Islamic extremism, and drug trafficking. The failed state of Afghanistan under the Taliban epitomized the worst-case scenario, but a number of other states in Central Asia and the Caucasus suffer from some of the same pathologies. Moscow views unstable and weak regimes in the region less as an opportunity to exert influence and more as danger to Russia's interests. This marks a significant shift in Russian foreign policy under Putin. In part this shift can also be traced to the increased importance that Putin gives to economic factors in prioritizing regional interests.

To the east, although many Russians are nervous about the growing power of China, for the next twenty years the greatest danger to Russia would be instability in China. China's diminished capacity to govern effectively could make border management more difficult. We should expect that Russia and Japan will resolve the dispute over the Kuril Islands and sign a peace treaty well before twen-

ty more years pass, closing the book on World War II. This long-awaited agreement would enhance Russia's geopolitical position in Asia as well as encourage more Japanese economic engagement with Russia. But the underdeveloped legal and financial infrastructure to protect foreign investors discourages Japanese investment more than the dispute over the island. In the coming years, Russia's greatest challenge in Asia will be to reinvigorate the depressed Russian Far East by creating a more attractive investment climate for Asian business interests. Russia's initial ticket to greater economic integration into northeast Asia should be energy exports, and the investment required to develop the extraction and pipeline infrastructure will involve multiple partners.

The expansion of the EU eastward will result in greater interaction with Russia whether Europe likes it or not. Europe already is and will continue to be Russia's largest trade partner. Even more so than in Asia, Russia will be an essential energy supplier to Europe. Increased trade with Europe based to a considerable extent on Russian exports of oil and

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gas, however, does not ensure that Russia will become a fully democratic polity. It is possible that Russia could evolve into a necessary evil for Europe, much as Saudi Arabia is for the United States. Putin's avowed European vocation for Russia may be ephemeral. I am more optimistic on this score, however. Because of Russia's discomfort with overweening U.S. power, concern about its southern periphery, and uncertainty about the durability of partnership with China, Russia will have strong geopolitical as well as economic incentives to solidify ties with Europe. And because of geographic proximity, Europe will have a strong interest in a stable Russia that is more integrated into European economic and political institutions. This logic will encourage steady pressure on Russia to strengthen its market and legal institutions as well as to abide by human rights norms.

The prospects of Russia's becoming a full member of the EU by 2022 are difficult to assess; how effectively integration of the ten future members now on the waiting list proceeds will shed some light on Russia's chances. But we can certainly anticipate that Russia's affiliation with the EU will become much tighter and increasingly institutionalized over time. Russia's future relationship with the main Euro-Atlantic security institution, NATO, is perhaps even harder to predict since it will depend to a great degree on what role and mission this institution plays in international security issues in the future. It seems that NATO now is evolving more into a political institution with less operational military significance—something the Russians have long advocated. NATO may no longer exist twenty years from now, but if it does I would venture that Russia will be a full member. A more tantalizing question outside the scope of this essay concerns the future of U.S.-

European relations. Already on a wide variety of important foreign policy issues such as the Kyoto Protocol, missile defense, Iran and Iraq, and others, the Europeans are in greater agreement with Russia than with the United States.

Over the course of the coming years there will be ample opportunity to turn the rhetoric of U.S.-Russian strategic partnership into reality. The status of the United States as sole superpower is unlikely to change, and it is possible that the distance between the United States and the rest of the world in military capabilities could be even greater. Simply by virtue of its enormous Eurasian geography, Russia will have interests, as it does today, in Europe, the Middle East, the Caspian, Central Asia, South Asia, and East Asia. Russia's inclination and capacity to act positively to enhance regional security appear to be changing now. For the past ten years the U.S. security agenda with Russia has been principally defined by negatives: do not proliferate nuclear and ballistic missile technologies; do not compromise the independence of CIS neighbors; do not support international rogues such as Milosevic, Saddam Hussein, or others. The terrorist attacks of 11 September 2001, and President Putin's subsequent support for the U.S. military action in Afghanistan have helped us to break this negative paradigm. Certainly our interests will not always coincide, and there will be ups and downs. For example, it will be difficult but important in the near term for Washington and Moscow to resolve longstanding differences over Iran and Iraq. Failure to reach a creative consensus on these countries will imperil any future partnership to constrain proliferation of weapons of mass destruction. But broadly speaking, Russia desires peace and stability to focus attention on domestic recovery, and the United States has the greatest capacity to supply security in the regions most important to Russia on its vast periphery, from East Asia to Central Asia to the Caucasus. Although it is unlikely that Russia will be a major oil and gas supplier to the United States, Russia will continue to play a growing role in international energy markets.

### **A Sketch of Future Russian Internal Dynamics**

Generational change will greatly influence the Russia of twenty years hence. Recall that both Gorbachev and Yeltsin represented a new generation of Soviet leadership that finished their education and started their professional lives after the death of Stalin. The current Russian leadership is now dominated by "baby-boomers" who were educated and began to work during the decades of stagnation. In twenty years, Russia's political and business elites will be increasingly drawn from those who completed their higher education after the collapse of the Soviet Union. Increasing numbers will have studied in the West, and far larger numbers will travel internationally on a regular basis. They will be computer literate and able to surf the Internet for a cornucopia of information. They will not have personal experience with the literal and figurative walls that separated their parents and grandparents from the rest of the world. The cold war will only be a topic of history. And with any luck, they will mature in a world in which Russia is recovering and on the rise rather than stagnating or worse. Their career prospects and opportunities for self-fulfillment will be expanding rather than contracting. Since this generation's formative experiences will so differ from those

of their predecessors, there will be enormous consequences for Russia that I hope will be broadly positive.

It is too early, however, to draw conclusions about the outlook of the generation that will rule Russia twenty years hence, and it is possible that Russia's equivalent of "generation X" (those born after 1964) will look more like a "lost generation." Much of this generation will have reached the formative years of adolescence during the 1990s, a decade of traumatic societal dislocations. We already know that increasing numbers of people are retreating to drugs and alcohol to assuage psychic pain and despair. The sharing of needles among drug users and the failure of so many to practice safe sex in the face of an HIV epidemic speak not only to ignorance but perhaps more to a profoundly pessimistic view of the future. And while some of the walls of the Soviet period have broken down, new walls have arisen to constrain one's socioeconomic status. In comparison with the Soviet period, students' access to the elite institutions of higher learning is now based more on financial means than on academic merit. There are fewer students from the provinces enrolling in the top institutions in Moscow and St. Petersburg.

Russia remains mired in a demographic crisis. Because it is very difficult to turn around deeply embedded demographic trends, it is virtually certain that the Russian population of 145 million today will be no higher than 135 million, and possibly substantially less, in twenty years. The generation of Russian children and youths of the 1990s is probably more sickly than any since World War II. Most worrisome is the explosion in the number of HIV infections in Russia that, if left unchecked, could approach proportions comparable to some parts of Sub-Saharan Africa in a few years. Drug addiction continues to rise and alcohol consumption remains high. Not only will the size of the labor force likely be smaller than today but also its quality may be further diminished by chronic health problems.

Migration policy may alleviate demographic decline, but growing Asian and Muslim populations may give rise to aggravated social and ethnic tensions. U.S., European, and other international experience of recent decades suggests that growing minority populations can contribute significantly to economic, intellectual, and cultural dynamism. Russia's geography makes it a natural candidate for being a sort of Eurasian melting pot, and if managed effectively this could be a great help in aiding Russia's recovery. But for Russia to become a net importer rather than exporter of human capital, local conditions must provide for greater prosperity and opportunity. In the tsarist period, for example, Russia attracted thousands of Germans who contributed a great deal to the prerevolutionary development of Russia. It is certain that in the future, Russia will be more ethnically diverse than it is today, and if it manages to sustain economic growth over the next twenty years it could be an attractive land of opportunity for those on its periphery with less means but plenty of ambition.

One of the most positive developments of the past ten years has been the emergence of a growing middle class. Judyth Twigg has estimated that between 10 and 15 percent of the Russian population can qualify as "middle class," and between 5 and 7 percent enjoy Western middle-class standards of living.<sup>4</sup> And despite the dip after the 1998 financial crisis, this number has been growing fairly steadily.

Barring another long downturn in the Russian economy, the growth of the middle class will continue. These are the people now buying cars and cell phones and building dachas at record rates, and this is the sector that will be the backbone of any Russian liberal market democracy in the future. Once private property rights are resolved and a real banking sector emerges—developments we can expect long before 2022—these will be the people taking out mortgages, making house payments, and investing retirement funds in domestic and international equities.

The development of a business climate less hostile to small businesses and start-ups will provide more opportunity for a growing middle class and offer greater opportunities for innovation and technological breakthroughs to emerge from Russia in the future. The Russian economy today suffers from endemic corruption, legal deficiencies, and an underdeveloped banking sector. Progress in rectifying these problems would be especially beneficial for small businesses and start-ups. The current Russian economy is dominated by fifteen to twenty large conglomerates that have very close ties to the state as well as, in most cases, large interests in the development of natural resources. Huge chaebol-like firms involved in natural resource extraction will certainly be an important feature of Russia's economic landscape in twenty years' time. But Russia's ability to foster a climate more welcoming to small businesses and start-ups would probably make better use of the comparative advantages Russia has in some areas of science, mathematics, and technology. Russia possesses some of the human capital prerequisites to become a significant player in the ongoing high-tech revolution in the coming decades, but it will require breaking from Soviet- and tsarist-era economic cultural traditions of state-directed management to fully realize this potential.

The start of a new century holds special significance for Russia, since the twentieth century was in so many ways such a disaster. The last ten years or so may be likened to a modern-day "Time of Troubles." Russia began the twentieth century with status and power comparable to those of other European powers of the times as well as the young United States. We know where Russia finished the century. Decisions that Russians made during much of the last century had a tremendous impact not only for Russians, but also for Americans and much of the rest of the world. It has been fashionable in recent years to dismiss Russia as a dysfunctional has-been, a country that does not matter a great deal anymore. Looking over the thousand-year history of Russia, I can only conclude that such a view is shortsighted and premature.

Call me a wild-eyed optimist, but I think Russia is on the comeback trail. It is often not pretty, and progress does not move in a straight line. And to suggest that Russians will experience overall a twenty-first century better than the previous one is not exactly going out too far on a limb. Perhaps only Argentina can compare with Russia's steep fall from grace over the last one hundred years. One prediction I had right in 1991 was that things would get considerably worse for Russia before they got better, and I compared its fate to a J-curve in macroeconomics.<sup>5</sup> It would give me considerably more gratification to look back on this essay in twenty years and realize I was not optimistic enough about Russia's future.



**NOTES**

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1. Paul Kennedy: *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* (New York: Vintage Books, 1989).

2. The projections use 1999 baseline numbers from the World Bank, *World Development Indicators 2001* (Washington, D.C.: World Bank, 2001).

3. Three percent is a reasonable average growth rate for the United States because it has been the average for the last fifty years. Note that prolonged U.S. flat growth would likely mean a global recession that would constrain the growth of all.

4. Judyth Twigg, "What has happened to Russian Society?" in *Russia after the Fall*, Andrew C. Kuchins, ed., (Washington DC: Carnegie Endowment for International Peace, 2002).

5. See for example, "The Soviet 'Sick Man' of Asia: The Sources and Legacy of the New Political Thinking in Asia," in *Russia and Japan: An Unresolved Dilemma between Distant Neighbors*, Tsuyoshi Hasegawa, Jonathan Haslam, and Andrew C. Kuchins (Berkeley CA: University of California at Berkeley, 1993). The chapter was initially prepared for the conference on "Soviet-Japanese Relations: Domestic and Foreign Policy Linkages," that was held in September 1991 in Berkeley, California.