

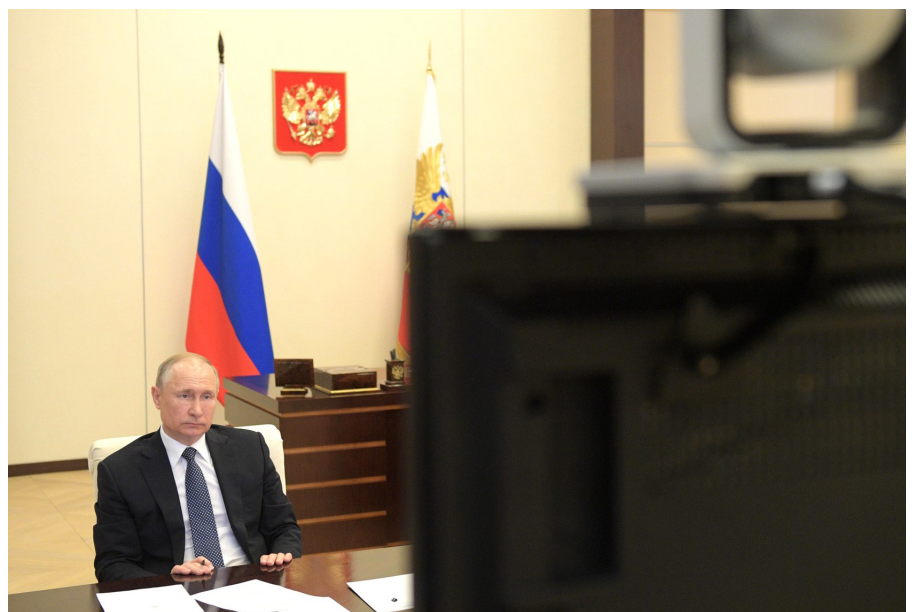
Virus in the System: Russia and the Corona Crisis

The coronavirus crisis is a strain on the Russian economy and constitutes a stress test for the popularity of the regime. Its political system will be busy managing the domestic consequences of the pandemic for some time, which could result in foreign policy being more strongly guided by economic considerations.

By Jeronim Perović

Russia reacted quickly, closing its land border with China early on at the end of January 2020, after information became available about the extent of the outbreak of the virus in the Chinese city of Wuhan. By the end of March, the administration had closed all national borders and air traffic was also completely suspended. Despite these strict measures, the virus spread throughout Russia too. The Russian administration reported the first official infection with the novel coronavirus on 2 March. One month later, the number of cases had shot up. By the end of June, the country already had over 600,000 infections, placing it third in the world in terms of the number of cases, behind the US and Brazil.

As opposed to the Belarusian President Alexander Lukashenko, Russian President Vladimir Putin never tried to deny the danger posed by the virus. However, for a long time, the Russian leadership sought to convey the impression that the situation was completely under control. It took until 25 March for Putin to address the population in a long televised speech to make them aware of the dangers facing Russia. The President encouraged citizens to self-isolate for a week. Important events such as the constitutional reform referendum and the Victory Day military parade on 9 May were postponed. In especially badly affect-



From his residence in Novo-Ogaryovo outside of Moscow, President Vladimir Putin holds a video conference on the latest development of the pandemic in April 2020. *Kremlin.ru*

ed parts of the country, in particular the city of Moscow, the regional authorities in some cases went as far as to impose radical restrictions, including full curfews.

However, the administration continued to try to gloss over the true extent of the crisis by reporting strikingly low death rates in the official statistics. Russia reported more than 9,000 deaths attributed to COV-

ID-19 at the end of June, which corresponds to a mortality rate of 1.4 per cent. This means that the rate was significantly lower than in most other European countries or in the US, which had a mortality rate of 5 per cent at the end of June.

Russia sought to explain its low death rate as proof of the “high quality” and thus ultimately the superiority of the Russian

healthcare system over that of the West, as Kremlin Spokesman Dmitry Peskov explained in an interview with the TV station CNN. In reality, the low figures are actually due to the cause of death for many coronavirus patients being recorded as “severe pneumonia” or being attributed to another disease. However, surveys of the population at the beginning of April showed that around half of Russians did not trust the official statistics and assumed that the numbers of infections and deaths were actually higher.

The Russian healthcare system may not have fallen apart — but serious shortcomings cannot be covered up despite state propaganda. Reports of a lack of protective equipment, ventilation equipment, and medical staff predominantly reached the public on social media and independent news sites. After a local mufti in Dagestan drew attention to the catastrophic situation in his republic in mid-May, Putin himself

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was forced to admit to the Dagestani authorities during a virtual conference on state television that the situation in the North Caucasus republic was “complicated” and required close attention.

Economic Consequences

The coronavirus crisis has hit the Russian economy at one of the worst possible times. Since 2014/15, it has been impacted by low oil prices and Western sanctions and has recorded only moderate growth rates over the past three years. Oil prices fell to historic lows in March and April, right at the time the coronavirus crisis began. This was due to a decline in demand and a global surplus, fuelled by a dispute over production volumes between Russia and Saudi Arabia as part of the cooperation format with the Organization of the Petroleum Exporting Countries (the so-called OPEC+). The price only levelled out at the beginning of May, at around 40 USD a barrel. The Russian state budget, a good third of which is financed by taxes on oil and gas exports, requires this benchmark as a minimum to remain balanced. Therefore, the country’s financial means were already stretched to the limit before the crisis began and are now being strained further due

to increases in public spending taking the form of support measures for the economy and the people. Russian Minister of Finance Anton Siluanov also made it clear back in the beginning of April that the “golden years” for the Russian economy are over.

It is true that the forecasts paint a rather bleak picture. The fact that Russia’s export-oriented industry – in particular, the raw materials sector – will also be forced to deal with low revenues in the near future due to the expected global recession and the persistently low oil price is likely to have a particularly negative impact. In accordance with other estimates, the International Monetary Fund is predicting that economic output in Russia will decline by over 5 per cent in 2020.

However, the extent of the economic crisis should also not be overstated – the Russian economy is used to crises. Unlike during the global financial crisis in 2008 and the recession in 2014/2015, today Russia seems better equipped to withstand the double shock caused by the low price of oil and the coronavirus crisis. The country has a low level of foreign debt, large currency reserves, and a National Welfare Fund that amounts to around ten per cent of GDP. A significant part of this state fund is stockpiled by the Central Bank of Russia in the form of gold and currency reserves. These reserves as well as the strict financial austerity pursued in recent years should help to absorb the negative effects of the crisis, at least for a certain amount of time. If the actual disposable income of citizens keeps decreasing as the crisis continues, the unspoken “pact” between the state and society – loyalty to the regime in return for security and prosperity – could be destabilized. To avoid this, pressure to increase spending in the public sector is likely to grow in the short to medium term.

Effects on Domestic Policy

To prevent even greater damage to the economy, various Russian regions – including the city of Moscow, which was worst hit by the virus – eased restrictions at the beginning of June, probably in response to pressure from the Kremlin. The reason behind this is also political: Putin needs the support of the population for the constitutional reform referendum on 1 July, which allows him to contest a further two tenures as president. In addition, there are upcom-

ing elections to the State Duma (the Russian parliament) in 2021. Back in autumn 2019, during the regional elections, candidates from opposition parties managed to achieve notable success against the state party United Russia, primarily in Moscow. Despite the curtailment of democratic freedoms, elections are still the basis of the Russian regime’s legitimacy and are also an indicator of the population’s loyalty.

The fact that Russia’s autocratic regime is struggling to deal with the coronavirus crisis is reflected in the handling of the number of COVID-19 deaths, but also by the attempts by state media to play down or completely cover up the failings of the Russian health care system. However, Russia’s handling of the crisis also gives in-depth insights into how the Russian political system works.

Russia is a federal state according to the constitution and organizing healthcare services lies largely within the remit of the individual “federal subjects” (regions), of which there are 85 today. However, taking into account the extent of the crisis and the fact that the political system is highly centralized in practice, we could have expected that the federal center would have been more active in coordinating measures to combat the spread of the virus throughout the country. Above all, the Russian population should have been surprised that their otherwise ever-present “leader” was largely absent in the first few weeks, leaving the specific handling of the crisis to the administration and governors of individual regions. Putin also refrained from declaring a national state of emergency, which only he as President can do and which would have brought in curfews across the entire country. The energetic leader was not Putin in this case, but his Prime Minister Mikhail Mishustin and, to an even greater extent, the Mayor of Moscow Sergey Sobyanin.

The fact that Putin largely stayed away at first and only became more active from mid-April onwards can be interpreted as an expression of the President’s clear discomfort with this kind of crisis. For once, Russia was confronted with a problem that could not simply be blamed on an external or internal “enemy”. In any case, Putin feels uncomfortable when bearing bad news. Instead of taking responsibility and then having to accept the blame for any mistakes, he delegated powers to fight the pandemic down the chain of command. This behavior by Putin has not met the Russian population’s expectations – according to surveys



conducted by the non-governmental Levada Center at the end of April, his approval rating has fallen to under 60 per cent for the first time since his first tenure as president began. Less than half of those surveyed were satisfied with the work of the Russian administration during the same period.

Implications for Foreign Policy

At first, Russia sought to make foreign policy gains from the global pandemic by offering assistance to numerous states in the fight against the disease. As a result, the Russian military delivered coronavirus test kits, masks, and protective equipment to countries including Italy, Serbia, and even the US, and presented this to the media as a selfless act of charity. Alongside this aid campaign, Russia intensified its disinformation campaign via state media and other channels in order – like China or Iran – to use the crisis to its advantage in its systemic struggle with the West. A typical example of this was a false report on a Russian news portal that the virus was created as a NATO weapon to weaken other countries.

However, as the crisis continued to deepen within Russia, these arguments became rapidly less and less important in the domestic political discourse. Putin's live discussions on state television with members of the administration or the governors were essentially about technical measures, or involved talks about how to structure support for Russian companies and aid for the population. In this respect, discussions within Russia were not dissimilar to those taking place in other European countries. Foreign

policy and geopolitical considerations clearly took a back seat.

The prominence of internal economic and social affairs also had an impact on Russia's dealings with the countries in the Eurasian Economic Union (EAEU). When Russia closed its borders with neighboring countries, it became clear that in times of crisis, only limited solidarity could be expected from Russia. The border closures not only restricted the movement of goods, but also prevented tens of thousands of Central Asian workers from entering Russia to help with the harvest. This will not only lead to a crisis in Russian agriculture, but also problems in Central Asia, where economies depend largely on remittances from migrants. In the future, Russia will continue its involvement in the EAEU and push forward integration, but its behavior during the crisis has also shown that this project, driven up to now by Russia primarily for geopolitical reasons, is currently of secondary importance given Russia's own economic problems.

The international repercussions of the pandemic have made one thing abundantly clear to Moscow: Russia continues to have enough power and resources to exert a regional influence and to play a selective role in global conflicts, whether in Syria, Libya, or Venezuela. When it comes to shaping the international order, however, the country can only have a limited influence due to its reduced economic and financial resources. Above all, it is the US and the emerging

superpower China that are shaping world order. However, from a Russian point of view, increased tensions between the US and China bring only limited advantages. A new bipolar global order dominated by the US and China does not correspond to the idea of a multipolar world that Moscow has been promoting since the early 1990s.

In this light, it could be expected that Moscow will uphold its "strategic partnership" with Beijing, while trying to avoid becoming China's junior partner due to its increasing economic dependence. Instead, we can assume that Russia will step up its efforts to expand relations with other regional powerhouses in Asia, particularly India and Japan. In accordance with this balancing policy, Russia could also seek a closer relationship with Europe, which remains its most important trading and economic partner. Whether this would mean a greater willingness to make concessions on the Ukrainian question is difficult to assess at this time. Russia's focus on solving domestic problems should, however, gain importance during the coronavirus crisis and give a boost to those forces within the Russian

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elite that advocate a pragmatic foreign policy based on cooperation and economic interests.

Outlook

Given the economic and social consequences, it is currently difficult to see how Putin can come out of the coronavirus crisis on top. His position of power was already largely consolidated before the pandemic. If the crisis persists in Russia for a long time, discontent may spread among the population – however, one cannot expect a coup. As ever, the people see no clear alternatives to Putin and Russia is lacking a united and organized opposition. In addition, despite dissatisfaction among a significant minority, the regime can still count on the support of the majority of the people. Not least, its supporters include the many people employed in the state sector – around a third of all employees – and people who depend on social services, particularly pensioners, who have received the most state help during the crisis and are thus unlikely to withdraw their support for the state.

The behavior of those in command at this time reflects the uncertainty of a regime whose power seemed inviolable until recently. The fact that social criticism is pos-

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sible to a certain degree even in times of crisis clearly proves that Russia is not China. Putin's absence has prompted multiple voices to make themselves heard, which is unusual for Russia and has shown that Russia's political elites are more fragmented than was commonly assumed. However, the actual interests and position of power

of individual elite groups in the system are hard to determine. Within the administration or among the ranks of powerful business representatives, those who advocate a pragmatic and business-oriented course can currently be heard above all. Nevertheless, as is always the case, other groups are active in the background, primarily in the intelligence services and security forces, whose main interest lies in preserving the status quo and in developing an even stronger grip on society by expanding state surveillance systems, for example, in order to be able to nip any agitation by the opposition in the bud.

How the situation develops further not only depends on these internal factors, but also on the reaction in the West – especial-

ly in Europe. Perhaps the crisis can also offer an opportunity for constructive dialogue and overcoming existing tensions.

For more on the security policy implications of the corona crisis, see [CSS core theme page](#).

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