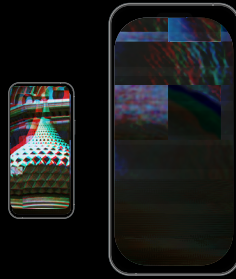
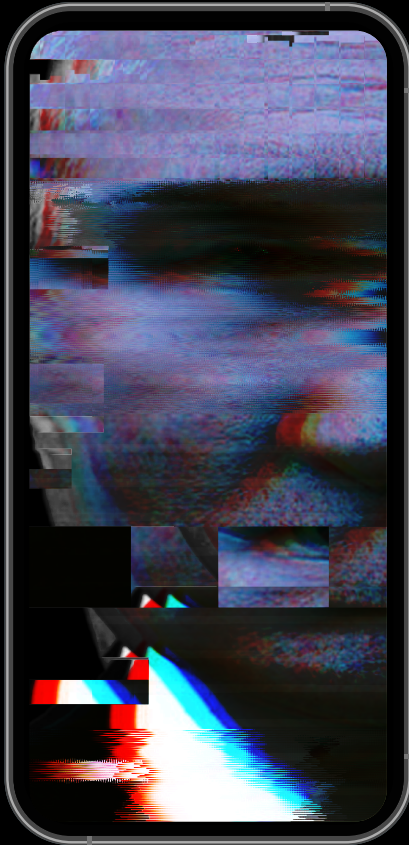
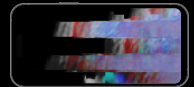
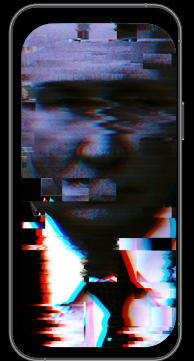
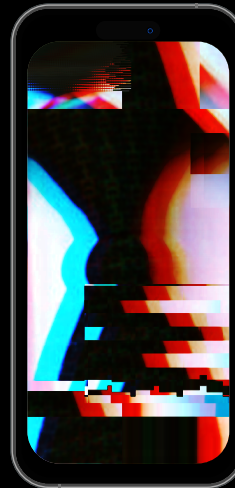
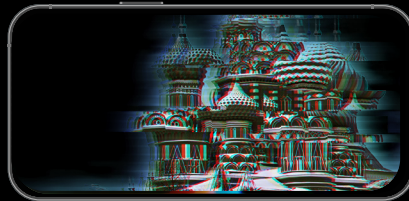




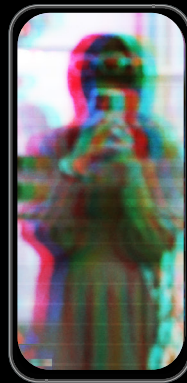
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THE



NARRATIVE



ANDRÁS TÓTH-CZIFRA

A Roadmap to Russia's
2024 Presidential Election

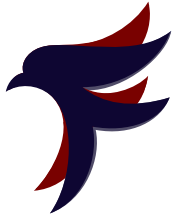


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EURASIA PROGRAM

CONTROLLING THE NARRATIVE

A Roadmap to Russia's 2024
Presidential Elections

ANDRÁS TÓTH-CZIFRA



About the Author


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The Eurasia Program at the Foreign Policy Research Institute was founded in 2015 with the aim of examining the political, security, economic, and social trends shaping Europe and Eurasia. Our research agenda covers the increasingly tense competition roiling the region from several angles. It has a multi-year focus on the Baltic Sea, the Black Sea, and Central Asia, emphasizing how geography, economics, ideology, and history continue to shape politics and security in these regions. The program also publishes analyses of Russian foreign policy, including Russia's role in Europe, Asia, Africa, and the Middle East. The Russia Political Economy Project, along with the Bear Market Brief, analyzes the linkages between Russia's economy, society, and its political system. The Eurasia Program's thematic initiatives also include the Democracy at Risk rubric, which examines the trends of democratization and authoritarian pushback in the region.




Key Findings




Almost ten years into Russia's war against Ukraine and almost two years into the 2022 full-scale invasion, most domestic political and economic actors seem to have accepted the emergence of a new normal. Timelines and perceived limits of economic planning and political activities have shifted. However, the contours of this new normal are still unclear, which introduces an element of uncertainty into Russian politics on all levels.




The two main reasons for this uncertainty are the Russian government's unequivocal bet on the war effort, which is reflected in budgetary priorities, communication, and an increasingly short-term planning horizon; and the rapid, major adjustments that the continuation of the war and economic sanctions have forced on the political and business elite.



While the war as a topic is rarely discussed in public politics due to the risks associated with criticizing the authorities' line and the heightened attention paid by the security services to dissenters, issues related to the war—such as a tightening of funds available for other budgetary headings, the rapid and forced restructuring of the Russian economy, and fears of an armed rebellion inside the country—have shaped political debates and created frictions.



While the Kremlin seems to still be firmly holding the reins of political institutions four months before the 2024 presidential election, it has sought to reduce its dependence on regional power brokers and officials. In parallel, regional elites, typically in peripheral regions, have been able to mount a certain degree of opposition to the Kremlin while bargaining for increasingly scarce resources.



The stability of domestic politics is guaranteed, for the time being, by a critical mass of voters and elites beginning to believe that the war is an inevitable circumstance and that victory is close (i.e., a necessary, but short war), all while the Russian government needs to maintain the international perception that Russians are ready and prepared for a long war. Challenging this belief, all while being aware of the existing and new avenues of domestic politics in Russia, is an important purpose of international sanctions.

The Lay of the Land

The “2024 problem,” which seemed to determine the direction of Russian politics before the 2022 invasion of Ukraine, is still present. The year 2024 is still the planning horizon for the Russian authorities, partly because of the March 17, 2024 presidential election, which—from the Kremlin’s point of view—should showcase an endorsement of both Vladimir Putin and the war by a large majority of Russians, but also partly because of elections in key NATO countries, notably the United States, which in the hopes of the Russian political leadership should translate the “Ukraine fatigue” into actual policies and vindicate the Kremlin’s narrative that the only thing standing between Russia and a victory in Ukraine is Western support to the Ukrainian war effort. These elections are therefore tightly linked. To maintain domestic political stability, Putin needs to maintain belief in a victory that is just around the corner (i.e., a short war) domestically, and in Russia’s determination to wage a long war internationally.

The simultaneous performance of these mutually contradicting narratives requires remarkable political acrobatics. Within Russia, the topic of the war has been an elephant in the room for most of 2023. In the second half of the year, with enthusiasm for providing support to Ukraine ebbing in EU and NATO countries, the Kremlin has increasingly depicted the war in an abstract manner—an existential struggle between a morally upright Russia and a corrupt West.¹

At the same time, it has also been trying to create the impression that this struggle will not have a major effect on the material well-being of Russians.

Evidence from the 2023 regional and municipal elections suggested that enthusiastically pro-war narratives are incapable of mobilizing voters and can even produce the opposite effect.

Evidence from the 2023 regional and municipal elections suggested that enthusiastically pro-war narratives are incapable of mobilizing voters and can even produce the opposite effect. The ruling United Russia party scaled back efforts to nominate war participants; pro-government incumbents typically avoided war propaganda in the campaign (beyond a basic level expected of them), focusing instead on bread-and-butter issues, social aid to mobilized soldiers, and investment opportunities ostensibly presented by the war.² Increased repression of dissent through legislation and security services activity and a special attention to public statements related to the war make a public discussion of the war itself very difficult, if not impossible (as the pacifist campaign of the liberal Yabloko party showed in two cities in September 2023). But even beyond



A girl stands near a billboard advertising a contract service in the armed forces of the Russian Federation for participation in a special military operation. St. Petersburg, Russia. (Photo by Maksim Konstantinov / SOPA Images/Sipa USA)

this, as sociological and anthropological research has suggested, most Russians are likely consciously withdrawing from considering the war as a matter of public interest, accepting it, for the moment at least, as a circumstance over which they have little control. According to a survey by the Levada Center, the proportion of respondents who expect the war to continue for at least another year rose from 21% to 46% between May 2022 and October 2023.³ With some notable exceptions (which made little practical difference), the attitude of political and business elites has been remarkably similar.

However, if the war itself cannot be named, it is still present in domestic politics via its effects on issues and processes that had impacted Russian politics even before the invasion; it has created new winners and

losers, highlighted pre-existing inefficiencies, and resulted in tensions in a public administration system that was not created to support a sustained war effort. In this way, it both closed and opened avenues for politics.

This report provides an overview of the issues, the conflicts, and the new structural limitations of public politics in Russia five months before the 2024 presidential election. It is based on the study of Russian domestic politics, including politics in Russia's regions outside of Moscow, since the 2022 invasion of Ukraine as it has been described in independent Russian media, by Russian political and business actors, and by voters.

The Public Dimension

Perhaps one of the most discussed topics related to Russian politics over the past year was whether the political attitudes of Russian citizens are impacted by the war and international sanctions. Some have criticized Russians for not mounting more opposition against their government over the past year and a half; others have pointed at the increased structural constraints and oppression that Russians are facing when trying to engage in public politics. It is worth enumerating, then, what issues have triggered protests across Russia despite increased repression and outright bans.

“Silent” and “individual” acts of protest against the war have continued in several regions, e.g., in the form of dissidents laying flowers on monuments and in public spaces to commemorate the Ukrainian victims of the bombing of Dnipro.⁴ Cities with relatively more pluralistic politics, such as Novosibirsk, have seen notable anti-war protests.⁵ Acts that we can call direct anti-war and anti-government protests have steadily taken place in Russia since February 2022; however, their size and their impact have remained limited.

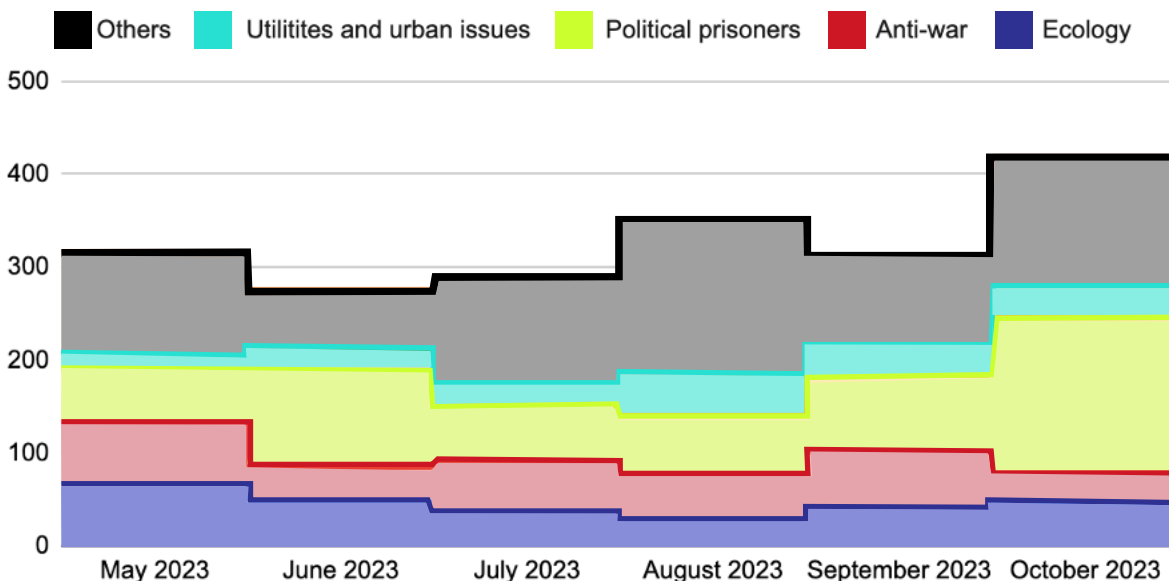
This has largely been the consequence of a series of legislative changes that followed the invasion, including laws criminalizing spreading “fake news” and “discrediting” the Russian army.⁶ These laws—which will not be discussed in detail in this report—built on existing restrictive legislation adopted in several stages in 2012, 2014, and 2018 that made it easier for the authorities to

crack down on “unsanctioned” protests and costlier for citizens to participate in one. Indirect intimidation—such as the doxing of opposition supporters, more active monitoring of social media, and the “preventive arrests” of potential protest leaders—also had a chilling effect.⁷ Furthermore, as of fall 2023, more than a third of Russia’s regions still have pandemic-era restrictions on public events in place, which allow the authorities to selectively allow and ban demonstrations.⁸

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The enforcement of these rules has not been uniform, but it has been widespread enough to be intimidating. According to the human rights organization OVD-Info, through November 2023, 806 legal cases were raised against Russian citizens for anti-war activity, and almost 20,000 people were detained (most of them briefly) on political grounds since the beginning of the full-scale invasion of Ukraine.⁹ Following anti-mobilization protests in several cities in December 2022, the authorities labeled the “Vesna” human rights organization, which organized some of them, as extremist, further raising the price of dissent.¹⁰

FIGURE 1
PROTESTS IN RUSSIA, INCLUDING SINGLE-PERSON PROTESTS, FLASHMOBS, AND PUBLIC PETITIONS,
BY TRIGGERING ISSUE, MAY–OCTOBER 2023



Source: Activatica (<https://www.activatica.org>)

These structural limitations and the federal government’s strong control of the political agenda have resulted in a situation in which public politics had largely retired from the federal level; first to regions and, increasingly, to local politics.

The issues triggering protests of local importance can be organized into three broader categories: bread-and-butter issues; representative democracy; as well as corruption and state overreach. All of these kinds of protest movements had been characteristic in Russia in the years preceding 2022, and since they usually do not question the political primacy of the Kremlin, they have been, in most cases, tolerated by the authorities. Nonetheless, over the past year and a half, the context of these protests has changed since, in many

cases, they are reacting to issues that were directly or indirectly exacerbated by the war.

Bread-and-butter issues have included a range of problems affecting the material well-being of Russian citizens. In the spring of 2023, there were a series of protests against increasing public utility costs and the regional government’s inability to improve public utility networks in several regions, most notably the Novosibirsk Region and the Altai Territory.¹¹ These protests were often organized or supported by local opposition politicians, typically independents or communists. Protests triggered by social aid promised but not delivered and labor protests over reduced or unpaid wages have also continued in several regions.¹² While the anger in these protests is typically not directed at the federal government,

which is rather seen as a problem solver of last resort, they are nonetheless notable. Governors and regional bureaucracies are expected to handle or prevent protest movements that carry the risk of growing into wider manifestations of discontent, all while most regions have an increasingly limited budget to finance a growing number of priorities.

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Issues related to representative democracy, which the federal government has been limiting by various means, have included mostly discussions about the scrapping of direct mayoral elections. As of November 2023, Russia only has five regional seats left where mayors are directly elected following years of systematic change. This was a predictable reaction of the federal authorities to the fact that over the past decade, second-tier cities had increasingly become centers of protest voting and protest activity in general; the last two cities to see their direct mayoral votes scrapped were Tomsk (in December 2022) and Novosibirsk (in February 2023), just years after opposition candidates achieved breakthroughs in local elections as a result of cooperation with nonsystemic forces.¹³

Local opposition politicians, in many cases, reacted to the attempts to structurally limit their autonomy. In Tomsk, the city council (unsuccessfully) requested the reinstatement of direct mayoral elections; in Novosibirsk (as well as in a handful of other regions) local opposition politicians spearheaded efforts to call referenda on the issue.¹⁴ Following the 2023 regional elections, which have produced large majorities for the ruling party even in regions where the opposition has been traditionally strong and protests not uncommon, even systemic opposition politicians signaled their discontent, either collectively criticizing the way the vote was conducted (as in the Transbaikal Territory) or going as far as to denounce the results as illegitimate (as in the Ulyanovsk Region).¹⁵

Issues in the broader category of state overreach describe issues in which either an action or the inaction of state authorities endangers people's right to something that the unspoken social contract would otherwise guarantee. Such issues include the 2022 September military mobilization, which triggered protests in several regions, but also issues such as disputed construction projects, which are either attributed to federal (outsider) elites or regional interest groups. In 2023, such protests included actions against a drone factory to be opened in the building of a commercial center in Izhevsk, the Republic of Udmurtia, conservationist protests against mining in Bashkortostan, protests against investment projects seen as environmentally damaging (such as landfill projects in several regions), as well as protests against a draft law, supported by the federal government, which would loosen the environmental

protection of the lands around Lake Baikal in order to clear way for infrastructure development.¹⁶ It is important to underline that the target of these protests is often not the federal government or the president, which can be seen as the higher authority of last resort to settle an issue with regional elites or business interests; even in the case of cross-regional issues, such as mobilization or the earlier case of COVID-19 vaccinations, the federal authorities have consciously sought a positive or at least neutral role.

The military mobilization had a dampening effect on protests and public acts of dissent in general, as the authorities have started using draft notices as a means of intimidation.

The Kremlin Responding to the Public Agenda

While the negative effect of the September 2022 military mobilization on Russians' mood is well documented, apart from sporadic and temporary acts of protests right after the announcement, the military mobilization had a dampening effect on protests and public acts of dissent in general, as the authorities have started using draft notices as a means of intimidating protesters, opposition associates, and election observers. It is difficult to pinpoint the exact impact of this tactic on protests; since a wider crackdown on organized opposition structures began in 2021, many key members of the opposition— independent opposition politicians, organizers, and protest leaders—have left the country or were jailed.¹⁷

Apart from increased repression relative to the war, the authorities have also maintained limitations on public events—including protests—introduced during the COVID-19 pandemic in 32 regions. Vladislav Davankov, the deputy speaker of the State Duma from the systemic opposition party New People asked the government to propose scrapping these before the 2023 regional elections.¹⁸ However, this is, nominally at least, a regional competence, allowing the authorities to maintain the bans in the regions they deem the riskiest politically before the presidential election. Regions can also simply prohibit public protests using the powers bestowed upon them by Putin's 2022 October presidential decree on "increased readiness" in regions where martial law has not been declared.¹⁹ Several regions have already done so.

Both "turbopatriotic" influencers who cheered on the war effort and often criticized the political and military leadership, and media channels linked to the "nonsystemic" opposition, which criticized both, have garnered significant audiences. However,



A worker paints over a graffiti depicting jailed Russian opposition politician Alexei Navalny in Saint Petersburg, Russia April 28, 2021. The graffiti reads: "The hero of the new age". REUTERS/Anton Vaganov

based on existing sociological data about the attitudes of the Russian population, their active supporters represent loud but small minorities.²⁰ Even speculatively adding all war supporters to the pool of potential supporters of “turbopatriots” and all opponents to the war to potential supporters of a broad nonsystemic opposition movement, it is estimated that at least half of Russians do not have strong opinions about the issue and remain in what anthropologist Jeremy Morris called a state of “defensive consolidation.”²¹ By creating a narrative about a civilizational struggle between Russia and the West and making this struggle the central element of an emerging regime ideology, the Kremlin has been trying to turn passive support into active, or at least performative support for the war in

order to support its claim that Russia is more prepared for a long struggle than the West.

Even before the Kremlin found this narrative, several examples had shown how difficult it is to convert passive sympathy to active support in the current situation with the status quo of the war upheld by the authorities as an unquestionable tenet. Yevgeny Prigozhin’s June 2023 mutiny failed to gather any active support from the population (albeit there were ad hoc commemorations following Prigozhin’s death in August). There was no significant backlash after the jailing of former military intelligence officer Igor Girkin, one of the most followed (and most independently operating) pro-war influencers in August.²² Similarly, the nonsystemic opposition, whose organizations were intimidated or closed,

and many of whose active personalities were jailed or forced into exile, failed to impact domestic politics in Russia significantly. A significant part of the activities of organizations set up in exile relates to émigrés themselves.²³ Yabloko, a party that can be considered “semi-systemic,” was only able to score modest victories in four municipal councils with its anti-war campaign in the 2023 September local elections.²⁴

However, there are attempts by the representatives of the nonsystemic opposition to build a common platform that would be able to present a coherent strategy and vision when the opportunity arises. The list of questions that Alexey Navalny published from prison to create a common ground for opposition cooperation and strategizing is not the only such attempt.²⁵ The Kremlin is likely also aware that turbopatriotic critics may reactivate themselves if Russia suffers significant losses on the battlefield. While it is difficult to draw any conclusions from available public opinion surveys due to the difficulties inherent in measuring public attitudes in an autocracy, the October 2023 survey by the Levada Center seems to suggest that an increasing number of Russians are positively disposed toward ending the war.²⁶ The Princeton-based public opinion survey project “Russia Watcher” also measured a slight drop in support for the war over 2023, though it remains high.²⁷

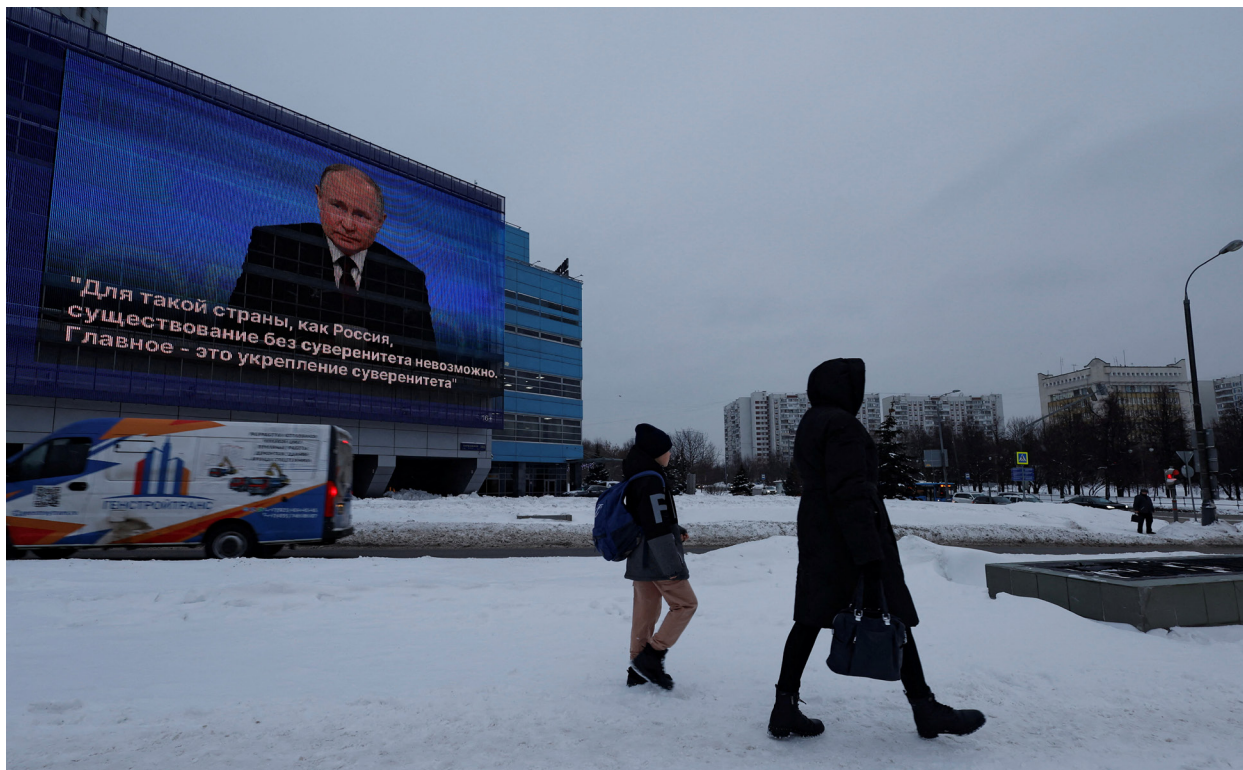
With the opposition structures that were the backbone of nonsystemic protest movements now almost eliminated, the authorities’ main fear likely is that an overarching issue similar to the 2018

pension reform will emerge and act as a catalyst for otherwise scattered regional protest movements, as it did in 2018.

Of these potential issues, rising inflation—especially the rapid and unpredictable rise of the price of certain products—and military mobilization seem to be at the top of the list for the government and, according to public opinion surveys, for citizens as well.²⁸

By creating a narrative about a civilizational struggle between Russia and the West, the Kremlin has been trying to turn passive support into active, or at least performative support for the war.

As of December 2023, the Russian government has not ordered a second round of military mobilization, suggesting either that regional efforts to recruit contract soldiers have so far been able to meet the requirements of the army, or that the Kremlin considers the step too risky before the presidential election in March. However, a series of protests by the relatives of mobilized men, demanding for their loved ones to be rotated out of Ukraine, risks upsetting the current uneasy equilibrium between the army’s need for manpower and the Kremlin’s need for domestic stability, and has forced the authorities to react. The protests have taken place in varying forms



People walk past an electronic screen on the facade of a building showing an image of Russian President Vladimir Putin and a quote from his annual end-of-year press conference and the Direct Line question and answer session, in Moscow, Russia December 14, 2023. REUTERS/Maxim Shemetov

across regions in November and December 2023, including a public demonstration in Moscow, a closed-door hearing in Novosibirsk, protest stickers in several other regions, as well as women organizing to send a massive number of questions and comments to the editors of “Direct Line,” Putin’s call-in interview scheduled for December 14 (which is after the finalization of this report).²⁹ While the protests have not garnered widespread support, the authorities have reportedly instructed regional governments to handle them as a priority and mitigate the potential risk by additional spending. Due to the structural constraint represented by the war, however, the grievances are difficult to address directly.

As for inflation: following a rapid weakening of the ruble in August 2023 and the rapid rise of oil products and foodstuff in several Russian regions, the government made a series of decisions to mitigate the situation, even though the weaker ruble has benefited federal finances. The Finance Ministry lobbied the president to put pressure on the Central Bank to raise rates and the government introduced export bans on certain kinds of oil products and durum wheat, and indicated that it may ban the export of poultry.³⁰ However, the fuel export ban was partially lifted weeks after its introduction, suggesting that the measure was the result of a hasty deliberation rather than a genuine effort to solve the underlying cause.³¹ Similarly, after several regions experienced protests against the

hike of public utility tariffs in spring 2023, the government briefly handled the issue as a priority—and will likely expect regional governments to keep a tab on it—yet, in the federal budget of 2024–26 expenditures allocated for the area will be reduced.³²

The structural limitations of Russia's economic growth—labor shortages, infrastructure bottlenecks and flagging industrial production growth in non-military sectors—are expected to remain in 2024, leaving the government strongly dependent on energy exports and an ideal ruble exchange rate to keep its war chest full.³³ This in turn will limit the toolkit to rein in inflation.

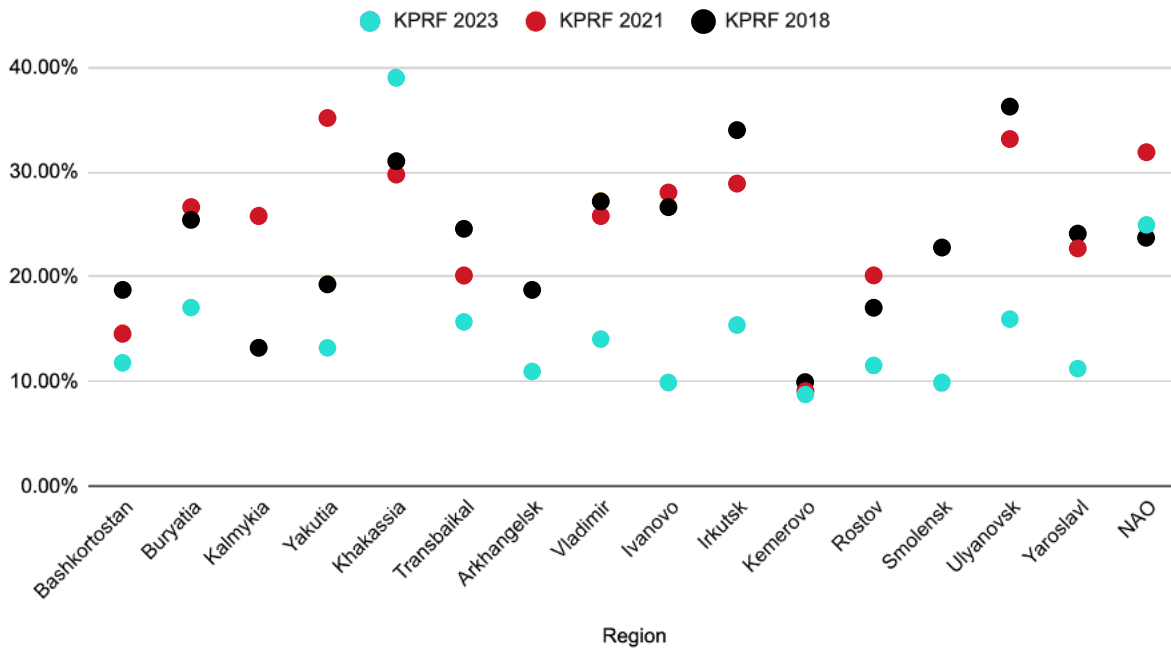
Another, perhaps less direct and tangible risk for the authorities is the eruption of an unexpected, riotous protest with an unclear purpose, which local authorities are unable to prevent or contain. In the case of some persistent but peaceful protest movements, such as the conservationist and environmental protests that have become increasingly frequent over the past years, regional and federal authorities have learned either to back off or use indirect force to defuse protest movements. They have been less decisive and resourceful in the face of sudden violent demonstrations. One example of such an event is the 2023 October antisemitic riot in Dagestan in which a group of locals briefly paralyzed Makhachkala Airport trying to prevent who they thought were Jewish refugees from Israel from entering the republic.³⁴ Local and regional authorities reacted to the riot with considerable delay and lack of resolve, and the first reaction of federal authorities—

including the president himself—was only registered the following day. On a different scale, the 2023 June mutiny led by Yevgeny Prigozhin also highlighted that, in Russia's highly centralized decision-making system, regional authorities and law enforcement units are often paralyzed in situations in which they have no clear playbook and have not received cues from the federal center.

Takeaways from the 2023 Regional and Local Elections

The 2023 regional and local elections suggested that the grip of the authorities on domestic institutions used to exert control over elections remains firm.³⁵ Apart from a handful of notable examples—most prominently Khakassia where the region's communist governor, allied with local elites, saw off a challenge from a candidate supported by the Kremlin—the government was able to get the results that it wanted, even in regions considered to be relatively pluralistic.³⁶ This was achieved by a combination of subtler forms of manipulation (e.g., changing electoral legislation and the use of administrative resources in the campaign), novel tools (most prominently online voting, which was extended to 24 regions, and which makes it easier for the authorities to exert administrative pressure on voters), and rigging. These changes, together with the intimidation of strong opposition candidates, also diminished

FIGURE 2
KPRF RESULTS IN R.LEGISLATIVE ELECTIONS (2018, 2023) AND DUMA ELECTION (2021)



Source: CIK RF

the potential of electoral strategies such as “Smart Voting,” championed by Alexey Navalny, in which voters were asked to support the strongest “systemic” opposition candidate.³⁷

Also notably, the elections saw the demise of the Communist Party (KPRF) as the obvious choice of opposition voters, activists, and organizations that cannot independently stand in elections. Over the past five years, the party, which also has the second most extensive political network in the country after the governing United Russia party, became, in many regions, a “catch-all” for the vote of various disgruntled groups and critics of the authorities thanks to its status as the second strongest party in the State Duma with its financial backers among regional elites and its emerging activist base.

In the September 2023 elections, however, the party’s support—according to the official results—collapsed in most regions, falling behind other opposition outlets in several, e.g., in Yakutia where the party had traditionally been strong.³⁸ This is partly due to the party’s own internal crisis (including its leadership’s support of the war, which likely discouraged liberal-minded voters), but also to a concerted effort on the part of the authorities. The KPRF’s collapse will make it more difficult for disgruntled voters to cast a visible protest vote in upcoming elections.

However, the elections also highlighted that loud pro-war messaging is not effective campaign material and that in some cases it can even backfire against Moscow. Throughout the campaign, both incumbent governors and opposition parties toned

down war-related messages as much as possible and focused, instead, on issues tangentially related to the war, such as social programs or investments, trying to find a positive spin on these.³⁹ This is an increasingly difficult task, as the ways in which the prioritization of the war in fiscal planning diverts resources from local issues become increasingly obvious (even though the public airing of frustration over this has so far been limited to a handful of cities and towns).

The Elite Dimension

In order to foster political change, shifting public attitudes and frustration have to find a mirror in elite politics. The single most significant split in the Russian political elite was the mutiny of Yevgeny Prigozhin in June 2023, which was foreshadowed by months of verbal squabbling between Prigozhin and prominent leaders of the Russian political and military elite. However, Prigozhin's mutiny did not find large-scale popular or elite support, and in August 2024 the Wagner head and his closest allies died under unclear circumstances. Apart from this episode, there is little to suggest that the elite support of the Kremlin is deeply frayed. Periodically, reports published by journalists with sources within the political and business elite indicated frustration.⁴⁰ A handful of businessmen, including fintech tycoon Oleg Tinkov, Yandex founder Arkady Volozh, and Andrey Melnichenko, Russia's richest man, issued statements about the war, with Tinkov denouncing it in the harshest terms.⁴¹ However, both the reports and the interviews convey lethargy and acceptance

rather than ire. It appears that the Russian political and business elite have accepted that, after an initial shock, the war's timelines have shifted, long-term costs cannot be avoided anymore, and a new normal is emerging.

However, the contours of this new normal have not crystallized yet, and therein lies the risk. Even without the active (and objectively foolish) challenge mounted by Prigozhin, the uncertainty inherent in Russia's forced restructuring—the prioritization of military production, Western sanctions and the withdrawal of Western companies, and the export-oriented sectors' pivot to Asia—have inevitably resulted in friction and visible conflicts.

Politics Devoid of Essence: Economic Policy Debates in the Government

The main crux of economic policy debates within the broader government can be described as an unresolved controversy between those advocating for a “mobilization economy”—with the state taking more direct and firm control over economic production—and those trying to preserve the fundamental principles of the market economy. This issue has had several different manifestations over the past year. One of these was a dispute before and during the St. Petersburg International

Economic Forum (SPIEF) between advocates of heavier taxation and advocates of curbing government expenses, which was left partially unresolved.⁴² Another one was a debate between economic adviser Maxim Oreshkin and the Central Bank over rate-setting and curbing inflation in September 2023, which was decided by the president in favor of Oreshkin (and the government).⁴³

The year 2023 did not change—rather it emphasized—the fact that technocratic actors have little agency over policymaking.

A common attribute of these debates is that they are superficial. They did not address the underlying issues of the ballooning fiscal deficit or inflationary pressure, are focused entirely on the different modes of immediate crisis management, and have short-term horizons. The year 2023 did not change—rather it emphasized—the fact that technocratic actors have little agency over policymaking. They are entrusted with minimizing risks and designing instruments that enable the government to ensure domestic political stability and raise income for the war effort instead of being able to influence the policy directions that fundamentally determine the situation in the Russian economy.

The planning horizon of economic policy—even decisions not subject to public debates like the ones mentioned above—remains extremely short-term. Major decisions in 2023 included the introduction of an “extra profit tax” on companies without a clear concept or planning horizon; the revamp of the taxation system affecting oil exporters to react to the G7 oil price cap; a sliding tariff on commodity exporters to capture extra income from a weaker ruble; mandatory currency sales for an unpublished list of 43 firms; and hastily introduced (and partially revoked) export bans on oil products to curb inflation.⁴⁴ In general, the government has moved toward a mobilization economy both by prioritizing and supercharging the production of the military industrial complex and adjacent industries via state orders and by taking direct control of some assets.⁴⁵ The other guiding principle of fiscal policy seems to be the immediate capturing of extra income wherever it appears. Government officials may argue about the means but not the policy itself. In this sense, this area of political discourse is akin to how only the war’s secondary effects can be discussed in public politics. While this has allowed the government to keep the federal budget remarkably stable, it has also caused tangible unease in the business elite. In December, even Igor Sechin, the head of Rosneft and Putin’s confidant, voiced his frustration over the government’s fiscal and the Central Bank’s monetary policies, highlighting—among other things—the unpredictability of taxation and the negative effect of interest rate hikes on profits.⁴⁶

Politics with Raised Stakes: The Winners and Losers of the War

The Kremlin's prioritization of military production has benefited people who participate either in military production or in the production of domestic war propaganda, whom the analyst Mark Galeotti called "conflict entrepreneurs."⁴⁷ They include both industrialists who are active in or on the margins of the defense sector—in 2024 federal defense expenditures will grow from 6.4 trillion to 10.8 trillion rubles, with the sector remaining the main driver of economic growth—and cultural and social media influencers who are able to monetize their state-sponsored following.⁴⁸ Higher military spending likely also includes generous (by Russian standards) salaries to contract soldiers and social payouts to the families of mobilized and fallen men, which may foster pro-government attitudes among the very people who have been most affected by the war (anecdotal evidence suggests that this is the case in particular in poorer and border regions).⁴⁹

Similarly, entrepreneurs participating in the "reconstruction" of Ukraine's occupied regions, which the Russian army itself destroyed, are offered a horn of plenty, albeit the profitability of these activities is questionable.⁵⁰ The federal budget plans to spend 651 billion rubles on reconstruction in 2024–26 under a new government program on top of further budgetary transfers from the federal treasury and regional budgets,

which were encouraged to assume tutelage over specific districts.⁵¹ Parallel to the beneficiaries of the war, a diverse group of losers has also appeared.

Parallel to the beneficiaries of the war, a diverse group of losers has also appeared.

To finance war-related expenditures, the government deprioritized spending on the "national economy," a budgetary heading that denotes state-funded investment projects, in the federal budget even as the massive structural changes that the economy is going through demand significant public investments. In 2024, expenditures under this heading are going to be cut in nominal terms for the third year in a row.⁵² Factoring in inflation, which is expected to average 7.2% next year, 2024 is going to see a more than 10% drop in real terms. This poses a problem for the ultimate beneficiaries of these projects who counted on cash flows from them. Regional governments are expected to keep things steady by tapping into their own budgets, which creates a whole different set of risks (see the section "Losing Grip"). In fact, as the ongoing debate about raising money to finance the extension of Far Eastern railways has shown, exporters, who are already facing falling profit margins due to clogged and still underdeveloped export corridors and the government's newly introduced "sliding" tariffs, may be required to foot part of the bill.⁵³



A journalist takes a selfie in front of a giant screen broadcasting footage of Russian President Vladimir Putin speaking at the opening ceremony of the Third Belt and Road Forum (BRF), at the media centre in Beijing, October 18, 2023. REUTERS/Tingshu Wang

In addition, the federal government and regional governments have been openly courting Chinese investors to invest more into infrastructure development (e.g., by building railways in Russia's Far East) and have allowed them to move deeper into other sectors, such as carmaking.⁵⁴ Whenever Chinese investors do invest, they are usually able to achieve very favorable terms (as evidenced by the proliferation of special economic zones in Eastern Russia over the past year), which risks leading to frustration and anxiety on the part of local Russian elites.⁵⁵

The prioritization of military production—combined with a demographic slump and war-related mortality and emigration—has also led to labor shortages in many industries as higher wages in the defense industrial complex and the army itself

have caused imbalances. In the Russian Central Bank's 2023 September report, 60% of Russian enterprises reported labor shortages and almost everywhere the numbers were worsening.⁵⁶ The situation was especially bad in manufacturing, transportation, and agriculture. In October 2023, even some defense plants reported labor shortages.⁵⁷ For businesses, this means lower productivity, higher wages, or both—either diminishing profit margins or contributing to inflation.

Another area that has created winners and losers has been a major redistribution of assets within Russia. This was initially prompted by the exodus of Western companies: in 2022 capital flight reached a record \$243 billion. Following a short period of chaotic withdrawals, the Kremlin has sought to establish and keep control

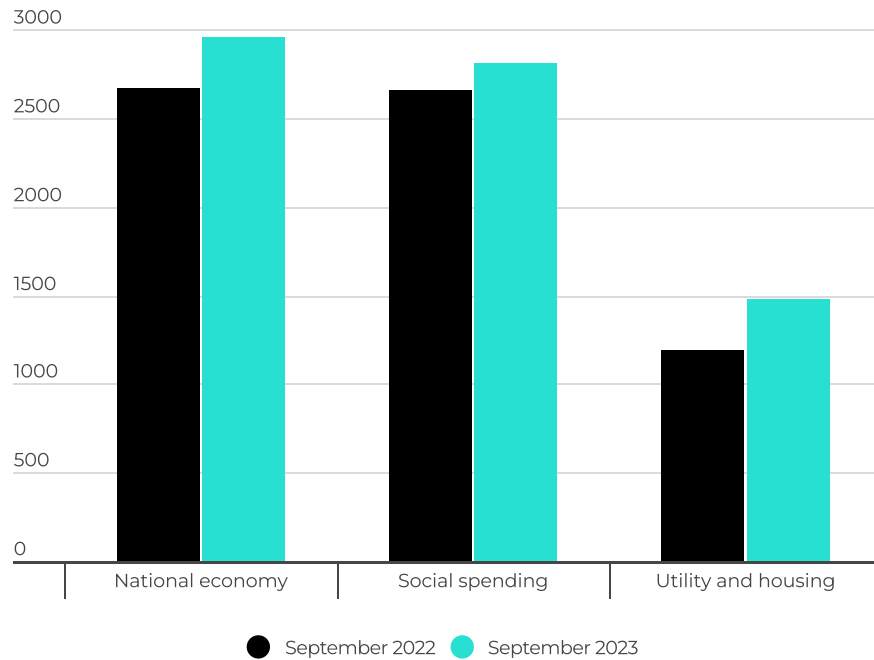
over these asset redistributions by tying the sale of assets by organizations based in “unfriendly countries” to presidential approval and hefty discounts. Legal changes also allowed the Russian government to take assets under “temporary management” by the Federal Property Management Agency, effectively nationalizing them.⁵⁸ In 2023, the Russian assets of five Western companies have been nationalized this way as of November.⁵⁹ The authorities then went further and extended nationalization—this time using judicial power—to Russian assets that were privatized to Russian companies.⁶⁰ As of September 2023, the Russian authorities had opened 17 such cases, according to Ilya Shumanov, a former director of Transparency International Russia, among them Sibeko, a major Siberian energy company, as well as defense plants and assets in various sectors that the authorities labeled “strategic.”⁶¹ The purpose, yet again, is to ensure that the Kremlin remains the ultimate arbiter in the insecure conditions of Russia’s rapidly changing economy and can reward its political allies and punish opponents. However, as the authorities grow increasingly reliant on security services to ensure political stability and that the needs of the war are met, the risk of local hostile takeovers will also grow.⁶²

Losing Grip: Elite Pushback in Peripheral Regions and the Monopoly of Violence

Another group of emerging conflicts concerns tensions between the federal center and regions, especially in peripheral areas.

In 2023, the federal government has required regional budgets to finance a larger share of expenditures that the federal budget currently does not prioritize (e.g., infrastructure projects, health care, housing, and the salaries of public employees).⁶³ Spending on areas marked as priorities by the Kremlin due to their potential to worsen the public mood—public transport, housing, and communal services—already increased by 25% in the first half of 2023. Social expenditures, another priority due to the impact of the war, went up by 18%.⁶⁴ So far, the rise of regional expenditures has been supported by a corresponding rise in fiscal transfers from the federal budget and the recovery of corporate income tax receipts—one of the main sources of income for regional finances—due mainly to state-induced demand and inflation. Personal income tax receipts have somewhat lagged, albeit they also rose faster than inflation.⁶⁵

FIGURE 3
SELECT EXPENDITURES IN REGIONAL BUDGETS, BILLION RUBLES, YEAR-TO-DATE, SEPTEMBER 2023



Source: Finance Ministry, Electronic Budget. Year-on-year inflation in late October 2023: 6.7%. (https://budget.permkrai.ru/compare_budgets/expenses)

FIGURE 4
INCOME TYPES IN REGIONAL BUDGETS, BILLION RUBLES, YEAR-TO-DATE, SEPTEMBER 2023



Source: Finance Ministry, Electronic Budget. Year-on-year inflation in late October 2023: 6.7%.

However, with ballooning expenditures and flagging expectations of economic growth, it is unlikely that already overstretched regional budgets will be able to fill the gap left by federal finances throughout 2024.⁶⁶ This is likely not the goal either: such a policy officially allows regions to choose how they spend their budgets. In practice, spending priorities are set by the federal government, but, crucially, responsibility is devolved, and it is unclear how long the federal budget is going to be able to finance all transfers required by regions. A new rule issued in November 2023 by the Finance Ministry requires the heads of Russia's four most heavily subsidized regions—Dagestan, Chechnya, Ingushetia, and Tuva—as well as of the four newly occupied territories in Ukraine to assume personal responsibility for reducing the gap between their own revenues and their expenditures, signaling that the federal government will pay closer attention to how budgetary grants are spent in these regions.⁶⁷

Comments by Natalia Komarova, the head of the Khanty-Mansi Autonomous District, one of Russia's main energy-producing regions, about the war having caught government officials “unprepared” were a rare sign of frustration among governors over the additional burden that the prioritization of the war has put on regional budgets and administrations.⁶⁸ Governors, an increasing number of whom are Kremlin-appointed outsiders, also need to confront municipalities that depend on transfers from regional budgets to an even larger degree than regions do on the federal budget.⁶⁹ The second half of 2023 has seen a handful of (so far, isolated) cases of mayors airing

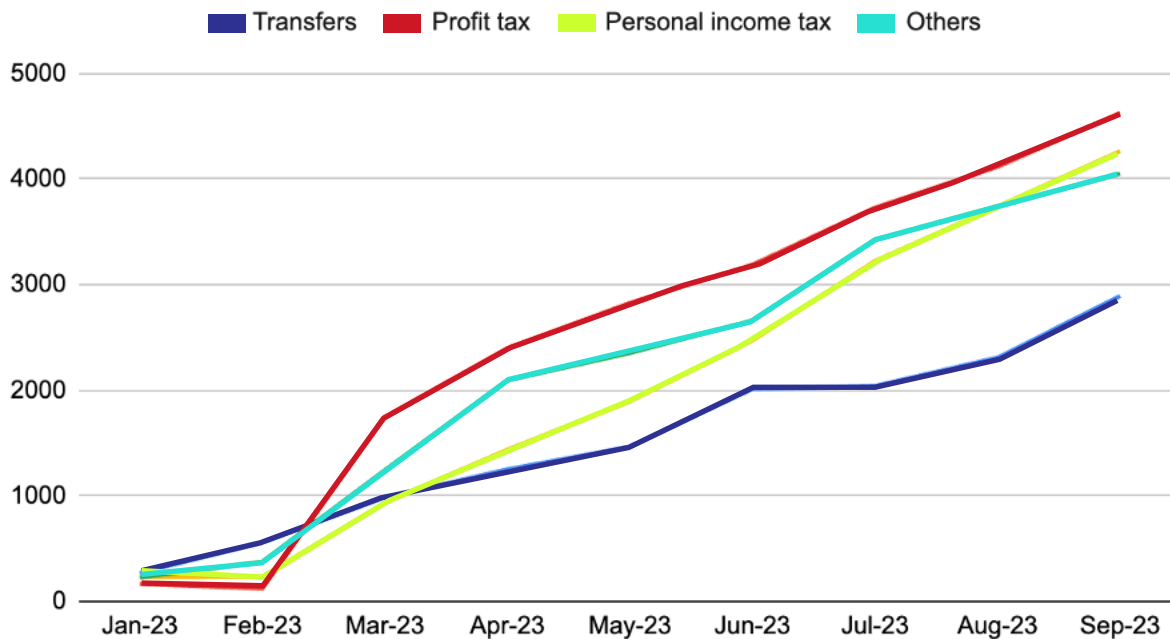
their frustration over regions reducing or withholding transfers due to the prioritization of war-related expenditures.⁷⁰ There was enough concern about the fiscal situation of municipalities to put the issue on the national agenda.⁷¹

Regional elites as well as Kremlin-appointed governors eager to increase their political capital can use and have used regional issues of various kinds to strengthen their bargaining potential.

At the same time, it appears that a credible threat of a regional backlash against Kremlin-appointed officials or of a local protest movement or riot that the federal authorities need to suppress by force could be used to attract extra funding to peripheral regions at a time of increasing fiscal austerity due to the prioritization of war-related expenses. Regional elites as well as Kremlin-appointed governors eager to increase their political capital can use and have used regional issues of various kinds to strengthen their bargaining potential. A couple of examples from 2023 highlight the kind of issues that can fall into this category.

During discussions about Russia's 2024 budget in the Federation Council, Vitaly Khotsenko, the newly appointed governor of Omsk, raised that many regions—including

FIGURE 5
INCOME PROGRESSION BY TYPE IN REGIONAL BUDGETS, BILLION RUBLES, SEPTEMBER 2023



Source: Finance Ministry, Electronic Budget

his—transfer most of their fiscal receipts to the federal budget and requested “special conditions” to apply to some regions.⁷² Vladimir Vladimirov, the governor of the Stavropol Territory and Khotsenko’s former mentor, asked the authorities to refrain from excessive inspections of municipal finances during the war, pointing out that municipalities, most of which strongly depend on financial transfers from regional budgets, are the form of government that citizens most often interact with.⁷³

In September and October 2023, in the Altai Republic, a small, poor, and rural region, local elites represented in the region’s legislature and its “civic chamber”—an institution that acts as an intermediary between regional civil and business organizations and the government—successfully pushed back against two pieces

of legislation introduced or supported by the region’s Kremlin-appointed governor, Oleg Khorokhordin.⁷⁴ Both laws would have harmonized regional legislation with federal laws, but critics in both cases argued that they go against the interests of the region and its residents. Since regional elites had had conflicts with Khorokhordin earlier on, the purpose of the pushbacks likely was to ensure that the president fires the governor or the federal government would send more development funds to the region to encourage cooperation.

One consequence of the antisemitic riots in Makhachkala, the capital of Dagestan, on October 29 may very well be that the federal government increases the financial support of the republic, which is already highly dependent on federal transfers (which make up 70% of its fiscal income). Even before the

riots, which seem to have caught regional and federal security services briefly off-guard, the region had seen significant and sometimes violent protests over issues such as military mobilization and problems with public utility networks.⁷⁵ Previous protests have resulted in the federal government sending additional funds to improve Dagestan's utility networks before the winter.⁷⁶

Over the past decade, Kadyrov's Chechnya was the only region with a leader able to pressure the Kremlin with the credible (if veiled) threat of armed rebellion.

In general, requesting assurances of continued or increased financing using potential underlying security threats as an argument would not be unlike the bargaining style of Chechnya's leader, Ramzan Kadyrov, who often uses the prospect of his leaving office to remind the Kremlin of his utility.⁷⁷ Over the past decade, Kadyrov's Chechnya was the only region with a leader able to pressure the Kremlin with the credible (if veiled) threat of armed rebellion; however, as domestic security services observe a growing array of domestic movements through the lens of potential separatism, more governors may start using the threat of unpredictable unrest as a bargaining chip.

One answer that the Kremlin is providing to this challenge is easing its dependence on the active cooperation of regional power brokers and officials by inventing or strengthening means to bypass them. One important part of these changes concerns means to bypass regional officials and power brokers when conducting elections, such as electronic and online voting, which have been discussed above. The centralization of public administration in general has also continued.

A second stage of a sweeping public administration reform, which would have increased the influence of governors over municipal leaders and would have eliminated thousands of villages and towns as free-standing administrative units, was shelved in 2023.⁷⁸ However, in October the State Duma adopted, in the first reading, a separate law that will allow governors to dismiss mayors a month after reprimanding them if the mayor does not fix the issue for which they were reprimanded.⁷⁹ The purpose of the reform is likely to give governors a means to deal with potential opposition among regional elites, all while allowing for a buffer period in which the federal government can intervene if needed.⁸⁰ The sensitive nature of the issue was obvious as even this limited reform triggered significant criticism in the legislature (and 65 votes against it). In particular, deputies in the Communist Party's parliamentary group raised the issue that the unilateral dismissal of mayors may violate the constitutional rights of voters. All this happened after questions around local self-governance, such as the recent scrapping of direct mayoral elections, led to petitions and protests in several cities, which

local independent and Communist deputies supported (see above).

Further measures to strengthen the Kremlin's vertical control over regions included plans to open a "School of Mayors" similar to the "School of Governors," a program at the president's public administration academy promoted by Sergey Kirienko, the deputy head of the presidential administration;⁸¹ and plans to task "Senezh," a center of political management under the Kremlin's domestic policy administration, to extend the system of "Regional Management Centers" (TsUR), which collect indicators of public sentiment and channel complaints to the government, to local administrations.⁸² The aims seem to replace local representative democracy with corporate-style management and automated data collection and also to replace agreements and understandings with local elites with external managers and digital mobilization.

Khakassia's example showed that local elites that cooperate against external administrators may force the federal government to make concessions.

These goals are not new and neither are the structural limitations of digital authoritarianism. Given the additional pressure that the war has put on Russia's public administration system and finances, it

is questionable whether a significant shift is possible in this field. Experience has shown that the Russian government is struggling to digitize governance even in areas that are clearly prioritized: a planned digital system of draft summons has remained incomplete more than a year after the first round of military mobilization.⁸³ It is also highly unlikely that the Kremlin will be able to bypass local power brokers in regions where local elites have a close connection to or are under the effective control of the head of the region, e.g., in Chechnya or Tatarstan, at least without elevating political risks. Khakassia's example also showed that local elites that cooperate against external administrators may force the federal government to make concessions. On the other hand, it also needs to be stressed that most of the regions that have so far experienced this kind of open rebellion are small, peripheral, and poor regions that are usually not at the center of the attention of the Kremlin's political managers.

Conclusion

The year 2023 showed that the Kremlin has mostly been able to shape the domestic political agenda and strengthen its control over the country's political infrastructure. In particular, the 2023 regional and municipal elections showed that in most cases, relying on novel methods, the authorities can engineer the results that they deem necessary. However, the elections in Khakassia also showed that the Kremlin is risk-averse and will back down to avoid direct confrontation when it considers the stakes low enough.

This low tolerance of risks is likely the consequence of the increasing rigidity of a highly centralized government, as well as the fiscal and political distraction that is the consequence of the war. In other words, the federal government and security services are prioritizing the war in Ukraine and going after the war's opponents domestically; as a consequence, more is expected of regional and local officials both financially and politically. Most regional authorities can manage their regions as long as the priorities set by the federal center are clear and the material conditions are guaranteed. However, when distracted officials face unforeseen challenges without a clearly defined line of action, complications can emerge, as they did in Dagestan in October 2023 and in several regions during Prigozhin's mutiny in June.

Protest movements that do not directly question the status quo in the Kremlin have, by and large, been forms of dissent tolerated

by the federal authorities even over the past two years. However, the following months and potentially years are going to be characterized by an increasing scarcity of financial resources domestically and a competition for assets. The regional and local issues that currently provide the only avenues for Russian citizens to engage in politics are not going away and the federal government's focus on the war will likely worsen some of them.

The federal government and security services are prioritizing the war in Ukraine and going after the war's opponents domestically.

A major unanswered question, to which current polling is unable to provide an answer, is whether and when Russian citizens will make the connection between the war and the dysfunctions of the state that they experience first-hand, similar to what happened following the Soviet Union's defeat in its Afghan War. However, the developments of the past year suggest that even if the current status quo of apathy and acceptance stands, issues triggered or exacerbated by the war can cause political instability and influence elite bargaining. At the same time, the Kremlin is now addressing this problem proactively by creating and pushing the grand narrative of a civilizational conflict between a "normal" Russia and a decadent West to



Russian President Vladimir Putin submits documents to be registered as a candidate in the upcoming 2024 Russian presidential election, at the Central Election Commission in Moscow, Russia December 18, 2023. Sputnik/Mikhail Klimentyev/Kremlin via REUTERS

foster more active or at least performative support for the war. The prioritization of ultraconservative cases, such as the criminalizing of an ill-defined “global LGBTQ movement” and a discussion about more restrictive abortion regulation, is likely part of this effort.⁸⁴

The 2024 presidential election will be a test of whether there is still a mobilizing potential for a strong pro-war agenda and if people and the elites collectively accept this gamble. Or, if it looks like they do not,

the test will be whether the Kremlin can engineer a victory accepted by a critical mass of elites and citizens, relying on the security services and the existing means of techno-authoritarianism.

The international coalition supporting Ukraine can do little directly to catalyze political change in Russia. It cannot—and should not try to—support extremists or insurgents to create instability inside Russia in the hope that this will eventually or suddenly lead to political change.

Supporting the political and media structures created by or linked to the democratic Russian opposition is an important part of the preparations for building relationships with a future Russia, in which these political forces will, hopefully, play a more significant role. However, due to their limited reach and the risks associated with cooperating with them, the current status quo provides little hope that these organizations will foster significant political change in Russia.

NATO allies need to have a discussion again about not recognizing the legitimacy of the 2024 presidential election.

To encourage change, the collective West first needs to understand that there still are avenues of politics in Russia despite the hardening dictatorship. The full-scale war, for which the Russian state was unprepared, forced the political system to harden and readjust priorities too quickly. It further diminished the state's domestic governance capacity and created conflicts. The purpose of international sanctions is twofold: some are meant to diminish Russia's capacity to wage war; others should create or increase domestic political risks for the Kremlin and, importantly, seek to create or widen divisions in the Russian political and business elite. In turn, these will create more avenues for politics and political change. An effective sanctions policy should include preventive personal sanctions (such as the measures proposed by Alexey Navalny's

team against Putin's domestic celebrity cheerleaders); the setting of clear conditions to remove personal sanctions; and the continuous recalibration of economic sanctions to stimulate domestic politics.

Before the 2021 Russian legislative election, there was a debate in the corridors of NATO capitals about the possibility of not recognizing Russia's newly elected parliament. That debate was prompted by Russia's rapid descent into hard authoritarianism following 2020, notably the poisoning and imprisonment of Alexey Navalny, an ongoing crackdown on the domestic opposition, and the already ongoing troop movements near Ukraine's internationally recognized borders. In the end, both the 2016 and 2021 convocations of the Duma were recognized as legal, despite the presence of deputies elected in the occupied Crimea. Prior to the 2024 presidential election, which the authorities will again stage in occupied Ukrainian territories, NATO allies need to have a discussion again about not recognizing the legitimacy of the 2024 presidential election. The purpose of this would not be to pretend that Putin's popular support in Russia is weak or to suggest that the West does not regard Putin as the president of the country. The purpose of the step would be to underline the illegality of the election held in occupied territories, as well as the fact that, under the current circumstances of Russia continuously breaching international law, serious negotiations about a sustainable post-war order and Russia's place in it are impossible without significant political change.



Ukraine's President Volodymyr Zelenskyy holds a press conference, amid Russia's attack on Ukraine, in Kyiv, Ukraine, December 19, 2023. REUTERS/Alina Smutko

It is clear that “Ukraine fatigue” has spread in Western capitals. The battlefield developments in Ukraine have approached a stalemate and Western governments are fearing a populist backlash against their foreign policy due to the real and imagined costs of supporting Ukraine. Choosing to not recognize the results of the election in Russia would be a low-cost, but firm signal to Moscow. It would indicate that the West is not deterred by the Russian president’s threats and that the Western leaders question Putin’s readiness for a protracted war.

However, declarations are hardly going to be enough. The main reason for the Russian president’s optimism at the end of 2023, which also allows him a firmer control of domestic politics, is that with the prospect of renewed support for Ukraine flagging in the West, Russia seems to be

approaching a favorable turnaround in the war. Supporting the Ukrainian government to acquire the means to change the status quo on the battlefield remains the single most effective way to deal with the threat of the authoritarian menace posed by the Russian government. As this report argues, the domestic stability of the regime ultimately depends on a critical mass of elites and citizens believing the Kremlin’s narrative that the war is an inevitable circumstance and that victory is just around the corner. In spite of the Kremlin’s successes in bypassing sanctions and building a narrative for the war, the gap between this lie and reality is still widening. But this is not a reason for complacency. Western policymakers should understand how and where to accelerate this process. 🦋

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