



## PERSPECTIVES

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# Coronavirus Is Hitting Russia on More than the Economy

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**EXECUTIVE SUMMARY:** The coronavirus pandemic is causing Russia fundamental problems and putting its entire political system under intense scrutiny. As the death rate rises across its far-flung territories, troubles between Moscow and the regions are increasing. The crisis is prompting questions about the recent set of proposed constitutional changes, and the economy is likely to experience deep shocks—particularly when the effects of the pandemic are combined with those of the recent oil price war with Saudi Arabia.

The coronavirus pandemic began to affect Russia later than the western European states and the US, but has the potential to completely unravel the country's already precarious economic stability. It is not yet possible to reliably estimate the Russian economy's expected losses, but forecasts range from near zero annual GDP growth to a best-case scenario of 0.5%. Some Russian economists fear that the economy could shrink by up to 9% overall by the end of 2020.

In 2020, Russia's economic stability in the wake of the crisis is its top priority. That statement can of course be applied to every state affected by the coronavirus, but the worry is particularly acute in the case of Russia, as it has been hit in recent years by decreasing incomes and rising inflation. If the pandemic results in a major blow to the economy, the shock could precipitate an irreversible undermining of the stability of the ruling elites.

The Russian political elite's mandate for continuous rule does not derive from the people. In contrast to the western norm, power in Russia comes from institutions ranging from the military to the security agencies. The popularity

of Russian politicians is less important than many analysts in the West often believe. What counts is a stable internal economic situation.

This was the recipe for stability and continuity throughout 2000-20 and is even more true today. Putin and his allied elite political groups intend to stay in power beyond 2024. Their success in achieving that goal depends on the social pact they made with the people to provide and maintain a relatively stable economic situation. The havoc the coronavirus could wreak on the Russian economy has the potential to destroy that compact, and with it Putin's chances of extending his power beyond 2024.

The impact of the coronavirus crisis on Russia is not only economic. The outbreak and the government's response to it could have been an opportunity to display Russia's preparedness and the effectiveness of its political system. Instead, it revealed that the top leadership was unprepared for a challenge of this type or magnitude.

The pandemic in Russia, in striking contrast with China and even Western states where death rates are still high but contained, is no longer under control. Though it had been argued that the vast spaces separating Russia's population centers would limit the spread of the virus, geography does not appear to have stemmed its progress. It has been confirmed that Russia's hinterland—i.e., distant regions with small concentrations of people per square kilometer—has been hit by the pandemic along with all the major population centers. What should have served as a geographic benefit is in fact working against the central government, as the country's inadequate transportation links and lack of sufficient medical resources make it very difficult for Moscow to control the pandemic in far-flung regions.

The epidemic also revealed another problem that is receiving little attention: regions and republics within Russia are implementing responses to the coronavirus without any coordination with Moscow. This pattern exposes the perennial problem of precarious relations between the center and the federal regions. During the crisis, some regions—the restive North Caucasus, for example—have taken disproportionate measures and even explicitly disregarded orders from Moscow.

This trend highlights a largely forgotten problem with federalization: in times of crisis, it is extremely difficult to control distant territories. This is not only because of the huge geographic distances involved, but also because of the desire of local leaders to serve their own interests, which do not necessarily comport with those of Moscow. This is especially true if the regions in question are populated primarily by non-Russians.

The coronavirus pandemic could thus shake the entire premise upon which the Russian ruling elites' power has rested thus far. What makes 2020 even more troublesome for the Russian leadership are other major developments that were initiated by Moscow itself.

Only a few months ago, Russia's political system seemed fairly stable. This perception was altered when the top leadership proposed several waves of constitutional changes that would ultimately end in Putin's being allowed to continue as president in 2024, if he decides to participate in the elections. Even the trusted elite, which one might expect to be content with Putin's extension of his power, is showing signs of concern about the possible long-term results of this radical development.

Moreover, there is an increasing belief among the broader Russian population that though the changes fit into overall constitutional trends in Russia and in many Eurasian states, they nevertheless undermine the Russian people's belief in the primacy of the state constitution. Many now believe ~~that the long-discussed~~ proposed constitutional changes are a ~~well~~long-planned show designed to extend the incumbent president's rule well into 2036. In essence, the top Russian leadership has undermined the foundation of its own power: the stability and preeminence of the state constitution.

Russia's economy and influence ~~were~~ have been affected not only by the ongoing coronavirus crisis but also by the oil price war with Saudi Arabia that immediately preceded it. Putin made Russia into a dominant player in global energy politics with the partial object of driving a wedge between Washington and its crucial ally in Riyadh. Just prior to the coronavirus outbreak, Moscow refused to meet Saudi demands to double output cuts, prompting a price war with the kingdom that involved exponentially increasing oil output and driving global demand down. The Russian leadership ultimately agreed to ~~the~~ cuts at four times the level suggested in early March, and at a higher level than what ~~Saudi Arabia~~Riyadh agreed to cut from its output.

Three interlocking long-term developments will thus trouble Russia throughout 2020 and beyond: the coronavirus pandemic is testing the country's social contract to its very foundation; Russia's internal political stability is being called into question by Putin's proposed constitutional changes; and the oil price agreement with the Saudis is largely disadvantageous.

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