

JULY 2026
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Russia After Ukraine: Constrained But Disruptive

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In Brief

- Russia is entering a prolonged phase of **structural constraint**, not collapse.
- Constraint is unlikely to produce moderation. It is more likely to produce **brittleness at home and disruption abroad**, regardless of how the war in Ukraine ends.
- Russia's domestic pressures predate the war and will outlast it. The war has intensified, not created, these constraints.
- Strategy based on Russian collapse or moderation is likely to be consistently wrong-footed. Governments, businesses and exposed states should instead prepare for sustained volatility and build long-term resilience against Russian coercion.

Preface

There is no near end to Russia's war on Ukraine, and there may be no clean end at all. That makes the argument of this paper more urgent, not less.

The temptation in Western capitals is to reach for one of two familiar stories about Russia: that it is approaching collapse, or that sustained pressure will eventually compel it to moderate. Both are reassuring, and both are likely to be mistaken. They rest on a shared assumption that this paper sets out to dismantle: that constraint pushes a system towards an exit, whether through breakdown or accommodation.

The pressures bearing down on the Russian state – demographic, fiscal, technological and institutional – were narrowing its options well before February 2022. The war has sharpened them, although in most cases it did not create them. Whether the fighting ends in a settlement, freezes into a prolonged stalemate or simply continues, those pressures remain, and the strength of the analysis is that it holds across all three. My co-author Daniel

Sleat and I argue that constraint, in a system built on confrontation rather than economic delivery, does not produce caution. It produces brittleness at home and disruption abroad.

The analysis resists the easy binary. This paper traces how these pressures interact and compound: how labour scarcity feeds fiscal strain, how a shrinking manpower pool hollows out the very apparatus on which the regime depends for control, how the occupied territories drain capacity rather than supply it. The result is a portrait of a state that is at once constrained, capable and disruptive, and a single planning assumption that holds whether the reader sits in government, in business, or in an exposed neighbouring state.

The deeper point, and the one Western policy has been slowest to absorb, is that the forces driving this war were never primarily rational. They are ideational and ontological, rooted in identity, grievance and the civilisational narrative Russia tells about itself far more than in any calculation of cost and benefit. A West that continues to model Russia as a rational actor awaiting the right incentives to moderate will continue to be wrong-footed, because it is answering a question Moscow is not asking. This is why this paper's analysis anticipates disruption where others may still expect restraint.

There is, moreover, no status quo ante to which Russia might return. The war has remade Russian society, its demography, its economy, the relationship between state and citizen, and the social fabric, in ways no ceasefire will reverse. The constrained, brittle and outward-facing Russia described in these pages should not be viewed as a deviation from normality but rather as a condition to which we must adapt. The paper's principal achievement is to take this seriously: to show what the war has done to Russia from within, and why that, far more than the front line, will shape Russian behaviour for years to come.

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Executive Summary

Russia is not collapsing. It is entering a prolonged phase of structural constraint.

In Russia's current political system, structural constraint is unlikely to produce moderation. It is more likely to produce brittleness domestically and disruption externally that will drive volatile external behaviour, regardless of how its war on Ukraine evolves or concludes.

Decision-makers who plan for Russian collapse or for Russia to moderate its behaviour will be consistently wrong-footed.

The structural pressures shaping Russia's trajectory predate the war and will outlast it. Demographic decline, labour shortages, fiscal pressure, technological dependency and political centralisation were narrowing Russia's strategic options before 2022. The war has intensified them. The conclusion of the conflict, however it comes, will not resolve them.

These constraints do not produce moderation because the political system is not structured to respond that way. When legitimacy rests on confrontation rather than economic delivery, pressure becomes further evidence that the external threat is real. The 2021 National Security Strategy and the 2023 Foreign Policy Concept institutionalise this logic. Strategic retreat is more dangerous to the regime than continued disruption.

The domestic consequences are already visible. Russia's military, intelligence and internal security institutions are increasingly competing for recruits from the same shrinking manpower pool. Units built for domestic repression are deployed externally. The apparatus on which the regime depends for internal control is itself under the pressures it is meant to manage.

Externally, asymmetric tools have become instruments of first resort rather than last resort. Russian state-linked sabotage and subversion activity against European and US targets nearly tripled between 2023 and 2024.¹ Information operations, energy leverage, proxy networks and nuclear

signalling are not supplements to conventional power. For a constrained Russia, they are the primary toolkit. The occupied territories compound this picture further. They absorb coercive capacity, divert administrative resources, impose ongoing fiscal costs and introduce a legitimacy variable the regime cannot fully control.

This disruption is less likely to come primarily through large-scale military confrontation, although that cannot be ruled out, and more through the broad spectrum of tools Russia uses to pursue its political objectives. These include cyber-attacks, sabotage, political interference, coercive diplomacy, information operations, energy leverage and conventional military pressure where advantageous. The challenge for countries facing Russian pressure is therefore not simply to strengthen military capabilities, but to build resilience across society as a whole. Protecting critical infrastructure, democratic institutions, supply chains and public trust should be viewed alongside conventional defence rather than as separate priorities.

For governments and policymakers, the priority is to plan for prolonged volatility. That means strengthening collective thresholds for responding to cyber-attacks, sabotage, political interference and other forms of Russian coercion, monitoring indicators of compounding internal pressure rather than waiting for a single breaking point, and treating resilience-building in the near neighbourhood as a structural task rather than a wartime contingency. The task is to manage a Russia under domestic pressure that remains capable of causing – and likely more willing to cause – sustained disruption.

For exposed states and institutions, particularly in Eastern Europe, the Caucasus and Central Asia, the priority is institutional resilience. Cyber-defence, electoral resilience, anti-corruption capacity and infrastructure protection should be treated as core security functions. Russia's objective will often be to prevent consolidation rather than achieve decisive control.

For businesses and investors, Russia-linked exposure should be treated as a structural risk rather than a temporary crisis. Supply chains, energy dependencies, logistics routes and financial channels vulnerable to Russian leverage, sanctions escalation or politically driven regulatory risk need long-

term management, not short-term adjustment. Resilience should be treated as a long-term operating requirement, not just a current wartime contingency.

01

Russia in Structural Context

Much of the analysis of Russia since 2022 has focused on the battlefield trajectory in Ukraine and its domestic impact. Military developments, the effects of sanctions and the state of play on the battlefield understandably dominate international commentary. Yet an exclusive focus on analysing Russia through the prism of the war risks misreading the country's longer-term trajectory.

The conflict is shaping Russia's present, but it is not the sole driver of the pressures facing the Russian state.

Many of the forces that will define Russia's future predate the invasion of Ukraine. Russia is a structurally different country now than it was a decade ago. Demographic decline, labour shortages, limited productivity growth, sociocultural tensions, fiscal trade-offs and technological constraints were already narrowing the country's economic and political flexibility well before 2022.

The war has intensified some of these pressures and obscured others, but most are rooted in structural trends that long predate the invasion. Regardless of how the conflict concludes, these structural trends will continue to shape the boundaries of Russia's power, narrowing the country's options without necessarily diminishing the incentives that drive its behaviour.

Taken together, these pressures point to a Russia operating under tightening constraints. This does not imply imminent collapse. Rather, it suggests a system facing harder trade-offs, reduced policy flexibility and growing internal strain. Under such conditions, constraint does not mean moderation. It produces brittleness, insularity and greater external volatility.

Whether the war ends, freezes or continues in an altered form, the structural constraints shaping the Russian state will remain. They will leave Russia more brittle domestically and more disruptive externally, as the costs of

some forms of power projection rise while the incentives for lower-cost forms of disruption increase. Decision-makers should prepare for this outcome.

Government officials, business leaders and investors planning for Russia beyond the immediate trajectory of the war should not assume that the country's domestic constraints will produce external moderation. Policy and commercial strategies built around that expectation are likely to be consistently wrong-footed.

02

The Structural Pressures Shaping Russia's Trajectory

The pressures shaping Russia's trajectory span multiple domains. Economic, demographic, social, political, technological and military factors each shape the conditions under which the Kremlin operates. The war is not only intensifying these pressures from outside. It is also reordering Russian society from within: reshaping labour markets, demographic flows, social cohesion and the relationship between the state and its citizens.

The sections below set out these structural pressures before the paper then examines how they interact and narrow Russia's strategic options.

Long-Term Economic Constraints and Fiscal Limits

By February 2022, when Russia launched its full-scale invasion of Ukraine, its growth model was already under strain. Between 2013 and 2019, average annual gross-domestic-product (GDP) growth hovered around 1 per cent, well below global and emerging-market averages.² Productivity growth had slowed, investment remained concentrated in state-linked sectors and hydrocarbon revenues accounted for roughly 35 to 45 per cent of federal budget revenues in the decade before the war.³ These dynamics reflected a mature, resource-dependent economy facing demographic decline and limited innovation depth.

The most binding structural pressure is labour. Russia's working-age population has been shrinking since the early 2010s, and labour shortages were evident well before 2022.⁴ Since then, mobilisation and outward migration have intensified these constraints, pushing wage growth higher and increasing costs for firms and the state. Inward migration has also fallen sharply.⁵ Arrivals from Commonwealth of Independent States countries dropped by around 20 per cent in the first half of 2024 compared to the same period in 2023, with migration from Tajikistan falling by 28 per cent.

Migration from these former Soviet Union member countries had previously provided a buffer that partially offset pressure on Russia's shrinking labour supply.⁶

The costs of the war are also unevenly distributed. Rural communities, economically peripheral regions and republics with large ethnic-minority populations are absorbing disproportionate casualty rates. The republics of Buryatia, Dagestan and Tuva have contributed soldiers at rates significantly higher than wealthier urban centres, while border regions including Belgorod and Kursk face direct pressure on civilian infrastructure.⁷ These dynamics are producing regionally differentiated grievances and are beginning to interact with the demographic and fiscal pressures described.

Fiscal space is also narrowing. Oil and gas revenues now account for around 20 to 25 per cent of federal revenues, lower than in previous decades but still strategically significant.⁸ Defence and security spending has risen to around 6 to 7 per cent of GDP, supporting industrial output but absorbing a growing share of public resources.⁹ The result is a tightening envelope of fiscal flexibility that will persist beyond the war.

The occupation of Ukrainian territory adds a further burden. Sustaining administrative control, subsidising local economies and funding security operations across occupied regions requires continuing expenditure. The Kremlin's attempt to distribute this burden through the *shelstvo* programme (assigning Russian regions to adopt and rebuild occupied districts) has been undermined by corruption, poor construction and logistical strain. The fiscal commitment therefore falls increasingly on central federal resources. The occupation also offers little demographic relief. Large-scale displacement from occupied and frontline regions, combined with Ukraine's broader wartime population loss, limits the extent to which these territories can offset Russia's longer-term labour shortages. This is a structural commitment that will likely endure.¹⁰

Demographic Decline and Social Sustainability

Russia's demographic trajectory has been a structural constraint for more than a decade. The working-age population has been shrinking since the early 2010s, reflecting low birth rates in the post-Soviet period and declining inward migration. Population decline is projected to continue over the coming decade, reducing the available labour force and narrowing the state's long-term economic base.

These pressures are unevenly distributed. Poorer regions experience higher outward migration, greater dependence on state support and weaker social infrastructure. At the same time, an ageing population is placing growing pressure on public services and fiscal resources. The war has intensified these dynamics through mobilisation and outward migration, particularly among younger and economically active cohorts, but it has not altered their underlying direction.

Migrant labour has become a structural component of Russia's industrial base, including in defence production. Reporting on Russia's labour shortage shows high demand for workers in defence enterprises and defence-linked companies, while Russian factories hired tens of thousands of foreign workers in 2024 to offset labour shortages.¹¹ This supports production but creates low morale, high turnover and social friction.

This reliance sits in direct tension with the political environment the Kremlin has cultivated. Polling by the Levada Center shows that a clear majority of Russians favour restricting labour migration. Senior politicians have called for deportations and citizenship bans, while Telegram channels with mass followings routinely portray Central Asian migrants as criminals and security threats. Anti-migrant rhetoric has become a socially acceptable outlet for public anger at the war, wage stagnation and corruption.¹²

The result is a structural contradiction. The economy requires migrant labour to sustain industrial output; the political system undermines the conditions that would attract and retain it. Restricting migration deepens labour

shortages; permitting it intensifies nationalist pressures the regime has helped mobilise. Under prolonged strain, this contradiction will tighten rather than ease.

The consequences extend beyond the labour market. Sustained anti-migrant rhetoric and policy have normalised conditions for ethnically motivated violence, including the October 2024 disturbances in Korkino. Nationalist vigilante groups, including Russian Community (Russkaya Obshchina), have increasingly exploited this environment by conducting anti-migrant raids and presenting themselves as defenders of public order. At the same time, discrimination and marginalisation create vulnerabilities that extremist networks can exploit, as illustrated by the March 2024 Crocus City Hall attack. Russia's national security apparatus is aware of this risk, but the Kremlin's own incentives constrain its ability to address the underlying causes.

Political Centralisation and Institutional Rigidity

Russia's political system has become more centralised over the past two decades. Decision-making authority has been consolidated in the executive, while formal institutions play a more limited role in shaping outcomes. This has been accompanied by the expansion of securitised governance, with administrative and legal mechanisms increasingly used to manage political, economic and social activity. The extension of foreign-agent and national-security legislation, alongside the growing role of the security services, all illustrate how control has been institutionalised across multiple domains.

Russia's political and business elites are incentivised to demonstrate loyalty to the centre because their influence, protection and access to economic opportunity depend heavily on state favour. Senior political and business figures operate in a system where continued access depends on alignment with central priorities. Criminal investigations and administrative pressure against regional elites and corporate actors reinforce these incentives, limiting independent decision-making and encouraging compliance over initiative.

The career of Sergey Kiriyenko, First Deputy Chief of Staff of the Presidential Administration, illustrates how this system rewards execution over autonomy. Since 2022, Kiriyenko has overseen Russia's political integration of the occupied Ukrainian territories, deploying familiar domestic tools: managed elections, cadre rotation, youth-indoctrination programmes and tight ideological control. In 2024 and 2025, his remit expanded to cover Russian policy in Abkhazia, Transnistria and Armenia.¹³

Officials who deliver within the system's logic accumulate authority. Those who introduce friction do not.

The result is a system with limited institutional flexibility and reduced capacity for adaptation under stress. Stability is maintained through administrative management and coercive tools rather than responsive governance. As authority becomes more concentrated, the system becomes more effective at enforcing decisions but less able to adjust course when conditions change.

The occupied territories are also functioning as a laboratory for coercive-governance strategies developed under wartime occupation. Techniques of population control, administrative management and security operations developed in occupied Ukraine are already diffusing back into Russia's own governance practices, reinforcing the broader trend towards securitised administration.

Technological and Industrial Capability Gaps

Russia's technological and industrial base has long faced structural constraints. Productivity growth has lagged behind that of advanced economies and the domestic innovation system remains limited in scale and effectiveness. Research-and-development spending has remained at around 1 per cent of GDP, significantly below leading innovation economies. Investment remains concentrated in state-linked sectors, reinforcing a model that prioritises stability over innovation.¹⁴

A key feature of this constraint is dependence on imported technology, particularly in advanced manufacturing and microelectronics. Before 2022, Russian industry relied extensively on foreign machine tools, semiconductors and specialised components in sectors ranging from aerospace to precision engineering. Efforts to replace these imports with domestic production have had mixed results, often achieving partial replacement but not full technological equivalence.

These limitations are reinforced by capital constraints and skills shortages. The departure of technically skilled workers since February 2022 has deepened this problem. Sanctions have restricted access to advanced inputs, increasing reliance on third-country sourcing and indirect procurement, including through China, Turkey, the United Arab Emirates, and parts of Central Asia and the South Caucasus. However, these pressures have exposed underlying weaknesses rather than creating them. Even after the war, Russia's ability to sustain long-term productivity growth and industrial modernisation will remain bounded by structural capability gaps.

Military-Sustainability and Force-Structure Limits

Russia's military capabilities are shaped not only by its current force levels but by its ability to sustain and regenerate those forces over time. Structural constraints on manpower, industrial capacity and fiscal resources limit the pace at which the military can expand, modernise or replace losses. These constraints are rooted in long-term demographic trends and the broader economic structure rather than the specific dynamics of the current conflict.

Russia's working-age population is projected to decline by around 10 per cent by the mid-2030s, reducing the pool of available recruits. Competition with the civilian economy raises the cost of mobilisation, creating trade-offs between military recruitment, economic activity and social stability.¹⁵ The Kremlin is also attempting to address this over the longer term through the militarisation of education and youth organisations, seeking to cultivate a larger and more ideologically committed future recruitment pool.

These pressures extend into the broader coercive apparatus. Russia's national guard, Rosgvardiya, built for domestic crowd control and regime protection, has been drawn into frontline and occupation duties in Ukraine. Units designed to suppress domestic unrest are now deployed externally, creating strain at a time when social pressures are intensifying. Rosgvardiya has reportedly faced significant staffing and recruitment pressures, including difficulty competing with military pay.¹⁶

Recruitment competition compounds this. The Federal Security Bureau (FSB), Ministry of Internal Affairs (MVD), military, Rosgvardiya and private military companies are all drawing from the same shrinking manpower pool. Inflated military-contract pay has created resentment among security personnel performing politically sensitive domestic work for lower wages. This is an important morale and loyalty issue within the apparatus on which the regime depends.

Ukraine's evolving strike strategy is also exploiting Russia's structural vulnerabilities. Strikes on command-and-control infrastructure are important because Russia's military system is highly centralised. Strikes on industrial-production centres reliant on imported components compound the effect, because sanctions constrain replacement. Ukraine's targeting strategy is therefore exploiting technological dependency and institutional rigidity as pressure points.

Defence-industrial capacity places further limits on Russia's ability to replenish equipment and sustain production. Defence spending, now around 6 to 7 per cent of GDP, has supported production but underscores the resource intensiveness of sustaining current force levels.¹⁷ These factors limit Russia's ability to sustain high-intensity operations over extended periods. The war has exposed and worsened these pressures, but they reflect underlying structural limits on Russia's capacity to generate and sustain military power.

03

How Constraint Compounds: Interaction and Strategic Narrowing

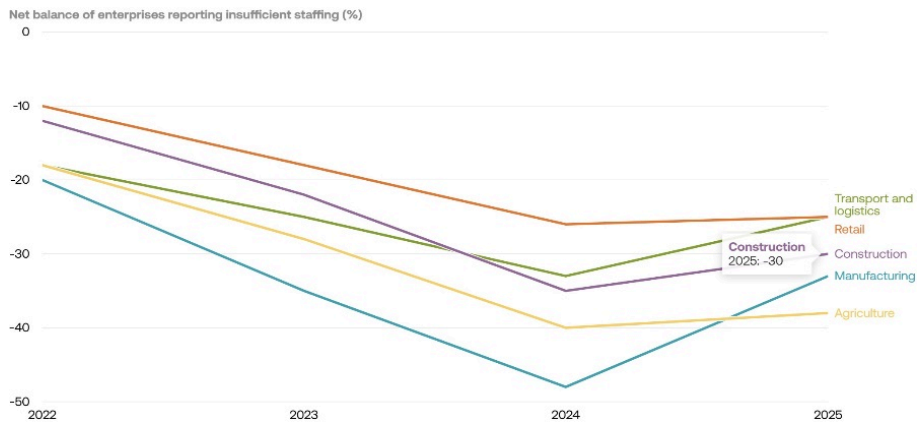
The structural pressures set out in this paper do not operate independently. They interact. And as they interact, they compound and progressively narrow the Kremlin's strategic room for manoeuvre. The result is a tightening set of trade-offs that shape both domestic policy and external behaviour.

Labour Scarcity, Fiscal Pressure and Economic Trade-Offs

Labour scarcity is emerging as a binding constraint across the Russian economy. With unemployment below 3 to 4 per cent and labour shortages estimated in the millions, competition for workers has intensified across civilian and defence sectors.¹⁸ Enterprise surveys show widespread staff shortages across manufacturing, transport and retail sectors.

FIGURE 1

Staffing shortages deepened sharply across Russian business after 2022 and eased only partially in 2025



Source: Bank of Russia enterprise surveys; sector values digitised from published charts Note: Lower values indicate more severe shortages.

Rising wage and recruitment costs are feeding into fiscal pressure, particularly through defence spending. Wage and recruitment costs have risen sharply in defence-linked manufacturing, reflecting competition between military recruitment, defence production and civilian labour demand.¹⁹ As labour becomes more expensive and increasingly scarce, the state faces growing pressure to prioritise where resources are directed.

These pressures are translating into more explicit trade-offs. Defence and security spending now account for roughly 35 to 40 per cent of federal expenditure (corresponding to around 6 to 7 per cent of GDP), compressing space for infrastructure spending, social spending and long-term investment. The issue is not only the scale of spending but the narrowing flexibility in how it can be allocated.²⁰

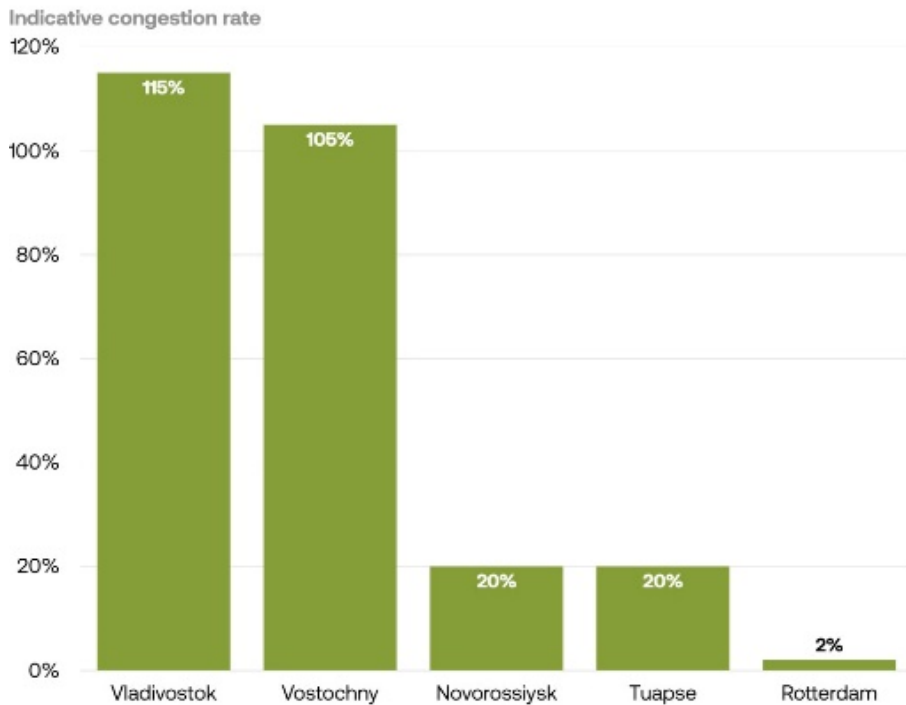
Small and medium enterprises (SMEs) show how these pressures work below the macro level. SMEs account for roughly 20 per cent of Russian GDP and a larger share of employment in regions outside Moscow and St

Petersburg.²¹ They are losing workers to higher-paying defence roles, facing prohibitive credit conditions and carrying a disproportionate import-substitution burden. In regions where SMEs are the main source of non-state employment, their decline pushes workers into greater dependence on state-linked structures.

Russia's logistics infrastructure shows the same pattern. Key ports are operating at or above capacity, with congestion levels at Vladivostok and Vostochny far exceeding major European benchmarks. Occupied southern ports such as Mariupol and Berdiansk cannot function as effective relief valves, while rail cargo volumes have weakened. These disruptions reflect a mismatch between Russia's infrastructure and the demands placed upon it.

FIGURE 2

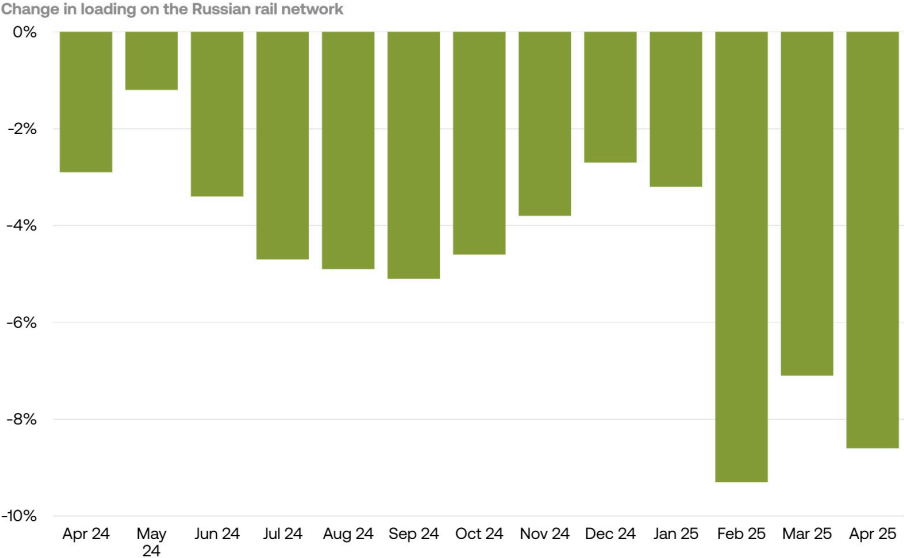
Russian port congestion is surging, with Far East terminals worst affected and running well above European benchmarks



Source: TBI analysis Note: Figure shows congestion rates relative to weekly throughput. Congestion rates are indicative estimates, calculated by comparing average waiting vessels (MarineTraffic/CEIC) with typical weekly throughput (ACSP, AIS). Anchorage-stay durations, also based on MarineTraffic AIS data. Figures illustrate relative strain across ports, not official capacity statistics. Novorossiysk and Tuapse are Black Sea ports.

FIGURE 3

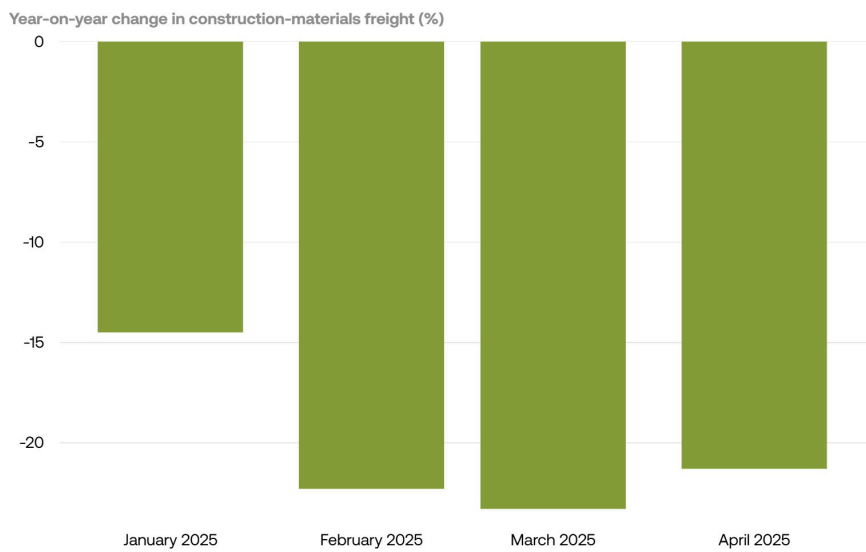
Russian rail freight has weakened sharply after a year of sustained decline



Source: TBI analysis based on Russian Railways (RZD) data

FIGURE 4

Construction-materials freight is contracting, signalling weaker domestic investment



Source: TBI analysis based on Russian Railways (RZD) data

The cumulative effect is a tightening set of constraints on the state’s ability to manage the economy. Labour scarcity amplifies fiscal pressure, weakens non-state employment and limits the room for adjustment between competing civilian, military and social priorities. Economic policy becomes increasingly defined by trade-offs rather than expansion of capacity.

Demographic Decline, Nationalism and Social Sustainability Under Prolonged Strain

Russia’s demographic trajectory represents one of its most binding long-term constraints. The working-age population has been declining since the early 2010s and is projected to fall by a further 10 per cent by the mid-2030s. This contraction is structural, pre-existing and compounding.²²

The war has intensified these pressures through mobilisation and emigration. Recruitment has heavily impacted working-age male cohorts, with the burden falling disproportionately on poorer regions.²³ Outward migration since 2022 has accelerated the departure of younger, economically active and often skilled workers.²⁴

This creates a tension at the heart of Russian economic policy. Labour shortages are acute, but the most straightforward response – expanding the migrant-labour pool – is politically constrained by the regime’s own nationalist framing. Migration from Central Asia has increased, but it sits uneasily alongside a political culture increasingly organised around ethnic and civilisational identity.

Russian nationalism operates across two distinct registers. The first is civilisational-imperial nationalism: the idea of a wider “Russian world” (*Russkiy mir*) that extends beyond the borders of the Russian Federation and binds Russian speakers, Orthodox Christianity, historical memory and great-power identity into a single civilisational narrative. This sits alongside the besieged-fortress identity and great-power discourse institutionalised in official doctrine. The Kremlin has long managed this form of nationalism. The second is ethnic Russian nationalism: more exclusionary, xenophobic and suspicious of the regime for insufficiently prioritising Slavic interests over those of ethnic minorities or migrant communities.

Under tightening constraint, the second form becomes harder to channel. Migrants are visibly filling jobs vacated by mobilised Russian men, economic strain falls unevenly and military tensions can take ethnic form, as seen by Russian pro-war criticism of Chechen Akhmat units’ conduct during the Kursk incursion.²⁵ The Kremlin has historically managed the gap between these forms of nationalism by keeping each partially satisfied and neither dominant. That balancing act is becoming harder.

Veteran reintegration adds another source of strain. Russia will eventually demobilise a large population of men with frontline experience, many of whom will carry trauma, hold hardened political attitudes and expect compensation, recognition and a political voice. Soviet-Afghan veterans and Chechen war veterans offer cautionary precedents. The current cohort is

large, has served in a war framed in explicitly ideological terms and is likely to return to a state already facing significant fiscal, labour-market and policing constraints

The law-and-order implications of this are already becoming visible. Open-source compilations cited by Russia Matters, a Harvard Kennedy School Belfer Center project, have recorded hundreds of serious violent incidents involving returning veterans, including cases of murder and severe injury.²⁶ These incidents cannot be neatly separated from the wider mental-health effects of the war. A reported clinical study of servicemen hospitalised in the Siberian city of Novosibirsk found high rates of post-traumatic-stress-disorder symptoms, intrusive memories and suicide attempts.²⁷ Russia's own official health-ministry data show mental-disorder diagnoses reaching a ten-year high in 2023, rising from 430,000 new cases in 2021 to 460,400 following a sharp pandemic-driven dip in 2020,²⁸ with antidepressant prescriptions up 18 per cent year on year.²⁹ Heavy alcohol use among veterans is widely documented. The *afgantsy* experience is instructive: veterans of the Soviet-Afghan war made up significant numbers of those involved in organised crime or experiencing addiction in the late Soviet and early post-Soviet period. The current veteran cohort is larger, has served longer and returns to an economy structurally less able to absorb them.

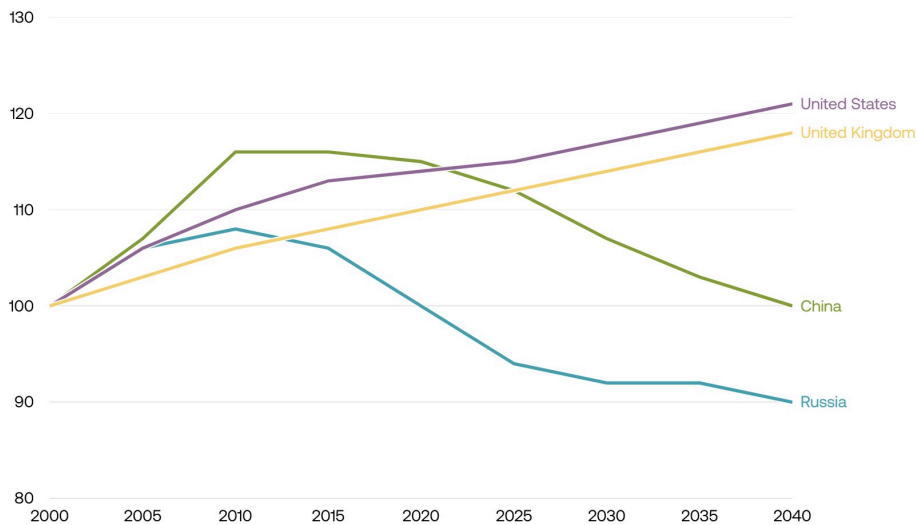
What makes this problem more acute is that domestic policing capacity to manage it is itself under severe strain. Russian official statements and reporting indicate severe staffing shortages across the Interior Ministry, including major gaps in patrol, criminal-investigation and drug-control units. In many regions, police units are reported to be operating below required strength. At the same time, domestic law-enforcement resources remain heavily committed to the occupied territories, limiting the state's ability to redeploy personnel without increasing security risks there. The underlying cause is structural: military-contract pay far outstrips civilian-policing wages, driving skilled officers towards the war effort and hollowing out domestic law enforcement. This creates a situation in which Russia has generated a large population of traumatised and potentially volatile veterans while depleting the civilian apparatus meant to manage their reintegration. This is compounding a domestic-stability risk that does not require a triggering

event to become significant.³⁰ Alleviating these pressures will likely require the same security resources as combatting rising ethnic and intercultural tensions, creating further demands on an already overstretched coercive apparatus.

The result is a contradiction the system cannot easily resolve. Economic logic points towards greater openness. Political logic pushes in the opposite direction. Under prolonged strain, this tension is likely to intensify, adding another layer of rigidity to an already constrained system.

FIGURE 5

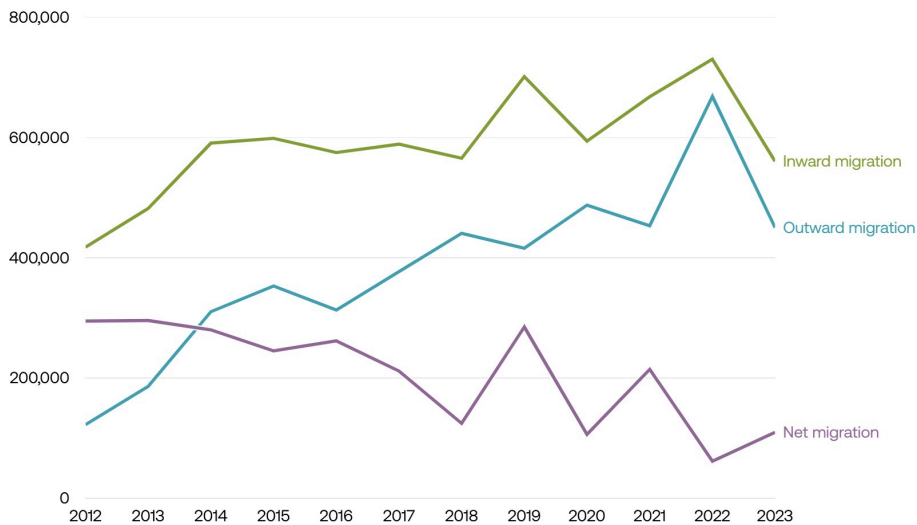
Russia's labour base has been shrinking since the early 2010s



Source: UN population data; Rosstat data

FIGURE 6

Migration flows have become volatile and less able to offset workforce decline



Sources: UN population data; Rosstat data.

Economic Limits and Political Centralisation

As economic flexibility narrows, the political system responds by tightening rather than opening up. With less capacity to distribute resources broadly across regions and elites, the basis for managing loyalty shifts from patronage towards control. Centralisation becomes less a preference than a structural response to constrained capacity.

The scale of state involvement reinforces this dynamic. State-owned enterprises account for roughly one-third of GDP and a larger share of activity in strategic sectors including banking, energy and defence.³¹ Access to economic opportunity is increasingly mediated through alignment with central priorities. Elite incentives are structured accordingly: continued access depends on demonstrated loyalty, and the cost of divergence is high.

Several poorer and politically sensitive regions remain heavily dependent on transfers from the federal budget. In 2022, Russia's Accounts Chamber reported that in ten federal subjects (regions) more than 60 per cent of budget revenues came from gratuitous receipts from other budgets, leaving local governments with limited fiscal autonomy and high exposure to central decisions.³² Legal and administrative tools follow the same logic. Foreign-agent and national-security legislation, alongside criminal and administrative cases against regional elites and corporate actors, reflect a system cultivating loyalty through coercion as much as incentive. These tools reshape incentives across the political and economic elite, encouraging compliance and discouraging independent initiative.

Centralisation, however, does not guarantee elite cohesion. The June 2023 Wagner mutiny showed that the coercive apparatus is not monolithic. Wagner leader Yevgeny Prigozhin's confrontation with the regular military leadership exposed cleavages between the Ministry of Defence, private military structures, *siloviki*³³ factions and frontline commanders. His death resolved the episode without resolving the underlying tensions.

As fiscal flexibility narrows, preventing elite fragmentation will require continuous patronage, suppression of alternative power bases and credible loyalty incentives. When resources are sufficient, centralisation stabilises. When they are not, the same structure that suppresses institutional alternatives also prevents adaptive responses to elite discontent.

Political Logic and Regime Incentives Under Constraint

Structural pressures alone do not determine political outcomes. What matters is how a political system interprets and responds to constraint. In Russia's case, the dominant political logic does not channel constraint towards caution or accommodation. It channels it towards confrontation.

The ideological framework embedded in official doctrine is not incidental. The 2021 National Security Strategy and 2023 Foreign Policy Concept frame Russia as a distinct civilisation under sustained external pressure.³⁴ This

establishes a worldview in which Russia's difficulties are attributed to hostile external forces rather than internal failures, and in which resistance rather than reform is the appropriate response.

This framework is not simply imposed from above. It maps onto beliefs, anxieties and identity constructs within the general population and across parts of the elite. The mobilisation of historical memory – especially the second world war and the enduring fear of periods of internal disorder, from the 17th-century “Time of Troubles” to the chaotic post-Soviet transition of the 1990s – provides a reservoir of narrative legitimacy that predates the current regime. Many Russians are not merely recipients of state messaging. They are participants in reproducing these narratives.

This has direct consequences. When legitimacy rests on economic delivery, constraint incentivises reform. When legitimacy rests on resistance to external threat, constraint becomes further evidence that the threat is real. Russia's political system is increasingly organised around the second logic. Economic underperformance can be absorbed within that frame. Strategic retreat cannot.

Elite incentives reinforce rather than moderate this logic. The growing role of the security services, criminal pressure against business figures and regional elites, closure of independent media and 2022 laws criminalising criticism of the armed forces have narrowed the space for alternative narratives. The result is a system in which dissent has limited institutional expression and visible disagreement carries high costs.³⁵

The occupied territories add another pressure. Sustained Ukrainian resistance, the human cost of occupation and the gap between liberation narratives and contested control create friction between what the regime claims and what parts of the population can observe. More broadly, governing roughly one-fifth of Ukrainian territory requires manpower, administrative capacity and political legitimacy that are already under strain.

Anti-resistance operations draw on the same Rosgvardiya, FSB and MVD capacity needed to manage internal dissent inside Russia. Parallel governance structures, courts, schools, pension payments and health-care provision require continuing bureaucratic diversion.

Taken together, the occupied territories function not as a resolved asset but as a multiplier of constraint. They absorb coercive capacity, divert administrative resources, complicate fiscal management and introduce a legitimacy variable the regime cannot fully control.

This is the mechanism connecting structural pressure to external behaviour. Constraint does not produce moderation because the political system is not structured to respond that way. It produces disruption – because disruption is consistent with the regime’s ideological self-presentation, affordable under resource limits and less dangerous to internal coherence than the alternatives.

Technological Gaps and Military Substitution

Russia’s technological and industrial constraints do not prevent military activity; rather they shape its character. Where qualitative modernisation is not achievable, the system substitutes quantity, simplicity and external sourcing. The result is a military capability that is adaptive in the short term but structurally bounded over time.

The underlying weakness is not new. Research-and-development spending has remained at around 1 per cent of GDP (0.92 per cent as of the last year Russia reported data, in 2022) compared to roughly 3 per cent in the United States and around 4 per cent in South Korea. Prior to the invasion of Ukraine in 2022, Russian industry relied extensively on foreign machine tools, semiconductors and precision-manufacturing inputs from Europe and East Asia. Sanctions have restricted access to these inputs, but dependence has persisted through third-country procurement channels.³⁶

The military response has been substitution rather than resolution. Simplified production models, refurbished Soviet-era equipment and mass-produced drone systems have allowed Russia to sustain operational tempo without closing the capability gap. The adoption of Iranian-designed loitering munitions, including the Shahed-136, illustrates this shift.

This pattern is likely to persist. Substitution manages constraint but does not overcome it. As the technological gap with leading militaries widens, Russia's ability to compete on qualitative terms will erode. Military effectiveness will increasingly depend on mass, attrition and asymmetric adaptation rather than technological superiority.

A further constraint is deepening dependence on China. Chinese firms have become primary sources of dual-use components, advanced machine tools and electronic inputs. Chinese financial institutions provide workarounds for trade finance and cross-border payments, while Chinese diplomatic positioning limits coordinated pressure in multilateral forums. The relationship is often described as a partnership of convenience, but structurally it is closer to asymmetric dependency. Russia has fewer viable alternatives. Beijing has not lost its alternatives in the same way.

From Domestic Constraint to External Behaviour

Structural constraint does not produce passivity. It reshapes the form external behaviour takes. As domestic flexibility narrows, the incentive to offset internal pressure through external action increases. At the same time, the tools available are constrained. The result is a shift away from sustained strategic engagement and towards disruption, obstruction and asymmetric pressure.

Direct forms of influence, whether economic leverage, conventional military power or institutional leadership, are resource-intensive. Asymmetric tools offer a different calculus. Cyber-operations, information campaigns, energy leverage and hybrid pressure are lower-cost, harder to attribute and scalable. Under constraint, they become instruments of first resort rather than last.

The pattern is visible. Russian sabotage and subversion activity against European and US targets nearly tripled between 2023 and 2024.³⁷ This reflects a deliberate reallocation of pressure towards lower-cost instruments as conventional options become more constrained.³⁸

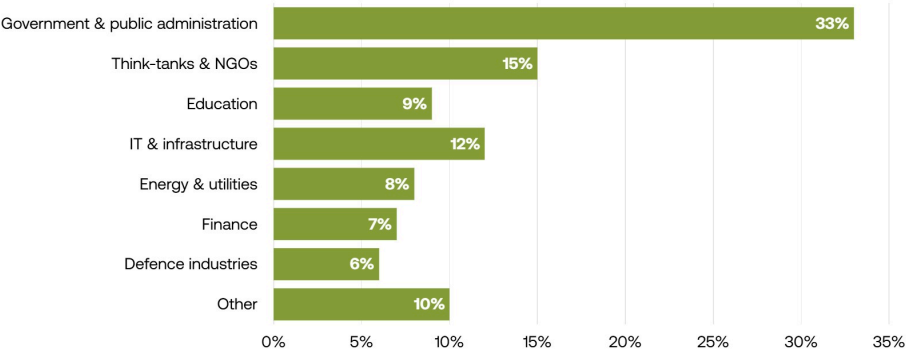
This shift redefines strategic success. Russia is less able to achieve decisive gains through sustained engagement. The more achievable objective is disruption: preventing adversaries from consolidating, fracturing coalitions, exploiting instability and raising the cost of opposition. In the near neighbourhood, this translates into sustained hybrid pressure on states seeking closer alignment with Western institutions. Beyond this, engagement is increasingly transactional, opportunistic and unlikely to produce durable alignment.

Nuclear signalling fits the same pattern. For a state that cannot match its adversaries conventionally across all domains, nuclear rhetoric is a low-cost instrument for raising the perceived cost of opposition and limiting external intervention. Its prominence reflects the narrowing of other available options.

Russia's domestic information architecture, built on media consolidation and suppression of dissent, also functions as the infrastructure for external-influence operations. The objective is not simply to spread disinformation but to shape the information environment itself, influencing how audiences interpret events and making them more receptive to narratives that advance Russian interests. In this conception, information is not treated as a collection of facts to contest but as an ecosystem to be shaped. These operations impose cumulative costs through polarisation, institutional delegitimisation and the erosion of coalition coherence. The cumulative effect is a Russia whose external behaviour is more reactive, episodic and risk-tolerant than a state operating with greater flexibility. Constraint does not make Russia less dangerous. It makes its behaviour more volatile.

FIGURE 7

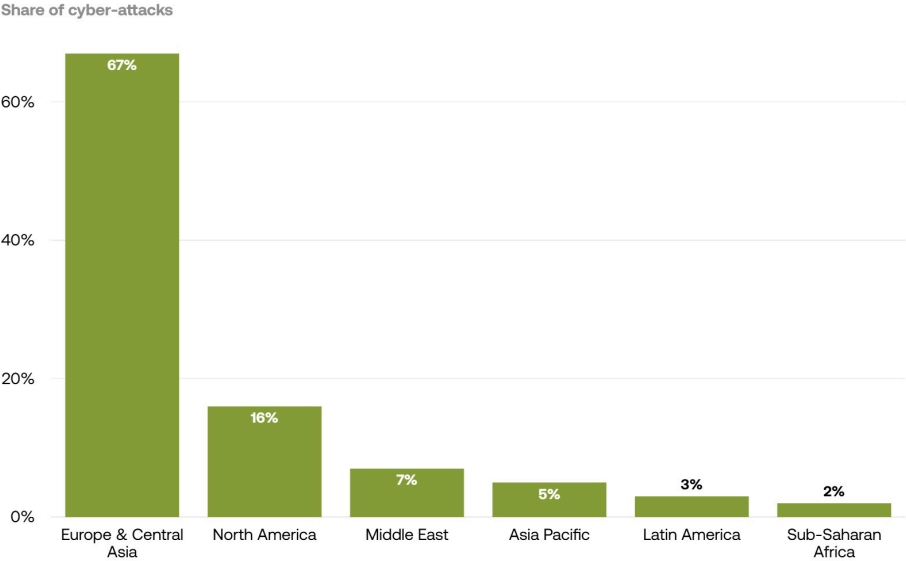
Government targets account for the largest share of Russian state cyber-activity



Source: Microsoft Digital Defense Report 2024; ENISA Threat Landscape 2024–2025

FIGURE 8

Europe and Central Asia are the main regional targets of Russian state cyber-activity



Source: Microsoft Digital Defense Report 2024; ENISA Threat Landscape 2024–2025

04

Strategic Consequences and Implications for Decision-Makers

The structural pressures described in this paper do not point to collapse. They point to a Russia that is more brittle domestically, more disruptive externally and less predictable across both dimensions. A constrained but functional Russia requires a different policy response from one built around expectations of collapse or moderation. It should be understood as a state managing growing internal strain while increasingly projecting power through disruption. The implications of Russia's trajectory are not confined to governments. They extend to businesses, investors and institutions whose long-term exposure to Russia will increasingly be shaped by persistent volatility rather than episodic crisis.

Domestic Brittleness and the Limits of Coercive Stability

The Russian regime is not facing imminent rupture. The security apparatus retains the capacity to manage dissent and contain elite divergence. Coercive management in urban centres, fiscal transfers to peripheral regions and legal mechanisms to suppress alternative narratives have so far held the system together.

The greater risk is not a single destabilising event but the interaction of pressures the system is not designed to absorb simultaneously. Labour shortages, fiscal tightening, regional inequality, war casualties and the costs of occupation are each manageable in isolation. Their interaction under prolonged strain progressively reduces the state's flexibility and increases the demands placed on the institutions responsible for maintaining internal stability.

For decision-makers, the implication is clear. Do not structure policy around the expectation of collapse. Instead, plan for a system under increasing strain that it finds progressively harder to manage. Monitoring indicators of

compounding pressure, including regional fiscal dependence, mobilisation resistance, elite fragmentation and deterioration in public services, is likely to prove more useful than searching for a single breaking point. Governments should also prepare for a wider range of future Russian political trajectories than simple regime continuity or collapse, considering how deterrence, engagement and influence might operate under different leadership configurations.

External Volatility and the Redefinition of Strategic Success

Discounting the risk of renewed conventional war would itself be a mistake. Countries most exposed to Russian aggression are right to treat conventional defence spending and readiness as a serious priority – further conventional conflict is not impossible. But decision-makers should be clear-eyed about the most probable form Russian aggression will take. The same constraints that produce disruption make continued, high-intensity conventional operations harder for Russia to generate and sustain: labour is scarce, defence spending already absorbs a growing share of federal resources and force regeneration is bounded by demographic decline.

This does not mean the threat has receded. The conditions that produced this war – civilisational grievance, threat perception built into official doctrine and a political system that treats retreat as more dangerous than confrontation – remain intact. What changes is the form the threat takes. Where sustained conventional escalation is costly and hard to sustain, asymmetric pressure is not. Decision-makers should not discount the former, but they should give sufficient priority to the latter.

As domestic flexibility narrows, Russia's external behaviour becomes more sensitive to perceived threats and more tolerant of risk. This is not irrationality. Russia may have fewer resources for sustained conventional competition, but it still has strong incentives to disrupt neighbouring states, fracture opposing coalitions and raise the cost of resisting its interests.

Strategic success has consequently been redefined. Fracturing coalitions, raising the cost of opposition and preventing adversaries from consolidating have become objectives in themselves. Under these conditions, disruption is not a second-best outcome. It is often the primary one.

Decision-makers should therefore expect this pattern to intensify rather than ease regardless of how Russia's war on Ukraine evolves. The end of active hostilities would not remove the structural pressures driving Russia's disruptive behaviour. In some domains it may instead free additional capacity for it. The key question is therefore not whether Russia will remain active, but how it is most likely to exercise power under conditions of growing structural constraint.

Asymmetric Tools as Instruments of First Resort

Under conditions of constraint, Russia increasingly relies on the full spectrum of instruments available to it. Cyber-operations, information campaigns, energy leverage, political interference, economic coercion and proxy networks become more prominent not because they are separate from military power, but because they can generate strategic effects at comparatively low cost while remaining difficult to attribute or respond to collectively.

The near neighbourhood will remain the principal theatre for these activities. States seeking closer alignment with Western institutions are likely to remain the most exposed. Building resilience against Russian pressure therefore becomes a strategic imperative rather than a secondary task. This includes investment in cyber-defence, institutional resilience, electoral integrity and the protection of critical infrastructure.

Information operations and cognitive warfare occupy a particularly important place within Russia's broader toolkit. Rather than simply persuading audiences to adopt overtly pro-Russian positions, these strategies seek to shape the environment in which information is

interpreted, making audiences more receptive to narratives that advance Russian interests while weakening institutional confidence, amplifying social division and increasing the political cost of collective action.

A similar logic applies to Russia's use of proxy networks abroad. The restructuring of Wagner-linked structures into Africa Corps and the continued use of proxy relationships across Africa and the Middle East illustrate how constrained states sustain influence through scalable and deniable instruments. These networks generate political influence, access to resources and strategic disruption at significantly lower cost than conventional deployment.

Decision-makers should therefore treat these activities not as isolated incidents but as structural features of how a constrained Russia projects power. Counterstrategy should focus less on responding to individual operations than on reducing the conditions that allow them to succeed, including financial channels, permissive legal environments, governance weaknesses and gaps in collective-response mechanisms.

RESPONDING TO RUSSIA'S ASYMMETRIC THREAT: KEY PRIORITIES FOR DECISION-MAKERS

The analysis above identifies three operational priorities where governments can raise the costs of Russian disruptive activity relatively quickly and at comparatively low cost.

- **Define collective thresholds for response.** The absence of agreed thresholds for what constitutes an attack requiring a collective rather than bilateral response is itself a vulnerability. Russia exploits ambiguity deliberately, calibrating operations to remain below the threshold likely to trigger coordinated retaliation. NATO and EU governments should agree in advance what categories and scales of hostile activity require joint attribution, joint response and joint consequence. They should also prepare the legal, regulatory and financial instruments needed to implement those responses rapidly once agreed thresholds are crossed. Leaving either the thresholds or the response mechanisms undefined until after an attack is too late.

- **Prioritise the most exposed infrastructure.** Russian activity has consistently targeted energy-distribution networks, undersea-cable infrastructure, financial-clearing systems and electoral administration. Governments should audit current vulnerabilities against demonstrated Russian targeting patterns and prioritise investment where institutional resilience is weakest, particularly in states that neighbour Russia.
- **Close the gap between detection, attribution and response.** The current delay between detecting hostile activity, attributing it publicly and responding collectively provides Russia with significant operational space. Faster attribution, supported by existing intelligence-sharing mechanisms, together with more predictable collective responses, would substantially increase the costs of operations that currently carry relatively limited consequences.

Ukraine as a Structural Variable

Ukraine itself has become one of the most consequential variables shaping how Russia's structural constraints operate internally.

Russian public tolerance for the war has depended heavily on distance. For much of the population, particularly in major urban centres, the conflict has remained geographically remote, socially concentrated in poorer regions and formally based on contract recruitment rather than general mobilisation. Passive acquiescence rests less on active enthusiasm than on the perception that the costs are borne elsewhere.

Ukraine's expanding strike capability increasingly disrupts that arrangement. Sustained strikes on Russian territory, particularly against infrastructure and areas psychologically proximate to major population centres, reduce the separation between "the war" and "home". This changes the domestic political conditions under which the Kremlin manages mobilisation, recruitment and public tolerance.

As that separation erodes, labour shortages, regional inequality, elite exemption from sacrifice and the costs of prolonged mobilisation become more politically salient. Decisions on the provision of long-range strike capability to Ukraine therefore have implications beyond the battlefield. They influence the rate at which Russia's internal structural constraints translate into visible domestic political pressure and should be understood as affecting both military and political dynamics.

Escalation Management and the Nuclear-Signalling Environment

Nuclear signalling has become a persistent feature of Russia's external posture under conditions of structural constraint. For decision-makers, this creates an analytical challenge. If nuclear rhetoric functions as a comparatively low-cost instrument of deterrence and coercion, its presence alone becomes a poor indicator of genuine escalation intent.

The analytical priority is therefore not rhetorical intensity but the distinction between performative signalling and operational preparation. Changes in force posture, command readiness and deployment patterns are more meaningful indicators than declaratory language, which increasingly serves to preserve ambiguity and shape Western risk perception.

A broader problem is that escalation management has gradually displaced deterrence as the organising logic of Western policy. Since 2022, it has frequently operated as a framework for restraint, focusing on what actions should be avoided in order to prevent Russian escalation. Deterrence requires a different logic. It depends upon convincing an adversary that particular actions will generate predictable and credible costs.

The consequences of this imbalance are increasingly visible. Russian sabotage operations, cyber-attacks and coercive activity below the threshold of direct military confrontation have continued despite repeated Western declarations of resolve. Moscow appears to have concluded that the threshold for coordinated response remains high while the political costs of sustaining Western unity remain significant.

This problem is compounded by differences in strategic culture. Western escalation frameworks remain heavily influenced by Cold War experiences such as Able Archer 83, where the lesson drawn was the danger of misperception and the value of restraint. Russian strategic culture is shaped by different historical reference points, particularly the regime's instrumentalisation of the second world war and recurring narratives about the dangers of internal weakness and political disorder. Together they reinforce a strategic culture that places a premium on demonstrating resolve rather than restraint. Actions Western governments regard as prudent caution may therefore be interpreted in Moscow as evidence of limited resolve.

Restoring credible deterrence requires clearer thresholds, more consistent collective attribution and a stronger connection between hostile Russian activity and visible consequences. Without this, the interaction between Russia's tightening structural constraints and Western caution risks producing a progressively less stable equilibrium.

Opportunistic Positioning Beyond the Near Neighbourhood

Further afield, Russia's global posture is increasingly reactive and transactional. Relationships with non-Western partners are built around narrow and often temporary overlaps of interest rather than durable strategic alignment.

Decision-makers should not mistake this for the emergence of a coherent alternative bloc. Russia is managing a series of opportunistic relationships under significant resource constraints. Engagement in these regions should therefore be approached pragmatically. In many cases, the most effective response will be to provide more credible political, economic and security alternatives rather than to compete directly with Russia on every issue.

China warrants separate consideration. As the "Technological Gaps and Military Substitution" section argued, Russia's growing dependence on Chinese firms, financial institutions and diplomatic support has narrowed its

strategic autonomy. This does not make China responsible for Russian behaviour, nor does it mean Beijing can determine Moscow's choices. It does mean that Russia's constraints are increasingly shaped within a broader China-centred economic and technological system.

For other powers, this creates both challenges and opportunities. Engagement with China on dual-use technologies, sanctions circumvention and regional stability should increasingly be viewed as part of managing Russia's disruptive capacity rather than as an entirely separate China policy. In some regions, there may also be opportunities to offer political, economic and security alternatives that reduce Russia's relative value to both Beijing and regional partners. Russia's constraint should therefore be understood not only as a bilateral issue between Russia and the West but as part of a wider strategic system in which China's choices, incentives and limits also matter.

Practical Priorities for Governments, Businesses and Institutions

Our analysis points towards five practical priorities that follow directly from its central argument: Russia should be understood not as a collapsing power but as a structurally constrained state likely to remain capable of sustained disruption. The objective is therefore not simply to respond to individual crises but to reduce the opportunities through which a constrained Russia can project sustained pressure over time.

1. Plan for prolonged competition, not collapse or moderation.

Governments and businesses should base strategy on the assumption that Russia's structural constraints will persist regardless of how its war on Ukraine evolves or concludes. Military support to Ukraine should be assessed not only for its battlefield effects but also for its capacity to increase pressure on Russia's long-term structural vulnerabilities and narrow the Kremlin's strategic room for manoeuvre.

2. Restore credible deterrence against Russian coercion.

NATO and EU governments should establish clear thresholds for collective responses to cyber-attacks, sabotage, political interference and other forms of Russian coercion. Those thresholds should be supported by legal, regulatory and financial measures that can be implemented rapidly once they are crossed. The objective is not simply faster response but more predictable consequences that alter Russia's cost-benefit calculation.

3. Build resilience as a permanent security requirement.

Governments should treat cyber-defence, infrastructure protection, institutional resilience and energy continuity as enduring security functions rather than wartime contingencies. In the near neighbourhood, sustained investment in governance, electoral resilience, anti-corruption capacity and institutional capability is likely to prove more effective than repeated reactive crisis management.

4. Manage exposure to Russian risk systematically.

Businesses, investors and financial institutions should treat Russian-linked exposure as carrying a structural risk premium. Supply chains touching Central Asia, the Caucasus, Turkey or other intermediary routes require enhanced due diligence on sanctions circumvention and indirect links to Russian defence production. Risk functions should also monitor indicators such as regional fiscal stress, mobilisation pressures, sanctions exposure and elite fragmentation as leading indicators of future operational and regulatory risk.

5. Compete selectively beyond the near neighbourhood.

Russia's global posture is increasingly opportunistic rather than strategic. Governments should focus on offering credible political, economic and security alternatives in regions where Russian influence is growing while engaging Russia only where interests genuinely overlap and without assuming broader strategic convergence.

05

Conclusion

Russia is not on the verge of collapse. It is entering a prolonged phase of structural constraint that will shape its behaviour regardless of how Russia's war on Ukraine evolves or concludes. The pressures described in this paper – demographic, economic, political, technological and institutional – are not temporary conditions produced by the conflict. They are embedded features of the Russian state that the war has intensified but not created.

A system operating under this kind of constraint does not necessarily moderate. It adapts, persists and redirects pressure outward. The Russia that emerges from this period is therefore likely to be more brittle domestically, more coercive internally and more disruptive externally than the one that entered it. Constraint narrows the range of available choices, but it does not eliminate agency. It changes how power is exercised.

This distinction matters for policy. A Russia headed for collapse would require one kind of response. A constrained but functional Russia, capable of sustained disruption while managing mounting internal pressures, requires another. Policy built on the expectation of collapse or eventual moderation is likely to misread both the durability of the system and the form its behaviour will take.

Whether the war ends, freezes or continues in altered form, the structural constraints shaping the Russian state will remain. Understanding how those constraints reshape Russian behaviour, rather than assuming they will eventually remove Russia as a strategic challenge, will be one of the defining policy tasks of the years ahead.

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