

RUSSIA AT WAR

By

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Observers are quick to detect signs of growing domestic discontent with Putin's war against Ukraine. But Russian society and business continue to support the war effort.

Western analysis of the course of the war in Ukraine often deludes itself with wishful thinking. Events such as the lack of military progress and occasional protests within Russia, or rumors of internal strife within Putin's inner circle, are quickly and easily interpreted as signs of impending doom for Putin and the Russian offensive. This perception is contradicted by how Russian society supports the war effort almost entirely.

The Kremlin continues to channel outrage and frustration about the course of the war towards maintaining popular support and the backing of industry. At the same time, any opposition to the regime has been rendered ineffective, lacking both, intellectual and innovative approaches. Failing the moral and societal relevance, making for slim chances that the Kremlin regime can be toppled from that direction.

WAR SOCIETY, WAR ECONOMY

The initial course of the war exposed several problems not only with the military effort on the battlefield but mainly with the machinery behind it. The culmination of years of corruption, inactivity, ossification, and lack of initiative of the state apparatus, both at the federal level and in the regions, made it impossible to provide effective support for the military operation.

The first partial mobilization in September 2022 proved a bad test of the mobilization system of the Russian Federation, as a huge number of shortcomings, facts of corruption and criminal negligence were revealed in the units and command structures of the Ministry of Defense. Also revealed were serious deficiencies in the training of personnel and training processes of the Russian Armed Forces. In addition to problems with equipping personnel with the necessary equipment, several instances of blatant incompetence among officers responsible for logistics, supply and training of reserves were revealed.

However, Russian society's anger at this was quickly turned away from those who are arguably responsible – Putin's government. In fact, the Kremlin channeled social anger about the state's ineffectiveness by transferring the rhetoric about it through its ecosystem of controlled media, journalists, and bloggers. Laying the blame with incompetent and unpatriotic officials in the defence ministry, the Kremlin's mouthpieces set the stage for the presidency to save the day by taking the situation in hand.

Putin himself has moved to provide avenues for complaint and critique, and recently said that "emotional criticism" (within the framework of the current legislation) should be listened to. By his order, the president created a parliamentary coordinating working group, which included deputies and senators, representatives of the Ministry of Defense, leaders of public organizations, and war correspondents. The goal is to identify and solve systemic problems.

The group is headed by First Vice Speaker of the Federation Council, Secretary of the General Council of United Russia Andrei Turchak. The working group is conceived as a “tool for monitoring the completeness and timeliness of payments, equipping fighters, providing for their family members - everything that is guaranteed by the state in accordance with the decision taken by the Supreme Commander.

For this, we have specially gathered here people for whom the maxim is everything for the front, everything for victory,” according to Turchak. The military counterintelligence agencies, the prosecutor’s office and the military prosecutor’s office received more powers and freedom of action. Problems uncovered during the mobilization measures are being solved manually. In fact, it would seem the Soviet system of mobilization and mobilization accounting is being revived: the creation of a so-called popular front – a social movement aimed at assisting the armed forces of the Russian Federation.

To attract volunteers and motivate the population to participate in hostilities, the Russian government has developed and implemented a set of socio-economic measures. Through a combination of incentives and payments for death or injuries during military service, the family of a deceased serviceman, mobilized or volunteer can receive up to 8.500.000 rubles, the equivalent of € 119.000. Some regions add additional payments, in most cases carried out from the reserve funds of local governments.

In Dagestan for example, on behalf of the head of the republic Sergei Melikov, a fund was created to help the families of the dead military personnel called “All Together”. Insurance in case of injury or death is paid by the Sogaz insurance company, which has entered into an agreement with the Ministry of Defense. Payments are made on request. In the event of death of a serviceman, the amount is paid equally to family members. In addition, monthly benefits from the Pension Fund are provided. An injured veteran, unfit for service, is entitled to a one-time allowance of 1 million rubles for conscripts and 2 million rubles for contract soldiers.

Putin signed a federal law equating volunteers with servicemen. They will be covered by all social guarantees and compensations provided for military personnel, and they will also be guaranteed the same amount of monetary allowance. The State Duma adopted a law giving volunteers the status of combat veterans. In case of injury or injury, the volunteer will receive the status of a combat invalid-veteran. As follows from the presidential decree No. 647 *On the announcement of partial mobilization*, all reservists are equated to contract soldiers.

This means that they receive the corresponding monetary allowance. And a single cash payment in the amount of 195,000 rubles is due to mobilized Russians, conscripted military personnel, and other citizens, including foreigners who have signed a contract since the beginning of partial mobilization on September 21. Furthermore, tax advantages, increased access to medicine and labor benefits add to keeping military service attractive.

Despite all the difficulties and failures, the Kremlin managed to train, staff (not without the help of volunteers) and put into service more than 320,000 soldiers from among those mobilized in a fairly short time – 3.5 months. This number exceeds the combined strength of the armed forces of Germany, Poland, and France. The Kremlin has also managed to launch and streamline the training of volunteers for participation in hostilities, and now it is an additional 45-60,000 people.

Regardless of the Kremlin’s statements that the second and third waves of mobilization are not planned yet, Moscow simply needs to conduct new waves of mobilization to finally fine-tune the mobilization system, including logistics, training, and equipment of personnel.

According to open sources, the man-power mobilization potential of Russia is around 31,000,000 people.

WHAT IS PAYING FOR ALL THIS?

₽944,000,000,000 (€13.5 billion) was additionally spent by the government in December on state defense orders and payments to those mobilized. The head of the Ministry of Finance, Anton Siluanov, gave an explanation about the sharp jump in federal budget spending at the end of the year. Cost estimates for 2022 increased by ₽2 trillion (€28.6 billion). According to the minister, this includes both social spending and the so-called “confidential appropriations,” that is, costs that are prohibited from being published.

Over the past weeks, there has been no announcement of additional subsidies for those in need, or the start of massive widespread construction. Hence this spending pertains to financing the costs of mobilized citizens, as well as state defense exigencies. Payments to citizens who have been mobilized for the war are included under the umbrella of social support policy, especially as these funds also go to support for their families. State-owned companies and oligarchs will be expected to fund increased social spending, which will, in part, reduce the federal budget deficit in 2023.

Increasing funding for military production is an economic reflection of the mobilization of the defense industry. The Ministry of Industry and Trade announced an increase in the production of ammunition, while, within the framework of Rostec, the state conglomerate of 700 companies, there is a reorganization and consolidation of the military-industrial complex enterprises.

According to early December estimates, federal budget expenditures should have amounted to ₽29.056 trillion. According to Siluanov, the actual costs amounted to about ₽30 trillion. It follows from this that up to ₽944 billion was additionally allocated to equip soldiers and provide new supplies. Because specific cost expenditures are confidential, there is no detailed information about the specific orders.

In 2023, the Mishustin cabinet will likely pursue a strategy of seeking additional income instead of cutting social spending. The government's plan boils down to two tactics - to increase dividend payments of state-owned companies, as well as to introduce one-time fees from fertilizer exporters.

In state corporations, the key shareholder is the state represented by the government, which means that the dividends paid will go directly to federal budget revenues. With private corporations, the situation is different – there are no state representatives at the shareholders' meeting. In such circumstances, there is a mechanism for a one-time collection of additional taxes: exporters are subject to fees in case of excess profits.

Under such conditions, the Black Sea grain deal becomes much more attractive from the point of view of state interests and supports the hypothesis the war against the Ukraine is in fact a resource war. The billions of dollars that fertilizer corporations have earned from uninterrupted exports will not go into the deposits of a couple of owners, but directly into the state treasury. Thus, expected record social spending will, in part, be paid from the pockets of the oligarchs.

Following the statement of the Ministry of Industry and Trade about the need to increase the production of gunpowder and ammunition, there was news about the reorganization of ten defense enterprises at once, one way or another connected with this industry. All of them will be transformed from federal state-owned enterprises into joint-stock companies (all shares will remain state property), and the management of the companies will be transferred to

Rostec. Rostec was originally created precisely with the aim of uniting the efforts of dozens of disparate military-industrial enterprises in order to avoid “double work”, and in order to be able to concentrate efforts on promising developments that require coordinated efforts and significant resources. Consolidation will help simplify the cooperation between links in the supply chain. This showcases the new centralization of industry management under the control of one organization.

Conversely, corporate Russia is being made to back the war effort with vigor. The leaders of the Russian business community signed the “Declaration of Solidarity of Russian Business” as part of the nationwide campaign #WE ARE TOGETHER. Members include the public organization “Business Russia”, the Russian Union of Industrialists and Entrepreneurs, the Chamber of Commerce and Industry of the Russian Federation, the organization of small and medium-sized businesses *Opora Russia*, and the Association of Managers of Russia. The main goal of the business world will be to preserve jobs, provide support to mobilized workers and their families, and ensure the proper quality of products and services.

Joint efforts will be aimed at maintaining the level of material security of the mobilized employees and their families. The participants of the Declaration will act as partners of the #MYVMESTE national mutual assistance project, which currently specializes in supporting the mobilized and their families. Russian business will be able to support the initiatives of the project, including guardianship of the relatives of the mobilized, the provision of psychological and legal services, and humanitarian assistance. Representatives of the Russian business community will form a single Coordinating Center in order to implement all support measures as part of the #WETOGETHER campaign.

Business representatives are already actively providing psychological and legal support, help with everyday life, and have taken care of hundreds of families. Companies provide targeted social support to their employees, take part in the collection of humanitarian supplies, and take families for long-term support. All-Russian, regional and industry associations of entrepreneurs and employers, as well as Russian companies can join the Declaration. This development shows that corporate Russia shows solidarity with the state and the mobilization.

Naturally, several problems remain unresolved. But by means of public control, involvement in the process of active representatives of civil society, volunteer organizations and representatives of the patriotic media, many issues can be resolved in a fairly prompt manner. It appears that Putin and his team of hawks (the “komanda”) have clearly realized the critical situation Russian state institutions are in because of ossification and corruption state power systems. And they seized upon this as a chance to turn the situation in their favor by cleaning up what they have always presented to the public as this 30+ year-old mess from the upheaval caused by the transition to the post-Soviet political system.

THE INEFFECTIVE OPPOSITION

The war in Ukraine and open confrontation with the West have launched potentially irreversible processes within Russia. Putin has managed to confirm Russia as never part of the Western world. Russia’s stratification of society causes nothing but resentment among those who are not extremely rich. They see Russia’s problems as being caused by the pro-

Western elite, for whom the Rodina, the motherland, is only a fodder base and a way of self-enrichment.

Within Russian society there is a huge demand for at least a partial reassessment of the results of the privatization of the nineties. This resentment is tapped into when the public and the business world is being galvanized into wholly backing the mobilization, as seen above. This also has severe implications for any hope that Putin's imperial overreach and the concomitant military and economic consequences will strengthen the opposition's case to topple his tyranny. What is called the Russian opposition is a self-sufficient, very limited circle of the liberal-minded, bourgeoisie, intelligentsia, and representatives of the middle class, who are very far from those whom the Kremlin called the "deep people", those who can become a real driving force inside Russia capable of changing the historical course of the country.

The West has imposed harsh sanctions against Russia and Russian elites, including the oligarchs. Their luxury properties, bank accounts and business assets in Europe and the US were frozen and seized. The financial pressure of the sanctions on the Russian elites should have motivated them, it was naively hoped, to stage a palace coup and overthrow the current regime. But this did not work.

The main reasons for this failure are that most of the elites realizes that the West has never recognized them as equal partners and has actually taken away from them what has always been considered inviolable in the Western world - their private property. This step catastrophically undermined the faith of the Russian nouveau riches in the sanctity of the West and forced them to seek common ground with society at the expense of which they received and continue to receive their wealth.

Also, the Russian elites began to realize that they exist only because this regime exists. If the regime is demolished, then a senseless and merciless Russian rebellion will sweep them away, as was already the case in Russian history at the beginning of the 20th century. And even having lost their castles and yachts in the West, they still have the main thing – access to unlimited Russian resources and the state budget. The only way to survive in the current conditions for them is an imitation or a real transition to the side of the "Kremlin hawks".

Long before the start of the acute phase of hostilities in Ukraine, the Kremlin began systematically squeezing the opposition out of the Russian media space. A slow, creeping, clumsy, and even seemingly inept campaign to discredit the systemic and non-systemic opposition within Russia began. But as time has shown, the Kremlin managed to almost completely discredit, criminalize and marginalize what was called the opposition in Russia.

The active core of the Russian opposition fled abroad. The Kremlin has cut off the opposition's ability to receive funding from Russian citizens and companies by equating monetary donations and transfers with support - funding extremism. Opposition media and opinion leaders have been branded as foreign agents - that is, a person or organization receiving funding for subversion from outside sources. During the partial mobilization, the Kremlin allowed the main mass of opposition-minded citizens to escape from the country, thereby removing the driving force behind the protest by the Russian opposition.

It should be noted that what is left of the so-called Russian opposition is extremely fragmented. Suffering from unstable finances, it is deeply mired in internal conflicts, does not have a single leader, and is flooded with informants and agents of Russian special services. Since the beginning of 1999, the Russian opposition has not been able to work out a single program and form a viable political structure – a platform nor a credible message.

The Kremlin managed to create a stable information field clearly focused on the domestic consumer- audience and instill in the minds of most of the Russian population that the opposition is an internal enemy – a fifth column, financed by the West, that wants Russia's military and political defeat, and also advocates the collapse of the country. The opposition made the fatal mistake of discussing a possible collapse – the division of Russia into several independent states.

This goes to show that the opposition movement has not been able to formulate its main idea: their plan for building the future of Russian society post-Putin, taking into account the historical-cultural code and mentality of the multinational people of Russia. Because the ordinary Russian would likely not oppose improvements in the standard of living and regime change, but he does not relish the prospect of a repeat of the social and economic upheaval that came with the transition from the Soviet state to the Russian Federation to achieve this.

The Russian people understand that the regime and the bureaucracy are corrupt, but they also understand that a regime change will lead, at best, to a repetition of the catastrophe of the “holy nineties”.

Kremlin hawks have long realized the irreversibility of the processes launched within Russian society. The hawks made the only right decision for them, and proceeded to lead these processes, as it is their only opportunity to keep power in their hands. The war in Ukraine provided the hawks with an excellent opportunity to use the already accumulated and daily growing energy of hatred and frustration within Russian society to their advantage. They distanced themselves from the pro-Western elite, the opposition, and the intelligentsia.

According to the old Russian tradition, they declared that the boyars are bad, but the Tsar is good. The message of the hawks to the peoples of Russia has a clearly expressed meaning, a call for mobilization and consolidation against the external and internal enemy. All the while the Kremlin hawks are openly admitting their mistakes, as can be gathered from Putin's recent speech.

Its narrative centers around what he pointed to as the ideological vacuum between 1991 and today, which is rooted in the unsuccessful reforms and unresolved issues of the 90s. In these years, the Russian Federation lived “in a foreign meadow”, and current events are the path to purification. Lack of ideology accounts for the difficulties with the mobilization and the military failure due to a missing will to fight and change the perception of reality among the majority of the Russian elite.

The irresponsibility of a bloated Russian bureaucracy is due to almost complete impunity and the absence of fear of punishment. The risk of corruption is fully justified. It has led to a dearth of qualified personnel (military, workers, officials). Weak communication between the people and the authorities caused the slow indirect reaction of the Kremlin to the challenges.

But the main question is, is this just an attempt to stay in power and reduce the tension within Russian society, or are the hawks ready for decisive action?

More than 700 thousand Russians are participating or will soon take part in hostilities on the territory of Ukraine. Three hundred and twenty thousand mobilized, two hundred and fifty thousand military personnel, one hundred thousand from the corps of the Donetsk and Lugansk militia, more than one hundred thousand volunteers and PMC fighters. In the Russian media space, the process of reformatting the perception of the war in Ukraine from a limited military operation to a people-patriotic war with a united West has been launched, which is a clear signal that the hawks are ready to go to the end, regardless of losses, and they are in dire need of the support of the Russian society, which they have managed to manipulate.

Regardless of when and, by and large, how the campaign in Ukraine will end, these fighters who have gone through the hell of war will become the basis of a new state and social structure in Russia. They will become a basis of support of the hawks, who see it as their main task and mission to replace the pro-Western, liberal elites.

There have already been enough examples in Russian history when the Kremlin rebuilt or reset the state system, elites, culture, and society in this way: Napoleonic campaign 1812-1815, Revolution and Civil War 1917-1922, Great Patriotic War 1941-1945. We can say with confidence that the hawks will not allow a situation where, after the Afghan War of 1979-1989, veterans were left to their fate. They are aware of the opportunities and the potential that is in their hands. But all this makes that the Russian war effort is far from finished and might even become more dangerous by the day. The Bear is not beaten yet.

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