Russia: Domestic Politics and Economy

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Over the course of his 20 years of rule, Russian President Vladimir Putin has consolidated an authoritarian system of governance that has benefitted himself and a close group of colleagues and led Russia to take increasingly aggressive actions abroad. At the same time, Russia exhibits some signs of political and economic change. Russia’s economic growth has slowed, popular support for Putin has declined, and expressions of public discontent have appeared more frequently.

Since 2020, the Coronavirus Disease 2019 (COVID-19) pandemic has negatively affected the Russian economy further and appears to have led to a new drop in public approval of the Russian government. In June 2020, the International Monetary Fund projected that Russia’s gross domestic product (GDP) will contract by 6.6% in 2020. Although it is difficult to predict the course of developments, many observers express a new level of uncertainty about Russia’s political and economic future.

U.S. policymakers, including in Congress, have long been attentive and responsive to domestic developments in Russia. U.S. policy toward Russia includes democracy and civil society assistance, human rights-related sanctions, and diplomacy that calls attention to human rights abuses. In December 2012, Congress passed and the President signed into law the Sergei Magnitsky Rule of Law Accountability Act of 2012 (P.L. 112-208/H.R. 6156, Title IV; 22 U.S.C. §5811 note). In addition to the Magnitsky Act, Congress has used other legislation to respond to human rights abuses in Russia, including the Global Magnitsky Human Rights Accountability Act (P.L. 114-328/S. 2943, Title XII, Subtitle F; 22 U.S.C. §2656 note) and the Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act of 2014 (SSIDES; P.L. 113-95/H.R. 4152, as amended; 22 U.S.C. §§8901 et seq.). Amendments to SSIDES were introduced in the Countering Russian Influence in Europe and Eurasia Act of 2017 (CRIEEA; P.L. 115-44/H.R. 3364). SSIDES also established sanctions on Russian government officials and associates responsible for acts of significant corruption worldwide. As of September 1, 2020, the Trump Administration has not designated Russian persons under this authority; however, the Administration has designated several “oligarchs and elites who profit from [Russia’s] corrupt system” pursuant to authorities related to Russia’s invasion of Ukraine.

In September 2020, German officials concluded, based on German medical assessments, that Alexei Navalny, a leading Russian opposition figure and anti-corruption advocate, had been poisoned in Russia with a chemical nerve agent known as a Novichok. Prior to receiving his diagnosis, Navalny was evacuated to Germany for medical care. In response to a previous Novichok attack against a United Kingdom national and his daughter in 2018, the U.S. Administration imposed two rounds of sanctions on Russia pursuant to the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 (CBW Act; P.L. 102-182/H.R. 3364, Title III; 22 U.S.C. §§5601 et seq.). In response to the attack on Navalny, the Administration may consider making a new determination that Russia has used a chemical weapon in contravention of international law and potentially could impose additional sanctions.

This report addresses Russian domestic politics, the Russian economy, and related U.S. policy. For background on Russian foreign policy, see CRS Report R44775, Russia: Background and U.S. Policy, and CRS In Focus IF11625, Russian Armed Forces: Military Doctrine and Strategy, by Andrew S. Bowen. For more information on U.S. sanctions, see CRS In Focus IF10779, U.S. Sanctions on Russia: An Overview, and CRS Report R45415, U.S. Sanctions on Russia.
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Introduction

The Russian Federation (hereinafter Russia) is a global power with a multifaceted and often contentious relationship with the United States. Russia is the world’s largest country by territory; a permanent member of the United Nations Security Council; a European, Asian, Arctic, and Pacific power; a leading nuclear-armed power, military spender, and arms exporter; and a leading producer and exporter of oil and natural gas. The World Bank classifies Russia as an upper-middle income country based on its level of economic development. Its economy is the 11th largest in the world (6th on a purchasing power parity basis).

Russia has been led for more than 20 years by Russian President Vladimir Putin. Putin presided over Russia’s recovery from the economic collapse of the 1990s and reemergence as a global power, which earned him popular support. At the same time, Putin consolidated an authoritarian system of rule that has benefitted himself and a close group of colleagues and led Russia to take increasingly aggressive actions abroad.

Russia’s political and economic environment has exhibited some signs of change in recent years. Some of Putin’s previously close colleagues have lost power, and the government has incorporated younger politicians and officials into its ranks. Russia’s economic growth has slowed, popular support for Putin has declined, and expressions of public discontent have appeared more frequently. Although it is difficult to predict the course of developments, many observers express a new level of uncertainty about Russia’s political and economic future.

Since Russia’s 2014 invasion of Ukraine, U.S. policy toward Russia has focused on countering Russia’s aggressive actions abroad. U.S. policymakers, including in Congress, have long been attentive and responsive to domestic developments in Russia as well. U.S. policy toward Russia includes democracy and civil society assistance, human rights-related sanctions, and diplomacy.

This report focuses on Russian domestic politics, the Russian economy, and related U.S. policy. It first addresses Russia’s political structure, power dynamics, and recent developments. It next examines the political impact of the Coronavirus Disease 2019 (COVID-19) pandemic in Russia. It follows with sections on corruption and human rights, including related U.S. policy. Finally, it analyzes the Russian economy, including the economic impact of the COVID-19 pandemic, Russia’s energy sector, and U.S.-Russian economic relations. Russian foreign and security relations and related U.S. policy is not within the scope of this report. For a detailed report on U.S. sanctions on Russia, see CRS Report R45415, U.S. Sanctions on Russia.

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1 For background, see CRS Report R44775, Russia: Background and U.S. Policy, by Cory Welt. On Russia’s invasion of Ukraine, see CRS Report R45008, Ukraine: Background, Conflict with Russia, and U.S. Policy, by Cory Welt.
Politics

Russia is the principal successor to the United States’ former superpower rival, the Union of Soviet Socialist Republics (USSR, or Soviet Union). In its modern form, Russia came into being in December 1991, after its leaders joined those of neighboring Ukraine and Belarus to dissolve the USSR. From 1922 to 1991, Soviet Russia was the core of the USSR, established in the wake of the 1917 Bolshevik Revolution and the civil war that followed. The USSR spanned much the same territory as the Russian Empire before it. Russia’s multiethnic federal structure is inherited from the Soviet period and includes federal subjects called regions (oblasts), republics, territories (krais), and other units.

Russia’s constitution, adopted in 1993 and most recently amended in 2020, references the continuous development and “thousand-year” history of the Russian state. The amended constitution refers to Russians as the country’s constituent (literally “state-forming”) nation, part of the Russian Federation’s “multinational union of equal nations.”

Under the leadership of President Vladimir Putin (2000-present), Russia has experienced a steady rise in authoritarian rule. At the start of the 2000s, the U.S.-based nongovernmental organization (NGO) Freedom House classified the Russian government as a “hybrid” regime, with democratic and authoritarian elements. By the end of Putin’s second term in 2008, Freedom House considered Russia to be a consolidated authoritarian regime. This status persisted during Dmitry Medvedev’s tenure as president (2008-2012), despite some signs of liberalization (Putin served as prime minister during this time). After Putin’s return to the presidency in 2012, observers noted a

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2 Constitution of the Russian Federation, Articles 67.2 and 68.
new deepening of authoritarian governance. Freedom House currently assigns Russia a “global freedom” score of 20 out of 100 (“not free”), placing it as somewhat less authoritarian than China or Venezuela but more authoritarian than Egypt or Rwanda.3

Vladimir Putin

Russia’s constitution provides for a strong presidency and central state authority. The government is accountable primarily to the president, not the legislature, and observers consider the presidential administration rather than the cabinet (headed by a prime minister) to be “the true locus of power.”

President Putin has led Russia since 2000 and currently is serving his fourth term as president. Putin also has served as prime minister: in 1999 and from 2008 to 2012. Putin’s current term expires in 2024. Constitutional amendments adopted in 2020 allow Putin to be reelected for up to two more six-year terms, potentially allowing him to serve as president until 2036 (see “Resetting Putin’s Term Limits” below).

Vladimir Putin: Political Biography

After serving for more than 15 years in the Soviet Union’s Committee for State Security (the KGB), Vladimir Putin (currently aged 67) held a variety of governmental positions from 1990 to 1998, first in the local government of St. Petersburg (his native city) and then in Moscow. In 1998, Russian President Boris Yeltsin appointed Putin head of the Federal Security Service (FSB), a successor agency to the KGB, and prime minister a year later, in August 1999.

Unpopular and in poor health, Yeltsin unexpectedly resigned on New Year’s Eve, 1999, several months before the end of his term. Putin became acting president and then was elected president in March 2000, with 53% of the vote. He served two four-year terms as president before stepping down in 2008, in compliance with constitutional limits on more than two successive terms. His successor was Dmitry Medvedev, a trusted former presidential chief of staff, deputy prime minister, and board chairperson of the state-owned energy company Gazprom. As prime minister from 2008 to 2012, Putin governed in tandem with Medvedev, who remained informally subordinate to Putin.

In 2011, Medvedev announced that he would not run for reelection, paving the way for Putin to return to the presidency. In what Russian observers likened to a chess game’s “casting” move, Medvedev now was to become prime minister. Putin’s return to the presidency was always plausible, but the announcement was met with some discontent, particularly in Moscow. A series of major protests—Russia’s largest since the Soviet Union’s collapse—followed the December 2011 parliamentary elections, which observers considered to be marred by fraud and other violations. In March 2012, Putin won the presidency for the third time, officially with 64% of the vote (and 65% turnout). His term lasted until 2018, as then-President Medvedev had extended the presidential term to six years before leaving office in 2012. Putin was reelected for a fourth term in 2018, officially with 77% of the vote.


3 Freedom House ranks all countries in the world by a “global freedom” score, which includes measures of political rights and civil liberties. Freedom House also ranks post-communist states by a “democracy” score that ranges between 1 (least democratic) and 7 (most democratic). Russia’s “democracy score” is 1.39 (“consolidated authoritarian regime”). Scores reflect the state of affairs at the start of the year. Freedom House, Freedom in the World 2020; Freedom House, Nations in Transit 2020.

Russia’s most recent presidential election was held in March 2018, on the fourth anniversary of Russia’s purported annexation of Ukraine’s Crimea region. Putin declared his candidacy three months before the election and conducted what many considered to be a perfunctory campaign backed by state-controlled media. Some observers maintained that other candidates were approved—possibly even handpicked—by authorities in the hopes they would provide a veneer of democratic legitimacy and boost turnout without being disruptive at the ballot box or in protests. In a minimally competitive political environment, Putin secured reelection against seven other candidates, officially receiving 77% of the vote (with 68% turnout).

Russia’s nondemocratic environment makes it difficult to assess public attitudes about President Putin, but opinion polls appear to reflect shifting levels of presidential approval over time. Regular polls conducted by the Russia-based nongovernmental Levada Center suggest a substantial boost to Putin’s popularity in the wake of Russia’s 2014 invasion of Ukraine. Over the two years prior to the invasion, Putin’s approval rating was in the low 60s. Afterwards, Putin regularly received approval from more than 80% of poll respondents.

After Putin entered his fourth presidential term, however, his approval ratings declined to between 65% and 70%. Some observers suggest the decline was sparked by an unpopular pension reform that raised the retirement age. Putin’s ratings stayed at these lower levels until the onset of the coronavirus pandemic in 2020, when they again declined. In April 2020, the Levada Center recorded Putin’s approval rating at 59%, the lowest since he first became president 20 years before.

Putin has maintained a sense of uncertainty about his political plans after completing his fourth presidential term in 2024. Some observers believe Putin’s interest in cultivating uncertainty lies behind what appeared to have been an orchestrated maneuver in early 2020 to reset Putin’s presidential term limits. This move enables Putin potentially to serve as president until 2036 (see “Resetting Putin’s Term Limits” below). Some observers believe Putin took this step not only to enable him to remain president but also to avoid being a “lame duck” if he chooses to leave office before then. The possibility that Putin will stay on as president could help ensure the loyalty of elites to him personally and forestall destabilizing infighting among potential successors.

In addition to resetting Putin’s term limits, constitutional amendments adopted in 2020 preserved and strengthened the powers of the presidency while somewhat increasing the authority of Russia’s bicameral legislature. New powers to strengthen the presidency include procedures that enable the president to initiate the removal of Constitutional Court and Supreme Court judges and to reject ostensibly unconstitutional legislation after review by the Constitutional Court.

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7 Levada Center, at https://www.levada.ru.


amendments also grant constitutional status to the State Council, an advisory body of regional governors that the president chairs; some observers have suggested that Putin could try to maintain his political influence after leaving the presidency by retaining chairmanship of the State Council. The amendments also include a firm limit of two presidential terms and give the State Duma (the lower house of the legislature) greater responsibility in appointing members of the government.

**Resetting Putin’s Term Limits**

In 2018, government officials openly began to discuss the possibility of amending Russia’s constitution, seemingly in order to preserve Putin’s political leadership after the expiration of his fourth presidential term in 2024. In January 2020, Putin proposed constitutional changes that appeared to provide him the means to remain Russia’s uncontested leader but in a different post, such as chairman of the State Council. Some observers interpreted the proposals as a sign that Putin intended to stay on as president.

In March 2020, as part of a larger package of constitutional changes proposed by the president, a senior legislator in the State Duma offered an amendment to allow Putin to serve as president for two more six-year terms. Both houses of the legislature and Russia’s regional legislatures voted in favor of the amendment package, and the Constitutional Court ruled the amendments were legal (although it was unclear whether the Court had the authority to review the legality of constitutional amendments). The law introducing the amendments included the novel provision that the amendments would be put to a national vote prior to their entry into force.

The vote on the constitution was scheduled for April 2020 but postponed due to the COVID-19 pandemic. Citing the pandemic, authorities conducted the vote over a seven-day period from June 25 to July 1, 2020. They also established an extensive remote (and, for some regions, online) voting system. Some observers believed this was done to boost turnout and facilitate fraud; some media reports indicated authorities had decided to conduct remote voting by late February 2020, prior to the emergence of serious concerns about COVID-19.

Election officials reported that 79% of voters approved of the constitutional amendments with 68% turnout. Unofficial observers and analysts said the vote was marred by high levels of fraud, including inflated turnout and voter bribery. The package of amendments included provisions

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observers believed were included to mobilize Putin’s support base, including defining marriage to exclude same-sex unions and asserting the role of divine belief in Russia’s national character.\textsuperscript{18}

**Other Government Officials and Oligarchs**

Vladimir Putin is widely considered to be the most powerful person in Russia. Putin does not rule alone, however. He presides over a network of government officials, heads of strategic state-owned enterprises, and business leaders. In Russia’s political system, formal positions do not always reflect the relative power and influence of officeholders; deputy chiefs of staff, presidential aides, and heads of state-owned companies can hold as much political influence as cabinet members (or more).\textsuperscript{19}

For much of Putin’s tenure, an influential leadership circle below Putin has included several individuals Putin knew from his time in the Soviet KGB or when he worked in the St. Petersburg local government in the early 1990s.\textsuperscript{20} Many of these acquaintances benefitted politically and economically from their close association with Putin. Those still in power today include Sergei Chemezov, chief executive officer (CEO) of Rostec, a large state-owned defense and technology conglomerate; Nikolay Patrushev, secretary of the Security Council; and Igor Sechin, CEO of the state-owned oil company Rosneft.\textsuperscript{21} Some of Russia’s most prominent businesspeople also are longtime colleagues of Putin, including Arkady and Boris Rotenberg, Nikolay Shamalov, and Gennady Timchenko.

In recent years, observers have noted some changes to Russia’s system of governance. The first change is a gradual reduction in political influence of Putin’s longtime associates. Since 2014, several senior officials with longstanding ties to Putin have retired, otherwise left office, or seemingly been demoted. Some observers believe that even longtime colleagues who still hold high positions, like Chemezov and Sechin, wield less influence than before.\textsuperscript{22}

A related change is the rise of officials at least a decade younger than Putin who have risen as subordinates more than as Putin’s colleagues. Former president and prime minister Medvedev straddles this divide. Medvedev worked with Putin in St. Petersburg and was Putin’s handpicked successor to the presidency (2008-2012) after Putin’s first two terms; he then served as prime minister for eight years. In January 2020, Medvedev was demoted to the position of deputy chairman of the Security Council.

Other subordinate officials have gained relatively powerful positions. This includes Prime Minister Mikhail Mishustin, who served as director of the Federal Tax Service for 10 years before being appointed prime minister in January 2020, and Minister of Emergency Situations Yevgeny Zinichev, who served in the presidential security service (i.e., protective service) for a decade.\textsuperscript{23}


\textsuperscript{20} For more, see Dawisha, *Putin’s Kleptocracy*.

\textsuperscript{21} Other longtime colleagues of Putin currently in office include presidential aide Andrei Fursenko, Sberbank chief executive officer (CEO) German Gref, deputy presidential chief of staff Dmitry Kozak, Gazprom CEO Alexei Miller, Foreign Intelligence Service director Sergei Naryshkin, and Transneft CEO Nikolai Tokarev.


\textsuperscript{23} Three other officials who once served in the presidential security service have gone on to serve as regional
Others include Presidential Chief of Staff Anton Vaino, First Deputy Presidential Chief of Staff Sergei Kiriyenko, and central bank chairwoman Elvira Nabiullina.

A government reshuffle in January 2020 continued the process of elevating more junior cadres to power. According to one analysis, in the new cabinet 75% of ministers (6 out of 8) were under the age of 45 at the time of their appointment, and 5 out of 9 deputy prime ministers were under the age of 55. Several of the new cabinet members have technocratic backgrounds.24

### Top Russian Officials Under Putin (September 2020)

- **Alexander Bastrykin**: Chairman of the Investigative Committee (a law enforcement agency)
- **Andrey Belousov**: First Deputy Prime Minister
- **Alexander Bortnikov**: Director of the Federal Security Service (FSB)
- **Sergei Chemezov**: Chief Executive Officer (CEO) of Rosneft (defense-technology state conglomerate)
- **Sergei Kiriyenko**: First Deputy Presidential Chief of Staff
- **Sergei Lavrov**: Minister of Foreign Affairs
- **Mikhail Mishustin**: Prime Minister
- **Elvira Nabiullina**: Chairwoman of the Central Bank
- **Nikolay Patrushev**: Secretary of the Security Council
- **Dmitry Peskov**: Deputy Presidential Chief of Staff and Press Secretary
- **Igor Sechin**: CEO of Rosneft (state oil company)
- **Sergei Shoigu**: Minister of Defense
- **Anton Siluanov**: Minister of Finance
- **Sergei Sobyanin**: Mayor of Moscow
- **Anton Vaino**: Presidential Chief of Staff
- **Vyacheslav Volodin**: Chairman of the State Duma


**Notes:** Russian newspaper Nezavisimaia Gazeta listed the above, with the exception of Prime Minister Mishustin and First Deputy Prime Minister Belousov (appointed in January 2020), as Russia’s top politicians after Putin in 2019. In 2019, the Russia-based Minchenko Consulting group listed Chemezov, Patrushev, Sechin, Shoigu, and Sobyanin as among Russia’s nine most influential figures under Putin, together with businessmen and longtime Putin associates Yuri Kovalchuk, Arkady Rotenberg, and Gennady Timchenko (as well as then-prime minister Dmitry Medvedev).

Observers have debated the role of wealthy businesspeople in Russia’s political system. Many of these businesspeople are often referred to as *oligarchs* due to their closeness to Putin, enrichment from state contracts, or prior acquisition of privatized state resources. Although several so-called oligarchs appear to have become wealthy due to their direct connections to Putin, others have acquired wealth by other means but are politically compliant. Many are believed to directly finance or serve as intermediaries for the financing of off-budget projects, ranging from

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During Putin’s rule, observers also have debated the relative power and influence of officials broadly characterized as representing one of two governing camps: the siloviki (leading or former members of law and security structures who are typically more resistant to reform) and technocrats (who are often but not always more economically liberal and internationally oriented).  

Russia’s internal security affairs are managed by multiple, overlapping, and competitive security and law enforcement agencies. Local police and investigative forces are under the command of the Ministry of Internal Affairs (MVD), headed by career police officer Vladimir Kolokoltsev. Russia’s primary internal security organization is the Federal Security Service (FSB), which inherited most of Russia’s internal security responsibilities from the Soviet-era KGB. The FSB is considered the most powerful of Russia’s security agencies and is headed by Alexander Bortnikov. The agency responsible for the protection of the president and government personnel is the Federal Protective Service (FSO) headed by Dmitry Kochnev. The Office of the Prosecutor General plays an important role in domestic security; in January 2020, Igor Krasnov was appointed to replace longtime Prosecutor General Yury Chaika.

In addition to the MVD, FSB, and FSO, which trace their lineages to the Soviet Union, new domestic security organizations have been created, sometimes as the result of competition among agencies. In 2011, the investigative powers of the Prosecutor General’s Office were transferred to a new organization, the Investigative Committee, under the command of Alexander Bastrykin. In 2016, Putin created the National Guard (Rosgvardiya) under the command of former presidential bodyguard Viktor Zolotov. The National Guard took control of close to 200,000 public order, special police, and internal troop forces previously under the command of the MVD. Many observers believe the National Guard was established in part to ensure the loyalty of forces used to crackdown on protests and political opponents.

Many observers have reported extensive personal, factional, and organizational competition across and within Russia’s security and law enforcement agencies. This includes efforts to gain relative power and influence, as well as opportunities for corruption by securing control over investigations related to lucrative issue areas (such as financial crime). Interagency competition sometimes escalates into larger conflicts requiring Putin’s direct intervention (such as in 2016 when the Federal Drug Control Service, or FSKN, was disbanded and its roles transferred to the MVD).

Competition among domestic security agencies frequently is factional, and personnel can form alliances that cross organizational lines. Such competition has taken the form of arrests and prosecutions between agencies, commonly due to corruption allegations, as agencies seek to undermine others both institutionally and in the eyes of the political leadership. Agencies and factions have sought to install their own officers in senior positions within targeted agencies to gain control of politically and economically important sections and divisions.


**Note:** Prepared by Andrew S. Bowen, Analyst in Russian and European Affairs.

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technocratic camp. At the same time, several adult children of oligarchs and senior officials have been appointed to senior positions in state-owned companies and government agencies.

**Legislative and Judicial Branches**

Russia’s bicameral legislature is the Federal Assembly. The upper chamber, the Federation Council, has at least 170 senators, two each from Russia’s 83 regions and republics (including Russia’s two largest cities, Moscow and St. Petersburg) and four from Ukraine’s occupied region of Crimea. Senators are not directly elected but are chosen by regional executives and legislatures. The President may appoint up to 30 additional senators to the Federation Council. Retired presidents also may serve as senators.

The Federal Assembly’s lower house, the State Duma, has 450 deputies, of which half are elected to a five-year term by proportional representation and half are elected in single-member districts. The State Duma also includes members from Ukraine’s occupied Crimea region.

**Legislative Powers.** As discussed above, the 2020 constitutional amendments enlarged the powers of the Federal Assembly while also strengthening the presidency. The State Duma now approves the candidacies of deputy prime ministers and most cabinet ministers as submitted by the prime minister; the president is obliged to appoint the Duma’s approved candidates. The Duma also approves the prime ministerial candidate as submitted by the president. This, however, does not appear to grant the Duma more power than it had before; previously, the Duma granted its “consent” to the president’s prime ministerial appointment. In addition, the Duma does not approve the candidacies of the five “power ministries” of defense, internal affairs, justice, foreign affairs, and emergency situations, whom the president appoints directly. The president retains the right to dissolve the Duma and to appoint a prime minister unilaterally if the Duma rejects a candidate three times.

The 2020 constitutional amendments gave some new powers to the Federation Council while removing at least one of its appointment powers. The Federation Council retains the power to appoint Supreme Court and Constitutional Court justices proposed by the president, and the...

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31 Constitution of the Russian Federation, Article 83 and Article 112.2.

32 Previously, the president was required to dissolve the State Duma if it rejected the prime ministerial candidate three times; the president now has the option to exercise this right. The 2020 amendments also gave the president the right to dissolve the State Duma and appoint deputy prime ministers and all cabinet members unilaterally if the Duma rejects more than one-third of the prime minister’s candidates three times. Constitution of the Russian Federation, Article 111.4 and 112.4. Also see Dmitry Kartsev, “‘Giving Up Significant Powers’: Putin Says That Amending the Constitution Will Allow Russia’s Parliament to Appoint the Prime Minister. This Isn’t True,” *Meduza,* June 15, 2020.
Council now appoints the chairman of the accounts chamber. The Council gained the power to dismiss Supreme Court and Constitutional Court justices, as well as lower court judges, as proposed by the president under certain conditions. The president now is to consult with the Federation Council before appointing the heads of the power ministries and agencies. The Federation Council no longer appoints the Prosecutor General; instead, the President is to consult with the Federation Council before appointing the Prosecutor General, deputy prosecutors, and other regional and specialized prosecutors.33

Parliamentary Elections and United Russia. Elections to the State Duma were last held in 2016. With a voter turnout of 48%, the ruling United Russia (UR) party won with 76% of the seats (in 2011, under a fully proportional system, it won 53% of seats). All other seats went to parties and deputies considered to be the loyal (or systemic) opposition: the Communist Party of the Russian Federation (KPRF, led by Gennady Zyuganov), the Liberal Democratic Party of Russia (LDPR, led by Vladimir Zhirinovsky), and A Just Russia (led by Sergei Mironov). These three parties criticize the government, if not Putin, but typically support its legislative initiatives. No parties genuinely in opposition (sometimes termed the liberal or non-systemic opposition) won any seats (see Table 1).

<table>
<thead>
<tr>
<th>Party List %</th>
<th>Party List Seats</th>
<th>Single-Member Seats</th>
<th>Total Seats</th>
<th>% of Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Russia (UR)</td>
<td>54.2%</td>
<td>140</td>
<td>203</td>
<td>343</td>
</tr>
<tr>
<td>Communist Party (KPRF)</td>
<td>13.3%</td>
<td>35</td>
<td>7</td>
<td>42</td>
</tr>
<tr>
<td>Liberal Democratic Party of Russia (LDPR)</td>
<td>13.1%</td>
<td>34</td>
<td>5</td>
<td>39</td>
</tr>
<tr>
<td>A Just Russia</td>
<td>6.2%</td>
<td>16</td>
<td>7</td>
<td>23</td>
</tr>
<tr>
<td>Others^</td>
<td>11.2%</td>
<td>11</td>
<td>3</td>
<td>14</td>
</tr>
<tr>
<td>Yabloko</td>
<td>2.0%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>PARNAS</td>
<td>0.7%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>98%</td>
<td>225</td>
<td>225</td>
<td>450</td>
</tr>
</tbody>
</table>


Note: Total party list percentage is calculated out of the total number of valid and invalid ballots.

a. Includes several small parties that did not meet the 5% threshold for party list representation. Yabloko and PARNAS are liberal opposition parties.

After the 2011-2012 protests and in advance of the 2016 elections, the Russian government took measures to restrict political party competition, including by restoring a mixed electoral system.34 Election observers and analysts concluded that the 2016 elections were marred by fraud.35 At the

33 Constitution of the Russian Federation, Article 102.
same time, UR benefited from a surge in patriotic sentiment generated by Russia’s purported annexation of Ukraine’s Crimea region, Russia’s so-called defense of pro-Russian populations in eastern Ukraine, and appeals for national solidarity in the face of Western sanctions and criticism.  

UR also experienced a certain renewal in advance of the 2016 elections; party primaries promoted the rise of many candidates new to national politics and eliminated a number of sitting deputies.

UR traditionally polls lower than Putin, who does not formally lead the party. Since 2018, UR has received under 30% support among all respondents and 45%-47% among likely voters in public opinion polls. In 2019 local elections to the Moscow city council, all government-backed candidates ran as independents, seemingly in tacit acknowledgement of UR’s relative unpopularity.

**Judicial Branch.** Many observers contend that Russia’s judiciary suffers from corruption and lacks independence from the executive branch. Some argue the courts have greater autonomy on matters that are of less importance to executive authorities. The 2020 constitutional amendments gave the president and the Federation Council the right to dismiss Supreme Court, Constitutional Court, and appellate court judges who “commit acts that besmirch the honor and dignity of the judiciary” or who are unable to exercise their authority.

The Constitutional Court rules on the legality and constitutionality of governmental acts and on disputes between branches of government or federative entities. A 2015 law gave the Constitutional Court the authority to disregard verdicts by interstate bodies that defend human rights and freedoms, if the court concludes such verdicts contradict Russia’s constitution. The 2020 constitutional amendments enshrined the primacy of the constitution over international treaties.

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42 Constitution of the Russian Federation, Article 83.
44 Constitution of the Russian Federation, Article 79. Some observers believe the intent of this law was to enable Russia to ignore rulings by the European Court of Human Rights (ECHR), which Russia joined in 1996. ECHR has delivered multiple judgments against Russia. In 2019, ECHR said it made 186 judgments concerning Russia that involved at least
Regional Governors and Local Elections

Formally, Russia has a robust system of subnational elections; in practice, the country’s top-down system provides considerable central control over local government structures and key issues. Regional and municipal councils are directly elected, as are the leaders of most of Russia’s 83 regions (e.g., governors) and ethnic-based republics (e.g., heads). Russia also is divided administratively into eight federal districts, to which the President appoints a plenipotentiary envoy (presidential representative). Although Russian law allows for the direct election of city mayors, regional governments have eliminated most direct mayoral elections.

Kremlin-backed politicians dominate regional government structures. All but seven of Russia’s 83 regional and republican leaders are United Russia (UR) members or government-backed independents; the rest are from Russia’s three loyal opposition parties. UR also has majorities, typically substantial ones, in all but six regional councils. UR has a minority in the Siberian region of Irkutsk and the Far Eastern region of Khabarovsk, and pluralities in four regions, including the capital city of Moscow. Only a handful of regional deputies across the country are affiliated with the liberal opposition.

The president retains the power to remove regional leaders on the basis of inadequate performance or loss of confidence. In addition, many unpopular or problematic governors have been asked or compelled to resign before the end of their terms, enabling the president to appoint acting governors to compete in elections. Several governors have been arrested on corruption-related charges and dismissed. In recent years, regional leadership positions have undergone considerable rotation. Almost seventy percent of sitting governors and republic heads entered office in 2016 or later.

Governors who have resigned or been removed from office include some relatively independent-minded politicians. These include the following: Kirov region ex-governor Nikita Belykh, who was arrested in 2016 on charges of bribery and sentenced in 2018 to 8 years in prison; Irkutsk ex-governor and Communist Party member Sergei Levchenko, who was the first candidate in 2015 to defeat a government-backed opponent since direct elections were reintroduced in 2012 and reportedly pressured to resign from office in 2019; Khabarovsk ex-governor Sergei Furgal (Liberal Democratic Party of Russia), who was arrested in July 2020 on murder-related charges linked to acts allegedly committed in 2004-2005.


Opposition and Protest

Popular protests against Putin or the Russian government have arisen on occasion over the last decade. Putin’s 2011 declaration that he intended to return to the presidency and the electoral fraud in 2011 parliamentary elections triggered a wave of protests that appeared to herald the rise of a revitalized opposition.45 Russia’s 2014 invasion of Ukraine and purported annexation of Ukraine’s Crimea region met with widespread public approval but generated another, smaller, protest movement. Since 2017, protests linked to various political, economic, and social concerns have arisen, particularly in Moscow but also in other parts of the country.46 In the summer of


2020, the arrest, dismissal, and replacement of the ex-governor of the Khabarovsk region, LDPR member Sergei Furgal, with an outside official led to unexpectedly large mass protests.\textsuperscript{47} Observers have noted the rising participation of youth in protests.\textsuperscript{48}

Rising dissent has yet to translate into political gains for genuine opposition parties, which the Russian government suppresses (for more, see “Human Rights” below). No liberal opposition party won Duma seats in the 2011 or 2016 elections. In 2013, a prominent anticorruption activist and protest leader, Alexei Navalny, was permitted to compete in Moscow’s mayoral election; he came in second place with 27% of the vote.\textsuperscript{49} Since then, Navalny and his political party have been repeatedly denied the opportunity to compete in elections.\textsuperscript{50} In 2019 local elections, Navalny called on supporters to cast ballots for the candidate most likely to defeat the ruling party. In Moscow, this strategy of so-called smart voting appeared somewhat successful; although UR-backed candidates received the most seats (25 out of 45), their numbers declined by a third compared to the previous election in 2014.\textsuperscript{51}

Russian opposition leaders repeatedly have been subject to persecution. In 2015, one of Russia’s leading opposition figures, former deputy prime minister and governor Boris Nemtsov, was killed on the streets of central Moscow.\textsuperscript{52} Navalny was subjected to house arrest for almost one year and has been convicted three times (once on retrial) on charges related to alleged embezzlement. He was given suspended sentences, although in one of the cases his brother was sentenced to three-and-a-half years in prison.\textsuperscript{53} Navalny himself has been imprisoned several times for participation in unsanctioned protests. He was attacked twice with a chemical substance in 2017, potentially poisoned in 2019 while in prison, and reportedly seriously poisoned in August 2020, leading to his evacuation to Germany for medical care.\textsuperscript{54} In September 2020, German officials publicly cited

\textit{Divided Russia} (New Haven, CT, and London: Yale University Press, 2019).


\textsuperscript{49} Incumbent Sergei Sobyanin, a former presidential chief of staff and deputy prime minister, won the election with 52%.


“unequivocal” evidence that Navalny had been poisoned in Russia with a Novichok chemical nerve agent.55

**Coronavirus Disease 2019 Response**

Russia has the fourth-largest number of reported Coronavirus Disease 2019 (COVID-19) cases in the world, after the United States, Brazil, and India. As of September 1, 2020, the Russian government had reported more than one million COVID-19 cases and more than 17,200 deaths attributed to the virus.56 Reported cases and deaths initially were concentrated in the capital city of Moscow and the surrounding region, which have accounted for about 33% of reported cases and 35% of reported deaths.57 Many believe the number of deaths in Russia is greatly understated; observers contend that health officials have recorded many coronavirus-related deaths as caused exclusively by pneumonia, organ failure, or other health conditions.58 Prime Minister Mikhail Mishustin, three other cabinet members, and press secretary Dmitry Peskov are among the government officials who have tested positive for COVID-19.

The number of confirmed COVID-19 cases in Russia increased relatively slowly. Russian officials reported the first two cases (of Chinese nationals) on January 31, 2020; a third confirmed case (a Russian national) was reported on March 2.59 Russia’s first coronavirus-related death was reported on March 19.60 By April 9, the number of confirmed cases in Russia had surpassed 10,000, with 76 reported deaths.61 Confirmed daily cases peaked at more than 11,000 on May 11. By July 20, confirmed daily cases had declined to under 6,000.

In response to the pandemic, federal and local governments adopted measures similar to those in other countries. These included border closures, restrictions on international air travel, the quarantining of foreign travelers, school closures, mask usage, mass testing, and restrictions on large gatherings. Putin acknowledged the seriousness of the pandemic on March 25, 2020, when he announced that the next week would be a paid “non-working period” for most employees and called on Russians to stay home.62 The national “non-working period” was extended through May

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56 Coronavirus Disease 2019 (COVID-19) data is from media reports and the Johns Hopkins University of Medicine Coronavirus Resource Center.


61 Scott Neuman, “Russia Tops 10,000 Coronavirus Cases with Moscow at the Epicenter,” NPR, April 9, 2020.

Since April, Russian hackers are linked to a sweeping bid to steal vaccine data, targeting COVID. National Security Agency, "Cyber Gulag," CNN, April 14, 2020.

The pandemic appears to have led to a decline in public approval of the central government. Putin avoided taking a leadership role in national response efforts and mainly placed responsibility on local governments. Mixed signals by government officials, including Putin, reportedly led to confusion among the public and signs of disorganization. In April 2020, the Levada Center recorded Putin’s public approval rating at a historically low 59%.

Russia has engaged in intensive, and potentially illicit, efforts to develop a COVID-19 vaccine. In July 2020, UK, U.S., and Canadian officials jointly attributed to Russia a series of cyberattacks against “organizations involved in COVID-19 vaccine development ... likely with the intention of stealing information and intellectual property relating to the development and testing of COVID-19 vaccines.” Media reports alleged that members of the Russian political and economic elite had “been given early access to an experimental vaccine.” Russian authorities have said they intend to start mass vaccinations among volunteers in October 2020.

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Corruption

Observers contend that Russia’s political system is characterized by a high level of corruption. The U.S. State Department’s 2019 Human Rights Report notes that corruption in Russia is “widespread throughout the executive branch ... as well as in the legislative and judicial branches at all levels. Its manifestations [include] bribery of officials, misuse of budgetary resources, theft of government property, kickbacks in the procurement process, extortion, and improper use of official position to secure personal profits.” Transparency International (TI), an international NGO, ranks Russia 137 out of 180 countries on its 2019 Corruption Perception Index.

Many Russians share these perceptions of corruption. In a February 2020 poll by the Levada Center, 39% of respondents identified “corruption and bribery” as a serious problem, making it the second most frequent response after rising prices. In other polls, similar percentages expressed the belief that Vladimir Putin represents the interests of oligarchs, bankers, and large enterprises and that those in power care only about their privileges and incomes.

Observers maintain that corruption has led to a high level of wealth disparity in Russia. Credit Suisse’s 2019 Global Wealth Report estimates that the top 1% of Russians hold 58% of Russia’s total wealth (compared to 35% in the United States, 43% in India, and 30% in China). Observers note that Russia has a disproportionately high number of billionaires per capita relative to the size of its economy, and their wealth disproportionately stems from businesses linked to the state (including natural resources and regulated industries).

Independent investigations assert that billions of dollars have fled Russia via a series of illicit financial schemes. In 2014 and 2017, investigative journalists reported on an alleged scheme that resulted in the outflow of more than $20 billion between 2011 and 2014. In 2016, an investigation based on a data leak from the Panamanian law firm Mossack Fonseca tracked the movement of roughly $2 billion among Panama-based shell companies allegedly owned or controlled by individuals within Putin’s inner circle.

Many observers, including within the U.S. government, believe that Putin personally has benefited from corruption. In a 2016 interview, then-Acting Under Secretary of the Treasury for Terrorism and Financial Intelligence Adam Szubin said that Putin “supposedly draws a state salary of something like $110,000 a year. That is not an accurate statement of the man’s wealth, but...”

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76 Credit Suisse Research Institute, Global Wealth Databook 2019.
and he has longtime training and practices in terms of how to mask his actual wealth.” Russian government officials reject all such claims.

Officially, the Russian government claims to combat corruption. At the end of 2017, then-Prosecutor General Yuri Chaika (whom many consider benefited from corruption) estimated that since 2015 total corruption-related losses in Russia had amounted to more than $2.5 billion (albeit with a 60% rate of recovery). In 2019, the Prosecutor General’s Office said that more than 1,300 officials had been dismissed on the basis of corruption-related concerns in 2018. Traditionally, Russian courts have prosecuted mainly cases of smaller-scale corruption, although the number of cases involving larger bribes and/or larger companies recently has grown.

Senior Russian officials are infrequently prosecuted on corruption-related charges. When they are, observers believe cases are selectively prosecuted and often reflect infighting among different power bases or the intent to remove a problematic politician rather than a sincere effort to combat corruption. Observers suspect charges sometimes are fabricated. Since 2015, ex-officials convicted or arrested on corruption-related charges include a minister of economic development, a minister of open government affairs, several governors, a director and deputy director of the Federal Penitentiary Service, and officials from an economic crimes unit of the FSB, an economic security and anticorruption unit of the Ministry of Internal Affairs, and the Investigative Committee (another law enforcement body).

Human Rights

Putin’s authoritarian consolidation of power has involved a wide range of nondemocratic practices and human rights abuses, according to most external assessments. The U.S. Department of State’s 2019 human rights report, for example, recounts multiple human rights issues, including extrajudicial killings, enforced disappearances, pervasive torture, arbitrary and unjust arrests and imprisonments, suppression of freedom of expression and media, peaceful assembly, and association, restrictions on religious freedom, and limits on participation in the political process.

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82 Noerr, “Compliance in Russia: Seven Lessons from Recent Anti-Bribery Enforcement,” June 3, 2020; Dada Lindell and Margarita Alekhina, “The Number of People Convicted of Large Bribes in Russia Reached a Record High” (in Russian). RBC, April 30, 2020, at https://www.rbc.ru/society/30/04/2020/5e9da0e9a794771cc07e9fd.
Freedom of Assembly. Since 2012, the Russian government has imposed increasingly broad restrictions on the practice of freedom of assembly.\(^{87}\) Public demonstrations require official approval, and the fine for participating in unsanctioned protests can be thousands of dollars. Police routinely break up unsanctioned protests by force, detaining participants on a mass scale. Human rights monitors reported detentions of at least 1,675 individuals during nationwide protests in March 2017, at least 1,770 in June 2017, 1,600 in May 2018, 1,200 in September 2018, and 1,400 in July 2019.\(^{88}\)

Detained protestors risk longer-term imprisonment. Some receive short-term sentences (e.g., 10 to 15 days), while others receive multiyear sentences for alleged crimes like rioting or assault (charges which observers say are frequently unfounded). A 2014 law criminalizing repeat nonviolent participation in unauthorized rallies has led to two individuals receiving prison sentences: one in 2015 for 2.5 years (reduced on appeal from 3 years) and one in 2020 for 1.5 years (reduced from an initial 4 years after Putin called for the sentence to be reevaluated). In 2017, Russia’s Supreme Court overturned the 2015 conviction after the accused had served about half his sentence.\(^{89}\)

Freedom of Expression, Access to Information, and Media. Since 2012, the Russian government has enacted a series of laws that human rights monitors view as restricting freedom of expression, access to information, and digital privacy. Laws have established expansive and poorly defined categories of prohibited “extremist” organizations, speech or content, and activities, including anti-state criticism on social media. They also have established a blacklist of websites that allegedly advocate “extremist” activity or publish “extremist” content; a requirement that individual bloggers with large numbers of followers follow certain media regulations; and a prohibition against offending the “religious feeling of believers.”\(^{90}\) In 2019, legislation was enacted to prohibit the online dissemination of intentionally “false information” that could cause public harm or disorder, as well as online expressions of “blatant disrespect” for the state and society.\(^{91}\)

Russian authorities have enacted laws and implemented policies to enable widespread digital surveillance.\(^{92}\) This includes requiring websites and internet service providers to store personal data of Russian citizens on servers located inside Russia; digital and telecommunications companies to retain data on web traffic and communications; and online messaging applications to enforce non-anonymous user registration and provide the means for authorities to decrypt secure communications.\(^{93}\) In 2019, new “sovereign internet” legislation was enacted that is

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\(^{87}\) Amnesty International, A Right, Not a Crime: Violations of the Right to Freedom of Assembly in Russia, June 2014.


\(^{90}\) Human Rights Watch, Online and On All Fronts: Russia’s Assault on Freedom of Expression, July 2017.


\(^{93}\) On attempts to enforce such laws, see, for example, Ingrid Lunden, “Russia Says ‘Nyet,’ Continues LinkedIn Block after It Refuses to Store Data in Russia,” TechCrunch, March 17, 2017; Vlad Savov, “Russia’s Telegram Ban is a Big, Convoluted Mess,” Verge, April 17, 2018; and Maria Kolomuchenko, “Russia Tries More Precise Technology to Block
intended to enable authorities more easily to block internet access and permit the central management of internet networks in Russia in the event of threats to their “stability, security, and integrity.”

Journalists are frequently harassed and detained and sometimes imprisoned. In 2019, investigative journalist Ivan Golunov was arrested on alleged drug trafficking charges, reportedly in retaliation for reporting on corruption schemes in Moscow with purported links to the FSB. Golunov’s arrest led to a rare degree of public outcry and the charges were dropped. In July 2020, a journalist and media advisor to the Russian space agency Roskosmos, Ivan Safronov, was arrested on charges of treason. Also in July 2020, radio journalist Svetlana Prokopyeva was found guilty of allegedly “justifying terrorism” and fined almost $7,000. In the summer of 2020, media reports indicated that journalists were investigated and fined for publishing allegedly false information related to the coronavirus pandemic and for critical coverage of the July 2020 vote on constitutional amendments.

**Sexual and Gender Identity.** Some Russian laws and government policies restrict the rights of lesbian, gay, bisexual, transgender, and intersex (LGBTI) individuals. A 2013 law bans “propaganda” to minors that encourages individuals to consider “non-traditional sexual relationships” as attractive or socially equivalent to “traditional” sexual relationships. On the basis of this law, authorities have fined individuals, prohibited rallies and performances, and blocked websites. In 2020, an amendment to the constitution was passed that declares the state has the authority to defend “the institution of marriage as a union of a man and a woman.” A bill was subsequently introduced in the State Duma to ban same-sex marriages and adoptions, which Russian authorities generally do not recognize. In 2017, authorities removed two foster children from a home in which they suspected one parent of being transgender; in 2018, authorities investigated the adoption of two children by a same-sex couple.

In 2017, Russian media reported that local authorities in the Chechen Republic (Chechnya), a region in Russia’s North Caucasus, had rounded up more than 100 men on the basis of suspected

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100 Constitution of the Russian Federation, Article 72.


102 Kaitlin Martin, “Russian Court Says Foster Mother Unfit Because of ‘Male Behavior,’” Human Rights Watch, February 15, 2018; Emily Sherwin, “Russia Launches Criminal Case Over Gay Adoption,” *DW* (Germany), July 18, 2019.
homosexuality. Human rights monitors reported that detained individuals were beaten and tortured and that at least three died as a result of the roundup (including two reportedly killed by relatives after their release from detention). Although the Russian government belatedly said it would open an investigation, in May 2018, Russia’s Minister of Justice said it was unable to confirm the allegations. In the winter of 2018-2019, human rights monitors reported on a second round of detentions and torture of individuals whom Chechen authorities suspected were gay.

**Religious Practice.** Some Russian laws have targeted minority religious communities. Since 2015, authorities increasingly have used a two-decade long ban on the Islamic organization Hizb ut-Tahrir to imprison both Muslims in Russia and members of the Crimean Tatar community in Ukraine’s occupied Crimea region (Hizb ut-Tahrir is legal in Ukraine). Russia considers Hizb ut-Tahrir a terrorist organization, although its members and many observers say it is a nonviolent movement. Some observers believe that the arrest and imprisonment of suspected Hizb ut-Tahrir members in Crimea has been a pretense to eliminate potential sources of resistance to Russia’s illegal occupation of the region.

Authorities have used a 2016 law on extremism that imposes restrictions on locations of religious worship and proselytization to target Jehovah’s Witnesses and other evangelical Christians. In 2017, Russia’s Supreme Court upheld a ban on the operations of Jehovah’s Witnesses, after which members reported increased instances of harassment and violence. Authorities escalated their campaign against Jehovah’s Witnesses in 2018. As of April 2020, human rights monitors reported that over 330 Jehovah’s Witnesses faced charges, were on trial, or had been convicted of extremism (including a Danish citizen who in 2019 was sentenced to six years in prison). Human rights monitors have reported allegations of torture against Jehovah’s Witnesses.

**Civic Association.** The Russian government has imposed increasing restrictions limiting the ability of civic and media organizations to receive financial support from abroad. According to the State Department’s 2019 human rights report, Russian NGOs have been “harass[ed]” and “stigmatize[d],” including through a 2012 law that requires foreign-funded organizations that


104 Human Rights Watch, *They Have Long Arms and They Can Find Me*, p. 15.


engage in activity seeking to affect policymaking (loosely defined) to register and identify as “foreign agents.” In 2017, the law was extended to apply to media organizations and, in 2019, to individuals.\textsuperscript{112}

As of September 1, 2020, 68 NGOs, as well as U.S.-funded broadcasters Radio Free Europe/Radio Liberty, Voice of America, and various affiliates, have been registered as foreign agents.\textsuperscript{113} This number is down from a high of over 150, as many designated organizations subsequently have chosen not to receive foreign funding or been forced to shut down.\textsuperscript{114} In 2014, Russia’s main domestic election-monitoring organization, Golos, was the first organization to be so classified. Just before 2016 Duma elections, a well-known polling organization, the Levada Center, was branded a foreign agent; a prominent human rights organization, Memorial, also was labeled a foreign agent. In 2019, Russia’s Supreme Court ordered the closure of another prominent human rights organization, For Human Rights, it previously had labeled a foreign agent.\textsuperscript{115}

A 2015 law enables the government to classify as “undesirable” foreign organizations engaged in activities that allegedly threaten Russia’s constitutional order, defense capability, or state security, and to close their local offices and bar Russian citizens from working with them.\textsuperscript{116} As of September 1, 2020, a total of 29 organizations and subsidiaries are barred from Russia for “undesirable” activity. These include the National Endowment for Democracy, Open Society Foundations, National Democratic Institute, International Republican Institute, Open Russia, the German Marshall Fund, the Atlantic Council, and the Jamestown Foundation.\textsuperscript{117}

Human rights activists and environmental defenders have been negatively affected by these laws. Observers note that several have suffered wrongful imprisonment or been victims of physical attacks that authorities do not investigate adequately.\textsuperscript{118} This includes, for example, LGBTI activist Yelena Grigoryeva, who was killed in July 2019.\textsuperscript{119}

**Political Prisoners and Prison Abuse.** Increasing restrictions on human rights and a growing willingness of authorities to crack down on alleged violators of these restrictions has led to a rise in the number of individuals human rights monitors consider to be political prisoners. The

\textsuperscript{112} *Moscow Times*, “Russia’s New ‘Foreign Agent’ Law, Explained,” December 2, 2019.


\textsuperscript{114} In February 2017, Human Rights Watch noted that 158 organizations had been classified at some point as foreign agents. Human Rights Watch, “Russia: Government vs. Rights Groups,” February 6, 2017.

\textsuperscript{115} RFE/RL, “Russia’s Supreme Court Orders Closure of ‘For Human Rights’ Group,” November 1, 2019.

\textsuperscript{116} For background, see International Center for Not-for-Profit Law, “Civic Freedom Monitor: Russia,” at http://www.icnl.org/research/monitor/russia.html.

\textsuperscript{117} The list of organizations classified as “undesirable” is available on the website of the Russian Ministry of Justice at https://minjust.gov.ru/ru/dokumenty/7756/.


Russian human rights organization Memorial has observed at least a sixfold increase in the number of political prisoners in Russia from 2015 to 2020.\footnote{Moscow Times, “Russia’s Political Prisoner Population Grew Sixfold in 4 Years – NGO,” July 10, 2019.}

As of April 2020, Memorial recognized at least 318 individuals as political prisoners. This included 256 alleged members of prohibited religious organizations (mostly members of banned Islamic movements but also Jehovah’s Witnesses). It also included 62 other individuals, many of whom were imprisoned for alleged participation in “extremist” activities or organizations.\footnote{Memorial Human Rights Center, “Memorial Publishes New Lists of Political Prisoners,” April 14, 2020. Also see Perseus Strategies with support from Memorial Human Rights Center, The Kremlin’s Political Prisoners: Advancing a Political Agenda by Crusading Dissent, May 2019.} In August 2020, Ukrainian officials reported that 133 Ukrainians (including 97 Crimean Tatars) were political prisoners in Russia or occupied Crimea.\footnote{RFE/RL, “Russia Holds 133 Ukrainians on Politically Motivated Charges, Ombudswoman Says,” August 10, 2020. Also see RFE/RL, “Abductions, Torture, ‘Hybrid Deportation’: Crimean Tatar Activist Describes Six Years Under Russian Rule,” March 17, 2020.}

Russian prisoners have been subject to torture and abuse. Several publicized cases of abuse and deaths in prison have led to public outcry and the removal and arrest of former prison guards. Observers debate the extent to which Russian authorities are committed to prison reform.\footnote{See, for example, RFE/RL, “Russian Authorities Probe Alleged Abuses in Prisons after Torture Video Emerges,” July 27, 2018; Jan Strzelecki, Russia Behind Bars: The Peculiarities of the Russian Prison System, Centre for Eastern Studies (OSW), February 7, 2019; BBC News, “Dead Within Three Hours of Arrival at a Russian Prison,” February 23, 2020.}

**Killings and Poisonings.** Over the years, a number of Russian journalists, human rights activists, politicians, whistleblowers, and others have been killed or died under mysterious circumstances, in Russia and overseas. This includes former Russian spy Alexander Litvinenko (in London) and investigative journalist Anna Politkovskaya in 2006; human rights lawyer Stanislav Markelov, journalist Anastasia Baburova, and human rights activist Natalya Estemirova in 2009; opposition politician Boris Nemtsov in 2015; and former Chechen military commander Zelimkhan Khangoshvili in Berlin in 2019. Although those who commit such crimes may be prosecuted, suspicions frequently exist that those who order such killings remain free. Some critics and opponents of the Russian government, including British citizen and alleged double agent Sergei Skripal, a former Russian military intelligence officer, and opposition figure Alexei Navalny have survived poisoning attacks that could have been either assassination attempts or attacks intended to threaten but not to kill.\footnote{For more on the Skripal poisoning and U.S. sanctions imposed in response, see CRS In Focus IF10962, Russia, the Skripal Poisoning, and U.S. Sanctions, by Dianne E. Rennack and Cory Welt. Also see Elias Groll, “A Brief History of Attempted Russian Assassinations by Poison,” Foreign Policy, March 9, 2018; Neil MacFarquhar, “Fears of Navalny Poisoning Are Rooted in Previous Attacks on Kremlin Foes,” New York Times, July 29, 2019; and Amy MacKinnon, “Why Russia Keeps Poisoning People,” Foreign Policy, August 1, 2019.}

**U.S. Policy and Human Rights-Related Sanctions**\footnote{This section draws on material co-authored by Dianne E Rennack from CRS Report R45415, U.S. Sanctions on Russia, coordinated by Cory Welt.}

Domestic developments in Russia often have elicited U.S. reactions. In particular, U.S. officials, including Members of Congress, have called attention to human rights abuses in Russia, including in annual human rights and religious freedom reports. In February 2019, on the fourth anniversary of Boris Nemtsov’s killing, the State Department called for Russia to “allow
journalists, civil society activists, and political opposition members to exercise their universal human rights of freedom of expression, association, and peaceful assembly without fear of violence or other forms of reprisal.”

In January 2019, the State Department stated that it was “deeply disturbed by credible reports out of Chechnya about renewed attacks against individuals perceived to be members of the LGBTI community.” The State Department called on Russia “to live up to its international obligations and commitments and its own constitution, and launch an immediate investigation into these human rights abuses,” as well as to “ensure that the rights of all human rights defenders are fully respected in Chechnya.”

U.S. officials have focused attention on Russia’s human rights abuses in Ukraine’s occupied Crimea region. In March 2018, the State Department stated that in Crimea, “Russia has engaged in a campaign of coercion and violence, targeting anyone opposed to its attempted annexation [including] Crimean Tatars, ethnic Ukrainians, pro-Ukrainian activists, civil society members, and independent journalists.” In September 2019, the State Department welcomed Russia’s release of 35 Ukrainians as part of an exchange of detained persons and called on Russia “to immediately release all other Ukrainians, including members of the Crimean Tatar community, who remain unjustly imprisoned.”

The U.S. Mission to the Organization for Security and Co-operation in Europe (OSCE) frequently addresses Russian human rights abuses. In October 2019, the U.S. Permanent Representative to the OSCE, Ambassador James Gilmore, expressed U.S. concern “about Russia’s repression, with impunity in cases of threats and violence against human rights defenders, journalists, environmental activists, political rivals, members of ethnic and religious minorities, and those who do not conform to so-called ‘traditional values.’”

Russian authorities have detained and imprisoned U.S. citizens. High-profile cases include the December 2018 detention of former U.S. Marine Paul Whelan, who in June 2020 was sentenced to 16 years imprisonment on alleged espionage charges, and the February 2019 detention of private equity firm founder Michael Calvey, who remains under house arrest on alleged embezzlement charges. The State Department’s Travel Advisory for Russia reports that “Russian authorities arbitrarily enforce the law against U.S. citizen religious workers and open questionable criminal investigations against U.S. citizens engaged in religious activity.”

Related Sanctions

In December 2012, Congress passed and the President signed into law the Sergei Magnitsky Rule of Law Accountability Act of 2012 (hereinafter the Magnitsky Act).

133 The act was enacted as Title IV of the Russia and Moldova Jackson-Vanik Repeal and Sergei Magnitsky Rule of
name of Sergei Magnitsky, a Russian lawyer and auditor who died under suspicious circumstances in prison in November 2009 after uncovering massive tax fraud that allegedly implicated government officials. The act requires the President to impose sanctions on those he identifies as having been involved in the “criminal conspiracy” that Magnitsky uncovered and in his subsequent detention, abuse, and death. The act also requires the President to impose sanctions on those he finds have committed gross violations of internationally recognized human rights against individuals who are fighting to expose the illegal activity of Russian government officials or who are seeking to exercise or defend internationally recognized human rights and freedoms.

As of September 1, 2020, the Treasury Department has designated 54 individuals and 1 entity pursuant to the Magnitsky Act. Forty designees are directly associated with the alleged crimes that Magnitsky uncovered or his subsequent ill-treatment and death. Treasury also has designated 11 individuals and 1 entity from the Chechen Republic for human rights violations and killings in that region or for the 2004 murder of Paul Klebnikov, the American chief editor of the Russian edition of Forbes. Two designations target the suspected killers of former Russian spy Alexander Litvinenko in London in 2006. Another designation targets an overseer of prison abuse in Russia’s Karelia region.

Congress passed the Global Magnitsky Human Rights Accountability Act in 2016. This act authorizes the President to apply globally the human rights sanctions authorities originally set out in the Magnitsky Act aimed at the treatment of whistleblowers and human rights defenders in Russia. The Global Magnitsky Act also authorizes the President to impose sanctions against government officials and associates responsible for acts of significant corruption. In December 2017, President Trump issued Executive Order 13818 to implement the Global Magnitsky Act, in the process expanding the target for sanctions to include those who commit any “serious human rights abuse” around the world, not just gross human rights violations against whistleblowers and human rights defenders. Currently 100 individuals and 103 affiliated entities are designated under the Global Magnitsky Act. Two of these are Russian nationals, including the son of Russia’s then-Prosecutor General.

In addition to the Magnitsky Act and the Global Magnitsky Act, Congress has used other legislation to respond to human rights abuses in Russia. In FY2008, Congress began including a requirement in annual State Department and Foreign Operations Appropriations Acts that the

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134 Sergei Magnitsky Act, §404(a)(1); 22 U.S.C. §5811 note.  
138 Executive Order 13818 of December 20, 2017, “Blocking the Property of Persons Involved in Serious Human Rights Abuse or Corruption,” 82 Federal Register 60839. The National Emergencies Act, which EO 13818 invokes, requires the President to extend annually any national emergency declaration (otherwise, it lapses). The President most recently extended EO 13818 on December 18, 2019.  
139 Treasury also has designated under the Global Magnitsky Act a former Ukrainian special police force commander who has dual Ukrainian-Russian citizenship.
Secretary of State shall deny entry into the United States of certain foreign officials involved in the corrupt extraction of natural resources. This provision has gradually been broadened and now requires the denial of entry of foreign government officials and their immediate family members for whom there is credible information that the individual has been involved, “directly or indirectly, in significant corruption […] or a gross violation of human rights.”\footnote{Most recently, Section 7031(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2020 (Division G, P.L. 116-94, Further Continuing Appropriations Act, 2020). Section 7031(c)(3) authorizes the Secretary of State to waive designating an individual if the Secretary determines “that the waiver would serve a compelling national interest or that the circumstances which caused the individual to be ineligible [to enter the United States] have changed sufficiently.” For more, see CRS In Focus IF10905, FY2020 Foreign Operations Appropriations: Targeting Foreign Corruption and Human Rights Violations, by Liana W. Rosen and Michael A. Weber.}

As of September 1, 2020, the State Department has publicly designated nine Russian nationals for human rights abuses under these Section 7031(c) authorities: head of the Chechen Republic Ramzan Kadyrov and three immediate family members, two other senior Chechen officials and one family member, and two regional officials for their alleged involvement “in torture and/or cruel, inhuman, or degrading treatment or punishment” of Jehovah’s Witnesses.\footnote{The act provides for private designations as well; designations are to be reported regularly to the Foreign Relations/Affairs, Appropriations, and Judiciary Committees. Department of State, “Public Designation Due to Involvement in Gross Violations of Human Rights of Vladimir Yermolayev and Stepan Tkach, Officials of the Investigative Committee in the Russian Federation,” September 10, 2019.}

The Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act of 2014 (SSIDES) establishes sanctions on those responsible for “the commission of serious human rights abuses in any territory forcibly occupied or otherwise controlled” by the Russian government.\footnote{SSIDES, P.L. 113-95, as amended, Sections 9 and 11; 22 U.S.C. §§8908, 8910. Amendments to SSIDES were introduced in Sections 227, 228, and 230 of the Countering Russian Influence in Europe and Eurasia Act of 2017 (CRIEEA; P.L. 115-44), which is Title II of the Countering America’s Adversaries Through Sanctions Act (CAATSA).}

In November 2018, President Trump designated two individuals and one entity for committing serious human rights abuses in Russia-controlled Ukrainian territories.\footnote{U.S. Department of the Treasury, “Treasury Sanctions Officials and Targets Entities Supporting Russia’s Occupation of Crimea and Forcible Control of Eastern Ukraine,” press release, November 8, 2018.}

SSIDES also established sanctions on Russian government officials and associates responsible for acts of significant corruption worldwide. As of September 1, 2020, the Administration has not designated Russian persons under this authority. In April 2018, however, the Department of the Treasury designated several “oligarchs and elites who profit from [Russia’s] corrupt system” pursuant to other authorities related to Russia’s invasion of Ukraine.\footnote{U.S. Department of the Treasury, “Treasury Designates Russian Oligarchs, Officials, and Entities in Response to Worldwide Malign Activity,” press release, April 6, 2018.}

In response to a Russian chemical agent attack against a United Kingdom national and his daughter in 2018, the Administration imposed two rounds of sanctions on Russia pursuant to the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 (CBW Act).\footnote{P.L. 102-182, Title III; 22 U.S.C. §§5601 et seq. For more, see CRS In Focus IF10962, Russia, the Skripal Poisoning, and U.S. Sanctions, by Dianne E. Rennack and Cory Welt.}

In response to the August 2020 attack on Navalny, which German officials concluded was a chemical nerve agent attack, the Administration may consider making a new determination that Russia has used a chemical weapon in contravention of international law and potentially impose additional sanctions.
Other Actions

In 2018, under the International Religious Freedom Act of 1998, as amended, Secretary of State Michael Pompeo included Russia for the first time on the Special Watch List identifying “governments that have engaged in or tolerated severe violations of religious freedom.” The Special Watch List was established in 2016 to publicly name countries that have severe religious freedom violations but whose treatment of religious freedoms was judged by the President to not meet the criteria for designation as a Country of Particular Concern (CPC). A Special Watch List designation may serve as a warning that the United States could designate the foreign nation as a CPC in a subsequent year. If Russia were to be designated a CPC, it would become subject to potential diplomatic and economic sanctions that could range from private demarches to prohibitions on export licensing, procurement contracts, and transactions through U.S. financial institutions. In 2019, the U.S. Commission on International Religious Freedom, a bipartisan federal government commission, recommended that Russia be designated as a CPC.

Pursuant to the Trafficking Victims Protection Act, the State Department every year since 2013 has identified Russia as a Tier 3 nation that fails to meet minimum standards for the elimination of human trafficking and is not making significant efforts to do so. As a result of the 2019 designation, the President in October 2019 limited assistance to Russia’s government and denied U.S. support for multilateral development loans or other funds to Russia’s government.

The Department of State, Foreign Operations, and Related Programs Appropriations Act, 2020 (P.L. 116-94, Division G), generally prohibits funds from being made available to Russia’s central government (§7047(a)), a restriction in place since FY2015 as a consequence of Russia’s 2014 invasion of Ukraine. The act also requires country notification procedures to be invoked for foreign aid to Russia (§7015(f)).

As in previous years, FY2020 foreign operations appropriations makes funds available “to support democracy programs in the Russian Federation … including to promote Internet freedom” (P.L. 116-94, Division G, §7047(e)). FY2020 appropriations require the Secretary of State, in consultation with the USAID Administrator, to submit to Congress “a comprehensive, multiyear strategy for the promotion of democracy” in Russia and other countries in Europe, Eurasia, and Central Asia. In addition to their relevant democracy and human rights programs, the State Department and USAID utilize congressionally appropriated foreign aid resources to provide emergency assistance to human rights defenders, civil society activists, and journalists globally, potentially including individuals and organizations in Russia. In addition, the National Endowment for Democracy, a private foundation for which Congress appropriates funds, reports grants to Russia-based organizations totaling over $25 million between 2016 and 2019.

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147 Actions against CPCs are subject to potential exceptions and waivers. For additional information, see CRS In Focus IF10803, Global Human Rights: International Religious Freedom Policy, by Michael A. Weber.
150 Available at https://www.ned.org.
Economy

Russia’s economy is significant globally due to its size and role in energy markets. Russia’s economy is the sixth largest in the world, on a purchasing power parity (PPP) basis, after China, the United States, India, Japan, and Germany. Russia is rich in natural resources; it is one of the world’s largest producers and exporters of natural gas and oil. Russia has a population of 145 million, roughly one-third the size of the U.S. population. The World Bank classifies Russia as an upper-middle income country based on its level of economic development.

Economic Trends

The Russian economy has gone through periods of decline, growth, and stagnation since the dissolution of the Soviet Union in 1991. Given the importance of oil to Russia’s economy, fluctuations in Russia’s economy are closely correlated with fluctuations in global oil prices (Figure 2). In the first seven post-Soviet years (1992-1998), Russia experienced an average annual decline in gross domestic product (GDP) of 6.8%.

A decade of strong economic growth followed, in which Russia’s GDP increased on average 6.9% per year. The surge in economic growth—largely the result of increases in world oil prices—helped to raise the Russian standard of living and brought a significant degree of economic stability.

The 2009 global financial crisis resulted in a sharp economic contraction in Russia (7.8%), but the economy rebounded relatively quickly and Russia experienced modest economic growth from 2010 to 2013. In 2014, Russia was hit with two simultaneous shocks: a collapse in oil prices and international sanctions. Growth slowed to 0.7% in 2014 and the economy contracted by 2.0% in 2015. The IMF estimates that the fall in oil prices had about three times the effect of sanctions on Russia’s GDP. As oil prices recovered, Russia’s economy stabilized and grew at a modest pace between 2016 and 2019 (on average 1.5%). One policy expert characterized the Russian economy as

Figure 2: Economic Growth in Russia, 1994-2020

Source: IMF, World Economic Outlook, April 2020 and June 2020.

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151 Illustrative rankings based on 2019 gross domestic product (GDP) adjusted for purchasing power parity (which accounts for differences in prices across countries). Ranking for illustrative purposes; using a different GDP measure (such as nominal GDP) yields slightly different rankings. IMF, World Economic Outlook, April 2020.

152 GDP data in this section is from the IMF’s World Economic Outlook, April 2020 and June 2020, unless otherwise noted.

153 World Bank, World Development Indicators.

154 On Russia sanctions, see CRS Report R45415, U.S. Sanctions on Russia, coordinated by Cory Welt.

155 In August 2019, the IMF estimated that sanctions led growth to fall short of expectations by about 0.2% per year since 2014. In comparison, the IMF estimated the decline in global oil prices caused Russian growth to be about 0.6%.
“surviving, but not thriving” during this period.\textsuperscript{156}

At the same time, real incomes have fallen over the past five years, contributing to popular discontent (see “Opposition and Protest” above). In 2018, pension reforms that raised the retirement age, among other changes, led to protests.\textsuperscript{157} In 2019, Putin unveiled a six-year, approximately $100 billion infrastructure program to revive economic growth and promote regional development.\textsuperscript{158} Some critics say the program was designed more to promote exports and to compensate large businesses and oligarchs for sanctions-related losses.\textsuperscript{159} Authorities introduced the infrastructure program as one of several ambitious “national projects” for which the government pledged to raise nearly $400 billion in public and private funding, including via an unpopular value-added-tax (VAT) hike.\textsuperscript{160} Prior to the onset of the coronavirus pandemic, media reports indicated that implementation of these projects was behind schedule and was unlikely to promote economic growth.\textsuperscript{161}

The coronavirus pandemic has negatively affected the Russian economy further, as it has economies around the world. Additionally, in spring 2020, conflict between Russia and Saudi Arabia over oil production levels led to a sharp drop in oil prices; the pandemic also has led to lower oil prices. In June 2020, the IMF projected that Russia’s GDP will contract by 6.6\% in 2020 and grow by 4.1\% in 2021. This is a sharper contraction and slower recovery than in other emerging-market and developing countries, which on average are forecast to contract by 3.0\% in 2020 and grow by 5.9\% in 2021.

Key Sectors

Energy is the most important sector in Russia’s economy. Oil and natural gas account for more than half the value of Russia’s total merchandise exports, with oil and oil products accounting for about 80\% of the total value of Russia’s oil and natural gas exports (for more, see below).\textsuperscript{162} Russia is a significant producer of many metals and minerals, including iron and steel, aluminum, platinum, palladium, nickel, gold, and precious stones. Russia also has a sophisticated and large defense sector and is a major arms exporter. Russia also has a large services sector. Although Russia’s agricultural sector is relatively small, Russia is a major producer of barley, wheat, potatoes, and milk, among other products.\textsuperscript{163}


\textsuperscript{156} Rachel Ziemba, testimony at U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, \textit{Russia Sanctions: Current Effectiveness and Potential Future Steps}, 115\textsuperscript{th} Cong., 2\textsuperscript{nd} sess., September 6, 2018.


\textsuperscript{158} \textit{Moscow Times}, “Russia’s Massive Infrastructure Overhaul, in 5 Examples,” April 3, 2019.


Russia’s major exports, in addition to oil and natural gas, include iron and steel, coal, precious metals and related products (especially gold, platinum, diamonds, and silver), industrial machinery (especially turbojets and nuclear reactors and parts), wood, fertilizers, and cereals (wheat, barley, and corn). Russia imports many manufactured products. Its top imports include industrial machinery, electrical machinery and equipment, vehicles and parts, pharmaceutical products, and plastics.

Government Ownership and Market Concentration

Many sectors of the Russian economy are characterized by a small number of government-controlled firms (state-owned enterprises, or SOEs). Despite privatization efforts in the 1990s (the process by which a business grows from being government owned to being privately owned), the Russian government retains ownership of many companies in Russia, including lucrative energy and defense companies and financial institutions. In 2018, the Russian government fully owned more than 850 companies and had ownership stakes in more than 1,100. According to an estimate in a 2019 study, the Russian government accounted for one-third of economic output in 2016. In recent years, Russia’s ownership stake in the banking sector has expanded further. Since 2014, the government also has been pushing the development of domestic industries, such as agriculture and manufacturing, as a way to reduce its reliance on western countries, a strategy called import substitution. Questions exist about the extent to which such initiatives have been successful.

Many sectors are dominated by one or a small number of large firms. For example, energy company Gazprom is the largest publicly-listed natural gas company in the world; Rusal, an aluminum company, is the second largest in the world; the Russian banking sector is dominated by two major banks (Sberbank and VTB); and Rostec is a large defense conglomerate. Of these examples, all but Rusal is at least partially owned by the Russian government. Rusal is a private company, but its founder had close ties with the Kremlin and resigned from its board following U.S. sanctions.

Labor Force

Two-thirds of Russians are employed in the services sector, about 25% work in the industry sector, and about 6% work in agriculture. Two-thirds of the labor force has a college degree or completed other tertiary education.

Before the coronavirus pandemic, official unemployment in Russia was relatively low (4.6% in 2019) and 13% of Russians lived below the national poverty line (2018). The pandemic caused both unemployment and poverty levels to rise in Russia. The Economist Intelligence Unit

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164 Federal Customs Service of Russia, as accessed from Trade Data Monitor.
165 U.S. State Department, 2019 Investment Climate Statement: Russia.
forecasts that unemployment in Russia will rise to 6% in 2020, and GDP per capita in Russia is projected to fall by 6% in 2020. According to Russian news reports, some economists believe the number of newly unemployed workers could be three to four times higher than reflected in official government statistics.

Business Environment and Needed Reforms

The World Bank’s Doing Business report, which aims to measure the cost to local firms of business regulations in 190 countries around the world, suggests a relatively positive business environment in Russia. In its report for 2020, the World Bank ranked Russia as the 28th easiest place to do business in the world, up from 31st in the previous year. Russia is ranked below Austria and above Japan, and Russia scores higher than several EU countries, including Spain and France. Because the Doing Business report focuses on regulatory barriers to local firms, it does not capture the difficulties facing non-local firms (including U.S. firms) seeking opportunities and operating in Russia, as discussed in more detail below.

Despite this positive assessment, corruption is a serious problem (for more, see “Corruption” above). According to Transparency International’s Corruption Perceptions Index, which scores countries based on how corrupt a country’s public sector is perceived to be by experts and business executives, Russia scores 28 out of 100 (where 0 is “highly corrupt” and 100 is “very clean”). Ranked from least to most corrupt, Russia ranks 137th in the world, tied with a number of countries including Lebanon, Liberia, and Kenya. Russia ranks lower than the other BRICS countries (Brazil was 106th, China and India were two of five countries tied for 80th, and South Africa was 70th).

In addition to corruption, Russia’s economy faces a number of structural issues that make the economy rigid and less competitive. The IMF has called on Russia to diversify its economy, enhance economic competition, reform public procurement, reduce barriers to trade and foreign investment, increase fiscal transparency, and improve accountability and governance of SOEs. Russia’s aging population and inadequate infrastructure also create long-term challenges to economic growth.

Public Finances

The Russian government has little debt and high levels of reserves. Russia’s public debt was 16% of GDP in 2019 compared to 53% of GDP on average for emerging markets and developing economies. The government also maintains a sovereign wealth fund, the National Wealth Fund (NWF). With assets of $177 billion as of August 2020, the NWF supports Russia’s pension system and funds the government’s budget when oil prices are low. Since 2017, the Russian

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172 Economist Intelligence Unit, Russia Country Report, July 2020.
177 IMF, World Economic Outlook, October 2019.
178 In 2008, the Russian government split the Stabilization Fund of the Russian Government into two funds: the Reserve Fund (a “rainy day” fund of $25 billion) and the National Welfare Fund (funded with $125 billion primarily to support pensions). The Reserve Fund was depleted following the oil price crash in 2014, and was closed in January 2018.
Russia: Domestic Politics and Economy

The Russian government has transferred the profits from oil sales above $40 a barrel to the National Welfare Fund (NWF). The fund is counted as part of the central bank’s reserves, although it is administered by the Ministry of Finance. As of the end of July 2020, Russia’s central bank total reserve holdings were $592 billion.\(^{180}\)

Russia’s budget balance fluctuates. Oil is a major source of revenue for the government, and trends in the budget are correlated with global oil prices (Figure 3). Russia ran budget surpluses when oil prices were high in the 2000s, but ran budget deficits around 3% of GDP in 2015-2016 when oil prices were low. After oil prices rebounded, government surpluses resumed.

In 2019, oil and gas accounted for about 40% of federal government revenues.\(^{181}\) Other main sources of revenue included social security and welfare taxes and a VAT. Government spending was focused on social security and welfare benefits, subsidies, and government worker compensation.

In April 2020, the IMF projected a budget deficit for Russia of 4.8% of GDP in 2020, Russia’s largest deficit since the global financial crisis. Russia’s revenue is falling, because oil prices are low and economic downturns generally result in lower tax revenue. At the same time, government spending has increased, as the government addresses the health and economic consequences of the coronavirus pandemic. The government’s fiscal response to the pandemic to date is estimated at 3.4% of GDP.\(^{182}\) It includes a range of policies, including increased compensation for medical staff; enhanced unemployment benefits; lump sum payments for children; interest rate subsidies for certain businesses; grants to small- and medium-sized enterprises; subsidies to airlines, airports, automakers, and other sectors; and zero import duties on medical supplies, among other measures. Despite the range of policies, Russia’s fiscal responses have been criticized as too slow and may be fueling public resentment.\(^{183}\) Russia’s central bank also took a number of actions to support the economy during the pandemic, including cutting interest rates to a historic low of 4.5%, selling foreign exchange reserves from the National Welfare Fund to support the value of the ruble, and granting temporary regulatory forbearance for banks.

**Energy**\(^{184}\)

Russia is a leading producer, consumer, and exporter of energy, especially oil and natural gas (see Table 2). The Russian government uses the country’s vast energy resources to acquire foreign

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\(^{183}\) For example, see Economist Intelligence Unit, *Russia Country Report*, July 2020.

\(^{184}\) This section was written by Michael Ratner, Specialist in Energy Policy.
After the dissolution of the Soviet Union in 1991, Russian energy production and consumption fell significantly (see Figure 4). The largest post-Soviet declines were in the first five years (1992-1996). In 1997, oil production began to recover. Oil production has continued to rise with minor setbacks through 2019. At the same time, oil consumption has remained below late Soviet-era levels. This has widened the gap between Russia’s oil production and consumption, leaving more oil for export. Excess oil reached its highest level ever in 2019. Production and consumption of natural gas did not decline as much as oil, but they also have not increased as much in recent years. The gap between Russia’s natural gas supply and demand has remained relatively constant since 1991.

### Figure 4. Russian Oil and Natural Gas Production and Consumption
1990-2019

<table>
<thead>
<tr>
<th>Reserves</th>
<th>Production</th>
<th>Consumption</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil 6th</td>
<td>3rd</td>
<td>5th</td>
<td>2nd</td>
</tr>
<tr>
<td>Natural Gas 1st</td>
<td>2nd</td>
<td>2nd</td>
<td>1st</td>
</tr>
<tr>
<td>Coal 2nd</td>
<td>6th</td>
<td>6th</td>
<td>3rd</td>
</tr>
<tr>
<td>Electric Generation NA</td>
<td>4th</td>
<td>4th</td>
<td>14th</td>
</tr>
</tbody>
</table>


Note: NA = not applicable.

185 For more on Russian natural gas exports, see CRS Report R42405, European Energy Security: Options for EU Natural Gas Diversification, coordinated by Michael Ratner; CRS In Focus IF11138, Russia’s Nord Stream 2 Pipeline: A Push for the Finish Line, by Paul Belkin, Michael Ratner, and Cory Welt; CRS In Focus IF11177, TurkStream: Russia’s Newest Gas Pipeline to Europe, by Sarah E. Garding et al.; and CRS In Focus IF11514, Power of Siberia: A Natural Gas Pipeline Brings Russia and China Closer, by Michael Ratner and Heather L. Greenley.
Energy Production

Russia has a vast supply of most forms of energy, particularly hydrocarbons. Russia’s combined production of oil, natural gas, and coal greatly exceeds its consumption, enabling Russia to export excess supplies (see Figure 5). Overall hydrocarbon production did not rebound to 1990 levels until 2015. In 2019, hydrocarbon production was greater than 1990 levels by 13%. The rise in Russia’s oil production, especially after 2000, has provided a growing source of revenues and foreign currency for the Russian government.

Figure 5. Oil, Natural Gas, and Coal Production and Consumption

Five-Year Comparison

Notes: A Joule is a measure of energy and used to compare energy sources in a common unit. An exajoule is one quintillion (e.g., a billion billion) Joules.

Russia’s largest oil and gas companies are state-owned enterprises. Russia’s private energy companies also have close ties to the state. Russia’s main natural gas company is Gazprom, which is majority-owned by the Russian government. Gazprom is Russia’s largest company, the largest natural gas company in the world by revenue, and the largest exporter of natural gas. Gazprom is responsible for about two-thirds of Russia’s natural gas production. Russia’s second-largest natural gas company, the privately-owned Novatek, was responsible for about 10% of Russia’s natural gas production in 2019.

A diverse array of companies are responsible for Russia’s oil production. Russia’s largest oil company, Rosneft, is 40% owned by the Russian government. British oil company BP and a subsidiary of the Qatar Investment Authority each own about 20% of Rosneft. Rosneft (together

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187 Prior to April 30, 2020, Rosneft was majority owned by Russian state company Rosneftegaz. The Russian government reduced Rosneftegaz’s ownership stake in Rosneft as part of an effort to protect Rosneft from U.S. sanctions on Rosneft subsidiaries engaged in trading Venezuelan oil. In exchange for transferring its Venezuela assets to another state-owned company, Rosneft received 9.6% of its own shares (held by a Rosneft subsidiary). *Economist*, “Why Putin’s Favourite Oil Firm Dumped its Venezuelan Assets,” April 2, 2020; Vladimir Soldatkin and Gabrielle Tetrault-Farber, “Russian State Holding Gives Up Control of Rosneft after Venezuela Exit,” Reuters, May 22, 2020. Also see CRS Report R44841, *Venezuela: Background and U.S. Relations*, coordinated by Clare Ribando Seelke.
with subsidiary Bashneft) was responsible for about 38% of Russian oil production in 2019. Russia’s next largest oil companies, the privately-owned Lukoil and Surgutneftegaz, were responsible for about 15% and 11%, respectively.\textsuperscript{188}

Russia’s oil and gas companies are run by influential government officials and oligarchs. Rosneft CEO Igor Sechin is Putin’s longtime colleague and a former deputy prime minister (2008-2012); observers believe that Sechin has unofficial ties to elements of the FSB.\textsuperscript{189} Gazprom CEO Alexei Miller is another of Putin’s longtime colleagues. Novatek CEO Leonid Mikhelson and Lukoil CEO Vagit Alekperov are considered to be among Russia’s five wealthiest individuals; Surgutneftegaz CEO Vladimir Bogdanov also is a billionaire.\textsuperscript{190} Mikhelson, Alekperov, and Bogdanov have headed their respective companies since the early 1990s.

Russia is a major exporter of nuclear power reactors, fuel, and related services and a key developer of next generation nuclear technology. The Rosatom State Atomic Energy Corporation runs the country’s nuclear enterprises, Rosenergoatom is Russia’s domestic nuclear utility, and Atomstroyexport is the Rosatom subsidiary in charge of exports. Russia is the world’s leading exporter of nuclear reactors and parts.\textsuperscript{191} It is constructing or planning to construct plants in China, Iran, India, Turkey, and elsewhere and offers financing, owner-operator, and fuel take back options. Rosatom also exports nuclear fuel and sells uranium enrichment services.\textsuperscript{192}

\textbf{Figure 6. Russian Primary Energy Consumption 1990-2019}

\textit{Source: BP Statistical Review of World Energy, 2020.}

\textit{Notes:} Primary energy is composed of commercially traded fuels, including modern renewables used to generate electricity. A Joule is a measure of energy and used to compare energy sources in a common unit. An exajoule is one quintillion (e.g., a billion billion) Joules.

\textsuperscript{188} Oil production data by company for 2019 from Bloomberg L.P. (subscription required), as reported by Russia’s Central Dispatching Department of Fuel and Energy Complex (CDU TEK).
Domestic Energy Consumption

Russia’s domestic energy consumption is dominated by hydrocarbons, natural gas in particular (see Figure 6). In 2019, natural gas, oil, and coal made up 88% of Russia’s primary energy; natural gas alone made up more than half the country’s energy consumption. Nuclear and hydroelectric power made up 12% of Russia’s energy mix; renewables such as wind and solar made up an insignificant amount. Since 1990, Russia’s overall energy consumption has declined by almost 18%.

Russia is the fourth-largest consumer of energy in the world, after China, the United States, and India. On a per capita basis, Russia ranks 17th in primary energy consumption, which is much lower than other major energy producers. Russia also is the fourth-largest emitter of carbon dioxide globally, behind China, the United States, and India. Given Russia’s lack of renewable energy sources and investment, and reliance on hydrocarbons, it is unlikely that Russia will make significant strides to decrease its carbon dioxide emissions.

U.S.-Russian Trade and Investment

Even before the United States introduced sanctions on Russia for the 2014 invasion of Ukraine, Russia was not a major economic partner of the United States. In 2019, Russia accounted for less than 1% of U.S. imports, U.S. exports, U.S. foreign direct investment (FDI), and FDI in the United States. Both the United States and Russia have much stronger economic relationships with other countries. For example, the EU, Canada, and Mexico account for almost half of U.S. exports, whereas Russia accounts for 0.4% (Figure 7). More than half of Russia’s exports go to the EU and China; 3% of Russia’s exports go to the United States (Figure 7).

Figure 7. U.S. and Russian Export Markets

Even though total trade and investment flows between the United States and Russia are low overall, ties at the firm level in some cases are substantial. U.S. sanctions prohibit transactions with specific Russian companies and individuals, or types of transactions with certain Russian sectors, but many U.S.-Russia transactions are permitted and continue. For example, the U.S.-Russia Business Council, a Washington-based trade association that provides services to U.S. and Russian member companies, has a membership of around 140 companies. Their membership includes many large U.S. companies from a wide range of industries, including energy;

194 For more, see CRS Report R45415, U.S. Sanctions on Russia, coordinated by Cory Welt.
technology; business, financial, and legal services; pharmaceuticals; food; consumer goods; and manufacturing.

**Bilateral Trade and Investment Flows**

In terms of trade in merchandise, the United States runs a trade deficit with Russia. In 2019, the United States exported $6 billion in merchandise to Russia, and imported $22 billion in merchandise from Russia.\(^{195}\) U.S. merchandise imports from Russia have increased by about 50% since 2016, whereas U.S. merchandise exports have held relatively steady (Figure 8). U.S. merchandise imports from Russia are primarily oil, which accounted for about 60% of total U.S. imports from Russia in 2019. Other major merchandise imports from Russia include precious metals, stones, and related products ($2.2 billion, comprised mainly of platinum, diamonds, and gold); iron and steel ($1.4 billion); and fertilizers ($1.0 billion). Top U.S. exports to Russia include industrial machinery ($1.2 billion), aircraft ($1.2 billion), and vehicles and parts ($725 million).

In terms of services trade, the United States runs a trade surplus with Russia. The United States exported $5.1 billion in services to Russia in 2019, primarily financial services ($1.5 billion) and travel ($1.2 billion).\(^{196}\) The United States imported $1.8 billion in services from Russia in 2019, primarily financial services ($403 million), business services ($357 billion), and travel ($363 million).

U.S. investment in Russia increased from $10.2 billion in 2014 to $14.4 billion in 2019, despite the imposition of U.S. sanctions on Russia.\(^{197}\) Russian investment in the United States, $4.4 billion in 2019, has been relatively stable in recent years.

**Challenges Facing U.S. Businesses in Russia**

Beyond the due diligence required to comply with U.S. sanctions and geopolitical considerations, Russia can be a difficult business environment for U.S. companies. The International Trade Administration, part of the U.S. Department of Commerce, stresses significant challenges facing U.S. businesses seeking to operate in Russia. In addition to sanctions, ITA notes that increasing state dominance in the economy, lack of broad economic reform, and weak rule-of-law are challenges facing U.S. businesses seeking opportunities in Russia’s large market.\(^{198}\)

Frictions also exist in the U.S.-Russia trade relationship. As required by U.S. law, the U.S. Trade Representative (USTR) reports to Congress annually on the implementation and enforcement of

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\(^{195}\) Merchandise trade data from U.S. Census Bureau, as accessed from Trade Data Monitor.

\(^{196}\) Services trade data from the U.S. Bureau of Economic Analysis.

\(^{197}\) Investment data from the U.S. Bureau of Economic Analysis.

Russia’s World Trade Organization (WTO) commitments (Russia joined the WTO in 2012). The 2019 report stresses that although Russia has taken some steps to implement its obligations under the WTO, “Russia appears to have done little to foster an open market based on WTO disciplines.” The report notes concerns about Russia’s retaliatory tariffs in response to increased tariffs on U.S. imports of steel and aluminum under Section 232 of the Trade Expansion Act of 1962 (as amended), Russia’s control of exports through tariffs or quantitative restrictions, and Russia’s prevalent use of non-tariff barriers, such as “cumbersome and opaque” import licensing regimes and technical requirements. The report also raises concerns about Russia’s array of import substitution policies and restrictions on foreign ownership in certain sectors.

De-dollarization Efforts

Although there is relatively little bilateral U.S. and Russian trade and investment, Russia, like most countries, has relied on the U.S. dollar and the U.S. financial system to conduct cross-border transactions. In particular, oil markets, Russia’s biggest export, are traditionally conducted in dollars. Most transactions involving U.S. dollars are processed through the U.S. financial system, even when both parties in the transaction are located outside the United States. Access to the U.S. dollar and the U.S. financial system is a source of U.S. economic leverage with many countries, including Russia, and a reason that many of the enacted and proposed U.S. sanctions on Russia focus on the financial sector.

Figure 9. Payments for Russia’s Exports: Currency Composition

![Chart showing payments for Russia's exports to EU and BRICS]


Russian President Putin has long decried the dominance of the dollar. In response to sanctions, the Russian government has made a concerted and multipronged effort to reduce Russia’s reliance on the dollar. For example, Russia is increasingly seeking out and conducting trade in currencies other than the U.S. dollar, particularly euros and rubles. Russia’s shift from dollars in trade with Europe has been slow but steady; Russia’s shift from dollars in its trade with the other

199 In 2012, Congress passed and the President signed legislation that allowed the President to extend permanent normal trade relations to Russia (P.L. 112-208). Section 201(b) establishes the annual reporting requirement.


201 The United States and Russia have initiated WTO disputes regarding U.S. Section 232 tariffs and Russian retaliatory tariffs. For more information, see CRS Report R45249, Section 232 Investigations: Overview and Issues for Congress, coordinated by Rachel F. Fefer.
BRICS countries (Brazil, Russia, India, China, and South Africa) has been more significant and rapid (Figure 9). Additionally, the Russian central bank has reduced its dollar holdings in favor of euros and China’s renminbi, the Russian government has developed its own financial payment systems, and the Russian Finance Ministry has pivoted from dollar-denominated sovereign bonds to sovereign bonds denominated in euros and rubles. The Russian government at varying times has also considered creating a state-backed cryptocurrency, the CryptoRuble, but the central bank has expressed reservations. The extent to which Russia can successfully pivot away from use of the dollar could have ramifications for efficacy of current and any potential future U.S. financial sanctions. However, many experts question the extent to which Russia will be able to de-dollarize given the continued prevalence of the dollar in global markets.

Outlook

After more than 20 years of rule by Vladimir Putin, Russia is exhibiting some signs of political and economic change. At the same time, human rights abuses in Russia have persisted and even increased. The United States and others have called attention to such abuses and responded via sanctions and other actions. Scenarios for future developments tend to center on succession politics, whether engineered by Putin or arising from unexpected circumstances. Other scenarios involve a loss of control by Putin or his inner circle, as a result of a collapsing economy, weakened state apparatus, or the unintended effects of another war.

Questions that Members of Congress may consider in seeking to understand and respond to domestic developments in Russia could include the following:

- Will Putin seek to stay in power after 2024, or will he attempt to hand off power to a successor?
- Will Putin maintain strong centralized control over the state apparatus, or will different factions become increasingly independent of the president and jockey for power?
- Will the Russian government seek to appease the Russian population through new economic stimulus measures or military actions abroad, or will there be a substantial rise in popular dissatisfaction and protest?
- What will be the effect of Alexei Navalny’s poisoning on civil society and the political opposition?
- What are the most effective U.S. policy options for promoting democracy and human rights in Russia? How effective are sanctions against human rights abusers? Should human rights-related sanctions against Russia be broadened?
- How can the United States effectively coordinate with the EU and other stakeholders to encourage Russia to improve its democracy and human rights record?
- Given restrictions on foreign financial support, how effective is Western support for Russian civil society today? What avenues exist for stepped-up Western engagement with Russian civil society?
- How is the Russian government’s policy response to the two simultaneous shocks to Russia’s economy—low oil prices and the COVID-19 pandemic—

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203 For example, see Henry Foy, “Can Russia Stop Using the US Dollar?,” Financial Times, October 3, 2018.
affecting popular support for Putin? How will the Russian government handle the looming budget crunch, stemming from lower oil revenues and higher expenditures due to the pandemic?

- Is there popular support for lifting coronavirus-related restrictions on the economy even as approximately 5,000 new daily cases were being registered at the start of September 2020? Is a robust economic recovery possible if the pandemic is not under control?
- How have international sanctions affected Russia’s oil and gas sector? What are the sector’s prospects for future growth?
- How do Russia’s import substitution and de-dollarization initiatives impact U.S. economic leverage vis-à-vis Russia?
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