



Highlights of President Vladimir Putin's Speech at the Federal Assembly 2018 A Vision for Russia's Future

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The 1 March address¹ in the Federal Assembly was seen as a precursor to his presidential election. However, it was more than a campaign objective. The address can be seen as Russian President Vladimir Putin's manifesto for Russia till 2024. The objective of the address becomes clear from the people who attended it. They were the representatives of government, religious orders, public figures, including heads of regional civic chambers, as well as the leaders of major media outlets.

In his address, President Putin praised Russia for remaining a major nuclear power despite all the problems in the economy, finances and the defence industry. The country's resilience to meet any challenge and resolutely grow despite obstacles has made Russia rank among the world's leading nations with powerful economic and defence potential. Its status as a nuclear power helps Russia to be reckoned with as a powerful and key player in the international order. Hence, the world will listen to the country.

In order to make Russia a great country, President Putin announced some incentives/proposals. This paper highlights those important areas and the incentives/proposals put forward by the President:

President Putin spoke on the importance of overall development in the socio-economic field with a focus on the well-being and prosperity of the Russian people as an important objective of the government. Towards this, he touched upon issues such as elimination of poverty, employment generation, raising the pensions of senior citizens, development of smart cities and improvement in the housing and health care sectors. To accomplish this vision of the overall development of Russia, President Putin stressed on growth in other fields such as connectivity, science and technology, information, economy, energy and environment. In a complicated environment of geopolitics, he pointed out the necessity for developing the defence sector of Russia to preserve its security.

Socio-Economic Development

On poverty, he underlined that in 2012 the poverty indicator fell to 10 per cent from 30 per cent (42 million people) in 2000. Russia still faces poverty which the Kremlin blamed on the world economic crisis. The solution that will be introduced is the system of minimum wage to be equated with the subsistence level from May 2018.

Russia's unemployment rate in 2017 was at 5.3 per cent. It dropped from 5.5 per cent in 2016.² On generating employment in the current scenario where the structure is archaic and inefficient, President Putin proposed upgradation of the structure. He further proposed the creation of new, decent, well-paid jobs as the focus of the government. The objective is to guarantee sustained long-term real income growth, and to reduce the poverty rate by at least one half over the next six years. The Kremlin also aims to lift the living standards of the senior citizens through a raise in pension rates with regular indexes, in order to outpace inflation. To accomplish that, the proposal aims to reduce the gap between the size of pensions and pre-retirement wages.

The government has been trying to improve the healthcare system of the country by injecting money and resources. However, due to the weakening of the ruble from 2014, the government has not been able to reform this sector as it would want to. On October 11, 2016 Vnesheconombank's deputy chairman said that the budget expenditure on healthcare in Russia should be increased to 6-7 per cent of GDP. In 2016, spending on health declined from 4 to 3.5 per cent of GDP.³ In 2016, the budget was 494.8 billion rubles. In 2017, there were healthcare cuts—down by 33 percent (compared to 2016) to 362 billion rubles, including 39 percent cuts for both hospital and ambulatory medical care.⁴ During the address, President Putin emphasised on good health as a way to a healthy country. Hence, he proposed to raise the quality of healthcare of all citizens including citizens. He also proposed to create a systematic support programme for senior citizens and to help people who are alone and those facing problems in life. From 2019–2024, Russia is planning to spend over 4 per cent of GDP each year to develop the healthcare system. There will be re-opening of hospitals which were closed down in small towns and villages. In the period from 2018 to 2020, the target is to have a paramedical station and an outpatient clinic in small towns with a population of 100 to 2,000 people. For villages with less than 100 people, there will be mobile medical units and all-terrain vehicles with all the necessary diagnostic equipment.

For overall development, the government will also focus on developing smart cities. There would be a launch of a large-scale spatial development programme in Russia, which would include developing cities and other communities by at least doubling the spending in this area over the next six years. President Putin, on 6 March, visited one of Russia's leading industrial companies (town of Nizhny Tagil in the Urals to visit Uralvagonzavod), vowing to bolster high-tech industries and improve living standards⁵. SMEs and MEs will be encouraged through these projects. The Spatial Development Strategy will serve as a foundation for preparing a comprehensive plan to modernise and expand the backbone of the traffic infrastructure. According to President Putin, this should be the priority for the future government. On the housing sector front, the three key factors for increasing the affordability of housing are—growth

of people's incomes, a decrease in mortgage interest rates⁶ and an increased supply in the housing market. The Kremlin proposed a revision of the personal property tax⁷ to make it fair and affordable.

Science and Technology and Information

In keeping with the world trend, Russia is advancing towards Industry 4.0. To remove all barriers in this field in order to achieve the objectives, a proposal by President Putin was made for the introduction of a progressive legal framework that eliminates all barriers for the development and wide use of robotic equipment, artificial intelligence, unmanned vehicles, e-commerce and Big Data processing technology. Understanding the importance of 4.0 IR that would help the country in the betterment of people's lives and modernising the economy, the infrastructure and state governance and administration, he stressed on aspects such as information & technology, digital Russia, and improvement in education and research system.

In I&T, Russia would work to become the world's key logistics and transport hub, and also, become a global centre for the storage, processing, transfer and reliable protection of large volumes of information, i.e. so-called Big Data. To make high-speed internet available throughout the country by 2024, Digital Russia is another key focus area for the future government.

On the education and research system front, Kremlin proposes the introduction of an initiative named *Ticket to the Future*. This initiative (will start from 2019) is an early career guidance programme for schoolchildren. The Kremlin has allocated 1 billion roubles for this project. It will establish more international mathematics centres such as in St Petersburg, Moscow and Sochi⁸. Projects to build cutting-edge mega science research facilities are underway in Gatchina and Dubna. The Council for Science and Education is going to build a powerful Synchrotron Collider at the Novosibirsk Akademgorodok and a new generation collider in Protvino, Moscow Region. To avoid any form of complications, a legal framework that would enable international research teams to operate in Russia would be introduced.

Two other areas of focus would be genome research for improvement in agricultural sector and access to better quality of water.

Economy and Energy

Global economic growth gained momentum in 2017. After slowing to 2.4 per cent in 2016, global growth accelerated to a projected 2.7 per cent for 2017. Thanks to the global growth along with stability in oil price and growth in macro-economic sector, Russia's economy too gained momentum in 2017.⁹ The GDP growth of Russia was 1.4-1.8 per cent in 2017.¹⁰ It grew from 0.2 per cent in 2016¹¹.

Russia's focus is to assert itself among the five largest global economies, with an increase in its per-capita GDP by 50 per cent by the middle of the next decade. President Putin pointed out that his government was able to cut down the inflation rate to 2 per cent in 2017 from 12.9 per cent in 2015¹². To accelerate economic growth, the government proposed to undertake initiatives

such as investment from private companies to support various projects Russia is going to undertake in the near future; investment to be primarily used for upgrading and technologically re-equipping the industries and retrofitting the manufacturing industry and increasing labour productivity on a new technological, managerial and personnel basis¹³.

Another source of revenue that is helping Russia in the growth of its GDP is from non-resource and non-energy exports. In the first half of 2017, the volume of non-resource non-energy exports was 57.2 billion dollars or about 35 per cent of the total¹⁴. Within the next six years, Russia would be focused on doubling the amount of non-resource and non-energy exports to reach \$250 billion – specifically increase machine engineering exports to \$50 billion. Exports of services, including education, healthcare, tourism and transport, are expected to reach \$100 billion per year.¹⁵

Russia's revenue from energy exports grew from 5.6 per cent in 2016 to 6.4 per cent in 2017.¹⁶ To further increase it, the government is planning to introduce new technologies for the generation, storage and export of energy. Apart from these, the government is planning to digitize the power systems throughout the country. The idea behind this upgradation is to supply electricity to remote areas.

Environment

Aware of global climate change and its impact on Russia, the Kremlin is trying to balance out environmental sustainability with development. During a meeting with some of the officials and business leaders of Krasnoyarsk Territory¹⁷ on 7 March, President Putin spoke on the use of natural gas.¹⁸ To tackle the environmental challenges, Russia has asked industries to use environment-friendly instruments. By 2019, 300 industrial enterprises with a negative impact on the environment must convert to the best available environmentally friendly technology, and all enterprises in the high environmental risk group must do this from 2021 onwards. The government is planning to undertake conservation projects for the unique natural systems of Lake Baikal, Lake Teletskoye and the entire Volga Basin. Twenty four new nature reserves and natural parks will be introduced (time frame was not announced by the President). The purpose behind these reserves and parks is ecotourism.

Connectivity

To expand its network for the development of its economy as well as its influence, Russia is focused on connectivity. It has been developing itself in this area to achieve the vision of a Great Eurasia. Thus, the focus on the Eurasian Economic Union¹⁹ (EAEU) initiative and on the achievement of a greater Eurasian partnership will remain for the Kremlin.

President Putin referred to the Eurasian transport corridors such as Baikal-Amur Mainline and the Trans-Siberian Railway²⁰ that would make Russia a global leader in transit shipping between Europe and Asia. He also spoke on the importance of the Northern Sea Route as the key to developing the Russian Arctic and Far East. By 2025, cargo traffic along this route will surge tenfold to 80 million tonnes. A number of large-scale industrial projects have been launched

in the Arctic, which complies with environmental standards. Russia is strengthening research, transport, navigation and military infrastructure (including building of nuclear icebreakers), which is expected to guarantee Russia's interests in this strategic region.

Another area Russia is developing is the connection between Crimea and Russia. By 2019, the Crimean Bridge will be opened which will connect Crimea and the Russian Black Sea region. The government is also planning to increase the capacity of railway links to ports in the Azov and Black Sea basin. The idea is to modernise the regional and local routes.

Foreign Policy

During the address, President Putin also touched upon Russia's relationship with China and India and said that the government will further strengthen the relationship with both the countries. Russia will work on building strategic partnerships with others (he did not name any country) like it has with Beijing and New Delhi. He also laid out the vision of the continuation of contributing positively at the multilateral foras such as CSTO, SCO and BRICS. He emphasised on promoting a positive agenda at the UN, G20 and APEC. On Russia's relationship with the US and EU, he said that Russia is interested in having a normal and constructive cooperation based on honesty and equal partnership.

President Putin laid down a grand vision to further develop and strengthen Russia. At the same time, during the address, he mentioned the challenges the country faces from the US and its allies. To keep Russia protected, he brought out the development and achievements of the Russian Armed Forces and the future plans to secure the country.

Defence and Security

President Putin spoke about the achievements in the modernisation of the Armed Forces. He estimated that over 300 new units of equipment were put into service, strategic missile troops received 80 new intercontinental ballistic missiles, 102 submarine-launched ballistic missiles and three Borei nuclear-powered ballistic missile submarines. He further talked about twelve missile regiments having received the new Yars intercontinental ballistic missile along with an increase in the number of long-range high-precision weapons carriers by 12 times and guided cruise missiles by over 30 times. A radar field to warn of a missile attack was created along Russia's perimeter.

To secure the services, the National Defence Control Centre was established and the operational command of the far maritime zone was formed to secure its maritime strategies. Russia consists of four fleets and one flotilla—Northern Fleet with the headquarters at Severomorsk, Baltic Fleet with the headquarters at Kaliningrad, Black Sea Fleet headquarters at Sevastopol, Caspian Flotilla headquarters at Astrakhan and Pacific Fleet headquarters at Vladivostok.

President Putin also spoke about the creation of the newest systems of Russian strategic weapons in response to the unilateral withdrawal of the United States of America from the Anti-

Ballistic Missile Treaty and the practical deployment of their missile defence systems²¹ both in the US and beyond their national borders. To counter these threats from the US, Russia has come up with solutions:

- Building of new missile defence system with a heavy intercontinental missile, named Sarmat²².
- Building of new types of strategic arms that do not use ballistic trajectories when moving toward a target, making missile defence systems non-effective.

To deter the country's adversaries, President Putin also spoke of Russia's advanced arms which are equipped with nuclear warheads. He further explained on Russia's plans on how to deter the adversaries in the following manner:

- With the success of its nuclear-powered missile, Russia will begin developing a new type of weapon, a strategic nuclear weapons system with a nuclear-powered missile.
- Russia has developed unmanned submersible vehicles that can move at great depths intercontinentally. Unmanned underwater vehicles would be developed which can carry either conventional or nuclear warheads, enabling them to engage various targets, including aircraft carrier groups, coastal fortifications and infrastructure.
- Creation of a high-precision hypersonic aircraft missile system²³ which will help in further strengthening of the modern weapons systems.
- Development of *Avangard* another new type of strategic weapon.
- Arming of the Russian troops with laser weapons (not much was elucidated by the President) and
- Focus on effective defence that will serve as a guarantee of Russia's long-term development.

President Putin emphasised that the newly-developed strategic arms are not the result of something left over from the Soviet Union. He acknowledged, however, the fact that while the ideas for the new weapon systems have some influence of that era, everything had been built after 2004 and is the result of the products of dozens of research organisations, design bureaus and institutes over the last few years.

With the layout plan of the upgraded defence system, President Putin, without naming US, warned America not to take any unfriendly step against Russia by deploying missile defences and bringing NATO infrastructure closer to the Russian border as it would be a futile exercise. He said that Russia's growing military power is a solid guarantee of global peace as this power preserves (since the Cold War) and will preserve in the future too strategic parity and the balance

of forces in the world. He also announced that even with sanctions and other restrictions; no power has been able to restrain Russia.

In an indirect reference to the US and its allies, he warned them not to take his words lightly. He also announced that use of tactical nuclear weapons (of short, medium or any range) against Russia or its allies will be considered as a nuclear attack on this country. Retaliation will be immediate and with all the attendant consequences.

Assessment of the Speech

President Putin, who was running for his fourth term in the coming presidential election, has, through this address, laid down the future objectives for Russia.

In the address, President Putin gave an overall view of the country's course of action (at least) till 2024 (when the next election is due). Many proposals were made in all the sectors i.e. in socio-economic, science and technology, economic and defence and security. It can be taken as a model of its foreign and domestic policies as well as its military doctrine. Since 2007, Russia has been sending out strong messages to the world, especially to its adversaries viz., the US and Europe. President Putin's warning to the US on the security aspects have been featuring in most of his messages as well as in Russia's actions such as military exercises with combat-ready forces, launching of upgraded and new weaponry systems, difference in opinions leading to counter-actions in countries like Syria and North Korea, partnering with countries which want to establish a multipolar world order and weaken the dominance of unipolarity etc and more so since 2014.

The speech was a warning to the world to not treat Russia anymore as a weak country. With the next six years on his side, President Putin will continue to work to regain Russia's lost glory in the aftermath of the collapse of the erstwhile Soviet Union.

The trajectory of Russia towards India and China was laid down for the next six years. From his speech, it can be assumed that Moscow aims to have a dynamic relationship also with other countries, especially in the Eurasian region, and positive engagements in multilateral fora.

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Disclaimer: The views expressed are that of the Researcher and not of the Council.

Endnotes

¹"Presidential Address to the Federal Assembly", *President of Russia*, March 1, 2018.

<http://en.kremlin.ru/events/president/transcripts/messages/56957> (Accessed on March 3, 2018).

²"Russia: Unemployment rate from 2007 to 2017", *Statista*. <https://www.statista.com/statistics/263712/unemployment-in-russia/> (Accessed on March 9, 2018).

³"The Government cut spending on health in 2017 by 33%", *Novaya Gazeta*, October 13, 2016.

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⁴“Russia’s Health care system: Current State of Affairs and Need to Reform”, Institute of Modern Russia (Open Russia), 2017, pg. 5. https://imrussia.org/images/stories/Reports/Healthcare/IMR_Russia-Healthcare-Reform_10-2016.pdf (Accessed on March 9, 2018).

⁵The Uralvagonzavod plant was emblematic of Putin's 2012 campaign, when he relied heavily on support from blue-collar workers amid large rallies against his rule in Moscow. Vladimir Isachenkov, “Russia's Putin takes his campaign to leading industrial town”, *Sacbee*, March 6, 2018. <http://www.sacbee.com/news/business/article203678324.html> Accessed on March 7, 2018.

⁶The Kremlin wants to continue to lower the average interest rate to 7–8 per cent.

⁷The government has proposed to revise the mechanism for calculating the tax and the calculation of the cadastral value of property not exceed the real market value. These proposals are planned to be implemented in the first six months of 2018.

⁸There are centres which are already operating in Kazan and Novosibirsk.

⁹“Russia’s Recovery: How Strong is It’s Roots?” *World Bank Report*, November 2017, pg. i. <https://openknowledge.worldbank.org/bitstream/handle/10986/28930/30-11-2017-17-58-52-forwebNovFINALRERENGfull.pdf?sequence=7> (Accessed on March 9, 2018).

¹⁰“Russia’s GDP growth can reach 3% if certain reforms are implemented — Russian minister”, *TASS*, January 26, 2018. <http://tass.com/economy/987001> (Accessed on March 11, 2018).

¹¹“Russia’s Economic Report: From Recession to Recovery”, *World Bank Report*, May 2017, pg. V. <https://openknowledge.worldbank.org/bitstream/handle/10986/27522/116237-WP-P161778-PUBLIC-RERengforweb.pdf?sequence=1&isAllowed=y> (Accessed on March 5, 2018).

¹²According to World Bank Report, the average inflation rate in 2015 was 15.6 per cent that was reduced to 7.1 per cent in 2016. Russia was able to cut down its inflation rate to 4 per cent as early as April 2017. *Ibid*.

¹³Target is to increase the labour productivity in medium-sized and large enterprises of basic industries, such as manufacturing, construction, transport, agriculture and trade at a rate of 5 per cent (at least) per year.

¹⁴“Support and development of non-primary exports is our mission”, *East Russia*, September 6, 2017.

<https://www.eastrussia.ru/en/material/podderzhka-i-razviti-nesyrevogo-eksporta-nasha-missiya/> (Accessed on March 5, 2018).

¹⁵“Presidential Address to the Federal Assembly”, *President of Russia*, op.cit.

¹⁶“Russia’s Recovery: How Strong is It’s Roots?”, *World Bank Report*, November 2017, pg.21. opt. Cit.

¹⁷Most of the industrial enterprises are located in this area. The area faced black snow and heavy air pollution emanated from industries, automobiles and burning of coals.

¹⁸Meeting on the environmental situation in the Krasnoyarsk Territory”, *President of Russia*, February 7, 2018.

<http://en.kremlin.ru/events/president/news/56816> (Accessed on March 11, 2018).

¹⁹The EAEU’s agenda includes building a common market for electricity, oil, petroleum products and gas, harmonising financial markets, and linking the member states customs authorities.

²⁰For an example, Baikal-Amur Mainline and the Trans-Siberian Railway connectivity will take seven days for containers from Vladivostok to reach the western borders of Russia.

²¹President Putin pointed out that America is trying to deploy these systems in Japan and South Korea too (apart from Europe. The US global missile defence system includes five cruisers and 30 destroyers which is being deployed near the Russian borders).

²²Sarmat has no range restrictions. It is an upgradation of Voevoda system during Soviet times. It an attack targets both via the North and South poles.

²³The unique flight characteristics of the high-speed carrier aircraft allow the missile to be delivered to the point of discharge within minutes. This system is called Kinzhal (Dagger).