

ASSESSING THE IMPEDIMENTS TO THE GROWTH OF RUSSIA'S CONVENTIONAL MILITARY CAPABILITIES

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INTRODUCTION

Russia launched a Special Military Operation (SMO) against Ukraine on February 24, 2022, with the objective of establishing a dispensation that is aligned to Russia's geopolitical and security interests. Given the relative power differential between the two countries, it was widely expected to be an exercise in coercive diplomacy instead of a prolonged conventional conflict. However, Russia adapted well to the changed situation and has been able to consolidate the initial gains, albeit at a significant cost in terms of both men and material. Since February 2022, Russia has been engaged in a multi-front war of attrition across the entire spectrum of Diplomacy, Information, Military and Economy (DIME) and yet, achievement of the political objectives of

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the war is nowhere in sight. Russia is fighting the collective 'West' in Ukraine. Despite vast reserves and war-time economic mobilisation, adversaries inevitably reach a culmination point beyond which sustaining the war with additional resources becomes unfeasible. Russia believes it can outlast Western support to Ukraine and aims to end the conflict on its own terms once that backing weakens. Acknowledging its inability to match the West's collective resources, Russia relies on escalation management, deterrence, and diplomacy to limit external aid. However, despite a more favourable American Administration, European support for Ukraine has intensified. As a result, the war of attrition is set to persist. In this context, this paper intends to analyse Russia's constraints for the growth of conventional military power over the medium to long term.

Concerned by President Trump's policies that reflect wavering commitment of the US towards European security and emerging geopolitical uncertainties induced by a fractured global order, Europe has initiated concrete steps to strengthen its defence preparedness. During the North Atlantic Treaty Organisation (NATO) Summit in the Hague in June 2025, member states unanimously committed to increase defence expenditure sharply from 2 per cent to 5 per cent of the Gross Domestic Product (GDP).¹ This significant increase comes with greater resolve and tangible action by member states as compared to a similar commitment made during the NATO Summit in 2014 in the wake of the annexation of Crimea by Russia. The inclusion of Finland and Sweden in the NATO alliance has not only strengthened the alliance but also forced Russia to commit additional resources for the defence of a hitherto dormant northern flank. As the impact of these increased investments begins to manifest in the growth of Western military power and Russia continues to be weakened by a protracted multi-level war of attrition, the NATO-Russia power differential is likely to grow in the short to medium term. Such power differential, in the absence of an external balancing force, may tempt either of the adversaries to significantly escalate, seeking significant strategic objectives. Such periods of altered power equations and breakdown of deterrence are also fraught with

1. "The Hague Summit Declaration", NATO, 2025, https://www.nato.int/cps/en/natohq/official_texts_236705.html. Accessed on June 25, 2025.

the risks of miscalculation, ambition, fear and desperation. Hence, while fighting to retain its gains in Ukraine, Russia also needs to build its conventional forces for *low probability but high consequence* contingencies related to the significant escalation of the proxy war in Ukraine or even a direct conflict with NATO in the medium to long term.² Therefore, the moot question is whether Russia has the political will and wherewithal to expand the capability bandwidth of its conventional forces during this period of economic turbulence and war attrition.

The growth of military power requires long-term economic stability, sustained investment, and peace—conditions that Russia currently lacks. Ongoing battlefield losses and crippling sanctions continue to strain its economy, while the prolonged war carries significant socio-political consequences. The Wagner Group's attempted coup in June 2023 highlighted internal unrest, while subtler issues such as draft evasion, brain drain, and declining investment in key social sectors further erode state capacity.³ These challenges are likely to hinder Russia's conventional military growth over the medium to long term. Constraints on Russia's conventional military growth fall into structural and temporal categories. Structural issues—such as poor demographics, a commodity-driven economy, corruption, and a weak military-industrial base—are long-standing and lack quick solutions. Temporal constraints arise from the ongoing war, including mass emigration, sanctions, battlefield attrition, and disrupted supply chains. These short-term challenges have compounded structural weaknesses, creating a more difficult environment for military modernisation. Unlike the 2008–15 period, when significant financial investment yielded progress despite inefficiencies, current conditions—marked by reduced fiscal capacity, inflation, labour shortages, and limited access to advanced technology—make similar outcomes unlikely. India's security planning is tightly linked to the trajectory of Russia's conventional

2. Andrew Radin, et al., "Future of the Russian Military", RAND Report, 2019, https://www.rand.org/content/dam/rand/pubs/research_reports/RR3000/RR3099/RAND_RR3099.pdf. Accessed on June 12, 2025.

3. "Experts React: What Russia's Wagner Group Rebellion Means for Putin, Ukraine, China, and More", *Atlantic Council*, 2023, <https://www.atlanticcouncil.org/blogs/new-atlanticist/experts-react/prigozhin-rebellion/>. Accessed on June 13, 2025.

forces. Sanctions-driven technology denial, war-time attrition, labour and inflation pressures, and a pivot toward deterrence and refurbishing older platforms weaken Russia's defence base—threatening timely spares, upgrades, and co-production inputs while complicating pricing, financing, and compliance.

ECONOMIC CONSTRAINTS

Russia's GDP stood at \$7.2 trillion on Purchasing Power Parity (PPP) and \$2.1 trillion at current prices in 2024, up 4.1 per cent year-on-year.⁴ Russia is a resource rich country. It is an energy giant with the largest crude oil production outside of the Oil and Petroleum Exporting Countries (OPEC); it has the largest proven natural gas reserves (47.805 trillion cubic metres) accounting for almost 30 per cent of global reserves; and it has the second largest proven coal reserves (162.166 billion tonnes).⁵ Similarly, it ranks in the top tier countries in reserves of other minerals like uranium, diamonds, gold, nickel, aluminium, etc.⁶ Russia is the third largest producer and largest exporter of wheat. Availability of these hard assets and a surplus of food and energy provide Russia significant economic potential for military funding. While the Russian economy thrives on energy exports, unlike a typical *petro-state*, Russia has a highly educated population and a rich history of leading scientific advances. It boasts of a huge industrial base. Effectively, Russia not only has potential capacity but has also prepared itself well since 2014 to sustain a protracted period of economic turbulence. As a result, despite being inflicted with 16,500 sanctions, Russia witnessed only one year of GDP contraction (-1.44 per cent) in 2022 against a GDP growth of 5.87 percent in 2021. It was able to not only maintain macro-economic stability but also grew faster than other European economies in the 2023-25 period with the GDP bouncing back to a positive growth rate of 4.1 percent

4. "Russian Federation", IMF, 2025, <https://www.imf.org/external/datamapper/profile/RUS>. Accessed on June 23, 2025.

5. "Russia's Oil & Gas Sector in 2025", *Stratas Advisors*, July 2025, <https://www.stratasadvisors.com/insights/russias-oil-gas-sector-in-2025-a-strategic-shift-east-part-2-gas-/07012025>. Accessed on June 24, 2025.

6. Yongli Gao, "Russia's Natural Resources", *EBSCO*, 2025, <https://www.ebsco.com/research-starters/environmental-sciences/russias-natural-resources>. Accessed on June 24, 2025.

in 2023 and 2024.⁷ Notwithstanding the recent resilience displayed by the Russian economy, loss of revenues due to the sanctions, war damages and diversion of investments to defence manufacturing will have an adverse opportunity cost for the economy in the medium to long term.

Russia has mobilised its economy to sustain a protracted war, with recent GDP growth largely driven by state defence spending. However, this growth is unsustainable, as military procurement lacks the multiplier effect seen in sectors like infrastructure. While railways or roads generate long-term economic value, weapons like missiles or bombs do not. This war-oriented reallocation of resources undermines productive investment in other areas. The demographic strain has worsened since the war began, with mass emigration of the economically mobile population seeking to avoid conscription. The military's and defence industry's demand for manpower has pushed up wages across sectors, not due to productivity gains but due to competition over a shrinking labour pool. This has raised production costs and fuelled inflation. As a result, Russia faced inflation above 10 per cent, prompting the Central Bank to maintain interest rates at 21 per cent until June 2025, curbing business credit and investment. Russia has also developed shadow supply networks to bypass the sanctions, but these come at a higher cost, raising production expenses. Additionally, the shift in energy exports from Europe to Asia has involved lost revenue and heavy infrastructure costs. These cumulative pressures have strained the economy, with the International Monetary Fund (IMF) forecasting GDP growth of only 1.5 per cent in 2025 and 1–2 per cent annually through 2030.⁸

Russia's economy remains heavily dependent on energy exports, which made up 63 per cent of its export basket in 2024. Western embargoes, price caps, and reduced European demand have significantly lowered revenues, with countries like China and India purchasing oil at discounted rates. In April 2025, export volumes rose by 1 per cent, but revenues dropped by 6 per cent. Rising production

7. Aaron O'Neill, "Russia: Real Gross Domestic Product (GDP) Growth Rate From 2020 to 2030", *Statista*, 2025, <https://www.statista.com/statistics/263621/gross-domestic-product-gdp-growth-rate-in-russia/>. Accessed on June 24, 2025.

8. *Ibid.*

costs, reliance on shadow fleets, and expensive insurance have further eroded profitability. Meanwhile, military spending surged to \$145.9 billion in 2024 (6.7 per cent of the GDP), up from \$62.2 billion (3.58 per cent of the GDP) in 2021, crowding out investment in infrastructure and innovation.⁹ China has become Russia's key economic partner, with bilateral trade reaching \$240 billion in 2023. China now absorbs nearly 50 percent of Russia's energy exports at discounted rates, increasing Russia's dependency and reducing its influence in Central Asia.¹⁰ Despite its resource base and resilience, Russia's long-term economic outlook is bleak. War-related losses, shrinking reserves, reduced energy profits, labour shortages, high inflation, and costly credit constrain growth. Economic dependence on China further limits Russia's strategic autonomy. These factors severely restrict financial resources available for military investment, making sustained growth in conventional military power difficult in the medium to long term.

MILITARY INDUSTRIAL COMPLEX (MIC)

The strengths of Russia's military industry are rooted in its scale, scope, diversity and resource base that enable Russia to meet all its major military requirements indigenously. However, most of this industrial infrastructure dates back to the 1970-80s, producing conventional military equipment like the T-72B tanks, BTR-80 Armoured Personnel Carriers (APCs), Su-30, etc., that are an incremental improvement of late Soviet era designs. Russia has made significant advances in a chosen narrow range of capabilities like hypersonic weapons and missile technology related to strategic deterrence. While analysing Russia's military power in all its dimensions (conventional and strategic), it is important to realise the dual nature of its underlying bases and security policy priorities. Russia has increasingly opted for a large quantity of Soviet era

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9. Julian Cooper, "Military Expenditure in Russia's Federal Budget for 2024 and Beyond", SIPRI, 2023, <https://www.sipri.org/publications/2023/sipri-insights-peace-and-security/another-budget-country-war-military-expenditure-russias-federal-budget-2024-and-beyond>. Accessed on June 24, 2025.
 10. "China-Russia 2023 Trade Value Hits Record High of \$240 bln - Chinese Customs", *Reuters*, 2024, <https://www.reuters.com/markets/china-russia-2023-trade-value-hits-record-high-240-bln-chinese-customs-2024-01-12/>. Accessed on June 25, 2025.

platforms to equip its larger conventional forces while investing significant resources in qualitative modernisation of its nuclear and non-nuclear strategic deterrence. For instance, Russia has created huge production capacity in its military industrial complex to repair and refurbish conventional platforms like the T-72 B, ensuring war losses are made up at reasonable rates, but has procured very few advanced platforms like the T-14 Armata and other sophisticated equipment to expand the qualitative aspects of the conventional forces.¹¹ The ambition to achieve such expansion runs up against multiple constraints ranging from shortage of skilled manpower, lack of high-tech components and depleting financial resources. If the recent history of Russia's struggle with modernisation of the Military Industrial Complex (MIC) is any indication, then it can be surmised that the future capability of the MIC to produce modern weapons at scale will continue to be shaped by the same structural constraints.

Some of the well documented structural issues that have historically ailed the MIC are the absence of venture capital, poor management, ageing workforce, worn out capital assets, low capital/labour ratio, high energy costs, and poor fiscal management, leading to very high operational costs. In addition, some intangible factors like weakening of the institutional knowledge base and lack of proficiency in high end technology required for producing modern weapon systems have further dimmed the future prospects of MIC capabilities. Individuals with these much needed managerial and technological competencies find more lucrative jobs in other industries (and often other countries). Prior to the imposition of the first round of sanctions in 2014, Russia had a very close relationship with global defence firms, particularly in Italy, Israel and France. The Italian Lince Armoured Fighting Vehicle (AFV) participated in Russia's Victory Day Parade on May 9, 2012.¹² In 2010, Russia had signed a contract with French shipbuilder to deliver two Mistral class

11. Dara Massicot, "Russian Military Reconstitution: 2030 Pathways and Prospects", Carnegie Endowment of Peace, 2024, <https://carnegieindia.org/research/2024/09/russian-military-reconstitution-2030-pathways-and-prospects?lang=en¢er=russia-eurasia>. Accessed on June 25, 2025.

12. R. N. McDermott, ed., *The Transformation of Russia's Armed Forces: Twenty Lost Years*, (London: Routledge, 2015).

warships with the option of buying two more at a cost of \$1.3 billion.¹³ Many of the advanced sensors related to avionics, night vision, and Electronic Warfare (EW) equipment were sourced from the West. In 2014, Russia realised the strategic vulnerability of depending on Western firms for key industrial inputs. Accordingly, it made significant efforts towards self-reliance in defence manufacturing and other strategic industries. In order to improve the financial condition of the defence manufacturers, Russia wrote off loans worth Rubles 700 to 800 billion in 2016.¹⁴ However, continuous involvement in conflicts (Donbas, 2014 and Syria, 2015), the sharper than expected sanctions in February 2022, the exodus of foreign firms from Russia, and the financial leakages and long gestation nature of Research and Development (R&D) projects in high technology ensured that Russia remained dependent on outside sources for many key inputs for defence manufacturing.

Large scale mobilisation of the economy to support the war effort since 2022 ensured that immediate major issues faced by the MIC were mitigated. Production lines have been recapitalised and the defence industry enjoys some of the highest salaries, attracting better talent. Organisational restructuring like the creation of vertically integrated holdings in specialised sectors such as aviation, shipbuilding, information technology, automobile, tank technology and communication systems has resulted in improvement of project management and fiscal prudence. Given the willingness of the government to pay a higher cost for military equipment, private venture capital, especially in the sunrise sectors of drones and individual protection gear has mushroomed. In addition, Russia has coordinated with countries like China, Iran, and North Korea for direct delivery of low-tech, mass-produced platforms and key components for manufacturing of drones, missiles and artillery ammunition. These deliveries are often realised at inefficient costs that involve bartering at a discount, yet they are beneficial as they free up precious industrial capacity for higher value military production.

13. "Russia Terminates Mistral Warship Contract, Opts for Refund", *The Moscow Times*, May 25, 2015, <https://www.themoscowtimes.com/2015/05/26/russia-terminates-mistral-warship-contract-opts-for-refund-a46872>. Accessed on May 25, 2025.

14. K. E. Stoner, *Russia Resurrected, Its Power and Purpose in the New World Order* (New York: Oxford University Press, 2021).

Effectively, the MIC is currently fully geared up for sustaining the war effort through essential repairs, refurbishment and incremental modification of legacy platforms to be sent back to the front. Another line of effort is to produce a variety of drones and loitering ammunitions, which seem to have dominated the battlefield after the initial round of skirmishes with conventional weapons. While such capability will allow Russia to sustain the war effort, it does not contribute towards the expansion of the capability bandwidth of the Russian conventional forces to fight a large scale conventional war with a formidable adversary like NATO. Russia has made significant strides in producing a narrow set of high-end platforms like the Su-57 multi-role fighter, hypersonic cruise missile (3M22 Zircon), nuclear capable hypersonic boost-glide vehicle (Avangard), air-launched, nuclear-capable cruise missile (Kh-47M2 Kinzhal) and modern Inter-Continental Ballistic Missiles (ICBMs) like the RS 24 (Yars). Essentially, Russia has focussed on maintaining credible nuclear and non-nuclear strategic deterrence by these long-range precision strike weapons capable of defeating all known missile defence shields. However, Russia's capability to produce these platforms and other Precision Guided Munitions (PGMs) to scale is hamstrung by the lack of indigenous capability to produce semi-conductors and other high-tech components. Moreover, the current focus on the war effort leaves limited scope for investments in R&D, thereby affecting the growth of conventional military capability in the medium to long term.

Capitalisation of the MIC, even at the cost of other industries, is one of the silver linings of the current conflict. Russia currently uses legacy platforms from its Soviet era reserve stocks for its war effort. The MIC is fully capable of replenishing these platform losses through repairs, overhaul and limited upgradation. If the MIC remains mobilised after the war, it will not only be able to recreate reserves for any future large-scale conflict but also fulfil its export commitments that have been delayed, thereby retaining its market share in global defence exports. In terms of equipment philosophy shaped by the ongoing conflict, Russia seems to have fallen back on its traditional comfort zone of quantity over quality. This aspect is reflected not only in the large scale employment of legacy platforms but also in the training, recruitment and reversal of certain military

organisational reforms like the Battalion Tactical Groups (BTGs) giving way to the traditional divisional structure as the basic formation for warfighting at the tactical level. It essentially means that Russia's conventional military capability will continue to bank on a large quantity of legacy platforms under an overall umbrella of strategic weapons through advances in the narrow field of high technology like hypersonic weapons, missiles for long range precision strikes and air defence. This will ensure Russia's regional dominance against smaller non-NATO states but it will be highly constrained in fighting a conventional war with NATO or mount any significant expeditionary operations beyond its periphery.

POLITICAL CONSTRAINTS

Russia faces significant domestic and international political risks as a result of the current conflict. With the benefit of hindsight, it is apparent now that the decision to initiate the conflict with Ukraine on February 24, 2022, was based on faulty assessments which led to inadequate military planning and consequent poor execution. After facing initial reverses, Russia was able to adapt its strategy adequately to contain domestic political risks and international isolation. On the domestic front, Russia has attempted to shield the civilian population from the adverse impact of war by instilling a sense of normalcy in the hinterland beyond the combat zone. Despite significant pressure from the military, President Putin has avoided compulsory mobilisation of reserves after the one ordered in September 2022. Any partial or general mobilisation would lead to significant domestic trauma and erosion of support for the war, thereby increasing the risk of political instability. As a result, Russia has prioritised domestic political stability over speedy gains on the battlefield by fielding larger forces through mobilisation of reserves. This policy priority provides an insight into the sensitivity of the political elites towards domestic political risks in Russia.

The political power structure in Russia emphasises an unwritten social contract that demands that society give up certain rights in exchange of political stability and maintenance of the standard of living by the state. Such political attitudes are shaped by the unpleasant experience of Russian citizens with free markets and

Western style democracy in the 1990s. Overwhelming political power is now concentrated in the person of President Putin, who sits at the top of a power vertical manned by loyalists. Continuation of President Putin at the apex of the power vertical since 1999 has crystallised a complete lack of dissent in both organisational and institutional mechanisms. The legitimacy in this political power structure is provided by the sustained personal popularity of President Putin. While such power verticals are good at exercising control and faster execution, they tend to be inefficient at balanced decision-making. More importantly, concentration of overwhelming power in the person who sits at the top of the vertical makes the whole structure brittle, opening it to the risk of sudden collapse due to the loss of the person or the legitimacy provided by popularity.

Learning lessons from the collapse of the Soviet Union, President Putin has carefully sidestepped any tendency to militarise Russia's defence budget even during periods of economic prosperity and budget surpluses. In 2008, Russia created the National Welfare Fund (also referred to as the National Wealth Fund) with an initial corpus of \$32 billion, to shield citizens during periods of economic turbulence and low energy export revenues.¹⁵ Despite the current economic turmoil, the National Welfare Fund still stands at \$ 166.8 billion, indicating the priority President Putin assigns to domestic stability.¹⁶ Avoiding general or partial mobilisation to support the war effort is another instance that aims to shield citizens from the adverse impact of war. The entire popularity and legitimacy of the power structure created by President Putin is based on politics that emphasise stability and predictability. As a result, President Putin continues to enjoy a high level of confidence among the Russian society for his foreign and security policies, including the war with the West in Ukraine. Russia is likely to carefully balance investments in military growth against domestic stability through allocation of resources to socio-economic sectors. Unless there is a significant external threat to, or change in, the current political trajectory, Russia's investments in conventional

15. Ibid.

16. "Russia National Wealth Fund Assets", *Trading Economics*, 2025, <https://tradingeconomics.com/russia/national-wealth-fund-assets#:~:text=National%20Wealth%20Fund%20Assets%20in%20Russia%20averaged%20105.01%20USD%20Billion,Billion%20in%20August%20of%202008>. Accessed on June 7, 2025.

military power are likely to witness only marginal growth over the medium to long term.

CONCLUSION

Over the last three years of war with Ukraine, Russia has displayed strategic stamina and operational resilience that facilitated consolidation of territorial gains despite initial reverses. Russia has also prevented international isolation by leveraging its historical ties and avoided domestic political instability by isolation of the war zone from the hinterland. However, it is a manifest axiom that a protracted war is neither good for the victor nor the vanquished. The US military tested the harsh boundaries of the utility of hard power in Iraq and Afghanistan. Hard power produces quick gains in a short period of time, only to be frittered away during the long consolidation phase. Russia is facing the same grind in Ukraine, which will incrementally weaken it across all parameters of national power. Thus, in the medium to long term, the growth of Russia's conventional military power will be hamstrung by a slew of structural constraints that are unlikely to be overcome through means that are likely to be available to Russia in the foreseeable future.

Russia's conventional forces are likely to face prolonged constraints due to the Russia-Ukraine conflict: sanctions-driven technology denial, war-time attrition, labour shortages, inflation, and a strategic tilt towards deterrence and refurbishment. For India, this means slower and less predictable flows of spares, upgrades, and co-production inputs, alongside tougher pricing, financing, and compliance. The response should be two-fold: (i) protect near-term readiness; and (ii) reduce long-term dependence. In the near term, it is necessary for India to build buffers for critical inventories, expand domestic Maintenance, Repair, and Overhaul (MRO) and component manufacture for legacy fleets, and lock in enforceable service clauses with clear compliance pathways. Over the medium term, prioritising platforms with modular, open architectures and diversified supply chains; localising critical subsystems through co-production; and deepening test, certification, and repair capacity at home. Financially, using political-risk cover, sanctions-resilient settlement mechanisms, and multi-currency contracting to limit disruption are also mechanisms

that India needs to start thinking about. Geopolitically, Russia's tighter alignment with China narrows Moscow's balancing role in Eurasia, so India should preserve strategic equities with Russia where they remain vital (nuclear cooperation, missile defence sustainment) while broadening partnerships and accelerating indigenisation. A disciplined hedge—combining readiness measures, localisation, and diversified sourcing—will sustain operational availability and strategic autonomy amidst a drawn-out, uncertain Russian recovery.

