



## RUSSIA REFORM MONITOR

The American Foreign Policy Council's Review of  
Russian Government Actions and U.S. Policy

# Russia Policy Monitor No. 2615

January 9, 2024 **Ilan I. Berman**

**Related Categories:** Arms Control and Proliferation; Economic Sanctions; Europe Military; International Economics and Trade; Missile Defense; Warfare; Iran; North Korea; Russia; Ukraine

### WAR AND ELECTIONS DISTORT RUSSIA'S ECONOMY

Russia's ongoing war in Ukraine, and the resulting raft of sanctions that have been applied by the West, has created major distortions in the country's economy – fluctuations that the Kremlin has exacerbated in order to placate its increasingly restive population. The *Wall Street Journal* reports that the Kremlin has "doled out billions of dollars of cheap loans" to its citizens for the purchase of new homes and properties, resulting in a "fast-building housing bubble." The resulting surge in housing prices, coupled with rising inflation, has created new economic stressors for the government of President Vladimir Putin as it gears up for elections later in 2024. Putin recently promised to extend a popular mortgage program that provides discounted repayment rates to families with children.

Meanwhile, Moscow is handing out more and more money in order to keep various economic sectors afloat. That includes providing more than \$12 billion to date in subsidies for the country's aviation industry. Kremlin subsidies for national carrier Aeroflot and other, smaller airlines have been used up to prop up these companies, as well as to aid in aircraft manufacturing. Not long ago, President Putin announced a plan to increase the number of domestically-produced aircraft as a way of lessening the country's dependence on foreign-made planes, which have become unavailable as a result of Western sanctions. (*Wall Street Journal*, December 21, 2023; Reuters, December 21, 2023)

### A NEW NUCLEAR SCANDAL, OF SORTS

In what could be a sign of mounting internal divisions within the Kremlin, one of the country's top generals has been arrested. The official in question is Lieutenant General Oleg Frolov, the deputy director of ROSCOSMOS, Russia's state space agency. Among Frolov's past duties was development of the country's contingent of "Satan-2" nuclear-capable intercontinental ballistic missiles. Frolov is being accused by Russian authorities of the misappropriation of funds. "Frolov used his office to conspire with two other co-participants in the crime," Russia's Investigative Committee has divulged. "During their performance of a contract, they stole at least 435 million roubles [roughly \$4.8 million] of public funds intended for the purchase of equipment." If convicted, Frolov and his associates face a decade in prison. (*Express*, December 23, 2023)

### A MUCH-NEEDED PRISONER EXCHANGE

The war in Ukraine continues to rage, but Moscow and Kyiv have made a quiet breakthrough on at least one front. In the first week of January, the two sides exchanged hundreds of POWs in a swap arranged by the United Arab Emirates. The exchange constituted the single largest captive exchange since the start of Russia's war on Ukraine in February 2022. It was hardly the only one, however; Ukraine's human rights ombudsman, Dmytro Lubinets, has divulged that prisoners had been swapped by the two sides 48 earlier times, albeit in more modest numbers, since the commencement of the conflict. (Associated Press, January 3, 2024)

### DPRK MATERIEL AIDS RUSSIAN AGGRESSION...

Russia's long-standing strategic cooperation with North Korea is paying dividends to the Kremlin in its fight against Ukraine. U.S. officials have assessed that Russia recently used missiles supplied by the DPRK against Ukrainian population centers. "Our information indicates that the Democratic People's Republic of Korea recently provided Russia with ballistic missile launchers and several ballistic missiles," NSC spokesman John Kirby has told reporters. "On Dec. 30, 2023, Russian forces launched at least one of these North Korean missiles into Ukraine." Russia subsequently launched additional North Korean missiles against Ukrainian targets. (*Politico*, January 4, 2024)

### ...AS MOSCOW EYES MORE ARMS FROM TEHRAN

The DPRK isn't the only rogue state contributing to the Kremlin's war effort, however. Moscow, which in recent days has begun using missiles received from North Korea, is seeking ballistic missiles from Iran as well. According to U.S. intelligence estimates, deliveries of such weapons from the Islamic Republic – which previously served as a major source of unmanned platforms for the Russian military – could take place "as soon as this spring." (*Wall Street Journal*, January 4, 2024)