

Part 7.

**THE ARMED FORCES
AND THE DEFENSE INDUSTRY**

The importance of the “military component” for Russian politics

The current military policy of the Russian Federation is closely connected to the present political course of the country's leadership. Without enough resources and instruments to compete with the key world political players on equal terms (especially with USA) in all areas (economy, cultural influence and etc.) at once, Moscow is inclined to use different kinds of psychological pressure on its partners/competitors. The demonstration of its growing (or at least constant) military potential becomes an important part of the new “late-Putin” image of Russia – dynamic and able to get desired results, and a way to achieve a different tone in the dialogue with its partners and, by no means, only in military aspects.

The effectiveness of such a foreign policy remains questionable¹⁰¹, taking into account, on one hand, the real change in tone in the dialogue between Russia and the West, and, on the other, the serious gap between the scale of military ambitions and existent military potential of the armed forces of the country. The gap between the focus exclusively on demonstrational effects (for foreign and domestic “audiences”) and the real content of the military policy seems especially questionable since the role of military forces in international politics in the near future will unquestionably grow. A number of experts predict that the actual resurgence of the traditional use of force on the new stage of global rivalry which will be caused by the depletion of natural resources and by an energy deficit in the most developed economies¹⁰². Consequently, the task of the transformation of the current “image based” military policy into a real program for the modernization of the armed forces is becoming more and more and more important.

The armed forces and military reform

As the military expert, Anatolii Tsyganok points out “In a wider sense, the military reform amounts to the balancing of all the aspects of the government military policy in accordance with the political, social, and economic changes in the society

¹⁰¹ See, for example, Karaganov. The results for the year: the foreign policy is consistent, but not constructive. <http://www.ej.ru/?a=note&id=7721> (01.15.2008)

¹⁰² See, for example, K. Simonov. The global energy war. M. 2007. pgs. 105-107

and in conjunction with the existing conditions in the society itself, its economy, its military-industrial complex, and in military-technical cooperation”.¹⁰³

And in spite of the repeated declarations by the leadership of the Ministry of Defense about the completion of the military reform in the Russian Federation, the very fact that highly placed officials made an admission (even indirectly) about the low fighting capability of the armed forces allows us to assume the opposite. As a reminder, Vladimir Putin himself in his speech to the Federal Assembly in 2006, talked about the inability of the Russian Army to bring together even 50 thousand soldiers for the military operation in Chechnya (at the same time, nothing was said about a fundamental change for the better during last few years). By 2007, the clear understanding by the President of the Russian Federation about the absolute necessity of the real continuance of the military reform became evident, in view of the fact that it “materialized” in the appointment of such a non-typical person for the army as the former head of the Federal Tax Service, Anatolii Serdyukov for the post of the Minister of Defense.

The choice of a purely civil servant, a specialist in financial monitoring, for such a position unequivocally confirms Vladimir Putin’s intention to reject the previous course when the military elite, who was objectively not interested in the increased transparency and accountability of the spending of the huge budget funds, itself was engaged in the restructuring of the armed forces. Serdyukov’s appointment meant per se the first attempt by the country’s political leadership to get to the bottom of the Defense Ministry financial “black hole” which was under the corrupt control of the generals in tandem with the leadership of the military-industrial complex, especially of the FSUEs.

Anatolii Serdyukov’s “purges” of highly placed officials in the Defense Ministry started only a month after his appointment. The pace of the forced resignations looks slow only at first glance, all the previous Ministers of Defense (including Sergey Ivanov) in principal couldn’t bring themselves to pursue a similar harsh personnel policy. It also must be taken into account that the appointment itself was probably unexpected for Serdyukov and it took him some time to adjust to the environment which was skeptical towards an “outsider”. Never the less, the latest events proved that the new Minister got from the President of the Russian Federation some substantial freedom of maneuver in relation towards his subordinates.

¹⁰³ Tsiganuke A. How to reform just so you don’t have to reform
<http://www.politcom.ru/article.php?id=2833> (02.06.2006)

The first to resign at the end of March of 2007 was the head of the International Military Cooperation administrative board of the Defense Ministry, three-star general Anatolii Mazurkevich. In the manner of the bureaucratic staff traditions as well as in the general work style of the new Minister (and of Putin, who appointed him), the resignation of Mazurkevich was not accompanied by any scandalous revelations but instead was officially announced as the general's personal decision to resign. But there is reason to assume that the real cause for Mazurkevich's resignation were the financial transgressions in his department that were uncovered during an inspection that was ordered by Serdyukov. Later, other high ranking military officials, such as the head of the Air Force, Vladimir Mikhailov, the head of the Russian Armed Forces armaments supply, Aleksei Moskovskii (who had the rank of deputy minister of defense) and the first deputy minister for combat readiness, Alexander Belousov "voluntarily" left their posts.

The above mentioned resignations were accompanied by Serdyukov's steady formation within the Defense Ministry of a new team of professional financiers whom the new head of the Defense department could trust without the fear of the potential conflict of interest. Serdyukov's advisors became his companions-in-arms from his former place of employment: the former deputy head of the FTS, Sergey Khursevich and the former deputy Minister of Finance, Mikhail Motorin. At the same time, Serdyukov promoted the head of the Economy and Finance Service of the Defense Ministry (the former protégé of Aleksey Kudrin), Lyubov Kudelina, to the level of deputy Minister, in other words, he preferred the actual incorporation of one of the best financiers in the country into his team instead of firing her.

Regarding the return of the Chechen War general, Vladimir Shamanov, to the Defense Ministry, this step is part of the safety net that will allow Serdyukov to avoid the risk of provoking the growth of dissent among professional military personnel by the dominance of the civil servants in the Defense Ministry.

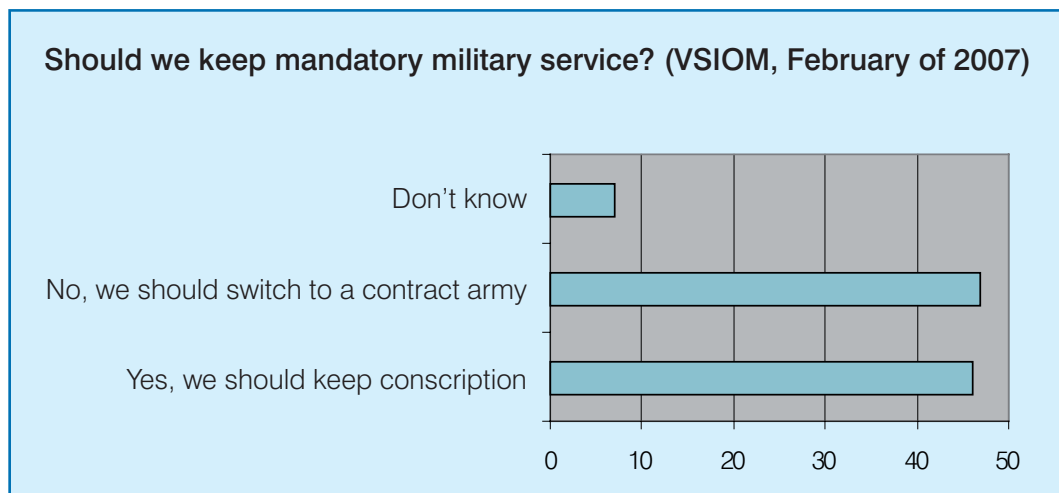
Postponed decisions

And nevertheless, the main result of the military reform by the end of 2007 can be considered the confirmation of the choice in favor of "postponed decisions". The major financial invigoration of the Ministry of Defense, which Serdyukov was supposed to bring, will in fact just be the first step in the realization of the new phase of military reform. Serdyukov himself didn't lay claim to formulating his own vision of the essence of the military reform – the modernization of the

military doctrine, the theoretical posture on the art of warfare, the demand for advanced military hardware, the problem of selecting and training officers and sergeants, going through mandatory service, the officer corps and the contract-sergeants, etc.

Consequently, Serdyukov and the generals under his command are for now just creating an opportunity for the political leadership of the country to make strategic decisions regarding the subsequent development of the armed forces. Russia didn't have a tradition of active military interference in politics in its past and now the top brass are inclined to avoid participating in making strategic decisions in principle.

For example, the position of high ranking military officials regarding the reduction of the length of mandatory military service and of the prospects of the contract sector of the Russian army remains unclear. As a reminder, from January 1, 2007, 9 out of 25 deferments for the army were canceled and the length of military service reduced by six months and from 2008 mandatory military service will be only one year. At the same time, the quantitative disparity between the decrease in the number of conscripts because of the reduction in the length of mandatory military service (by half) and the increase in the conscript pool owing to the cancellation of not the most widely used deferments (to take care of ones parents, for firefighters etc.) sticks out like a sour thumb. The result will be the almost unavoidable choice between some unpopular decisions – the further reduction in the armed forces, the cancellation of the most widely used deferments (student, medical) or the return to the previous length of mandatory military services (a year-and-a-half or two years). Realizing the risks of the social



destabilization that may accompany any of these decisions, the top brass prefers to take a wait-and-see position.

Another vivid example that demonstrates the flexibility of the positions of the high ranking military specialists was the situation around the joint military exercises between the Russian armed forces and the Peoples Liberation Army of China (PLA) in August of 2007. This was the first time that Chinese forces numbering 1700 men with all their armor, helicopters and airplanes were present on the territory of the Russian Federation. Together with the commentaries about this event that talked about the symbolic beginning of the transformation of the Shanghai Organization for Cooperation (SOC) into a full-fledged military block, there was also an alternative point of view which warned about the serious risks of military cooperation with China taking into account the uncertainty of the future political relationship between Russia and the PRC. At that, this point of view didn't only come from analysts with a "Western" orientation¹⁰⁴, which was quite expected, but also from experts close to the Russian military like the director of the Institute for Political and Military Analysis, Alexander Sharavin. The latter directly indicates the necessity of the priority of developing a way to neutralize the threat to Russia from China ("China is taking big steps in becoming, not a regional, but a world power and taking into account the nature of its political regime, it becomes hard not to notice the danger that this holds for the whole world"¹⁰⁵).

We will note that at the same time as conducting joint military exercises with the PLA, the Russian armed forces have also not only held a political dialogue with the NATO, but also conducted joint military exercises – Torgau (in 2007, the exercises were held in Germany and before that the maneuvers were held in the Nizhigorod region in the Russian Federation). The scale of the Torgau maneuvers of course isn't comparable to the Russian-Chinese joint military exercises, and furthermore, Torgau was on several occasions partially disrupted because of differing interpretations by the two sides of the preliminary agreements and also wasn't widely covered in the media. However, the fact that such exercises were conducted with the Americans, just like the throwing out of the idea about the risk of military cooperation with the PRC, proves that the top brass is striving to continue its wait-and-see tactic in giving the political leadership the widest specter of possible decisions in the choice of who Russia's military partners are going to be.

¹⁰⁴ See., for example.: Piontkovskii A. Whose attach is more difficult to withstand
[//http://www.grani.ru/opinion/piontkovsky/m.126927.html](http://www.grani.ru/opinion/piontkovsky/m.126927.html) (05.09.2007)

¹⁰⁵ Sharavin A. Russia in the world: what alliances do we need?
[//http://www.politcom.ru/article.php?id=5265](http://www.politcom.ru/article.php?id=5265) (10.26. 2007)

In our opinion, a parallel can be drawn between the military's attitude towards the joint military exercises with the PLA and to Russia's suspension of its participation in the Conventional Armed Forces in Europe (CFE) treaty. In both cases, the real consequences for the armed forces of the Russian Federation may be felt only if a political decision is made regarding the prospects of the future relations between Russia and the PRC and between Russia and the EU/USA. Joint military exercises with the Chinese does not mean the inevitable creation of a military alliance, just like Russia's exit from the CFE may de-facto not change Russia's military presence on the borders of EU/NATO.



Source: Profile.

Russia and NATO even now haven't reached their allowed (by the CFE) ceilings of conventional arms and it is unlikely that they will begin to immediately increase their number in the near future. The repeal of the flank limitations which were set by the CFE on Russia, will lead to, most likely, a certain regrouping of Russia's armed forces (an increase in the number of deployed forces in the Caucasus and in the Northwest region), however this increase won't be large, taking into account the lack of current interest of a military confrontation between Russia and NATO.

NATO, as a military alliance of the Western countries (with the USA as a part of it) is too preoccupied with other modern geopolitical problems that it cannot solve without Russia's cooperation (the rise of Islamic fundamentalism, Iran's nuclear program, etc.). From Moscow's point of view, there also isn't anything to gain from discontinuing the cooperation with the north Atlantic alliance, including under the framework of the NATO-Russia council. First of all, the council is one of Vladimir Putin's personal projects. Despite Putin's harsh rhetoric towards the West (the Munich speech etc.), he always underlined the importance of maintaining an institutional platform for constant dialogue. In this way, the continuation of the work of the NATO-Russia council has become in a certain sense part of "Putin's plan", which the future president's team will be obliged to follow. Secondly, even under the conditions of the noticeable increase in the financing of Russia's armed forces in the past few years, the Russian Federation is still behind the combined military potential of the NATO countries.

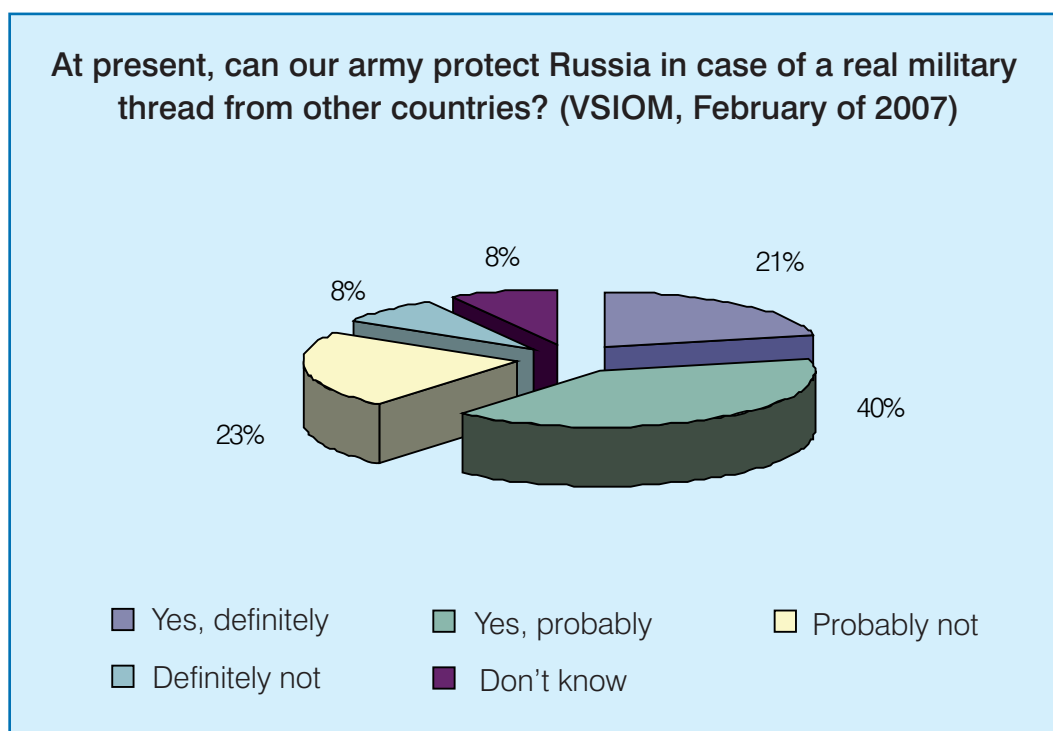
Consequently, the removal of the CFE treaty limits (and even more so, the agreement on the liquidation of medium and short range missiles, which was actively talked about in 2007) unties not only Moscow's hands but to a significant degree also NATO's. The logic of "postponed decisions" allows the Russian leadership, if the need arises, to start a more risky game, which nevertheless, is as before, unlikely.

PR successes of Russian military policy with not much content

If Anatolii Serdyukov's work was clearly of an "applied" nature without the aspiration to make a show of his successes, then the same thing can't be said about the rest of the Russian elite, who was laying claim to the formation of military policy or at least to "announcing initiatives on behalf of the government".

The rhetoric of "Russia returning to the world stage" in 2007 was accompanied by the simultaneous realization of a number of initiatives which were supposed to demonstrate the might of Russia's military potential. These are: the resumption of the flight of strategic aviation to the territory of potential military opponents, the decision to resume the traditional military parades with tanks and other heavy machinery on Red Square, etc. However, in our opinion, the strictly PR component in the majority of these undertakings hides the absence of real content which has a real military significance. It is possible that the Russian

leadership was pushed towards this massive use of military PR because they didn't have a high level of trust in the combat readiness of the army which was demonstrated by public opinion polls.



We will now look closer at the key elements of the “military PR” in comparison with real achievements.

Contract soldiers. Although on the whole, the Russian military is holding on to the opinion that it is necessary to retain a massive conscript army, the inevitability of transferring at least separate units (combat ready) to a contract form, became in 2006-2007 obvious even to the traditionalist generals who weren't ready to decrease the size of the army or of the call-up¹⁰⁶. At the same time, the previous statements of the military leadership about the mass “voluntary” joining of the contract service by yesterday's conscripts were refuted in 2007, not only by human rights groups but by some of the generals themselves.

The expansion of the strategic nuclear arsenal. In February of 2007, Defense Minister Sergey Ivanov stated that the intention of the armed forces was

¹⁰⁶ See., Arbatov A. Russian military policy on autopilot // Bulletin of the Moscow Carnegie Center. 2006, T. 8, issue # 6.

to field 34 launching silos and also 66 mobile land complexes Topol M (12 to 13 missiles a year). In December of 2007, an adjusted figure of 6-7 Topol Ms a year was presented which forces one to assume the impossibility (for economic reasons) of the real acceleration of the rearmament of the land portion of the Russian nuclear triad. At that, part of the expert community refutes the validity of placing the strategic bet on the Topol M, because the latter, in contrast to missiles which are based in silos, are very vulnerable to space reconnaissance and to the destruction by a lightly armed group of saboteurs¹⁰⁷.

As far as the naval part of the strategic triangle is concerned, 2007 was marked by a sharp intensification of the fine tuning of the new missile Bulava, which is supposed to become the main weapon of Russian strategic submarines. Nevertheless, notwithstanding all the effort of the military brass, the analysis of even open source material allows one to come to the conclusion that most (if not all) of the Bulava tests ended in failure. Among military experts the opinion is prevalent that the reason for the Bulava failure is in the wrong approach which tried to unify water-based missiles with ground missiles (Bulava is actually a sea version of the ground missile “Topol”); this task hasn’t been accomplished by anyone yet. Therefore, it’s quite possible that the massively advertised project of the “new most important sea missile” won’t ever be possible to complete and together with it, the three new Yurii Dolgorukii class submarines that were engineered specially for the “Bulava” will have to be written off. The result will be serious financial losses.

Russian strategic aviation and its naval strike force have resumed patrolling neutral waters. In August of 2007, for the first time in 15 years, the Russian strategic bombers Tu-160 and Tu-95 resumed their continuous air patrol. In spite of the wide coverage of this event in the media and the patriotic enthusiasm of some journalists, the actual significance of the resumption of the strategic aviation, from a military point of view, turned out to be an air crew training mission, since there weren’t even any weapons on the aircraft during the flights to the borders of the US, Great Britain, and Norway, as was later stated by Russian military commanders.

Regarding the presence of the Russian Navy on the high seas, the gap between the PR accompanying the event and its actual military significance is even more noticeable. As a reminder, this is the first time in the last 10 years that the North

¹⁰⁷ The Aftermath of Vladimir Putin: crisis and decay in the Russian army. Report by the Institute of National Strategy. M., 2007. C. 29

Fleet naval strike force went on an extended tour of duty in the Atlantic Ocean and Mediterranean Sea. The group consisted of the aircraft carrier “Admiral Kuznetsov”, two big anti-submarine warfare ships, naval aviation, and service boats. And according to the military experts, the flagship “Admiral Kuznetsov” for many years has been in such a condition that after each tour of duty it needs many months of repair work¹⁰⁸. Also the possibility of its competing with the US Navy in the Atlantic Ocean and Mediterranean Sea isn’t even under discussion. Even experts loyal to the Russian authorities openly agree with the harsh assessment of the condition of the Navy. “It’s not a secret that the Navy lacks combat capability” – was the assertion of the situation for 2007 by the head of Center for the Analysis of Strategies and Technologies, a member of the public council at the Ministry of Defense, Ruslan Pukhov in his interview to “Kommersant”.

To be fair, we should point out that there were some events in 2007 in the technical modernization of the army that didn’t lag far behind their accompanying PR. We are talking about the successful testing of the missile complex “Iskander” and the newest antiaircraft defense system S-400. However, there wasn’t a mass order for this equipment in 2007, and it is unlikely that the situation will change in the near future.

The “velvet consolidation” of the defense industry

It seems that the perception of the military-industrial complex as an “engine of modernization” is an integral part of the ideology of that part of the Putin elite that is customary called the “*siloviki*”. It’s true that there is an enormous potential in the Russian military-industrial complex that could be successfully used in the civil machine-building industry. The 2007 initiatives to create state corporations are also based on this logic. Thus, the end of the separate existence of the military-industrial complex (MIC) and its incorporation into the large-scale state own holdings can be considered as one of the results of 2007.

The head state corporation in the MIC in 2007 became Sergey Chemezov’s Rostechology (which transformed from Rosoboronexport). There are a total of five specialized projects which Chemezov, who is gradually gaining the status of almost the main “government oligarch”, is actively trying to push through. The first one is the consolidation of the helicopter holding created in 2002 on the base

¹⁰⁸ Goltz A. Only for internal consumption // <http://www.ej.ru/?a=note&id=7631> (07.12.2007)

of MIC (military industrial complex) Oboronprom. Right now the FSUE is working on putting into place a single production chain and the specialization of the main enterprises of the business. The second one is the consolidation of engine building companies. The core of the new state corporation will be the R&D company Saturn. The Ufimskoye engine construction production unit and the Permskii engine construction complex, will subsequently, in all likely hood, join the new company. The third project is connected with the creation of an armor state corporation. This project was actively discussed in the middle of 2006, however there were no significant developments in this matter. Right now, under discussion are the possible participants in the business structure and also the possible base companies. To all appearance, FSUE PE (production enterprise) Uralvagonzavod is laying claim to this role.

The fourth project is supposed to unite the producers in the Russian metallurgical market. Here there are two trends: the consolidation of the titanium corporation VSMNO-Avisma and the creation of a state corporation that will produce specialized steel. The key event in the second trend was the purchase of ZAO Russpetsstal (a subsidiary of Rosoboronexport) from Midland steel industries limited, and 100% of the shares of the metallurgical factory Krasnii Ochyaber, which is located in Volgograd. Finally the fifth project foresees the consolidation of military electronics. There were reports circulating in the media that Sergey Ivanov (previously the Minister of Defense) wrote a letter before the official formation of Rostechology which suggested the creation of OAO Electric systems on the base of a subsidiary company of Rosoboronexport, Oboronprom. It is assumed that this state company will include key plants that are owned by the government. The assets of the latter don't represent a significant production whole, however, just like in the helicopter construction project, Chemezov plans to at least mark his presence in military electronics. Subsequently, the structure of the state company will be significantly reformatted in accordance with the political weight that Chemezov will have during Dmitri Medvedev's presidency. The attempt by competing state corporations and state companies (Rosnanotech, RzhD and so on) to take away a part of Rostechology's business which is connected with, for example, the production of exacting equipment or transport machine-building, can't be ruled out.

Regarding the plans of the UAC and USC in the field of weapons production, they are not as grand as those of Rosoboronexport. The aircraft building corporation will have to realize the project of the fifth generation fighter (at present, only USA has them), which is unavoidable from the political point of

view, but very difficult technologically and financially. There is a large possibility that in case of the delay of the fifth generation fighter plane project, there will be some form of punishment for the current leadership of the UAC (especially if it would be necessary for Dmitri Medvedev to find a way to remove his former competitors in “successor’s race”, including Sergey Ivanov – the head of the board of directors of UAC – from the political game). USC might face serious complaints by some foreign customers regarding the quality of its products (2007 was marked by multiple complains by India regarding the quality of Russian military ships sold to it).

Time will tell whether the organizational structure of state corporations can be generally competitive in the field of military production. In favor of state corporations (UAC, USC, and “Rostechology”) is their nonprofit status that lets them spend their financial resources without the requirement of a quick return, which in its turn facilitates the development and production of such sophisticated products (which requires long-term investments), as military equipment. On the other hand, the same noncommercial status and the fact that the state corporations won’t be under the actual control of the government might lead to the lack of motivation for efficient work. It will also be difficult to evaluate the management’s performance. For example, the current head of the USC Jurii Yarov from the Yeltsin time has quite an ambiguous reputation as a manager. As long as the main way of solving personnel problems in Russia is “Putin’s arbitration”, which is accepted by everybody, there is no reason to be afraid that an ineffective manager cannot be removed. However, if the scenario that involves Putin gradually stepping down from the role of main arbitrator unfolds then the formal independence of Yarov and the other managers of the state corporations from the government may create problems including in the MIC.