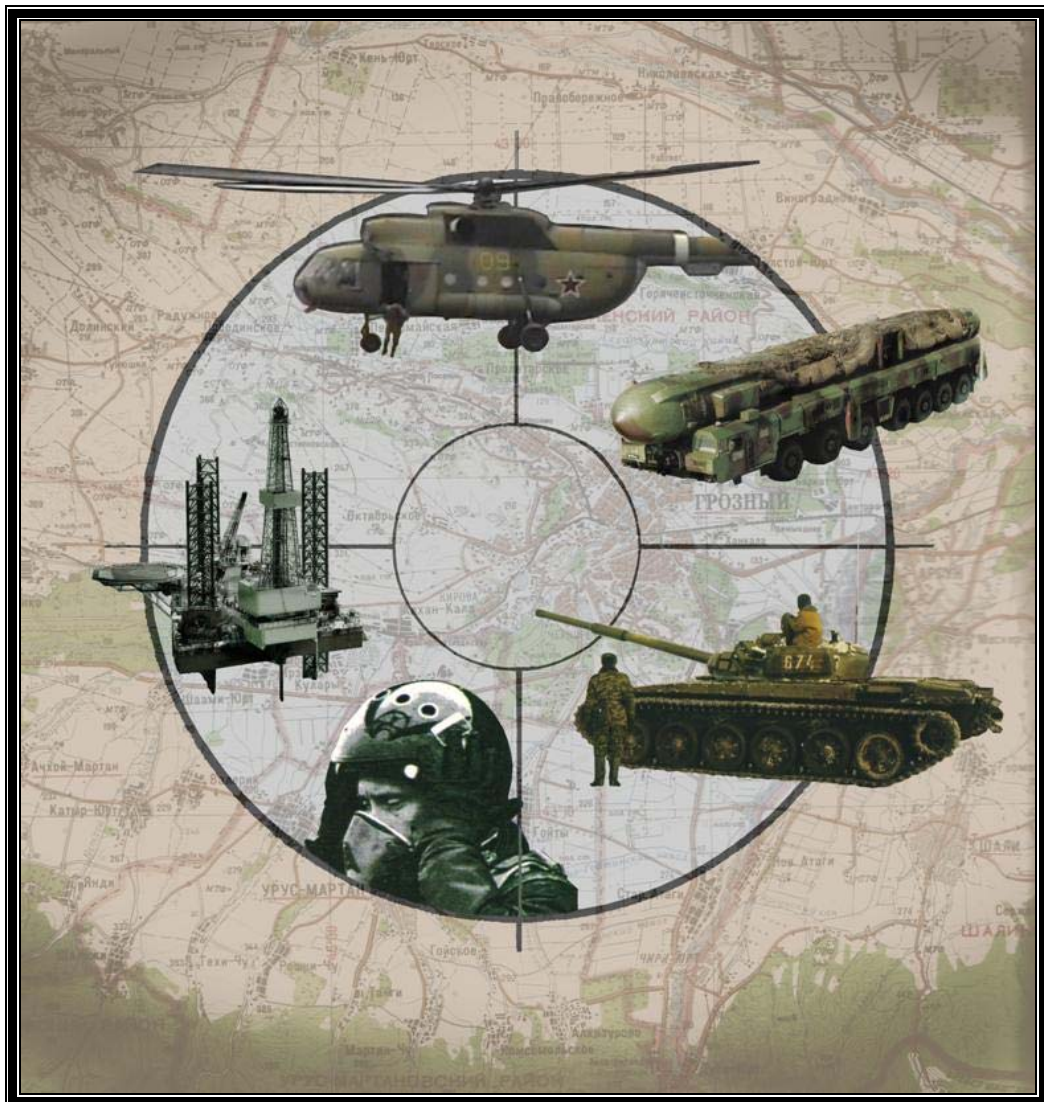


RUSSIAN MILITARY CAPABILITY IN A TEN-YEAR PERSPECTIVE:

Problems and Trends in 2005

*Summary and conclusions from a study
for the Swedish Ministry of Defence*



Jan Leijonhielm (Project Manager)
Jan T. Knoph, Robert L. Larsson, Ingmar Oldberg,
Wilhelm Unge, Carolina Vendil Pallin

RUSSIAN MILITARY CAPABILITY IN A TEN-YEAR PERSPECTIVE:

Problems and Trends in 2005

*Summary and conclusions from a study
for the Swedish Ministry of Defence*

Jan Leijonhielm (Project Manager)
Jan T. Knoph, Robert L. Larsson, Ingmar Oldberg,
Wilhelm Unge, Carolina Vendil Pallin

Contents

<i>Introduction</i>	4
<i>Important Conclusions and Outlooks</i>	5
<i>Between Democracy and Dictatorship</i>	7
<i>Domestic Political Development and Security Policy Making</i>	7
<i>The War in Chechnya</i>	8
<i>Russian Foreign Policy since 2002</i>	9
<i>Russian Economic Development</i>	11
<i>The Armed Forces</i>	12
<i>Weapons of Mass Destruction</i>	13
<i>Military Reform</i>	15
<i>The Military Industrial Complex and R&D</i>	16

Introduction

Below are outlined a brief summary and the main conclusions of a 300-page study issued in Swedish, *Rysk militär förmåga i ett tioårsperspektiv – problem och trender 2005* (*Russian Military Capability in a Ten-Year Perspective – Problems and Trends in 2005*).¹ The report was commissioned by the Swedish Ministry of Defence and printed in 2005. The following authors participated in the report: Jan T. Knoph, Robert L. Larsson, Jan Leijonhielm, Ingmar Oldberg, Wilhelm Unge and Carolina Vendil Pallin. The report is the fourth in a series on Russian military capability that have been conducted for the Swedish Defence Commission and the Swedish Ministry of Defence by the Russia/FSU study group at the Department for Security Policy and Strategy at the Swedish Defence Research Agency (FOI). The earlier reports were issued in 1998, 2000 and 2002.² English summaries of these reports were issued in 1999 and 2003 (no summary is available for the report issued in 2000).³

The aim of the report is to analyse current trends of Russian development in order to draw conclusions on Russian military development in a ten-year perspective. The analysis is also put into the context of earlier ten-year assessments. In doing so, an effort is made to follow present trends as well as to find ruptures and discontinuities. As in earlier reports, democratic, social, economic and political factors that influence Russia's military capability are taken into account. The project also draws on findings in recent studies performed at FOI, for example on Russia's strategic commodities and on Russia's relations with NATO and the EU.⁴

Although primarily written for defence and foreign policy makers, the report is also directed to readers with an interest in current Russian affairs.

Stockholm, June 2005
Jan Leijonhielm
Project manager

1 Leijonhielm, *et al.* (2005) *Rysk militär förmåga i ett tioårsperspektiv - problem och trender*, Stockholm, FOI, to be published, User Report, 2005.

2 Leijonhielm, *et al.* (1998) *Rysk militär förmåga i ett tioårsperspektiv*, Stockholm, FOA, May 1999, User Report, FOA-R—99-01151-170—SE, Leijonhielm, *et al.* (2000) *Rysk militär förmåga i ett tioårsperspektiv: En förnyad bedömning*, Stockholm, FOA, November 2000, User Report, FOA-R—00-01758-170—SE and Leijonhielm, *et al.* (2003) *Rysk militär förmåga i ett tioårsperspektiv - en förnyad bedömning 2002*, Stockholm, FOI, February 2003, User Report, FOI-R—0811—SE.

3 Leijonhielm *et al.* (1999) *Russian Military Capability in a Ten-Year-Perspective*, Stockholm, FOA, April 1999, Strategiskt forum, No. 5 and Leijonhielm *et al.* (2003) *Russian Military Capability in a Ten-Year-Perspective*, Stockholm, FOI, September 2003, Strategiskt forum, No. 11.

4 Leijonhielm, Jan and Larsson, Robert L. (2004) *Russia's Strategic Commodities: Energy and Metals as Security Levers*, Stockholm, FOI, November 2004, User Report, FOI-R--1346--SE and Oldberg, Ingmar (2004) *Membership or Partnership: The Relations of Russia and Its Neighbours with NATO and the EU in the Enlargement Context*, Stockholm, FOI, October 2004, Scientific Report, FOI-R—1364—SE.

Important Conclusions and Outlooks

- Putin focuses on making Russia strong, independent and united – not on building democracy.
- The presidency is continuously strengthened but in reality the security structures (e.g. FSB), have obtained much influence in the state apparatus and the society at large. Both civil and military capabilities are, however, limited by the endemic corruption and lack of rule of law.
- Freedom of the media is gradually curbed and strong elements of self-censorship emerge.
- Russian political stability is a mirage that does not provide any predictability.
- As a result of the latest elections the Duma has become a conveyor belt for presidential decisions – especially in security matters. Virtually no political opposition exists.
- The presidential election 2008 will be a watershed where loyalty of the security structures likely will be ensured and any emerging opposition discredited.
- Foreign policy has become more confident and self-assured. Russia's status as a great power is stressed in all connections, especially with regard to small neighbours.
- Russia mainly wants to secure its influence in the former Soviet area by using military, political and economic means of pressure, but this is met by growing resistance and has limited success.
- Russia's capacity to use its energy policy as a political weapon (against domestic and foreign entities) is continuously strengthened, especially towards weak states in the CIS, and emanates from a strategy of acquisitions and hostile take-overs of energy infrastructure.
- Russia explicitly states that it intends to use energy as a security tool. The risk of energy blackmail is low for the West but imminent for the Baltic and CIS states.
- Economic growth is rapid but unbalanced due to high dependence on commodity exports. Several factors, HIV foremost, will cause great problems in the near future and risks of stagnation are present. Obsession with security characterises economic policy and leads to military and security spending rising quickly.
- In the ten-year perspective there will also be a disharmony between ambitions and financial realities, which implicates serious prioritising problems.
- Russian ratification of CFE 99 has little military importance as limited or no progress is seen concerning destruction and relocation of military hardware, regarding Russian bases in Georgia and Moldova or the campaign in Chechnya
- The ongoing relocation of Russian forces within the CIS to friendly states has little military-strategic impact, but affects relations to the West and can be a factor of nuisance if Russia continues to utilise them as amplifier for separatist conflicts.

- Atrocities by federal forces in Chechnya have increased during the last years and the prospects for a permanent peace still seem distant. Also Russian security and military actors pursue own agendas and gain economically from the war.
- The decade-long downsizing of the Armed Forces has now definitely come to a halt. Arms procurement is small but rapidly increasing while the number and complexity of exercises are significantly increasing, albeit from a low level. It is likely that Russian military capability will increase considerably in a ten-year perspective.
- Concerning WMD, Russia will retain a substantial infrastructure (N, B, C), know-how (N, B, C) and large, but diminishing stockpiles (N, C) in the coming decade.
- The dual-use nature of the increased biodefence activities, in combination with continued Russian secrecy around some former CBW facilities makes it hard to rule out that Russia is not engaged in offensive CBW work.
- The safety of Russia's nuclear arsenal appears to be satisfactory and, as far as is known, no nuclear weapons are missing. The safety concerning fissile material is less satisfactory and constitutes a greater risk of proliferation.
- The risk of intentional or unintentional dissemination to third parties of material and know-how from the WMD complex remains during the foreseeable future.
- Even if global (nuclear) war is no longer the foremost planning factor, Russia's nuclear triad will remain and increased emphasis will be put on tactical nuclear weapons. Thus, Russia will develop both its strategic and tactical nuclear arsenals.
- The Military-Industrial Complex faces a multitude of problems. It will for the foreseeable future retain its full-spectrum R&D and production capability, although with increasing difficulties, but is burdened by redundant production capacities
- Russia will in the future, when economically feasible, put greater thrust on political considerations in its arms exports. China's importance as a customer is set to decrease while India's may remain.
- Russia will retain its global nuclear power projection capability (incl. its second strike capability vis-à-vis the US). Russia will also develop missile defence systems suiting its needs. The importance of sub-strategic nuclear weapons as deterrents in a regional context can be expected to increase.
- With its conventional forces Russia will be able to keep and increase its capability to operate on parts of the Eurasian land mass. It will thus develop a considerable regional power projection capability.
- If necessary priorities to fulfil military reform materialise, an armed forces numbering a total of 500,000-750,000 men is conceivable. Russia could also maintain a force of 150,000 contracted soldiers with reasonable capability for offensive operations in local/regional conflicts. Conscript-based units would mainly be assigned for defensive operations.
- Russia will likely be able to develop a capability to perform single, limited preventive/pre-emptive strikes in more remote corners of the world. In the near future Russia is however limited to carry out such attacks in areas bordering on the Russian Federation.

Between Democracy and Dictatorship

According to the constitution, Russia is ruled by a popularly-elected president, who is vested with wide-ranging powers, especially in security and foreign policy matters. The general elections are neither free in practice, nor are the election results reliable. After the elections of 2003 the Duma is entirely dominated by parties loyal to the president. Since 2004 the president nominates candidates to be elected as governors and presidents in the constituent parts of the federation. The right to hold public demonstrations has been limited. Mass media is being regimented as a result of overt and covert pressure from the authorities and clear signals from the Kremlin on what is tolerated or not have enforced a strong element of self-censorship in the media.

In order to secure control, the president relies on the so-called power structures (ministries and services directly subordinated to the president), especially on the Federal Security Service (FSB), which thereby have obtained much influence in the state apparatus and the society at large. The security structures are naturally more inclined towards increasing state security than strengthening democracy. The state promotion of Russian patriotism gives cause for concern, since this may encourage revanchist, racist and xenophobic forces in society.

The Russian leadership believes the Russian Federation to be instable and under siege by domestic and foreign forces. Consequently, about half of the state expenditure budget goes to defence, national security and factors related to the war in Chechnya, according to estimates in this study. The civilian democratic control of the Armed Forces and other security organs is poor, despite a formal civilian control. Old structures inherited from the Soviet era restrain democratic development but not a development towards dictatorship. Neither do they prevent corruption and crime to thrive in society. The bureaucracy is permeated by corruption and crime from the top to the lowest levels. Even apart from this, the prerequisites for rule of law are sadly missing. There has not been a genuine break with the Soviet past, which now is officially cherished and defended against criticism. Most Russians continue to regard Lenin and Stalin as great leaders deserving respect. However, today's Russia is much more dependent on and exposed to Western influence than the Soviet Union was. The antagonisms and social tensions that exist in society may lead to rapid and unexpected changes in Russia's political life. In a ten-year perspective, there are some prospects for democracy, but these are today much smaller than a further slide towards dictatorship.

Domestic Political Development and Security Policy Making

Putin continues to enjoy strong domestic political support. He won the presidential election with a convincing majority in 2004. Earlier, parties in favour of Putin had obtained a majority in the Duma election in December 2003. They ended up dominating the Duma – not least the party Unity of Russia, which in the election aftermath managed to secure all the chairman positions in the Duma committees as well as the chairmanship of the Duma itself. Putin has launched a major 'administrative reform' of the central bureaucracy. As in the case of the federal reform programme in 2000, it is difficult to make an evaluation of its success. The aim of the administrative reform is to streamline the bureaucracy by, for example, reducing the number of deputy ministers and administrative levels. However, there were early signs that most ministries found ways around the new regulations. Former deputy ministers thus retained their powers and only lost the status of deputy ministers on the name plate outside their doors. The personnel reductions, meanwhile, seem to have been very modest.

In March 2003, Putin conducted a major reshuffle among his power structures. In contrast to Yeltsin's tendency to constantly create new competing agencies and ministries, Putin chose to consolidate certain ministries and services at the expense of others. The FSB came out the winner of this reshuffle. In one stroke it tripled its budget and personnel as it took over the

Border Troops (FPS) and parts of the Federal Agency for the Protection of Government Communications and Information (FAPSI). The Federal Protection Service (the FSO) and the Foreign Intelligence Service (the SVR) took over the rest of the spoils of FAPSI. To a certain extent, the Ministry of Defence also found its position considerably strengthened as a result of these changes. During Yeltsin's tenure, the Federal Border Service waged a bureaucratic war against the Ministry of Defence in order to receive responsibility not only for *guarding* the borders of the Russian Federation, but also for the *defence* of the borders – something that would have involved heavy investments in new weaponry and equipment, most probably at the expense of the Armed Forces. The Border Service lost this battle.

The Russian Security Council does not play the central role in security decision making it used to do when its secretary was Putin's trusted former colleague Sergei Ivanov (today minister of defence). Instead, Ivanov is often seen performing roles traditionally assigned to the minister of foreign affairs or the secretary of the Security Council. The Council's potential as fulcrum of security decision making remains not least in power of its administrative and analysis apparatus. However, with 24 members (eleven permanent members and thirteen non-permanent members) it is difficult to see how it could play a central role in decision making. The fact that the chairmen in the upper and lower house of parliament are included as permanent members suggests that the Security Council has become an institution for paving the way for legislation of security-related issues.

As earlier, the presidential election is an important milestone ahead. According to the Russian constitution, Putin is not allowed to run for a third term in 2008. The Russian press abounds with scenarios and speculations on how Putin could still run either by changing the constitution or by introducing paraconstitutional measures to circumvent this restriction. No matter whether Putin chooses to change the rules of the game or to respect the constitution in letter and spirit, the year 2008 certainly appears something of a watershed. The events in Ukraine and Georgia (and to a certain extent in Kyrgyzstan) are bound to have made the Kremlin election strategists to rethink their tactics and position. Most likely, however, the strategy leading up to the election in 2008 is bound to contain three dominant elements. Firstly, there will be a concerted smear campaign of all potential rivals for the presidential post. Quite possibly, this would involve exposing rival candidates as bought off by foreign (western) forces, playing on xenophobic sentiments. Secondly, the Kremlin candidate (whether Putin or an appointed successor) and his actions will be presented as legally correct and in harmony with the people's will. Finally, the Kremlin will make every effort to maintain the loyalty of the power ministries. In other words, curtailment of these ministries' powers or sharp reductions in their budgets and personnel is highly unlikely in the near future.

The War in Chechnya

An end to the war in Chechnya still seems very remote. Both parties have locked themselves in opposite positions. Overall, Russia militarily controls Chechen territory (except some parts of the mountainous regions), but cannot prevent attacks by the insurgents in what has increasingly become a guerrilla war. However, the Chechen insurgents are also unable to fulfil their goals.

The war in Chechnya started in 1994 and has been going on since then – with an interruption between mid-1996 and the summer of 1999. The number of civilian casualties since 1994 is somewhere between 180 000 and 250 000, while the number of Russian soldiers that have fallen victim are close to 27 000. The number of refugees exceeds 200 000 only since 1999. The social and economic costs are, of course, difficult to calculate, but the consequences have taken on enormous proportions for such a small geographical area as the Chechen republic.

Broadly speaking, federal forces together with Moscow-loyal Chechens are pitched against terrorists, separatists and insurgents (often with diverging agendas). The connection that Moscow often has made between international terrorism and the Chechen side exists but appears to be exaggerated for political reasons. Crime thrives and sanctioned outrages such as “cleansing operations” and torture committed by the federal side are well-documented and have in fact increased during the last years. There is evidence of official support for systematic harassment of Chechens in all of Russia. Meanwhile, some Chechens have committed atrocious terrorist acts as a response.

True, Russian units have enjoyed several military successes. As a result, the number of terrorists and rebels has been reduced. Tactical performance has improved considerably compared to the first years of war. To some extent, the federal troops use new weapons and technology and have taken earlier lessons into account. Moscow has had some success in finding and catching Chechen leaders, but this is not enough in order to win the war. Substantial problems remain at the operational and organisational level. Competition between different force structures limits the operational performance of the federal troops. In addition, problems remain when it comes to manning the forces since the transfer from conscript to contract employment is far from completed.

Russia’s policy in Chechnya appears to be founded on a belief in the possibility of a military victory – a victory that fails to materialise in practice. The attempts to ‘normalise’ the situation and isolate the conflict have, instead, resulted in increased radicalism and Islamism in Chechnya. Furthermore, the policy pursued by Moscow has created a fertile ground for terrorists wishing to recruit additional people into their ranks. In fact, the federal special forces do collaborate with some of the most radical elements on the Chechen side with the objective to divide and conquer at the same time as preventing moderate forces to gain momentum. Any attempts from the Chechen side to mobilise peaceful forces for political concessions are therefore thwarted.

Major terrorist operations in the area and in Moscow have occurred and the risk of further attacks in the future is palpable. The measures taken by Moscow in order to ensure itself against terrorist attacks on 9 May 2005 (60th anniversary of the WWII Victory Day) displayed that the Kremlin is utterly sensitive to this fact. The terrorist threat thus influences the political stability of Russia at a general level.

A number of Russian officials, including the security forces and the military, in Chechnya are, in practice, making large profits from the war – something that is bound to make them less interested in finding a solution to the conflict. Since the constitution assigns decisive powers to Putin when it comes to security related issues, Putin has been free to maintain his uncompromising policy in Chechnya. Furthermore, this policy has enjoyed support among the Russian population. Putin has consistently rejected western involvement in the conflict as well as suggestions to find a political solution through negotiations with the Chechen side. International critique of the way the war is waged and the reluctance of several countries to extradite Chechens to Russia on charges of terrorism have impaired bilateral and multilateral relations. An end to the conflict is possible in a ten-year perspective, but it remains highly questionable whether this would lead to a permanent peace, solution of the problems and a reconstruction of Chechnya. The war has set a deep mark on the Chechen population – just as it has on the Russian military and society in general.

Russian Foreign Policy since 2002

Russian foreign policy since 2002 has become increasingly characterised by the ongoing struggle against terrorism. As a result, differences compared to western democracies have become more distinct. Simultaneously, Russia wishes to become more integrated into the

world economy in order to improve the country's development. At the same time, integration must not infringe on Russian independence according to the national security concepts and doctrines. Integration is made more difficult by an increasingly undemocratic domestic policy line. Russia strongly states its ambition to become yet again a great power on the world arena. This in turn results in a degree of ambivalence in its relations to the West, continued attempts to pitch different states against each other and a tendency to view international relations as a zero-sum geo-political game.

Compared to the assessments in 2002, the favourable relations with the USA – mainly based on common interests in the struggle against terrorism – have deteriorated. To a great extent, this is due to the war in Iraq and US support to certain CIS states that wish to decrease their dependence on Russia (most notably Ukraine). Furthermore, the USA has delivered increasingly outspoken criticism of the undemocratic development in Russia. The relations between Russia and NATO have continued to develop, but Moscow remains critical of NATO enlargement – not least to the Baltic States in 2004 – and of its growing involvement in various CIS states – a NATO policy that is spurred on by the new East and Central European members.

Russia's relations with the European Union have developed through common institutions for co-operation and by increased trade. The EU enlargement to the east entailed certain political and economic disputes, but compromises were worked out to solve these. The main problem, from a Russian perspective, is the EU criticism (and from its individual member states) of the war in Chechnya and of the undemocratic development in general in Russia. EU censure on these issues has been markedly stronger than the American one. In addition, the European Union and its new member states have displayed a growing interest in their non-EU eastern neighbours, a few of which have to grapple with 'frozen' conflicts, in which Russia is involved. While Russia and the EU have found themselves more and more economically dependent on each other, even though this interdependence has an asymmetrical character, the political differences based on dividing values have increased.

As before, Russia prioritises co-operation with its neighbours within the CIS region. Russian economic growth in recent years has underpinned its endeavours towards integration in this area. In certain cases, Moscow has delivered support to separatists in neighbouring states in order to exercise influence vis-à-vis these countries' leadership. However, this policy has resulted in serious backlashes, as first Georgia, and then Ukraine elected more democratic leaders with a clear orientation towards the west rather than Russia. Since Moscow did not help the pro-Russian government in Moldova to regain control of Transnistria, Moldova has oriented itself towards the West as well. This development within the CIS is in Russia first and foremost regarded as a consequence of Western intrigues. This has, in turn, resulted in an increased Russian hostility towards the West. It is possible that Moscow will try to prevent further loss of influence in the CIS area by increasing its support to authoritarian regimes that are hostile to the West – such as Belarus and Uzbekistan. In Georgia, Moldova and Ukraine Moscow may intensify its support to separatists. Tajikistan, Kyrgyzstan and Armenia are also open to Russian influence.

In addition to military and political pressure, Russia has ample opportunities to exercise economic power against other CIS states that are dependent on Russian energy and on transit through Russia. Moscow has already throttled energy supplies to Moldova, Georgia, Ukraine, Belarus, Lithuania and Latvia on several occasions. In a ten-year perspective, it is evident that Russia will not be able to control other states solely through its energy policy. However, it could create considerable problems and new Russian attempts are likely, especially against the CIS states.

Russia is not a western-type democracy and does not prioritise its citizens' welfare or human rights. Security and political control are its paramount concerns. In the choice between becoming integrated as a 'normal' state in the international community on the one hand, and remaining an independent great power (at least regionally) on the other, Russia seems increasingly bent on the latter alternative.

Russian Economic Development

The Russian economy has grown with an average six per cent of its GNP between 2002 and 2004 and continues its stable but unbalanced development. The high prices on raw materials, mainly on oil, constitute the main explanation of this. These have generated large trade surpluses – about 80 billion USD in 2004 – and in a budget surplus as well as an increase in the real income of the Russian population. However, these positive trends now show signs of flagging somewhat. In a ten-year perspective, the Russian economy faces several difficult problems. HIV is spreading rapidly and has reached an epidemic level. This is one of the reasons for the remaining high level of mortality among the Russian working population. There are also large investment needs in Russia's ageing machine park. At the same time, foreign investment continues to elude Russia, in part because of the Yukos affair. Growing competition from low-price countries such as China, insufficient technology for producing export products that would attract the west and a slow pace of reform makes it likely that Russia will remain a country that primarily exports raw materials. In the end, Russian economic development will in the foreseeable future be intimately connected to the price of oil. Taken together, these problems will probably cut economic growth by several percentages in the next decade, even if oil prices remain high.

The Russian defence budget has increased dramatically as calculated in percentage during the period of investigation (2002-2005). In nominal terms, the increase has reached 75 per cent, or about 25 per cent per year. When inflation is taken into account, the increase is about 15 per cent per year. According to official statements, the costs of military defence constitute 2.8 per cent of GNP while the costs of total national defence reach 4.8 per cent. However, independent analysts of the Russian defence budget have claimed that real costs amount to anything between ten and thirty per cent of GNP. Indeed, this study indicates that the budget for military defence and security related costs including Chechnya amount to about fifty per cent of the Russian state expenditure budget – something that would suggest that Russia could still be regarded as a structurally militarised state. It is probable that the Russian defence budget will remain at above stated levels in the near future. There is little or no political opposition against the present policy of prioritising defence and security. In addition, Russia perceives terrorism as a pressing threat and a political solution to the conflict in Chechnya remains distant.

There is no doubt that Russia uses a considerably larger share of its GNP for defence and security than most other states (the CIS states excluded). For example, the NATO average is at 1.8 per cent of GNP. Still, the Russian defence budget only constitutes about thirteen per cent of that of the USA.

The costs for personnel constitute the major share, about forty per cent, of the defence budget, but in the budget for 2005 procurement and military research and development have been prioritised. Russian analysts, especially within the military sector, maintain, however, that the allotment for procurement remains insufficient in order to achieve the goal stated in military reform documents, namely to become a modern military power by 2025. On the other hand, Russian Defence Minister Sergei Ivanov stated when the budget was presented and approved in 2004, that for the first time since 1991, the level was considered to be fully satisfactory for the military sector's needs. This clearly reflects the difference between political ambitions and the military's view of the size of budget. It is to be noted that the real defence burden is very

difficult to estimate. Extra budgetary funds evidently still play a significant role, the contract employment programme at around 80 billion roubles is for example financed by a special fund. Likewise, the size of the actual sums which are implemented in the military sector seems uncertain. In 2004, for example, the military was accused of embezzling or misusing some 500 billion roubles, equivalent to more than the total military budget (no period given).

During the present conditions, Russia finds itself forced to invest in military research and development in order to keep abreast with international technological development. The Russian military remains unable to order large series of modern weapons and technology. Furthermore, the transition to a professional army will probably be delayed for economic reasons.

The Armed Forces

The conclusions of this report concerning Russian military power and its future development are similar to that made in the 2002 report. A policy document published by the Russian Ministry of Defence in October 2003, called *The Priority Tasks of the Development of the Armed Forces of the Russian Federation*, confirms the earlier conclusions. This document constitutes both a statement of the current condition of the Armed Forces and a programme for future development.

Russia considers relations with the USA and other industrially advanced nations as part of a partnership system and a tool for solving problems relating to Russia's security. From now on, the document states, military planning will emanate from Russia's geopolitical needs and from the principle of defence sufficiency. In the main, the Russian Armed Forces enjoy good relations with NATO. A number of issues are discussed and joint exercises are being held. The NATO-Russia Council is an important political institution for dialogue and the handling of conflicts. At the same time, a certain degree of distance is noticed – something that originates in decades of enmity. As the weaker part that wishes to be stronger, Russia is engaging constructively with its counterpart, while it beefs up its military strength.

Perhaps the most significant aspect of the policy document is the statement that global nuclear war and large-scale conventional war with NATO and the US no longer remain in the group of the most likely conflicts for Russia to prepare for. Regional and local wars, international operations and the struggle against terrorism will instead decide the future development of the Armed Forces. On the global scene, Russian military presence in the form of military bases and peace keeping troops has diminished. This is consistent with the statement that world war no longer is the main planning parameter for Russian military development. However, regarding some CIS states, Russia's military position has been strengthened.

The policy document is multifaceted and ambivalent. On the one hand, the Armed Forces should develop in order to be able to meet the most likely threats. On the other hand, there is a tangible wish to maintain the status as a regional great power. Its disparate views are especially evident in the Russian view on future wars. The exercise pattern indicates a broad range of potential military opponents in both a local and regional context, including single global nuclear strikes.

It appears reasonable that the Armed Forces, equipped as they are with nuclear forces and conventional units with standing readiness, are able to uphold both regional and global deterrence at times of increased military-political and military-strategic tension, both in a short and a long-term perspective. This is all the more likely since tactical nuclear arms are included in Russia's arsenal. The official Russian view is that nuclear deterrence, especially against a conventional attack, requires well-armed and combat-ready conventional units in order to be credible. Given the economic realities during the next decade, this will entail

further reductions in units and manpower in the future. Only through such measures would it be possible to finance an improvement in quality and provide reasonable conditions for Russia's military-industrial complex to survive. The prospects for further reductions have probably improved through the change of chief of the General Staff.

During the coming ten-year period, Russia will retain a power projection capability on the global level as a result of its nuclear forces. With its conventional forces Russia will during the same period be able to remain and increase its capability to operate on part of the Eurasian land mass. In other words, it will develop a considerable regional power projection capability.

Today, the operational capability of Russia's Armed Forces in major, local and regional conflicts is limited by the lack of training on division level and above. In addition, the ability to use weapons platforms is limited due to, for example, the lack of flight hours for pilots. Meanwhile, the number of exercises as well as their complexity is on the increase. Therefore, it is likely that Russian military capability will increase in a ten-year perspective. This is especially true of the part of the Armed Forces that is in a state of permanent readiness (mainly contract employed). As a result, Russia could maintain a force of 150 000 men with reasonable capability for offensive operations in local and regional conflicts within a ten-year period, while the part of the Armed Forces that is manned by conscripts would mainly be capable of defensive operations.

Russia reserves the right to conduct preventive and pre-emptive attacks against terrorists and their infrastructure anywhere in the world in order to avert threats. In part, this constitutes a political signal to the rest of the world that Russia's accepts the new US policy. However, it is also a way of legitimating future Russian counter terrorism operations. Over a period of ten years, it is not impossible for Russia to develop the capability to perform single, limited preventive/pre-emptive operations in more remote corners of the globe. In the near future, however, Russia is limited to carry out such attacks in areas bordering on the Russian Federation. In addition, if the stated policy guidelines are included in a new military doctrine, this could legitimate a development of technological capabilities in order to support long-range prevention/pre-emption in the future. The specific capabilities that the Russian Ministry of Defence aim to develop are outlined in the section on *Military Reform* below.

Weapons of Mass Destruction

In the main, the trends described in the study in 2002 have continued to dominate in this field as well. Russia retains and will retain a substantial infrastructure (nuclear, biological and chemical), know-how (nuclear, biological and chemical) and large, but diminishing stockpiles (nuclear and chemical) in spite of more than a decade of disarmament and conversion efforts. Russia retains an extensive biological research programme for defence purposes. This programme is not transparent enough to inspire confidence – research for offensive purposes could well be ongoing covertly in the biodefence programme. Certain progress has been made in the fields of biosecurity and biosafety. The former concerns measures devoted to hinder deliberate attempts to acquire agents, equipment or know-how for producing biological weapons. Biosafety aims to reduce the risk of unintentional infections or discharge of dangerous organisms.

In spite of international support for threat reduction and increased transparency, problems still remain. Transparency and international insight is most developed in the area of (strategic) nuclear weapons, while the areas of biological and chemical weapons remain less transparent. Continued international support in the latter areas must therefore be made dependent on increased Russian openness so as to convince the rest of the world that no offensive biological and chemical weapons development is being carried out.

Russia will retain a nuclear second-strike capability in the foreseeable future and therefore remains in a special relationship (MAD) with the USA that differs from that to other nuclear states. Russia at the same time co-operates with the USA and NATO on missile defence questions. In times of conventional military weakness Russian tactical nuclear arms remain important. Indeed, during a period when the conventional Armed Forces are reduced in numbers and modernised, the significance of nuclear arms could even increase. Russia has made clear its intention to maintain and develop both its strategic and tactical nuclear arsenals.

Recently, there have been Russian statements on 'new' nuclear weapons. Most likely, these statements refer to the Topol-M (SS-27) and the coming generation of submarine-launched ballistic missiles (SLBM), the Bulava. The statements are made in order to remind the world that Russia intends to remain a nuclear great power. In developing Topol-M, great attention appears to have been attached to the capability to penetrate missile defence. For a number of years, Russia has experienced problems with developing its next generation of SLBMs, but the Defence Ministry policy document of October 2003 states that efforts are being made to overcome these problems. Indeed, the multiple warhead Bulava plays an important role in safeguarding Russia's second strike capability. Both of these capabilities are vital in maintaining the strategic balance with the USA. They are also vital in Russia's future relations with other nuclear weapons states.

The safety surrounding the Russian nuclear weapons appears to be satisfactory and, as far as is known, no nuclear arms are missing. The safety concerning fissile material is less satisfactory and constitutes a greater risk of proliferation. The risk of intentional or unintentional dissemination to third parties of material and know-how from the earlier Soviet WMD complex remains during the foreseeable future, even though international measures to reduce that risk has had a generally positive effect.

In spite of a Russian political offensive in support of nuclear disarmament (and non-proliferation) under the aegis of President Putin, there is little evidence that Russia would wish to forsake its own current WMD capabilities. Therefore, it is important to continue to monitor the WMD-related technological development in Russia in a security policy context.

In spite of some positive signs in 2004, it is unlikely that Russia will manage to destroy its 40,000 tons of chemical weapons even by 2012 – the time limit, which Russia has demanded, but which the Office for the Prohibition of Chemical Weapons has not yet granted at the time of writing. It should, however, be noted that the Russian government seems to have reacted to international criticism. For example, in the autumn of 2004 Moscow decided to double its financing of destruction of chemical weapons in 2005, which would mean that it would amount to five times that of the foreign assistance given for this purpose. Through the government reshuffle in 2004, the organisational structure was changed yet again – something that probably will improve Russia's ability to absorb foreign assistance.

The physical safety surrounding the chemical weapons stockpiles appears to be satisfactory. Although the destruction work now is under the authority of a civilian agency, the facilities are guarded by the military. The stockpiles are protected by air defence units. The Federal Security Service, the FSB, and the local Interior Troops are responsible for guarding the stockpiles and conducting exercises against terrorist attacks. Additional financial means for this activity has been reserved. The risk of theft from the stockpiles by outsiders is assessed as very small. However, it is impossible to exclude the risk of chemical weapons or components being stolen by insiders. The ecological safety (the protection against leakages etc.) also appears to be relatively satisfactory.

Military Reform

Military reform was officially declared completed when the Russian Ministry of Defence published its policy document in October 2003 (see the section on *The Armed Forces* above). Instead, 'modernisation' of the Armed Forces became the overarching goal and great emphasis was put on modernising weapons and technology. When a military reform is started and finished is, of course, ultimately a question of definitions. However, it is evident that a number of important tasks apart from just procurement are still ahead in reforming the Armed Forces. Neither is the debate on military reform in any way closed. An indication of this was the new fuel that the war in Iraq provided for debates on military reform in Russian journals, newspapers and in, for example, in the Russian Academy of Military Science.

As predicted in the study in 2002, a major reform of the strategic command of the Armed Forces was initiated in 2004. In particular, this reform signified a strengthening of the role of the minister of defence at the expense of the General Staff within the Ministry of Defence. With a phrase coined by Marshal Boris Shaposhnikov, the minister of defence, Sergei Ivanov, stated in January 2004 that the General Staff was to become the 'brain of the Army'. In order to be able to concentrate on its main tasks, such as being a traditional staff supporting commanders in their conduct of operations, planning exercises and developing war plans, the General Staff was to be 'relieved' of a number of administrative functions. In practice, the influence of the General Staff was significantly reduced and its chief, Army General Anatolii Kvashnin, was dismissed and replaced by his first deputy, Army General Yurii Baluevskii. It is likely that additional command reforms will follow upon this on the levels immediately below the highest strategic level during the next few years. Sources in the General Staff, among other things, talk about reforming the territorial division and creating three military districts.

The policy document 2003 specifies five prioritised capabilities. Firstly, the Russian Armed Forces should be able to exercise strategic deterrence. A number of measures will therefore be taken in order to ensure the combat readiness of the strategic nuclear forces. Secondly, the document emphasises the importance of a high degree of combat and mobilisation readiness. The nucleus of the future, more mobile forces will be units with standing readiness. The battalion is the basic tactical unit for local conflicts and in international operations. Thirdly, the Russian Armed Forces intend to develop a high degree of strategic mobility – something that is intimately connected with the development of mobile units with standing readiness. During 2004, exercises that involved redeploying of units between different theatres of war (TVD) were conducted. Fourthly, the units that are fully manned will consist of well-educated and trained personnel. This presupposes that the Russian Ministry of Defence overcomes the difficulties it has experienced in finding personnel and conscripts with the appropriate qualities and skills. A gradual transition to contract employment is an important element in this, but it is just as essential for the Ministry of Defence to come to grips with fundamental problems such as hazing among conscripts and the low wages and status that junior officers are offered. Finally, the policy document stresses that the Armed Forces must have modern weapons and technology as well as access to other necessary resources. In 2003, a number of documents on military-technological policy were adopted. In these, modernising existing systems and platforms is prioritised as well as achieving a greater degree of efficiency in procurement plans by centralising the process to one state committee.

The Armed Forces have enjoyed some progress as a part of the process of military reform. Among the most important is the fact that Russia now carries out more complex exercises than ever since the fall of the Soviet Union. The organisation of the Armed Forces has changed significantly and reductions have been made. In addition, Russia will likely be able carry out long-needed modernisation of at least some of its weapons systems and platforms as a result of the increased defence budget. The reform of command and leadership at the

strategic level also deserves to be mentioned in this context. There are, moreover, signs that the Armed Forces are, finally, starting to concentrate on handling local and regional conflicts rather than focusing on a potential total war with NATO as the main opponent. Finally, Putin's reshuffle of the power ministries could, in the future, result in a clearer division of responsibilities as well as a higher degree of efficiency.

Nevertheless, serious concerns remain. Evidence suggests that even the Russian Armed Forces of today (about 1.2 million men) exceeds Russia's economic capability. A number of analysts have pointed out that 500,000-750,000 would be a more realistic size for Russia's Armed Forces. However, there are no signs that the Ministry of Defence intends to carry out the necessary reductions. Furthermore, the Russian Armed Forces still have a long way to go in changing the education and training before its commanding officers are able to act independently at, for example, battalion level. The Soviet tradition of excessive centralisation of command is still dominant.

The Military Industrial Complex and R&D

Against the background of the goals set in the programme of reforming the military-industrial complex (MIC) for 2002-2006, the study of 2002 concluded that the change of priorities was a necessary requirement in order for the MIC to retain its strategic technological know-how. In particular, the programme emphasised the need to prioritise procurement before research and development (R&D). In the long run, the main problem was that because the costs for R&D for modern weapons systems steadily increase, the low level of state procurement would never allow for a sufficient volume to cover these. In addition, the utilisation of MIC's production capacity would have to increase in order to create an economically sustainable situation for the defence industry companies. Otherwise, the width of Russian high technology front would continue to shrink. Another problem for the defence industry companies' ability to stay alive was, according to the programme, that they would continue to be burdened by demands on mobilisation capacity. The study of 2002 concluded that the long-term procurement programme (*Programma Vooruzheniia*) until 2010 was entirely unrealistic because of the heavy imbalance between planned activities and financing.

In November 2003 – two years after the start of the reform programme – the government was forced to admit that it had failed and that only an infinitely small number of holding structures had been organised. One year later, in December 2004, the number of companies that formally constitute The MIC was still over 1 600. The MIC continues to bear the stamp of excess production capacity for mobilisation purposes, at the same time as the institutional resistance against reform within the MIC appears to be the deciding factor. The procurement programme up to 2010 probably collapsed as a direct result of the failure of the MIC reform programme. The Ministry of Defence now plans a new procurement programme up to 2015 and there are also signs that a new reform programme for the MIC is being developed.

In the 2005 military budget, almost the entire increase is devoted to R&D. The new strategy in the making seems to aim at combining limited procurement with substantial R&D efforts. By concentrating resources to R&D it will be possible to develop experimental versions of different systems and platforms. The Armed Forces will only procure limited numbers of these experimental versions for testing (not equipping the whole army with new platforms/systems etc.). The further development of the next generation of systems will take place on the basis of these tests. The general idea is not to lose momentum in the military-technological development or end up too far behind primarily the USA and certain other countries such as China. When the state economy allows, the production of weapons and technology is set to increase. At a given time, Russian production is intended to match the generation of weapons and platforms that research and development has reached.

The ambivalence that characterises the development of the Armed Forces (towards a capability in both local and regional conflicts) seems to explain the difficulties in reforming the MIC as well. A key question will be which production resources are available in the future when the Armed Forces need to and are able to devote resources to weapons and technology again. Another problem is that this new strategy does not allow the Armed Forces to practice in large formations with modern generations of weapons and technology.

Devoting resources to R&D and experimental versions of systems does not constitute a sustainable long-term solution. By increasing procurement, a larger share of the MIC production resources would be in use. This, in turn, would create an overall more viable situation for the companies to develop in. In addition, the production capacity of the MIC would become adapted to the decreasing demands of the Armed Forces and other power ministries. In this manner, a balance could be struck between the Armed Forces and the MIC that provides it with weapons and technology. Meanwhile, the question remains whether Russia in the future intends to remain a regional, conventionally strong military power. Only by decreasing quantity could it raise the quality of its Armed Forces and develop a high level of mechanization combined with well-trained military units. A reduction in numbers would also free resources for procuring weapons and equipment as well as improving the living conditions for servicemen and conscripts – something that remains a precondition for a successful transition to a contract-based army.

The exact R&D policy in 2005 remains a state secret, but the defence expert Aleksei Arbatov has suggested which the priorities will be (in volume): command systems, information systems, computers and sophisticated communications, reconnaissance and navigation equipment (including satellite based systems).

Weapons export is an important source of income for the MIC. In 2004 export incomes amounted to almost 6 billion USD. In the near future, Russia's weapons export policy will mainly be governed by economic concerns. However, military strategic factors could play an increasingly important role as the economic situation improves. Russia's exports are vulnerable considering the large share of exports that go to China and India. China will probably reduce its weapons imports from Russia – possibly already in the next couple of years. India could be expected to deepen and broaden its co-operation with Russia, even if it is not fully satisfied with the quality of Russian hard-ware. Even if Russia should want to sell more of the high technology it produces, partly in order to improve the competitiveness of the MIC companies in the future, modernisation, upgrading and selling of surplus equipment will continue to play a central role. There is still a high demand on Russian weapons. The high technology it produces is of a reasonably high quality even by international comparison. Ships, rocket and missile systems and combat aircraft will probably remain the main export products in the future.

The MIC has proved considerably more tenacious than most analysts thought possible during the last decade. Hence, a level of caution is called for in making predictions. The MIC is assessed as likely to retain its full-spectrum capabilities for equipping high-tech armed forces for regional power projection in the next decade. But, there are signs that the maintenance of these capabilities will be increasingly difficult. There will be a need for a continued reduction of the MIC as well as of the Armed Forces it sustains, if Russia is to manage to both research and develop high technology systems for regional warfare in larger series than just for experimental purposes.

SELECTED FOI REPORTS ON RUSSIA AND THE CIS

Arbman, Gunnar and Thornton, Charles, *Russia's Tactical Nuclear Weapons. Part I: Background and Policy Issues*, FOI-R—1057—SE, User Report, November 2003.

Arbman, Gunnar and Thornton, Charles, *Russia's Tactical Nuclear Weapons. Part II: Technical Issues and Policy Recommendations*, FOI-R—1588—SE, User Report, February 2005.

Hedenskog, Jakob, *The Ukrainian Dilemma: Relations with Russia and the West in the Context of the 2004 Presidential Elections*. FOI-R--1199--SE, User Report, March 2004.

Knoph, Jan T. *Civilian Control of the Russian State forces: a challenge in theory and practice*, FOI-R—1175—SE, User Report, February 2004.

Larsson, Robert L., *Ryssland och CFE: Problem, utveckling och framtid* [Russia and CFE: Problems, Development and Future], Strategiskt forum, nr. 14, Stockholm, FOI.

Larsson, Robert L., (ed.) *Whither Russia? Conference Proceedings*, Strategiskt forum, nr. 15, Stockholm, FOI.

Leijonhielm, Jan and Larsson, Robert L., *Russia's Strategic Commodities: Energy and Metals as Security Levers*, FOI-R--1346—SE, User Report, November 2004.

Leijonhielm, Jan m.fl. *Rysk militär förmåga i ett tioårsperspektiv: En förnyad bedömning 2002* [Russian Military Capability in a Ten-Year Perspective: A Renewed Assessment 2002], FOA-R--0811--SE, användarrapport, februari 2003.

Leijonhielm, Jan m.fl. *Rysk militär förmåga i ett tioårsperspektiv: En förnyad bedömning 2000* [Russian Military Capability in a Ten-Year Perspective: A Renewed Assessment 2000], Stockholm, FOA, FOA-R--00-01758-170--SE, användarrapport, november 2000.

Leijonhielm, Jan m.fl. *Rysk militär förmåga i ett tioårsperspektiv* [Russian Military Capability in a Ten-Year Perspective], FOA-R--99-01151-170--SE, användarrapport, maj 1999.

Leijonhielm, Jan, Clevström, Jenny, Nilsson, P-O och Unge, Wilhelm, *Den ryska militärtekniska resursbasen* [Russian Military-Technological Capacity – Russian R&D, Critical Technologies and Weapons Systems], FOI-R—0618—SE, oktober 2002. (In Swedish with extensive English summary)

Oldberg, Ingmar, *Membership and Partnership: The Relations of Russia and Its Neighbours with NATO and the EU in the Enlargement Context*, FOI-R—1364—SE, Scientific Report, October 2004.

Oldberg, Ingmar, *Kaliningrad: Russian Exclave, European Enclave*, FOI-R--0134--SE, Scientific Report, June 2001.

Oldberg, Ingmar, *Reluctant Rapprochement: Russia and the Baltic States in the Context of NATO and EU Enlargements*, FOI-R--0808—SE, User Report, February 2003.

Oldberg, Ingmar and Hedenskog, Jakob, *In Dire Straits: Russia's Western Regions between Moscow and the West*. Base Data Report, FOA-R--01617-170--SE, October 2000.

Vendil, Carolina, *The Belovezha Accords and Beyond: Delineating the Russian State*, FOA-R—00-01504-170—SE, Scientific Report, May 2000.

FOI reports can be ordered from: chrber@foi.se or by phone: +46-(0)8-555 030 51.



Swedish Defence Research Agency (FOI)

Division for Defence Analysis

164 90 Stockholm
Sweden

www.foi.se