

RUSSIAN POWER STRUCTURES
– PRESENT AND FUTURE ROLES IN RUSSIAN POLITICS

This report scrutinises the present and future roles of the Russian power structures in Russian politics and the functions that these power structures fill in Russia. Eight leading experts in various fields analyse different aspects of Russian power structures and their impact on Russian politics.

The report is based on material from the conference “Russian Power Structures – Present and Future Roles in Russian Politics”, which was organised by the Swedish Defence Research Agency (FOI) in cooperation with the Swedish Defence Commission and held in Stockholm on 17 October 2007. The report consists of papers presented at the conference and, reflecting the structure of the conference, the report consists of five parts: Russian Power Structures and Politics, The Military Agenda, Economy and Military Industry, Health Problems and a Summing up.

For a selection on other recent FOI-reports on Russia, please look at the last pages of this report.

FOI, Swedish Defence Research Agency, is a mainly assignment-funded agency under the Ministry of Defence. The core activities are research, method and technology development, as well as studies conducted in the interests of Swedish defence and the safety and security of society. The organisation employs approximately 1000 personnel of whom about 800 are scientists. This makes FOI Sweden's largest research institute. FOI gives its customers access to leading-edge expertise in a large number of fields such as security policy studies, defence and security related analyses, the assessment of various types of threat, systems for control and management of crises, protection against and management of hazardous substances, IT security and the potential offered by new sensors.



FOI
Swedish Defence Research Agency
Defence Analysis
SE-164 90 Stockholm

Phone: +46 8 55 50 30 00
Fax +46 8 55 50 31 00

www.foi.se



Russian Power Structures
- Present and Future Roles in Russian Politics

JAN LEIJONHIELM & FREDRIK WESTERLUND (EDS.)



Russian Power Structures

Jan Leijonhielm & Fredrik Westerlund (Eds.)

FOI-R--2437--SE
ISSN 1650-1942

Base Data report
December 2007

Defence Analysis

Jan Leijonhielm & Fredrik Westerlund (Eds.)

Russian Power Structures

- Present and Future Roles in Russian Politics

Division for Defence Analysis

Swedish Defence Research Agency (FOI)

Titel	Ryska maktstrukturer – deras roll i den ryska politiken idag och imorgon
Title	Russian Power Structures – Present and Future in Russian Politics
Rapportnr/Report no	FOI-R—2437—SE
Rapporttyp Report Type	Underlagsrapport Base Data report
Månad/Month	December
Utgivningsår/Year	2007
Antal sidor/Pages	197 p
ISSN	
Kund/Customer	Försvarsdepartementet/Ministry of Defence, Sweden
Forskningsområde Programme area	1. Analys av säkerhet och sårbarhet 1. Security, safety and vulnerability analysis
Delområde Subcategory	11 Forskning för regeringens behov 11 Policy Support to the Government.
Projektnr/Project no	A12001
Godkänd av/Approved by	Mike Winnerstig
FOI, Totalförsvarets Forskningsinstitut	FOI, Swedish Defence Research Agency
Avdelningen för Försvarsanalys	Division for Defence Analysis
164 90 Stockholm	

ABSTRACT

This report scrutinises the present and future roles of the Russian power structures in Russian politics and the functions that these power structures fill in Russia. Eight leading experts in various fields analyse different aspects of Russian power structures and their impact on Russian politics.

The report is based on material from the conference "Russian Power Structures – Present and Future Roles in Russian Politics", which was organised by the Swedish Defence Research Agency (FOI) in cooperation with the Swedish Defence Commission and held in Stockholm on 17 October 2007. The report consists of papers presented at the conference and, reflecting the structure of the conference, the report consists of five parts: Russian Power Structures and Politics, The Military Agenda, Economy and Military Industry, Health Problems and a Summing up.

Keywords:

Russia, Domestic Policy, Security Policy, Foreign Policy, Economy, Power structures, Armed Forces, Military Reform, Military Doctrine, Military Industry, Defence Industry, Health, HIV/AIDS

SAMMANFATTNING

Denna rapport granskar de ryska kraftstrukturerna och deras roll i den ryska politiken idag och imorgon. I rapporten analyserar åtta framstående experter inom olika områden de ryska styrkestrukturerna och deras roll i den ryska politiken utifrån skilda perspektiv.

Rapporten är baserad på underlag från en konferens med titeln "Ryska kraftstrukturer – deras roll i den ryska politiken idag och imorgon" som arrangerades av FOI i samarbete med Försvarsberedningen och hölls i Stockholm den 17 oktober 2007. Rapporten består av konferensbidrag och följer dispositionen för konferensen. Rapporten består av fem delar: Ryska kraftstrukturer och politiken, Den militära agendan, Ekonomi och militärindustri, Hälsoproblem och en Sammanfattning.

Nyckelord:

Ryssland, inrikespolitik, säkerhetspolitik, utrikespolitik, ekonomi, kraftstrukturer, styrkestrukturer, kraftministerier, väpnade styrkor, militärreform, militärdoktrin, militärindustri, försvarsindustri, hälsa, HIV/AIDS.

TABLE OF CONTENTS

INTRODUCTION	7
<i>Jan Leijonhielm</i>	
FIRST SESSION: RUSSIAN POWER STRUCTURES AND POLITICS	
1. RUSSIAN POWER STRUCTURES AND THEIR IMPACT ON RUSSIAN POLITICS REGARDING THE UPCOMING ELECTIONS	11
<i>Aleksandr Golts</i>	
2. THE RUSSIAN POWER MINISTRIES AS A POLITICAL TOOL.....	23
<i>Dr. Carolina Vendil Pallin</i>	
SECOND SESSION: THE MILITARY AGENDA	
3. ENFORCING ‘MILITARY SOLUTIONS’ IN THE NORTH CAUCASUS: ACCUMULATED EXPERIENCES IN CONFLICT (MIS)MANAGEMENT.....	41
<i>Dr. Pavel Baev</i>	
4. MILITARY REFORM AND ITS IMPLICATIONS FOR THE MODERNISATION OF THE RUSSIAN ARMED FORCES	56
<i>Vitaly Shlykov</i>	
THIRD SESSION: ECONOMY AND MILITARY INDUSTRY	
5. RUSSIAN REARMAMENT: MOTIVES, OPTIONS AND PROSPECTS	71
<i>Professor Steven Rosefielde</i>	
6. THE POLITICAL ECONOMY OF THE RUSSIAN DEFENCE SECTOR.....	97
<i>Professor Stephen Blank</i>	
FOURTH SESSION: HEALTH PROBLEMS	
7. THE RUSSIAN MILITARY: POPULATION AND HEALTH CONSTRAINTS.....	131
<i>Dr. Murray Feshbach</i>	
SUMMING UP	
8. THE ROLE OF RUSSIAN POWER STRUCTURES IN DOMESTIC POLITICS AND FOREIGN POLICY: WHAT THE FUTURE HOLDS	165
<i>Dr. Dmitri Trenin</i>	
CONCLUDING REMARKS	180
<i>Fredrik Westerlund</i>	
ABOUT THE AUTHORS	193

INTRODUCTION

Why this conference? The answer is revealing for the way we look at Russia today. During the past seven years we have seen a transformation of the country under Putin's presidency, starting with transition from the chaotic Yeltsin period to consolidation in terms of political control and economic stability. However, this has taken place against a background of growing concern from Russian liberals and the outside world, as developments in democracy have simultaneously been reversed.

Our interest in Russia is not only a question of gravity, although the sheer size of the Russian power structures places them in the top tier in an international comparison; nor is it solely due to the fact that there is a long standing academic tradition in the West of studying Soviet/Russian armed force structures. The imperative reason for focusing research on this area is that key individuals within the Russian power elite obviously regard the power structures as having a considerable impact on politics and society and thus of acting as a necessary instrument for these individuals. The concentration of power to the President, alongside the political centralisation to a Muscovite elite, turning Russia anew into a de facto one-party state, has been accomplished through a network of people mainly from the security and defence sectors, the *siloviki*, who today form the most influential part of Russian central administration. It is thus of obvious interest to scrutinise their role in the Russian political process, especially concerning their influence in the forthcoming elections. Do they have common goals? What sort of influence do they exercise? Why is it crucial to control them and their structures to remain at the top?

Against this background, the Swedish Defence Agency in cooperation with the Swedish Defence Commission gathered a number of leading experts in the relevant fields of interest for the conference “Russian Power Structures - Present and Future Roles in Russian Politics” in October 2007. The ambition was to compare Russian and Western views in the analysis of political, economic, demographic, military and military-industrial developments and the *siloviki* impact on these. The existence of demographic factors may seem irrelevant in this context, but demography will unavoidably have a crucial effect on Russian economic development and future military strength.

This report contains, apart from the summing up, also some reflections based upon the debates during the conference day and the general discussion which took place the following day. In this context it suffices to state that the main conclusion from the conference is that Russia has not turned into a ‘KGB-state’, but hovers in a limbo between formal democracy and strong authoritarian rule, seeking the road to a Russian variant of governance. While the influence of military circles has decreased, that of the security services has increased. In addition to their function as the state’s power tools, the *siloviki* impact in many cases also consists of a common mindset, reflecting zero-sum thinking and a reluctance to compromise. Although they may lack a common political agenda, the *siloviki* have managed to create a structure that will probably allow them to influence Russian politics in a decisive way for a considerable time. This structure may change over time, due to rivalry and at the whim of the President, but with the group’s clear ambition of keeping their position as the new *nomenklatura*, or state oligarchs. What that implies regarding domestic, foreign and security policy remains to be seen. “Russia remains an independent variable with an unpredictable trajectory”, as Dmitri Trenin put it. Studying the role of the Russian power structures is, as he concludes, important once again as the Russian power elite distances itself from the West and becomes more influential than it has been for a generation.

Jan Leijonhielm

First Session:
Russian Power Structures
and Politics

1. RUSSIAN POWER STRUCTURES AND THEIR IMPACT ON RUSSIAN POLITICS REGARDING THE UPCOMING ELECTIONS

Aleksandr Golts

Already the theme of my presentation, as it was defined by the organizers of our conference, contains an indication of a specific role of the power structures in Russia. We can hardly imagine that any serious researcher will try to analyse the influence of the armed forces or police on presidential elections in Sweden. However in the Russian case there is a strong bias that army, militia and the special services have a special political influence. This bias obviously originates from the turbulent Yeltsin's era.

Throughout Yeltsin's presidency, the communist opposition regarded the military as an ally in its struggle for power. Every February 23rd, on Soviet Army and Navy Day, huge crowds gathered at public rallies and demonstrations organized by the Communists. In 1997-98, some on the left even believed that the armed forces could overthrow the Yeltsin regime. In 1997, Gen. Lev Rokhlin, chairman of the Duma Defence Committee and founder of the Movement in Support of the Army, the Defence Industry and Military Science (DPA), sent letters to his Commander in chief (President Yeltsin), as well as to all Russian military units. In them, Rokhlin blamed Yeltsin for the plight of the military and called on officers to rally "to defend the army". He urged them to hold assemblies and petition the president, the parliament, and the high courts. Rokhlin's public criticism of Yeltsin was an act of

open disobedience, as was his demand that the president should “leave and make room for someone else.”¹

The military, however, has ignored all such appeals to challenge the government. Indeed, since the collapse of the Soviet Union, there has not been a single case of military officers collectively protesting the actions of the civilian leadership. In a bizarre incident in 1997, however, a major near Nizhni Novgorod drove an unarmed tank into the streets of a small military settlement to demand immediate payment of his wages (at the time, soldiers were routinely not paid for as long as six months).² The military's decision not to openly protest the government's civilian leadership was not a result of their abiding commitment to Yeltsin. In fact, military leaders occasionally found ways to let him know the limits of their loyalty. During the August-September 1998 political crisis for example, when Yeltsin planned to dissolve the Duma, Security Council Secretary Andrei Kokoshin sent the president a memo stating that the Ministry of Defence and Internal Ministry troops would not obey the order to use force against Yeltsin's political opponents. The president was forced to abandon this plan.³

However all military criticism disappeared during Vladimir Putin's presidency. State Duma conservatives now express full support for Putin and his politics. Retired Army Gen. Valentin Varennikov, for example, a hard-liner and key figure in the 1991 coup attempt, is now a leader of the Army Veterans Committee. Today, Varennikov professes “full support” for Putin's domestic and foreign policy. Meanwhile, the president has made an effort to reward such displays of loyalty by, for example, fulfilling his promise to return the Red Star – the hallmark of the Soviet state – to Russia's military colours.⁴ Thus, neither the left nor the right any longer seems able to use the military as a wedge issue in their political battles.

Military oppositional organisations such as the Military Patriotic Union, the People's Patriotic Party and Soyuz Ofitserov, led

¹ Aleksandr Golts, “Revolutsiya v voennom dele nachalas,” *Itogi*, no. 28 (1997), p. 15; and Aleksandr Golts, “Nuzhdatyetsya li armiya v zaschite,” *Itogi*, no. 38 (1997), p. 20

² See http://www.nns.ru/analytdoc/ims/1998/sv0108_7.html

³ Aleksandr Golts, “Promah Andrey Kokoshina” *Itogi*, No36, 1998, p19

⁴ RIA Novosti. 26.10.2002Zavtra” No 42 (2005) 19.10.2005

respectively by Leonid Ivashov, former head of the Defence Ministry's international directorate, former Defence Minister Igor Rodionov and Stanislav Terehov still exist, but their influence is extremely low within the Armed Forces, as well as in society in general. In spite of the fact that the nationalist mood is rather strong, the population ignores 'military nationalism' proposed by these marginal organisations. The picture of the world they present - traitors and hirelings of the West have established a 'regime of occupation' in Russia to please the 'world Judaic conspiracy' - is too far from reality.

The last time the marginalised 'old-conservative' forces managed to remind the country of their existence was the attempted murder on Unified Energy Systems CEO Anatoly Chubais. Vladimir Kvachkov, a retired colonel of GRU special forces who has been charged with this crime, in his interview basically made the case for the necessity of a military coup in Russia⁵. While Kvachkov did not come out and admit his guilt, he asserted that the attempt on Chubais' life was "the first case of armed action in a war of national liberation" which every officer and soldier was bound by duty to fight. This enabled the colonel to call the military to arms in a war of 'national liberation' - in other words, a *coup d'etat* - and to present himself not as an accused criminal but as a valiant officer captured by the enemy. However such approaches find less than a handful of supporters.

Putin was also extremely successful in suppression of the generals' power aspirations that appeared as the result of the second Chechen war. It was clear that Putin became popular because the war permitted him to show Russian voters an iron will, decisiveness and perseverance. The generals were sure that Putin felt obliged to them. That is why General Gennadii Troshev was absolutely serious when he described himself and other battle-hardened generals as a quasi-independent political force in Russia. In his book 'My War' published in 2001, Troshev revealed the thinking of these men: "Fear of a group of hero-generals, who are very popular in the army and among the people, appeared. They became a political force. If united by a mutual goal, they could become a modern version of the Decembrist 'Southern

⁵ *Zavtra*" No 42 (2005) 19.10.2005 p1

society', a danger to the authorities".⁶ Although quick to add that such scenarios had little to do with Russia's prevailing situation, Troshev does identify himself and other 'hero-generals' as an influential political force.

'Hero-generals' were ready to blackmail Vladimir Putin as Valeryi Shamanov did. He threatened Putin to "tear off his stripes" if ordered to halt the military's operations⁷. General Troshev had publicly refused a new assignment 'proposed' by the defence minister. However President Putin has relied on some rather unusual methods to 'punish' his wayward generals. Shamanov, for example, was unofficially urged to retire, but then given Kremlin support in his successful electoral bid to become governor of the Ulyanovsk Region. Troshev was appointed as the president's advisor on Cossack affairs. Each time the President fired a high-ranked general, he found a good position for him in the Duma, the Council of Federation or governmental agencies. Some of these generals became regional governors. It permits the sociologist Olga Kryshantovskaya to speak about 'militocracy' in modern Russia⁸. However all officers who have high positions as lawmakers and civil bureaucrats have absolutely no influence on current politics. They were chosen because Putin believes that military people will obey any order.

Thus, it is obvious that Russian 'power structures', as far as the military goes, do not play an independent role in Russian politics. There is no reason today for military conservatism as Putin now responds to all of their arguments.

Nevertheless they can have an influence on Russian politics, and also on elections.

Firstly this influence can be exerted in a most direct way. Officers competing for political posts have a guarantee that all of Putin's candidates will be elected. Secondly the special services and militia can neutralise those who act against the rules of the so-called

⁶ Gennadi Troshev, "Mat ego ne glusili dajе dubovіe dveri," *Kommersant Vlast*, July 25, 2001.

⁷ Olga Alentova, "Valery Shamanov: Ya daleko ne yastreб," *Kommersant*, November 20, 1999

⁸ www.hse.ru/science/yassin/seminar_2003_10_01.pdf

sovereign democracy, an experience the special services had during the action against the participants in the 'Dissenters' marches' in spring and summer 2007. These were arrested under very far-fetched pretexts. Answering questions from journalists following the 2007 Russia-European Union summit meeting Vladimir Putin justified such actions and insisted that it is usual practice for any country: "But the law enforcement agencies implement preventive measures in all countries", as his words fell.⁹ It is possible that in case of further mass protests from the opposition against the authorities, the severe treatment which they received in April in Moscow and St. Petersburg will be repeated. During those days Putin showed that he is ready to implement martial law in the largest cities of the country.

Thirdly, it is also important that millions of men serve in the power structures - a considerable portion of the electorate. Military personnel are less susceptible to propaganda by Putin's opponents than other voters (political propaganda is forbidden by law among active-duty soldiers and officers) and more influenced by their commanders. Military people are disciplined and definitely use the chance to vote. All this makes the military a juicy morsel for political strategists.

The military is poised to play an important role in the upcoming State Duma and presidential elections, simply because commanders can bring their units to the polling stations. As a result, the illusion of mass participation in elections will be achieved - and it will result in additional legitimisation of future elections.

The military participation in elections also admits the use of possible frauds. In January 2004 the Russian public was shaken when hundreds of recruits sustained frost injuries on their way to a place of service (one of the soldiers died). Nobody could explain why in order to reach Murmansk, soldiers were transported from Central Russia and through the Far East. However the explanation was quite simple - the recruits could thereby vote in several towns.

⁹ http://www.kremlin.ru/eng/speeches/2007/05/18/2256_type82914type82915_129689.shtml

However, now that Putin has created electoral laws which completely eliminate political competition, he will most likely not need such frauds.

In theory, one can assume that the problems of the Armed Forces could influence the voters. The Russian public regularly gets news about crimes in barracks. The situation in the Armed Forces is not a secret for the citizens. As a result, the militia has to carry out round-ups to supply the army with new and unwilling recruits.

Both right and centre-right parties, however, have tried to move military reform to the forefront of their election campaigns. The Union of Right Forces (SPS) and Yabloko, for example, recently declared military reform a top priority. Thus they repeat the strategy that failed in 2003. At that time each drew up a reform proposal that could not be dismissed as the creation of incompetents. The focus of SPS is the huge segment of the Russian electorate made up of middle-aged women – in particular, mothers seeking reassurance that their sons would not die or sustain injury while serving in the military. As part of its efforts, SPS even launched an initiative to collect signatures demanding the immediate resignation of Defence Minister Ivanov. Ivanov's anxiety over SPS's actions surfaced when he spoke at a Ministry of Defence meeting in March 2003: "It is impossible to underestimate the negative influence of certain political forces trying to undermine the prestige of military service....The struggle for influence over the army will only intensify as we approach the upcoming Duma elections".¹⁰ After the election, however, Ivanov could breathe a sigh of relief: for the first time, neither SPS nor Yabloko received 5 percent of the vote, the percentage needed to maintain their seats in the parliament.

All opinion polls show the same result – military reform is not a top priority for Russian citizens. However, the majority understand that the situation within the Armed Forces is awful¹¹. The explanation of this paradox can be found in the specific public consciousness and Russian military culture.

¹⁰ Quoted in Aleksandr Bogatirov, "Professia rodine sluzhit," *Krasnaya zvezda*, April 2, 2003.

¹¹ <http://www.levada.ru/press/2004101204.html>

In the minds of most Russians (certainly among those who passed through the Soviet education system), there exists the belief that the army is the true foundation of states such as theirs. Conscription has existed in Russia as long as the regular army. For the majority of the population, military service has been a huge burden, and as such, has had a deep psychological impact on the nation. On the one hand, no one challenges the right of the state to call up civilians for military service. On the other hand, Russian society does not condemn those who seek to avoid the draft.

These features of military culture have penetrated all aspects of Russian society and have largely determined the character of the country's civil-military relations. That neither the Russian military nor the Russian people have ever known an alternative system of military service makes them highly resistant to even basic reforms and more accepting of leaders with militarist leanings.

Lev Gudkov, the well-known Russian sociologist and director of the Levada Centre, has stated that "the army today is represented not as an effective and capable institution, but as the embodiment of the most important national symbols, key values for mass consciousness and the basic moment of mass identity".¹² The Kremlin is doing its best trying to preserve this situation. It is equally obvious that a huge conscript army, which the top brass are fighting tooth and nail to preserve, is simply incapable of confronting the strategic challenges Russia is likely to face in the future. An army like this can only prevail by expending enormous numbers of poorly trained soldiers, which is useless when the enemy possesses surveillance satellites and high-precision weapons that are capable of eliminating large numbers of troops without confronting them directly. A large conscript army is also useless in the war on terror. In the final analysis, the war on terror is waged by small groups of soldiers and the outcome most often depends on training and the initiative demonstrated by junior officers. Yet these very factors – training and initiative – are useless or even harmful in an army that relies on massive battle groups.

¹² <http://www.liberal.ru/sitan.asp?Num=537&print=1>

So the military in its current form is both useless and impossible for the country to sustain. Yet the government continues to expend enormous effort to prop up this myth. The self-serving calculations of the military leadership are, of course, largely responsible for this. After all, the professional expertise of Russian generals is limited to mobilising hundreds of thousands of men in a short time and deploying them as cannon fodder.

The question is: why is the political leadership so willing to go along with the generals? The fact is that President Vladimir Putin and his inner circle conceive of the relationship between society and the state in terms of a large conscript army. Furthermore, Putin's famous power vertical mirrors exactly the hierarchical structure of the Russian military.

However this is not the most important thing. In effect, compulsory military service is the most onerous form of taxation a government can impose on its citizens. Putin and his team clearly believe that the Russian people should live in a state of permanent indebtedness to the state and the best way for the state to call in this debt is to exploit the time, health and even lives of its citizens in the interests of national security.

Defending the fatherland, however, is not the main goal of Russian armed forces. The real goal is a kind of negative socialisation. The regime regards everything that gives the military such a bad reputation - bullying and humiliation, the senseless drilling and the climate of falsehood and hypocrisy - as an ideal way to restore the 'discipline' that society has lost over the last few decades. Exposure to these factors in the military is an ideal preparation for life in a repressive society.

By curtailing deferments and drafting university graduates, the Kremlin can ensure that the largest possible number of Russian men pass through this human obedience school, which drills into their heads the notion that society should be organised in the same way as the military. The president makes his commands with the help of his staff, and average citizens are little more than foot soldiers who are expected to follow orders. The little man has no power. This is the main lesson of

the negative socialisation that will be drilled into the heads of most Russian men during their stint in the services.

Seemingly, Vladimir Putin finds this military system ideal and military hierarchy the ideal model for whole of society. It is probably not by coincidence that he invited high ranking military to his last birthday reception. His words at the occasion confirm this: "today I want to be with people for whom I have great respect and who I value for all that you and those who work under you have done over these last years to build Russia and its Armed Forces anew".¹³

Nevertheless it is clear that the role of the 'power structures' in the electoral process is very low. However we should also keep in mind that the role of elections is more than limited in modern Russia's political process. It is not political parties but clans of bureaucrats that are conducting a real fight for influence and control during the period of 'power transition', and 'power structures', special services and law enforcement agencies are the real actors in the hidden dogfight. Their confrontation has now reached a level where even the President finds it hard to control them. The public knows almost nothing about the origin of this fight and its goals, but from time to time can see, as Churchill wrote, "the loser's corpse which is thrown from under the carpet". An illustration of this was when FSB recently arrested general Bulbov who was deputy of Victor Cherkesov, chief of the Drugs Control Service. Bulbov was accused of illegal phone listening but it is clear that the arrest is a new step in a long period of confrontation between Cherkesov and FSB head Nikolai Patrushev. Cherkesov had won a previous round when General Prosecutor Ustinov and a few top FSB generals had to resign. Now Patrushev is striking back.

It looks as though the Armed Forces until now have not been involved in the domestic power struggle. They play a very specific role in Russian politics, forming the basis of the mentality of the Russian ruling class. Recently a billboard with the following text: "Army and Navy - Russia's allies" appeared on the streets of Moscow. The author of this propagandistic text probably thought he or she was quoting Tsar Alexander III, who purportedly said something of the kind. In

¹³ http://www.kremlin.ru/eng/text/speeches/2007/10/07/0955_type84779type127286_147308.shtml

fact, the sovereign actually declared that Russia had no allies except the King of Chernogoriya. The version referring to the army and navy was created by a 'patriot' in the early 1990s. The quote was intended to relay the idea that in a world hostile to Russia, it can only rely on its military strength to survive. So now we have billboards in Moscow that fully reflect the Kremlin's world view.

Militarism is not only when the military makes all the key government decisions. It is also when civilian politicians use military solutions as the universal tool to solve all of their problems. Although the West poses no military threat to Russia at present, the Kremlin has for example expressed its annoyance with the West in military terms.

The Kremlin has expressed its dissatisfaction by claiming that the West is intent on achieving military superiority over Russia. Putin insists that the US plan to place elements of the missile defence system in Poland and the Czech Republic is a potential threat to Russia's nuclear deterrent. Moscow is trying to prove that the 10 US anti-missile interceptors to be installed in Poland by 2012 are a threat to the 1700-2200 strategic nuclear warheads that Russia will possess at that time. Putin has also threatened to pull Russia out of the Treaty on Conventional Armed Forces in Europe, alluding to 'exceptional circumstances affecting Russia's security'.¹⁴ The Kremlin prefers to ignore the fact that NATO countries fulfil all limits of the revised CFE treaty. In spite of this, Moscow behaves as if Europe were still divided between NATO and the Warsaw Pact. Russian generals demand parity between all NATO countries and Russia, which alone represents the Warsaw Treaty now.

Practically each week, Moscow officials promise to undertake 'asymmetrical' and effective measures against war preparations of the Western countries. When President Putin said in his Munich speech that Russia must preserve its ability to strike at US military forces, it was the first reference to the concept of mutually assured destruction since the collapse of the Soviet Union. Since then, Russian generals have been falling over one another to issue threats against the United States and its allies and the talk of a 'miracle warhead' capable of

¹⁴ <http://www.kremlin.ru/text/docs/2007/07/137829.shtml>

overcoming any anti-missile defence system adds to the possibility of Russia backing out of international agreements limiting short- and medium-range ballistic missiles, the INF Treaty. It also raises the scenario of an Air Force strike against the installations in Poland and the Czech Republic.

All this has nothing to do with real military estimates. If the Kremlin is serious about national security, the last thing it should do is to opt out of the CFE Treaty. The NATO countries possess three times as many conventional weapons as Russia, and this gap could widen if the treaty were to be abandoned. No wonder Russian officials dodge the issue of what the military would do under a moratorium. The country cannot afford to acquire weapons in excess of CFE limits. The same can be said of the INF Treaty. Opting out would mean that Russia could be surrounded by missiles capable of striking its major cities within minutes. All this cold war terminology has non-military goals.

If Putin still plans to hold on to power after his second term expires next year, contrary to constitutional stipulations, he is nervous of a possible Western reaction. How else can one explain his angry jibes about foreigners trying to 'instruct' Russia? Putin has become visibly nervous of late about a fictitious danger that he seems to have concocted himself: the West's intention to interfere in Russia's transfer of power in 2008, when Putin's second term comes to an end. The president is trying to protect his country from outside 'enemy influences' by playing the Cold War card. This tactic enables him to rally the people and convince them that any criticism of his Kremlin is an insidious ploy by foreign powers to prevent Russia from 'getting up off its knees' to become a global superpower again.

In his Munich speech, Putin revealed his belief that the heightened US-Soviet confrontation of the 1980s was one of the most stable periods in international relations.¹⁵ This was a time when Moscow and Washington focused on mutual containment by significantly strengthening their military capabilities. It appears that Putin has been

¹⁵

http://www.kremlin.ru/appears/2007/02/10/1737_type63374type63376type63377type63381type82634_118097.shtml

able to change the agenda in relations between Russia and the West completely. He is altogether unwilling to listen to uncomfortable questions about rights and freedoms in Russia, so he has tried to shift attention to the agenda of more than 20 years ago - the problems of conventional weapons in Europe and of strategic anti-missile defences. It is no coincidence that the Kremlin is doing everything possible to place missile defence, the CFE Treaty and the Intermediate-Range Nuclear Forces Treaty - leftovers from the Cold War - at the centre of the international and domestic debate. Only in this context can Russia still assume the role of a superpower, and Putin that of leader of a superpower.

Western leaders, given their own inability to stop Kremlin backsliding on democracy, will gladly go along on discussing problems related to weapons and military technology.

As Carl von Clausewitz said: "War is simply the continuation of politics using different means". Russia's current military strategy is becoming a continuation of its narrow-minded policies and public relations.

2. THE RUSSIAN POWER MINISTRIES AS A POLITICAL TOOL

Dr. Carolina Vendil Pallin

Introduction

In Russia, and recently also abroad, the term power ministry is used frequently, but usually without defining which ministries, agencies and services are referred being to. Often, there is a tendency to claim that these decide virtually everything in Russian politics today. In fact it is perfectly legitimate for Russia to have security and intelligence services as well as Armed Forces. Demonising the power ministries and their influence tends to detract attention from the real problems that they pose to Russian politics and society today.

The exaggerated rumours that they have taken over virtually every sphere of Russia's political life and grown at a truly staggering rate flourish without any thought given to how plausible these actually are. Just to mention a couple of such misunderstandings that circulate: It is frequently stated that the Interior Troops grew to encompass two million men in the 1990s. This is not likely. In a country that has problems even filling its Armed Forces with conscripts, expanding the Interior Troops on such a scale would amount to something close to a mobilisation drive. That the Ministry of Internal Affairs employs two million men including the police force is quite another matter.¹ Another example is the statement made by the Minister of Finance, Aleksei Kudrin, in 2003 that the government had doubled the budget and tripled the personnel of the Federal Security Service (FSB) in one year. Anyone working in a ministry of service knows that receiving a

¹ See for example, D. R. Herspring (2006) *The Kremlin and the High Command: Presidential Impact on the Russian Military from Gorbachev to Putin*, (Kansas: Lawrence, Kansas University Press), p. 127, who cites Makhmut Gareev. The latter probably had a vested interest in exaggerating the growth of the Interior Troops at the expense of the Armed Forces.

doubled budget is a mixed blessing. Spending twice as much money in a reasonable way with less than a year of planning is virtually impossible – recruiting personnel on the scale that Kudrin implied would cripple the entire organisation entirely (to say nothing of the quality of the people one would be forced to hire on such short notice). Yet this statement circulated in both the Russian and Western press and in research reports as evidence of the growing role of the power ministries.² In fact, the figures neatly match the fact that the FSB took over the Border Troops and parts of the Federal Agency for Government Communication and Information (FAPSI) in that year and thus doubled its budget and tripled its personnel. In other words, the FSB strengthened its role, but not the power ministries as a whole in the way that Kudrin's statement has been frequently used to imply. The role of the power ministries is in fact worrying enough without having to rely on rumours and misconceptions.

Power Ministries – an Analytical Definition

I have chosen the term 'power ministries' even though most of the institutions concerned are in fact not at all ministries, but rather services, agencies and directorates. Only five are ministries. An alternative term would be 'force structures' or 'the Presidential Bloc'.³ However, 'power ministries' is the term most frequently encountered and most Russians have an intuitive feeling for which ministries, services and agencies are concerned. The emphasis is very much on the possibility to use force, but also on other power resources in the form of information gathering capacities etc.

There are a number of possible, and impossible, ways to define the Russian power ministries. Sometimes the focus is on whether the ministry or agency in question has uniformed personnel at its disposal. This is an unfortunate definition, since it could include airline stewards and traffic wardens. A more interesting way of defining the power ministries is to ask whether armed personnel or troops are subordinate to them. This has been done with merit by, for

² See, for example, D. Lynch (2004) *'The Enemy Is at the Gate': Russia After Beslan* (Paris, Institute for Security Studies), Note for the PSC, IESUE/COPS(04)10, p. 8.

³ See also C. Vendil Pallin (2007) 'The Russian Power Ministries: Tool and Insurance of Power', *Journal of Slavic Military Studies*, Vol. 20, No. 1, pp. 2-5.

example, the researchers Nikolai Petrov and Bettina Renz.⁴ Nevertheless, there are a number of analytical problems attached to this way of defining the power ministries. The next immediate question is how heavily armed this personnel must be, or how substantial the armed formations, whether special forces are enough or whether the troops should possess armoured vehicles etc. In addition, one service that is usually considered a power ministry, the Foreign Intelligence Service (SVR), does not seem to have troops at its disposal.⁵

Another way of determining which institutions are the power ministries would be to look at the membership of the Russian Security Council. This is, however, an even more problematic way of defining the power ministries. The entire Security Council consists of 20-25 people, including the head of the Russian Academy of Science – hardly a power ministry. Even when restricting the definition to the inner circle, both speakers of the Federal Assembly are included, as is the head of the Presidential Administration. Meanwhile, the heads of certain services that are usually regarded as power ministries are not members, most notably the head of the Federal Protection Service, the FSO. Other analysts and writers tend to focus on who are the heirs of the KGB. However, this leaves only three services, the FSB, SVR and FSO and one directorate (the Main Directorate for Special Programmes (GUSP)). In other words, it would not include obvious power ministries such as the Ministry of Defence (MoD) and the Ministry of Internal Affairs (MVD).

There is also an even more problematic way of using the term power ministries. Some authors appear to include everything that they find distasteful and unnerving about Russian politics in the definition. In other words, everything from security services to overall corruption and organised crime is brought into the debate.⁶ This way of describing the power ministries is, of course, one that only adds to

⁴ N. Petrov (2002) *Power Ministries and Federal Reform in Russia*, Center for Strategic and International Studies, PONARS, Policy Memo 282, last accessed: 9 February 2006, Last updated: October 2002, address: http://www.csis.org/media/csis/pubs/pm_0282.pdf and B. Renz (2005) 'Russia's "Force Structures" and the Study of Civil-Military Relations', *Journal of Slavic Military Studies*, Vol. 18, No. 4, pp. 561.

⁵ There have been rumours that there is a special unit, *Zaslon*, attached to the SVR, but this has been impossible to verify with any degree of certainty.

⁶ J. Anderson (2006) 'The Chekist Takeover of the Russian State', *International Journal of Intelligence and Counterintelligence*, Vol. 19, No. 2, pp. 237-88.

confusion and misconceptions about the role that these ministries play in Russian politics.

Finally, it is possible to focus on one of the synonyms for the power ministries, 'the Presidential Bloc'. This involves looking into which ministries, agencies and services are directly subordinate to the president.⁷ This legal-technical way of defining the power ministries is not without problems. The most obvious one is that it includes a couple of ministries and directorates that are not normally considered part of this sphere. There is also the problem that legislation on which ministries and services are included has changed over time. However, the definition has distinctive analytical merits as well. First and foremost, it is a clear definition that is easy to work with, which is always a good start. Furthermore, it also has the advantage of drawing attention to the question of why it is imperative for the Kremlin to keep tight control over these. The answer is to be found in the term *power ministries* itself: they are all important ingredients in the Kremlin toolbox for exercising and staying in *power*. This leaves us with five ministries, five services and two directorates, the latter with the status of agencies (see Table 1).

⁷ Article 32 in the Federal Constitutional Law, 'On the Government of the Russian Federation', N 3-FKZ, 31 December 1997, stipulates that a number of ministries, services and agencies are directly subordinated to the president. The number and structure of these after the administrative reform masterminded by Dmitrii Kozak in 2004, were confirmed in Presidential Decree No. 649, 20 May 2004.

Table 1.
Ministries, services and agencies subordinate to the President

Ministry/Service/ Agency		Minister/Director	Member Security Council	Armed troops/ Personnel
Ministry of Internal Affairs	MVD	Army General Rashid Nurgaliev	Yes (inner circle)	Interior Troops SOBR, OMON
Ministry for Civil Defence and Emergency Situations	MChS	Army General Sergei Shoigu	Yes	Civil Defence Troops
Ministry of Foreign Affairs	MFA	Sergei Lavrov	Yes (inner circle)	-
Ministry of Defence	MoD	Anatolii Serdiukov	Yes (inner circle)	Armed Forces Special units
Ministry of Justice		Vladimir Ustinov Colonel General	Yes	-
State Courier Service	GFS	Gennadii Kornienko	No	(armed personnel)
Foreign Intelligence Service	SVR	Mikhail Fradkov	Yes (inner circle)	?
Federal Security Service	FSB	Army General Nikolai Patrushev	Yes (inner circle)	Special units (Alpha, Vypel...)
Federal Service for Control of Narcotics	FSKN	General of the Police Viktor Cherkasov	No	Armed personnel
Federal Protection Service	FSO	Army General Yevgenii Murov Colonel General	No	Pres. Regiment
Main Directorate for Special Programmes	GUSP	Aleksandr Tsarenko	No	Armed troops
Presidential Directorate for Administrative Affairs	UDPRF	Vladimir Kozhin	No	-

The Power Ministries as Useful Political Tools

Of the ministries, services and agencies listed in Table 1, only five have what would amount to armed troops. These are the Ministry of Defence (the Armed Forces), the Ministry of Internal Affairs (the Interior Troops), the Ministry of Civil Defence and Emergency Measures (the Civil Defence Troops), the Federal Protection Service (the Presidential Regiment) and the Main Directorate for Special Programmes. In addition, many of these have special units, as does the Federal Security Service. All the power ministries in Table 1 or their subordinate services and agencies, with the exception of the Ministry of Foreign Affairs and the Presidential Directorate for Administrative Affairs, have personnel that carry arms (with the possible additional exception of the Foreign Intelligence Service – rumour has it that the SVR has a special unit, *Zaslon*, but this is denied by the SVR).⁸

A number of the ministries and agencies mentioned above also supply the Kremlin with what it considers to be highly valuable information. The SVR, of course, mainly delivers foreign intelligence information and analyses. Putin appears to rely upon these to a considerable extent when making foreign policy. Indeed, it has been suggested that Putin relies more on such material than analyses emanating from the Ministry of Foreign Affairs. The FSB and the FSO both furnish the Kremlin with intelligence about domestic actors. In the case of the FSB, it has substantial facilities to monitor, for example, traffic on the internet. There is also every reason to suspect that it has increased its authority to monitor activities of Russians thanks to it becoming the central service in combating terrorism in 2006. The FSO is mainly responsible for communication security, but this probably also allows it to tap the communication systems it supplies. In other words, the FSO could easily furnish the Kremlin with information about the activities of, for example, Duma deputies, ministers and regional

⁸ According to a first deputy director of the SVR, Vladimir Zavershinskii, the SVR made a strategic decision in the early 1990s to have no special units, *Krasnaia zvezda*, 22 February 2006, p.2. The reports that a new special unit, *Zaslon*, was set up in 1998 usually rely on an article that appeared in *Komsomolskaia gazeta* on 4 March 1998 (often they use almost the exact same words). Compare, for example, A. Andriukhin, L. Kallnoma and V. Perekrest (2006) *Ubiits diplomatov budet iskat supersekretnoe podrazdelenie "Zaslon"* [The Super-Secret Units 'Zaslon' Will Search for the Killer of the Diplomats], *izvestija.ru*, 4 July 2006, last accessed: 1 September 2006, address: <http://www.izvestia.ru/politic/article3094308/index.html>.

governors. In addition, the Federal Service for Control of Narcotics (FSKN) also appears to have joined the ranks of the services that compete in gathering valuable information, *kompromat* (Russian abbreviation for compromising material) for possible use in power battles.⁹

Some of the power ministries in Table 1 are important for the Kremlin because it is imperative that no competitor for power controls them. Among these are the State Courier Service (GFS), which is responsible for the delivery of secret documents or objects by hand inside Russia and sometimes within the Commonwealth of Independent States (CIS). In other words, the GFS is an additional means of safe communication. Another example of such a power ministry is the Main Directorate for Special Programmes, which is a successor of the KGB's 15th Directorate and responsible for mobilisation preparations, such as making sure there are alternative premises and communications for central state institutions in the event of war or emergency. Neither of these power ministries has ever been represented in the Security Council. One explanation for this is probably that they are relatively small, but there is also reason to believe that the Kremlin wishes to keep them out of politics and out of the limelight. This is perhaps also the main reason why the head of the FSO, Yevgenii Murov, has not been a member of the Security Council under Putin in spite of the fact that he is reportedly one of Putin's close associates.

Among the power ministries in Table 1, at least a couple stand out as ministries that would not intuitively be included in the definition. Firstly, the Ministry of Foreign Affairs is usually dismissed as a non-entity in Russian politics. However, it is still the MFA that controls the largest domestic foreign policy expertise, both at Arbat in Moscow and within its wide network of embassies abroad. These often provide the basis for analyses and long-term strategies. Furthermore, foreign policy is the domain of the president according to the constitution.

⁹ See the intriguing power battle between the FBS and the FSKN, which came to light when a general of the FSKN, Aleksandr Bulbov, was caught for illegally intercepting telephone communication, RIA Novosti (2007) *Rukovodstvo FSKN ne verit v vinovnost generala Bulbova* [The FSKN Leadership Does Not Believe Bulbov Is Guilty], RIA Novosti, 10 October 2007, last accessed: 12 October 2007, address: http://www.rian.ru/defense_safety/20071010/83322321-print.html and Y. Zapodinskaia and F. Maksimov (2007) *FSB vziala v oborot narkotiki* [The FSB Wins in Narcotics Trade], Kommersant, 4 October 2007, last accessed: 12 October 2007, address: <http://kommersant.ru/doc.aspx?DocsID=811131>.

Another ministry that perhaps stands out is the Ministry of Justice, which has no troops at its disposal (although one of its subordinate services, the Federal Corrections Service, has armed personnel, but such personnel would hardly be the first resort in an armed power struggle on the streets of Moscow). However, its remit is law, which in turn deals with questions of legality and legitimacy in a political system, as well as the crucial question of ownership. If nothing else, the obedience towards the Kremlin that was displayed by the Minister of Justice, Yurii Chaika, during the Yukos affair amply displayed the importance of controlling this Ministry. As always where Russian politics are concerned, the link between power and property assignment cannot be stressed enough.¹⁰

Finally, the institution in Table 1 that perhaps raises eyebrows the most is that of the Presidential Directorate for Administrative Affairs (UDPRF). Behind this rather non-descriptive name one finds an impressive network of assets, such as residential buildings, resorts and hotels reserved for the national leadership. The UDPRF is a crucial power tool to the Kremlin, since it administers the handing out of highly desirable perks and privileges such as apartments, cars and dachas to government officials, members of parliament and members of the Constitutional Court – an activity often referred to as ‘dacha politics’.¹¹ In other words, the UDPRF represents an additional tool in the presidential toolbox for making the state machinery, including both the executive, judicial and legislative branches, march in the direction the Kremlin desires. The UDPRF, with its wide array of business activities, also constitutes an excellent way of channelling money outside the official state budget.¹² Perhaps the most appropriate name for the UDPRF would be the ‘Royal Household’.¹³

¹⁰ I am grateful to Aleksandr Golts for pointing out this vital link during the conference on 17 October 2007.

¹¹ E. Huskey (1999) *Presidential Power in Russia*, (Armonk, New York, M.E. Sharpe), p. 52.

¹² According to the Russian press, the UDPRF was assigned a role when the National Anti-Terrorist Commission (NAK) under the FSB was set up. Companies and industrialists were encouraged to contribute to the funding of NAK. Since the FSB is forbidden by law to receive money from private companies or individuals, this was solved by channelling it through the UDPRF. See D. Butrin (2006) *Antiterror-invest*, Kommersant daily, 9 March 2006, last accessed: 9 March 2006, address: <http://www.kommersant.ru/doc.html?docId=655862> and *Nezavisimaia gazeta*, 13 March 2006, pp. 1 and 3.

¹³ I am grateful to Dmitri Trenin for suggesting this name for the UDPRF.

In other words, all of the power ministries represent vital assets in the power game at the very apex of Russian politics. Anyone familiar with Russian and Soviet history, and Putin has probably done his homework in this field, knows only too well that control over physical power assets such as armed troops and special units is crucial to stay in power.¹⁴ Both in August 1991 and in October 1993, there were battles for political supremacy on the streets of Moscow, where the troops of different power ministries played a crucial role in deciding the outcome. Apart from physical force, the power ministries also provide crucial information and, if handled with care, secure working conditions for the president. In addition, control over the power ministries is a symbol of power in its own right, in a similar manner as possession of the nuclear briefcase or residing in the Kremlin symbolises Russian power. The man in control over the power ministries sends a clear message of being in charge and thus rules the country.

The Power of the Power Ministries

The power ministries are, of course, directly subordinate to the president mainly because of the important means of exercising power that they possess. However, any headlines stating that 'the FSB has taken over' and the like should be taken with a substantial pinch of salt. As mentioned above, Putin – like Yeltsin before him – is a seasoned player in the power games that infest the Kremlin. He would never allow the FSB, even under the leadership of a trusted ally like Nikolai Patrushev, to become a rival centre of power. There is simply no room for such alternative centres in Russian politics, where power is indivisible – one is either in possession of power or not. This, by implication, has serious ramifications for the ways in which Putin can act in order to stay in power after 2008. Any rumours of plans to share power with trusted associates should be treated with caution. If Putin wants to stay in power, he will probably move to secure control of the power ministries. In order to do this, he will not need to change the constitution. He only needs to change the constitutional federal law adopted

¹⁴ Lavrentyi Beria had not done his homework properly and lost the battle with Khrushchev. Although Beria controlled the security services, Khrushchev managed to get these out of the way on the critical day and to enlist trusted officers from the Armed Forces to smuggle arms into the Kremlin in order to arrest Beria. For an account of this event, see, for example, W. Taubman (2005) *Khrushchev: The Man - His Era*, (London, Free Press), pp. 252-5

in 1997 and institute what has been described as para-constitutional changes, i.e. change the constitutional rules of the game without changing the writing in the constitution itself, much the way he has done previously.¹⁵

Even though no power ministry will be allowed by the Kremlin to dominate the scene, they are institutions that have in their possession critical assets, whether in the form of the potential to use physical force or in the form of potent information. In the absence of democratic control over these institutions, the Kremlin has had to resort to a delicate balancing act. Putin, as Yeltsin before him, controls the power ministries by playing them off against each other. This is probably part of the explanation why such a rich plethora of power ministries exists in Russia today. Although the KGB was divided into a number of separate services following the break-up of the Soviet Union mainly as a means of rendering this old institution powerless, the Kremlin would today probably hesitate to rebuild the KGB again simply because it needs to continue balancing the different power ministries against each other. There have been plenty of rumours of plans to restore the KGB and, for example, subordinate the Main Directorate of Intelligence of the General Staff to the SVR. However, Putin has carefully avoided such steps. Apart from his reshuffling of the power ministry landscape in 2003, he has essentially kept the structure he inherited from Yeltsin.¹⁶

As mentioned above, power is intimately connected to property in Russia, where property rights are anything but secured by rule of law.¹⁷ This is a reality that forms the lives of officers and other officials inside the power ministries. There is an intricate web of relationships spanning between the power ministry sphere and some of the most

¹⁵ R. Sakwa (2004) *Putin: Russia's Choice*, (London, Routledge), pp. 54 and 154.

¹⁶ This reshuffling subordinated the Federal Border Service (FPS) with to the FSB and divided the Federal Agency on Government Communications and Information (FAPSI) between the FSB, the FSO and the SVR. The reason for disbanding FAPSI was probably mainly dictated by the high level of corruption and the attention that this had received. The Federal Tax Police Service ceased to exist as an independent service and was merged into the MVD, but simultaneously a new power ministry came into existence, the FSKN, which took over much of its personnel and infrastructure. In addition, a number of agencies were subordinated to other power ministries.

¹⁷ This issue has been addressed by some other contributors to this report, not least Steven Rosefielde and Stephen Blank.

profitable companies in Russia today.¹⁸ This is true not least of the economic sector, which provides rapid profits in foreign currency through the energy sector, export of other raw material and arms. In a way, this increases the power of certain individuals and, by implication, the power ministries that they represent. However, this favourable situation is conditional on the good will of the Kremlin. Since property rights are not exempt from Kremlin machinations, the money flow could be turned off as easily as it was turned on. In other words, the power ministries and their men are even more dependent on the Kremlin. The close link between power and property also makes the stake in the battles for power around the Kremlin even higher.

Implications of the Role of the Power Ministries in Russian Politics

The tendency to demonise the influence of the power ministries and their officials detracts attention from some of the very real problems of the present situation.¹⁹ The functions and the role of the power ministries is problematic for a number of reasons, but not because they have 'taken over' Russian politics as a whole or have come together in an evil conspiracy with the intention of doing so. The most important reason why they will not take over power is that they will only have the power that the president or the Kremlin grants them. Under Putin they have been vested with more power than before, but always at the Kremlin's discretion.

Nevertheless, the influence and authority that the power ministries possess, not least vis-à-vis Russian society, raise ample cause for concern. First of all, the dark Soviet history of power abuse and terror against the country's own population has never been subjected to a thorough debate or open examination.²⁰ The power ministries are very

¹⁸ For one of the best maps of the relationship between the state in general and the so called *siloviki* in particular and the energy sector, see R. Larsson (2006) *Russia's Energy Policy: Security Dimensions and Russia's Reliability as an Energy Supplier* (Stockholm, FOI), Scientific Report, FOI-R--1934--SE, pp. 115-71.

¹⁹ For an excellent overview and critical assessment of the role of so called *siloviki* in Russian government, see Bacon, E., Renz, B. and Cooper, J. (2006) *Securitising Russia: The Domestic Politics of Putin*, (Manchester, Manchester University Press), pp. 22-47. The authors make a cogent case for the need to analyse policy content rather than the past careers of individual officials.

²⁰ A. Knight (1999) *The Security Services and the Decline of Democracy in Russia: 1996-1999* (Seattle, Jackson School of International Studies), The Donald W. Treadgold Papers in Russian East European and Central Asian Studies, No. 23, pp. 8-9 and A. Knight (1997) 'Is the Old KGB Still in Power?' *The Washington Quarterly*, Vol. 20, No. 1, pp. 59-60.

much heirs of this history. Russia never went through the process of a *Vergangenheitsbewältigung* and this is bound to have implications for the way in which the power ministries interpret their role in society. It will be impossible to reform these without first revisiting past injustices, infringements on human rights and corruption in the Soviet era.

Even more problematic, but intimately connected with the issue of coming to terms with past crimes, is the fact that there is no independent and open scrutiny of the activity of the power ministries' present practices. In fact, this is a sphere of Russian political life that is entirely closed to outside control. The decision to create public councils under the auspices of the Public Chamber at each power ministry was hollow and mainly served the purpose of creating an impression of outside scrutiny. The Public Chamber itself is anything but an independent institution. It is yet another example of a para-constitutional Kremlin invention designed to duplicate the Duma and control civil society.²¹ The public councils, in turn, would be created under the auspices of the respective power ministry and be entirely dependent on their good will, as well as financed through their budgets.²² The parliament has little chance to exercise anything but nominal oversight and the judicial branch is heavily politicised and corrupt. Under Putin, the independence of the media, especially those that have national coverage, has been heavily circumscribed and with very little in the way of an independent civil society active, it is difficult to see how there could be anything approaching a systematic and independent scrutiny of the activities of the power ministries.

The democratic problems involved in this state of affairs are obvious. First of all, most if not all of the power ministries are very much involved in politics, rather than the impersonal tools of state machinery that they should constitute. They are the political tools of the Kremlin just as they were in the Soviet era.²³ In other words, they are heavily involved in preparations to secure the victory of the incumbent president in future elections and, moreover, the top officials of each power ministry stand to lose personally from any

²¹ R. Sakwa (2008) *Putin: Russia's Choice*, (2nd) (London, Routledge), pp. 169-73.

²² Presidential Decree No. 842, 4 August 2006.

²³ Knight 'Is the Old...', p. 60 and A. Knight (1996) 'Internal Security and the Rule of Law in Russia', *Current History*, No. 603, pp. 311-15.

other outcome. The services that they can offer the president are many. They provide *kompromat* on potential political opponents; the FSO controls the electronic system for counting votes and the 'Royal Household' is responsible for supplying the Central Electoral Commission with premises and other infrastructure; the heavy-handed methods used previously against political rivals and the opposition, not least by the FSB to produce selective judicial processes, are no doubt in fresh memory. Overall, there are no mechanisms to ensure that basic human rights are not violated by the power ministries. Whereas in Western democracies there is a tendency to increase democratic oversight the more powers are vested with agencies like these, almost the complete opposite appears to be case in Russia. Finally and perhaps most importantly, there is always the implicit threat of use of force if all other power machinations fail, which is usually an even more efficient tool than the use of force itself following Sun Tsu's famous maxim.

Even from a purely Machiavellian perspective, there ought to be reason for concern over the functioning of the power ministries in Russia today. Putin has become hostage to his own vertical of power. He relies on information and protection from these ministries, but has no alternative ways of ensuring that they function optimally except by asking the very power ministries themselves. They in turn seldom have an interest in producing an unbiased report on their state of affairs since they are very much involved in ongoing power battles. To rely on them for disinterested advice would therefore appear a potentially dangerous choice. A Weberian system is not an option in Russia, where corruption is endemic in the power ministry sphere as in others and officials are seldom if ever disinterested in the political power games that are going on around them. In the absence of independent legislative, judicial or other forms of scrutiny, Putin will therefore have to continue to balance his power ministries against each other and pay the price of letting abuse of power, inefficiency, corruption and sheer incompetence continue inside these institutions.

Finally, Putin's tendency to rely on advice from people inside the power ministries and to give them positions in government and industry opens up the possibility of dangerous group think dominated

by the so-called *siloviki* and their Mindset, with the distorted perspectives that this could entail. This could be the explanation why the Kremlin appeared unreasonably heavy-handed in crushing a peaceful demonstration in 2007 that really could not be said to have threatened Putin's position in any way. Whereas most Western commentators would judge the FSB way of handling the hostage crisis at the Dubrovka theatre in 2002 as unsuccessful because 129 people died from the effects of the sedative gas used, the Kremlin appeared happy with the operation and decorated the people in charge of it.²⁴ It could also be the explanation why the Kremlin seriously misjudged the political situation in Ukraine before the Orange Revolution. If the role of the power ministries continues to be what it has been under Putin's presidency, there is reason to fear similar results of group think conditioned by the prevalence of a *siloviki* mindset in the future.

²⁴ Argumenty i fakty (2003) Nagrazhdenie chinovnikov ordenami za operatsiiu na Dubrovke vyzvalo protest boitsov, shturmovaushikh "Nord-Ost", Argumenty i fakty - Press-Tsentr, 4 March 2003, last accessed: 18 April 2006, address: <http://news.aif.ru/news.php?id=10659>.

Bibliography

Anderson, J. (2006) 'The Chekist Takeover of the Russian State', *International Journal of Intelligence and Counterintelligence*, Vol. 19, No. 2, pp. 237-288.

Andriukhin, A., Kallnoma, L. and Perekrest, V. (2006) Ubiits diplomatov budet iskat supersekretnoe podrazdelenie "Zaslon" [The Super-Secret Units 'Zaslon' Will Search for the Killer of the Diplomats], *izvestija.ru*, 4 July 2006, last accessed: 1 September 2006, address: <http://www.izvestia.ru/politic/article3094308/index.html>.

Argumenty i fakty (2003) Nagrazhdenie chinovnikov ordenami za operatsiiu na Dubrovke vyzvalo protest boitsov, shturmavavshikh "Nord-Ost", *Argumenty i fakty - Press-Tsentr*, 4 March 2003, last accessed: 18 April 2006, address: <http://news.aif.ru/news.php?id=10659>.

Butrin, D. (2006) Antiterror-invest, *Kommersant daily*, 9 March 2006, last accessed: 9 March 2006, address: <http://www.kommersant.ru/doc.html?docId=655862>.

Herspring, D. R. (2006) *The Kremlin and the High Command: Presidential Impact on the Russian Military from Gorbachev to Putin*, (Kansas: Lawrence, Kansas University Press).

Huskey, E. (1999) *Presidential Power in Russia*, (Armonk, New York, M.E. Sharpe).

Knight, A. (1996) 'Internal Security and the Rule of Law in Russia', *Current History*, No. 603, pp. 311-315.

Knight, A. (1997) 'Is the Old KGB Still in Power?' *The Washington Quarterly*, Vol. 20, No. 1, pp. 59-74.

Knight, A. (1999) *The Security Services and the Decline of Democracy in Russia: 1996-1999* (Seattle, Jackson School of International Studies), *The Donald W. Treadgold Papers in Russian East European and Central Asian Studies*, No. 23.

Larsson, R. (2006) Russia's Energy Policy: Security Dimensions and Russia's Reliability as an Energy Supplier (Stockholm, FOI), Scientific Report, FOI-R--1934--SE.

Lynch, D. (2004) 'The Enemy Is at the Gate': Russia After Beslan (Paris, Institute for Security Studies), Note for the PSC, IESUE/COPS(04)10.

Petrov, N. (2002) Power Ministries and Federal Reform in Russia, Center for Strategic and International Studies, PONARS, Policy Memo 282, last accessed: 9 February 2006, Last updated: October 2002, address: http://www.csis.org/media/csis/pubs/pm_0282.pdf.

Renz, B. (2005) 'Russia's "Force Structures" and the Study of Civil-Military Relations', Journal of Slavic Military Studies, Vol. 18, No. 4, pp. 559-585.

RIA Novosti (2007) Rukovodstvo FSKN ne verit v vinovnost generala Bulbova [The FSKN Leadership Does Not Believe Bulbov Is Guilty], RIA Novosti, 10 October 2007, last accessed: 12 October 2007, address: http://www.rian.ru/defense_safety/20071010/83322321-print.html.

Sakwa, R. (2004) Putin: Russia's Choice, (London, Routledge).

Sakwa, R. (2008) Putin: Russia's Choice, (2nd) (London, Routledge).

Taubman, W. (2005) Khrushchev: The Man - His Era, (London, Free Press).

Vendil Pallin, C. (2007) 'The Russian Power Ministries: Tool and Insurance of Power', Journal of Slavic Military Studies, Vol. 20, No. 1, pp. 1-25.

Zapodinskaia, Y. and Maksimov, F. (2007) FSB vziala v oborot narkotiki [The FSB Wins in Narcotics Trade], Kommersant, 4 October 2007, last accessed: 12 October 2007, address: <http://kommersant.ru/doc.aspx?DocsID=811131>.

Second Session: The Military Agenda

3. ENFORCING 'MILITARY SOLUTIONS' IN THE NORTH

CAUCASUS: ACCUMULATED EXPERIENCES IN CONFLICT (MIS)MANAGEMENT

Dr. Pavel Baev

Introduction

For every Russian 'power structure', from the Armed Forces to the Federal Service for Control over Trafficking of Narcotics (*Gosnarko-kontrol*) and the Ministry of Emergencies, the North Caucasus has generated the most acute security challenges throughout the 16 years of Russia's new history. Many of these challenges have escalated to the level of armed conflicts, and if the experiments in conducting 'peace operations' that Moscow staged in the early 1990s were of peripheral importance, the wars in Chechnya provided the real formatting experience first of all for the Army, but also for most other agencies that possess enforcement capabilities.¹ In the course of that formatting, many structural conflicts inside and between these agencies have emerged and crystallised, so Chechnya can be seen as the point of origin of the 'clan wars' that currently bedevil the 'power structures'. The situation in the region currently appears more stable than it has ever been since the astonishing collapse of the USSR, but many factors of instability continue to operate, so it is essential both to assess the readiness of the security apparatus to withstand a possible

¹ My first examination of these engagements was Pavel Baev, 'Russia's Experiments and Experience in Conflict Management and Peacekeeping', *International Peacekeeping*, vol. 1, no. 3, Autumn 1994, pp. 245-260; more updated analysis is in Pavel Baev, 'The Challenge of "Small Wars" for the Russian Military', in Anne Aldis & Roger McDermott (eds), *Russian Military Reform 1992-2002*. London: Frank Cass, 2003. One of the best sources on this problem is Roy Allison, 'Russia, regional conflicts, and the use of military power', in Steven E. Miller & Dmitri Trenin (eds), *The Russian Military: Power and Policy*. Cambridge MA & London: The MIT Press, 2004.

new wave of instabilities and to contemplate the degree to which this apparatus could itself be a source of security risks in the North Caucasus – and in Moscow as well.

The Nature of Challenges and Risks

One remarkable feature of the First Chechen War was its very limited spill-over beyond the southern part of the mutinous republic; the Second War, while triggered by the armed incursion from Chechnya into Dagestan, was also contained for a few years and it was only in 2004-2005 that the Northern Caucasus succumbed to a seemingly unstoppable destabilisation. There is no space here to elaborate on the dynamics and the drivers of that process, but it can be briefly noted that the combination of guerrilla and terrorism that the federal forces encountered first in Chechnya and then in its immediate and broader regional neighbourhood was in itself nothing exceptional; Western armies faced similar elusive enemies on numerous occasions, from Malaya and Algeria to Iraq. However, that combination was greatly complicated by the spectacular ethnic diversity across the North Caucasus, by the growth of underground Islamic networks (*jamaats*), and underpinned by a sea of social troubles (from corruption to unemployment); what made that bouquet of problems truly unique was that it grew on domestic soil.² On the one hand, that was an advantage in applying military instruments for countering these challenges since there was no need to bother about mandates or legitimacy; on the other hand, it was not possible to isolate these problems by fortifying a border or erecting a *cordon sanitaire*, while there was also no way to excise these problems when they became serious.

One peculiar consequence of this protracted struggle with ‘internal enemies’ is that the North Caucasus has in public perception become a not entirely organic part of the Federation. Somewhat in the same way as the relations with the post-Soviet states – which are no longer called but still seen as ‘near abroad’ – are not quite foreign policy, the relations with the North Caucasian republics are not quite domestic

² My assessment of that complex challenge is in Pavel Baev, ‘Shifting battlefields of the Chechen war’, *Chechnya Weekly*, 20 April 2006 (http://jamestown.org/chechnya_weekly/article.php?articleid=2372456).

policy; the region has essentially become an alien territory in the homeland. That attitude can be seen in Putin's lightning visit to Makhachkala in summer 2005, when he ordered new units to be deployed and the border to be sealed in order to protect the resorts of Mineralnye Vody, as if the escalating violence in Dagestan was of little importance in itself.³ Ethnic clashes in Kondopoga, Kareliya, in August-September 2006 revealed widespread suspicions and even anger against the Chechens and strong prejudices against the 'Caucasians', no matter whether they were compatriots from the North or foreigners from the South.

The unconstrained use of force in this 'inner abroad' in 2004-2005, including massive 'hunts' for terrorists in the mountains and use of tanks for storming their urban hiding places, proved inefficient in containing instability that culminated in the armed uprising in Nalchik in October 2005.⁴ Putin saw the rising threat and opted for re-negotiating the informal pacts with the local elites, arranged by his energetic envoy in the region Dmitri Kozak, replacing the most hated figures in Dagestan and Kabardino-Balkaria and expanding the flow of federal funding. That has indeed secured a break in the trajectory of escalation and since the start of 2006 the security situation has started to improve – contrary to the multiple dire warnings about the fast-approaching security meltdown.⁵ At the end of 2007, against the background of incessant terrorist attacks and clashes in Ingushetia, it is still uncertain whether the North Caucasus is moving towards a durable stabilisation or merely enjoying a lull in hostilities.

The Upgrading and Degrading of Combat Capabilities

The protracted engagement in combat operations of various kinds in the North Caucasus has provided plentiful food for thought about the requirements in particular capabilities, first of all in the Armed Forces but also in other 'power structures'. Back in summer 1999, the Army

³ See on that Yulia Latynina, 'Boots in Dagestan', *Ezhednevny zhurnal*, 18 July 2005 (<http://www.ej.ru/?a=note&id=1443>).

⁴ For a sharp instant analysis, see Georgi Derluguian, 'Nalchik as Russian Andijan', *Izvestia*, 18 October 2005.

⁵ See for instance John B. Dunlop & Rajan Menon, 'Chaos in the North Caucasus and Russia's future', *Survival*, vol. 48, no. 2, Summer 2006, pp. 97-114; Pavel Baev, 'Contre-terrorisme et islamisation du Caucase du Nord', *Politique étrangère*, vol. 70, no. 1, pp. 79-89.

faced great difficulties in blocking a very limited incursion from Chechnya into Dagestan and managed to repel it only with direct support from the local population. In only a few months, however, the General Staff organised a massive offensive into Chechnya and succeeded in capturing all the key rebel strongholds during summer 2000. The key lesson that the top brass was inclined to draw from that victory was about eliminating any political control over (or restrictions on) the use of deadly force – and that was a lesson that the Commander-in-Chief was definitely not prepared to contemplate.⁶

That clash of conclusions caused many shortcomings and deviations in building up and modernising the military structures that may appear inexplicable from the point of view of rational channelling of available resources towards the most urgent needs. Indeed, hostilities in the North Caucasus have proven the need for upgrading and expanding capabilities for ‘doing’ local conflicts beyond doubt; however, an ‘impartial’ observer might be astonished to discover how little was really accomplished in all the years of Putin’s presidency, when finding money was becoming less and less of a problem, in meeting this obvious need.

Perhaps the most apparent shortcoming in conducting counter-guerrilla operations across the rugged terrain is the lack of modern equipment for maintaining secure communication with and between units and for collecting real-time intelligence. However, the concept of a computerised battlefield still remains in the realm of science fiction for the Russian Army, as its C³I systems have hardly seen any modernisation, while much presidential attention has been given to advancing the programme for building the global navigation system GLONASS that should be able to replace for Russian users the habitual GPS controlled by the US.⁷

⁶ In the 2006 Address to the Federal Assembly, Putin opened the part devoted to strengthening the military with an emotional reflection: ‘I remember very clearly a conversation I had with the chief of General Staff at that time... In order to effectively repel the terrorists we needed to put together a group of at least 65,000 men, but the combat ready units in the entire army came to only 55,000 men, and they were scattered throughout the entire country. Our armed forces came to a total of 1,400,000 men but there wasn’t enough men to fight. This is how kids who had never seen combat before were sent in to fight. I will not forget this ever. And it is our task today to make sure that this never happens again.’

⁷ See on this Viktor Myasnikov, ‘Moving ahead of own plans but lagging behind the US’, *Nezavisimoe Voennoe Obozrenie*, 2 November 2007.

Some structural reforms in the military organisation apparently go against the practical requirements stemming from the tasks in the complex security emergencies in the North Caucasus. The best example is provided by the Army Aviation, which is intended to provide invaluable close air support to troops operating in mountains and perform key transport and supply functions. Despite its obvious close ties with the Army, this force was transferred to the Air Force, where the needs of helicopter units were seriously neglected and the programme for replacing the fleet of ageing Mi-24 work-horses has been de-prioritised.⁸ In the environment of terrorism/mountain guerrilla warfare, highly-trained professional special forces have proven their great value, but instead of gathering those under one command, the choice was made to build many different special forces under various 'power structures' (including regional SOBRs in the Interior Ministry, *Spetsnaz* in the Interior Troops and *Spetsnaz* under the Main Intelligence Directorate, GRU) competing with one another and building local support networks and extensions. The FSB, which has its own special forces, has only nominal supervision over these activities through the so-called Operational Control Groups (*Gruppy operativnogo upravleniya* – GrOU) created in every republic of the North Caucasus for executing counter-terrorist operations.

The combined potential for enforcing law and order may have increased but nothing resembling the integrated Mobile Forces envisaged by the military planners in the early 1990s has taken shape. Indeed, the political leadership has placed a far greater emphasis on various (and not particularly successful) projects related to the Strategic Forces than on building efficient instruments for partaking in local wars and low-intensity conflicts. The main reason for such reluctance to prioritise the most apparent need can only be found in Putin's concern about creating a powerful combat force that would not be entirely loyal and could develop its own political agenda.

⁸ On the controversial choice of Mi-28N for the main combat support helicopter see Aleksandr Babakin, 'More was expected from the "Hunter"', *Nezavisimoe Voennoe Obozrenie*, 25 August 2006; the current plan prescribes the complete deployment of this new generation of helicopters by 2015; see 'Rearmament to Mi-28N to be completed by 2015', *RIA-Novosti*, 24 October 2007 (http://www.rian.ru/defense_safety/weapons/20071024/85279236.html).

In the last couple of years, as the intensity of immediate security challenges in the North Caucasus has gradually declined, more efforts have been channelled towards building combat-capable units in the region. Typically, it is not the politically doubtful Airborne Troops that have been granted privileges in funding and supply but the Marine brigade of the Caspian Flotilla, based in Kaspiisk, Dagestan, and particularly the two newly-created mountain brigades, based in Dagestan and Karachaevo-Cherkessia.⁹ A few other units based in the North Caucasus, including Chechnya, have also improved the quality of manpower and training.¹⁰ This upgrading of select assets has secured for Moscow a usable 'free capacity' in military capabilities that could be projected southwards but has limited mobility for engaging in political power battles in the capital.

The Transformation of Corporate Cultures

Besides the direct impact on the composition of forces and their capabilities, the protracted exposure to the violent environment of the North Caucasus has caused a serious internal mutation in every 'power structure'. Chechnya in particular has left a deep imprint on the officers and servicemen who experienced the routine brutality of this 'restoration of constitutional order', which did not generate any 'battlefield camaraderie', so there is hardly any affinity between the veterans even inside particular agencies. The common professional traits are contempt for law, disregard for the value of human life, deep mistrust in cooperation with other 'power structures', and readiness to apply brutal force in any conflict situation.

It could be logically expected that it would be the Armed Forces, and particularly the Army, that would have been the most profoundly affected by the irregular but extremely stressful and demoralising hostilities in Chechnya. Indeed, the initial phase of the Second Chechen War, which was seen by the military, and to a large degree also by the public, as 'closure' for the humiliating defeat three years

⁹ On the problems with readiness of these brigades, see Igor Plugatarev, 'For the Olympic peace', *Nezavisimoe Voennoe Obozrenie*, 19 October 2007.

¹⁰ Vitali Shlykov shared his impression from visiting the 19th Motor-Rifle Division based in Ingushetia, which had one regiment manned entirely by contract servicemen and maintained a rigorous program of combat training, while performing no particular 'policing' functions in the violently unstable republic.

previously, provided a strong transformative impact on the self-perception in the Army. It could be argued that at that point the 'warrior' culture reached its zenith, while the widespread bureaucratic culture was in decline.¹¹ This shift in the professional 'code of conduct' was, however, rather short-lived. President Putin had his reasons to worry about the loyalty of the 'Chechen warriors', so he promoted to the top positions in the General Staff and in the Army Command generals with no combat experience (for instance General Aleksei Maslov, Commander of the Army; his first deputy General Aleksandr Morozov; his deputy and head of the armaments Yuri Bychkov, not to mention the Chief of the General Staff General Yuri Baluevsky), while at the same time carefully moving the 'heroes' of Chechnya into political positions of peripheral importance. In the absence of the corps of professional sergeants, there is little institutional capacity in the ranks to preserve the combat experience on the level of units, particularly since about a third of platoon commanders are in fact graduates of civilian colleges called up for their compulsory two years of service.¹² The pattern of rotating units through Chechnya was discontinued in 2004-2005, so junior officers have had few chances to acquire that particular kind of psychological trauma. Overall, the influence of the brutal war has been deliberately isolated and dissipated remarkably quickly; some traces of it could perhaps be found in the practice of brutal bullying (*dedovshchina*) in the barracks (the term *dedovshchina* has entered international discourse on a par with *zachistka* (cleansing operation) and *razborka* (dismantling)).

Probably a more serious and lasting impact can be found in the various military and paramilitary structures that are subordinate to the Ministry of the Interior. The special militia forces OMON, which exist in every region of the Russian Federation, are still rotating through Chechnya and patrolling the key urban centres (unlike the military units, which mostly keep to their bases). Since these units are entirely professional, many officers have performed several tours of

¹¹ My reflections are in Pavel Baev, 'The Plight of the Russian Military: Shallow Identity and Self-Defeating Culture', *Armed Forces & Society*, vol. 29, no.1, Spring 2002, pp. 129-146.

¹² This practice is supposed to stop in 2009; see Aleksandr Golts, 'Army: 2009 Problem', *Ezhednevny zhurnal*, 28 August 2007 (<http://www.ej.ru/?a=note&id=7350>).

duty in the North Caucasus. The same goes for the special rapid-reaction units SOBR, and even in the Interior Troops, which fill their ranks through the draft, most officers and warrant-officers, particularly in the *Spetsnaz*, have experienced counter-terrorist operations first hand.¹³ It is possible that many problems inside this complex 'power structure', from the excessive brutality of OMON in maintaining crowd control to the growth of criminal networks known as 'werewolves in uniform', are rooted in the exposure to violence in the North Caucasus. What is certain is that the Ministry of the Interior has turned a blind eye to the problem of clan-type criminalisation of local law enforcement in this region and has no control whatsoever over the paramilitary structures in Chechnya built by Ramzan Kadyrov.

It is difficult to assess the impact on the professional culture of the FSB, as some elements of this ultimate and multi-functional 'power structure' have had significant exposure to the conflicts in the North Caucasus, while others have had none at all. One feature that can be distinguished is that the Border Service, which in the 1990s developed an independent profile and a particular 'esprit de corps', has lost much of that since being taken over by the FSB in March 2003. More broadly, it can be suggested that the experiences in Chechnya have contributed much to strengthening the typical FSB pattern of claiming control without taking any responsibility, interfering with the activities of the military and work of other agencies and always putting the blame for failures on them. This habit of arrogant superiority and invincibility has been developed as professionalism in monitoring the drivers of instability and building intelligence networks has declined. Suppression of information, faking success stories and spinning rumours have become the tools of choice for the FSB in conducting its 'war on terror'.

The Plague of Corruption

One phenomenon that pertains both to the capabilities and the corporate cultures of the 'power structures' and has particular connection

¹³ See the interview with General Nikolai Rogozhkin, Commander of the Interior Troops, in Viktor Litovkin, 'The Interior Troops have been fighting for 20 years', *Nezavisimoe Voennoe Obozrenie*, 21 September 2007.

to their exposure to the instability in the North Caucasus is corruption. Many 'wars on corruption' have been proclaimed in the course of Putin's strengthening of the 'executive vertical', but the well-proven result has been the growth of this rot to an unprecedented scale.¹⁴ It does not take great insight to suggest that the law enforcement mechanisms and the military structures are deeply affected, but a particular point here is that their protracted involvement in managing conflicts of various kinds in the North Caucasus has significantly contributed to the spread of particularly gruesome forms of corruption in the ranks.¹⁵

One factor here is that the neo-patrimonial regimes that have crystallised in the republics of the North Caucasus constitute an inherently corrupt political environment where local law enforcement not only co-exists but actually merges with organised crime. That picture was vividly painted in the so-called 'Kozak report' leaked to the press in mid-2005, but the subsequent increase in federal funding for these regimes has only stimulated further growth of corrupt clan structures.¹⁶ Exactly how this highly contagious social disease spreads upwards in the hierarchies of the Interior Ministry and State Prosecution is scarcely possible to trace but the readiness in the federal centre to ignore the republican excesses (unless they directly trigger public unrest, as was the case in Karachaevo-Cherkessia in autumn 2004), is quite possibly generously rewarded.

Another factor is the nature of the hostilities, first of all in Chechnya, where with the discontinuation of large-scale military operations in 2002-2003, a rather peculiar pattern of relations with the 'enemy' has evolved, including trade in hostages and corpses (this bargaining is typically combined with extreme brutality) and uncoordinated attempts by various agencies (as well as the personal guard of Ramzan

¹⁴ In the 2007 *Corruption Perception Index*, Russia shared the 143 place with Gambia, Indonesia and Togo (score 2.3); that signified a retreat from the 121 place in 2006 shared with eight other states (score 2.5); see *Transparency International* (<http://www.transparency.org/>).

¹⁵ Penetrating and updated analysis can be found in Brian Taylor, 'Power ministry corruption and violence in the North Caucasus', paper presented at the 48th Annual Convention of the International Studies Association, Chicago, February 2007 (available at <http://isanet.ccit.arizona.edu/chicago2007/>).

¹⁶ The 'Kozak report' is carefully evaluated in Blandy C.W. 'North Caucasus: On the brink of far-reaching destabilisation', *Caucasus Series* 05/36, Conflict Studies Research Centre, Defence Academy of the UK, 2005. Sharp analysis of neo-patrimonialism is in Georgi Derluguian, 'The coming revolutions in the North Caucasus', *PONARS Memo* 378, Washington: CSIS, December 2005.

Kadyrov, known as '*kadyrovtsy*') at buying the rebels over to 'our side'. The lack of supplies for military units and the spectacular growth of alcoholism in the ranks have stimulated the growth of barter trade with 'trophy' and weapons. The wide-spread cheating on the servicemen who signed contracts for a tour of duty in Chechnya encouraged these *kontraktniki* to compensate for the unpaid bonuses by looting or demanding bribes at checkpoints. The deeper impact of these extreme forms of corruption is not only in turning Chechnya and many other areas in the North Caucasus into zones of total lawlessness, but also in spreading across the state such norms of civil war as the low value of human life by the 'power structures' that have become agents of decomposition of the system of governance based on the absolute dominance of the executive power.¹⁷

The Patterns of Interaction

It has always been clear for the Kremlin that an efficient strategy for combating insurgency and terrorism in the North Caucasus must include close cooperation between the 'power structures' concerned, so the United Grouping of federal forces was created as the mechanism for enforcing such a cooperation in the Chechen war zone. Initially it was a military command, but in the second year of the campaign the control was transferred to the FSB and one year later to the Interior Ministry, which still formally remains in charge. In neither setting has the mechanism worked with sufficient efficiency, as the military remains reluctant to work together with various agencies inside the Interior Ministry (where, for instance, OMON and SOBR units have never had much regard for one another), while the FSB has always acted on its own agenda disregarding the interests of others.¹⁸ As Ramzan Kadyrov strengthened his grasp on the 'post-war' situation in the republic, the role of the United Grouping has shrunk, though it could be pointed out that none of the 'power structures' really supported the model of 'Chechenisation' and in the last couple of years, the forces of the Interior Ministry have been increasingly

¹⁷ For an in-depth analysis of the specific features of corruption in the Armed Forces, see Tor Bukkvoll, 'Their hands in the till: Scale and causes of Russian military corruption', *Armed Forces and Society* (forthcoming).

¹⁸ Elaborate analysis of this non-cooperation is in Mark Kramer, 'The perils of counter-insurgency: Russia's war in Chechnya', *International Security*, vol. 29, no. 3, Winter 2004/2005, pp. 5–63.

pushed by *kadyrovtsy*, who also do not shy away from dismantling the units and networks organised by the GRU and the FSB. Kadyrov insists on answering only to President Putin and persistently raises the question about withdrawing OMON units and other 'redundant' elements of federal control.

As for the broader North Caucasus, cooperation between the military and other 'power structures' has remained practically non-existent, with every determined rebel attack – from Nazran (June 2004) to Beslan (September 2004) and Nalchik (October 2005) – causing a crisis in organising a forceful response and with every agency issuing orders to its units and the republican authorities being unable to assert leadership. The office of the presidential envoy to the Southern administrative district has never had any authority over the military or other federal 'armed agencies', and even with the appointment of Dmitri Kozak to that post in the aftermath of the Beslan tragedy, nothing resembling a coordination mechanism was established. Instead, Operational Control Groups (GrOU) were set up in every republic, officially comprised of representatives from key 'power structures' formally under the authority of the Interior Ministry; in fact, the officers in charge were seconded from the FSB. Their operations have been far from impressive: Typically, local police come under fire checking a suspicious house, then the GrOU arrive on the scene bringing reinforcements of various kinds and engage in a long fire-fight, often resolved with the arrival of a tank requested from the nearest regimental base.¹⁹ The anti-terrorist exercises in the North Caucasus Military District, which have been conducted with increasing frequency and scale, demonstrate a far smoother interaction between military units and the Interior Ministry forces, but two significant players in real-life operations are absent from such simulations: the FSB and local law enforcement. To all intents and purposes, these exercises provide far better training for projecting power in the immediate southern neighbourhood than for exterminating rebels in the Caucasian 'inner abroad'. As for enhancing inter-service cooperation in 'domestic' security emergencies, this hard task

¹⁹ Several battles of this kind took place in Dagestan in late September - early October this year, see 'Special operation in Makhachkala ends with the death of two rebels', *Newsru.com*, 9 October 2007 (<http://newsru.com/russia/09oct2007/specoper.html>).

is not beyond the realm of feasible, while some enforcement could be necessary, but the FSB, instead of taking the leadership in addressing it, more often than not acts as a spoiler, pursuing its own parochial interests and playing on easily exploitable contradictions between the 'comrades-in-arms'.

The 'Issues' Come to Moscow

The systematic character of tensions and squabbles between the 'power sub-structures' in the North Caucasus has ensured that these conflicts are translated upwards along the chains of command and affect the interactions between the leadership of these 'super-structures'. Only some particular elements inside these 'armed agencies' have been profoundly transformed by the multiple exposure to brutal violence (for instance, the OMON units), but informal networks of Chechen veterans have gradually expanded and become the main accumulators of inter-agency hostility.

It was in the Army that the growth of these networks was the most active and self-propelling at the start of the decade – and that was a matter of serious concern for Putin and the narrow circle of his courtiers. He delegated the responsibility for undermining this 'Chechen cabal' to his trusted lieutenant Sergei Ivanov, who was appointed Defence Minister with the mandate to secure the loyalty of the military by providing the necessary reassurance against any radical reforms. With the removal of General Kvashnin from the post of Chief of General Staff in summer 2004, that task was essentially fulfilled, with the ironic twist that the reason for giving him the sack was the rebel attack on Nazran on 22 June, in which – unlike in the disastrous federal assault on Grozny in the last days of 1994 – he was not a guilty party. With Kvashnin's departure, the tamed top brass lost any independent political profile, so Putin felt safe enough to promote such a complete outsider as Anatoly Serdyukov to the position of Defence Minister in February 2007; a cadre move that signified the rise of a new political clan.²⁰

²⁰ On Serdyukov's careful reshuffling of the 'deadwood' in the MoD, see Viktor Myasnikov, 'Cadre maneuvering in the Arbat military district', *Nezavisimoe Voennoe Obozrenie*, 21 September 2007.

What was even more significant in that development was the noticeable decline of political influence of the seemingly almighty FSB, which has been caused by multiple opaque factors, including the gradually accumulating reputation damage inflicted in the North Caucasus. While the murky horror story with two explosions in Moscow at the very start of Putin's 'era' is yet to be investigated, there is no doubting the fact that Russia's capital experienced an enormously painful series of terrorist attacks in the first half of this decade, linked directly to the war in Chechnya. The FSB firmly denied any responsibility for meeting that security challenge and it was only in February 2006, when it became clear that the attacks had inexplicably stopped, that the FSB assumed leadership in the 'war on terror' in the newly-created National Anti-Terrorist Committee (NAC), which has been regularly issuing authoritative statements about dozens of prevented acts of terrorism.²¹

It would be hard to expect that Putin would subscribe to such blatant cheating, even if the 'for-your-eyes-only' reports are greatly more substantiated; he also has good reason to believe that 'colleagues' from Lubyanka and Yasenevo did set him up with the high-resonance murders of Anna Politkovskaya and Aleksandr Litvinenko in autumn 2006. It appears entirely possible that Putin might develop a grudge against and mistrust in the FSB also because he is confident that 'normalisation' in Chechnya has been achieved in the course of implementing his plan for 'Chechenisation' focused on Ramzan Kadyrov, very much against the recommendation of special services that insisted on creating several mutually counter-balancing centres of power in the devastated republic. Much the same way, Putin has reason to believe that his cadre policies and targeted financial interventions have contributed far more to the stabilisation of the North Caucasus than the 'take-no-prisoners' counter-terrorist operations.

With the appointment of Viktor Zubkov as the Prime Minister and the re-appointment of Anatoly Serdyukov as the Defence Minister in September 2007, it has become clear that the constellation of Kremlin political clans has become more complex and less dominated by the

²¹ See Yulia Latynina, 'On preventing assassination attempts', *Ezhednevny zhurnal*, 16 October 2007 (<http://www.ej.ru/?a=note&id=7470>).

FSB than had been stated by many analysts at the start of the year.²² The fear of losing control over the re-formatting of structures of power caused by Putin's increasingly probable departure has triggered an escalation of the 'internecine feud' between special services, which has even burst into public debates.²³ It is beyond the topic of this analysis to examine the battles and campaigns of this 'war', but it is possible to suggest that the combat experiences acquired in Chechnya might influence its character and put the relatively peaceful *siloviki* from taxation and financial monitoring services (which form the main cadre of the Zubkov-Serdyukov clan) at a relative disadvantage.

The Road Ahead

The significant reduction in violent instability in the North Caucasus since mid-2006 involves two kinds of uncertainty. Firstly, it is not clear at all whether this trend is sustainable, as many factors of instability continue to work against it.²⁴ Chechnya remains outside Moscow's control and Ramzan Kadyrov's demonstrated loyalty to Putin is as questionable as his ability to wield power in a responsible way. Dmitri Kozak's departure to Moscow might upset the fragile ethno-political balance in Dagestan. Already next year, the federal centre could discover that the demand for money as the main instrument for containing conflicts in the North Caucasus exceeds the supply from the state budget.

The second uncertainty is even more risk-prone as it involves the currently available 'free capacity' in military capabilities in the North Caucasus. While Putin has shown reasonable restraint in experimenting with power projection, the level of hostility in relations with Georgia has reached such a high level that a new salvo of aggressive rhetoric could create an imperative for action. In the midst of indecisive squabbles for power in Moscow, the option of a 'small-&-successful' war may appear useful for several competing clans, but in a Tbilisi

²² One example is Daniel Treisman, 'Putin's Silovarchs', *Orbis*, Winter 2007, pp. 141-153.

²³ See Viktor Cherkosov, 'We cannot let the warriors become traders', *Kommersant*, 9 October 2007; my brief comment is in Pavel Baev, 'Infighting among Putin's *siloviki* escalates to a "clan war"', *Eurasia Daily Monitor*, 11 October 2007 (http://jamestown.org/edm/article.php?article_id=2372492).

²⁴ I have looked into this issue in Pavel Baev, 'The targets of terrorism and the aims of counter-terrorism in the North Caucasus', paper presented at the 48th annual convention of the International Studies Association, Chicago, February 2007 (available at <http://isanet.ccit.arizona.edu/chicago2007/>).

engulfed by bitter political crisis, agent provocateurs are also aplenty, so these combined efforts could easily get Georgia into deep trouble. A direct march on Tbilisi may be too risky for the Russian battalions, which in real terms are not as big as their antagonists tend to imagine, but a combined assault on Poti from land and sea may be feasible. That quite possibly would make Russia a 'rogue state' in the European security system, but such a status may be entirely suitable for the post-Putin regime, which could drop the wishful epithet from the definition of 'enlightened authoritarianism'.

4. MILITARY REFORM AND ITS IMPLICATIONS FOR THE MODERNISATION OF THE RUSSIAN ARMED FORCES

Vitaly Shlykov

First of all I would like to point out that application of the term 'military reform' to the processes that have been taking place in the Russian Armed Forces over the last 15 years is, in my opinion, at least inappropriate. Let me explain.

The term 'military reform' was brought into public discussion in a speech in 1987 by Mikhail Gorbachev, when he said that the military was in need of reform.

Contrary to the general perception, the Soviet military never denied the need for reform. In June 1990 the Soviet Defence Minister Marshal Dmitry Yazov stated that "the military reform in the army has been already transformed for the last five years from theory into practical policies".

Some of the changes introduced under the 'military reform' were quite significant indeed. From 1 January 1989, the conscription of students of institutions of both higher and so-called middle professional education was stopped. On 11 July 1989 this decision was made retroactive, leading to the discharge from the army of all 176 000 students drafted in 1986-1988. In addition, several exemptions from the draft were introduced.

However, another innovation of the perestroika years led to a deep confusion over the term 'military reform', a confusion not overcome to this day. On 28 March 1988 the Interior, Border Guard and Railroad troops were excluded from the Armed Forces and made separate

entities under their own command. That decision led to the introduction of the new meaning of the term 'military organisation', which until then was the synonym for 'Armed Forces'. Even the KGB was considered part of the Armed Forces. Taken for purely tactical reasons — to reduce the official strength of the Soviet Armed Forces in the Vienna talks on the reduction of the conventional armed forces in Europe — that decision had a profound effect on the role of the Ministry of Defence, the effect leading after the collapse of the USSR to the birth of a whole plethora of independent armed organisations of the Russian state (varying in number from 15 to 17), also known as the '*siloviki*' (Federal Security Service, Interior troops, Emergency Situations Ministry, Justice Ministry and others, including the Ministry of Defence), loosely united under the term 'military organisation'. Most of these are actually parallel armies, whose combined strength substantially exceeds that of the Armed Forces proper. Speaking in December 2003 during his annual call-in Q&A session, President Vladimir Putin mentioned for the first time the official number of 'military personnel and those equal to them in status' in Russia: some four million (not including the police forces of the Ministry of the Interior, the so-called militia, more than one million strong).¹

Of the four million armed personnel mentioned by Putin, the Ministry of Defence (the Armed Forces proper) numbered less than a third, namely 1 132 000 service persons as of 1 January 2004.

While the strength of the army was curtailed by more than a half (from 2.3 million in 1992) between 1992 to 1994, other *siloviki* forces expanded, some of them drastically.

A case in point is the Emergency Situations Ministry (Ministry of Civil Defence, Emergencies and Disaster Relief, briefly EMERCOM). It was established in November 1991 by President Yeltsin, first as a State Committee of the Russian Government and later transformed into a full-fledged Ministry. It now numbers several hundred thousand personnel with its own aviation and special forces. Sergei Shoigu, who

¹ Excerpts from the President's Live Television and Radio Dialogue with the Nation. December 18, 2003. <http://www.kremlin.ru/eng/speeches/2003/12/18/1200_type82916type82917type84779type148987_57480.shtml>

has been in charge of EMERCOM since its creation and who never served in the military even as a private, became a four-star general. According to jealous MoD officials, it has now four times as many generals per thousand personnel as the MoD.

The history of Soviet and Russian military reform is usually presented by its proponents as their long fight against the conservative military leadership, which has been stubbornly opposing and foiling all efforts at reform. It should be noted that from the very beginning, the meaning of 'reform' was understood by both its supporters and opponents very narrowly, namely as a transition from the draft to a voluntary recruitment of the soldiers.

Actually, the military leadership never opposed the voluntary army on principle. What it objected to was an immediate transfer to it, demanded by the reformers. On 19 October 1990 the Soviet Defence Minister Dmitry Yazov approved a formal plan for military reform, foreseeing a step-by-step introduction of the contract recruitment system in the army.

After the collapse of the USSR it was generally assumed that military reform would soon follow. In September 1991 a special 'Committee for Preparing and Implementing Military Reform' was established, assigned to the State Council of the USSR, headed by Mikhail Gorbachev. The Committee was headed by General Konstantin Kobets, Russia's first Defence Minister. However after Gorbachev's resignation in December 1991 the Committee was dissolved without leaving a trace of its activities.

The new Russian Ministry of Defence, formed in May 1992, also accepted at first the need for military reform. To prepare a plan for it the Ministry formed its own 'Department of Military Development and Reforms'. However in 1994 the department was renamed the 'Department of Military Policy' before being dissolved soon afterwards.

It must be said that in the first years of its existence, the new Russian army made serious attempts to reduce its dependence on the conscription system. On 30 November 1992, the government signed

decree No. 918 entitled 'The Measures on the Gradual Transition to the Filling of the Ranks of the Russian Armed Forces by Servicemen on a Voluntary Basis (By Contract)'.² According to this decree, the MoD was ordered to start recruitment of contract soldiers from 1 December 1992 with the aim of achieving a 50:50 ratio of contract to conscript soldiers by 2000. That goal was to be achieved in stages. In 1993 the MoD was to hire 100 000 volunteers, about 10 percent of the existing strength of the enlisted personnel. By 1995 the share of the contract service persons was to rise to 30 percent of the total.

At first the recruitment campaign was remarkably successful. Already by July 1993, the number of contract soldiers reached 120 000. All in all, by 1995 half a million contractors were recruited. This allowed the length of conscript service to be reduced in 1994 from two years to a year and a half and additional draft deferrals to be introduced. However all of a sudden the programme then collapsed. In 1995 the MoD decided to reduce the existing number of contract soldiers by two-thirds and to stop recruiting new contract soldiers.

The reason for this drastic change was not that the army did not need these contract soldiers. On the contrary, at that very time the army was lacking 380 000 privates and sergeants to reach its authorised strength. Actually, the armed forces could not afford to reduce their manpower, especially in privates and sergeants, though they had a huge surplus of officers, mainly senior, left over from the Soviet mass mobilisation army. The soldiers were needed not only for the war in Chechnya, which had started in December 1994, but mainly to guard and sustain the numerous supply depots, military bases and hundreds of the under-strength 'cadre' units, which could not simply be dissolved without causing a social upheaval. It was only with a huge effort that the army could assemble from all parts of the country some 65 000 troops for the war in Chechnya. Even sailors from surface naval ships had to be sent to fight in Chechnya.

In its desperation to make up the deficit in soldiers, the MoD turned again to an increased call-up of conscripts. The length of their obligatory service was again increased from a year and a half to two years.

² *Nezavisimaya Gazeta*, No. 155, August 22, 1996.

Several exemptions from the compulsory service (for family reasons as well as for students of technical colleges and some institutions of higher education) were abolished. This allowed the number of conscripts to be doubled in 1996 to 420 000 from the previous 230 000.

The years 1995 and 1996 brought an end to any attempts at military reform, although political leaders and the MoD went on to pay lip-service to it until 2002 when the term 'military reform' disappeared from their vocabulary altogether.

By 2000 the Russian army became again, as in Soviet times, an almost totally conscript army. The number of contract soldiers had dwindled by that time to less than 150 000, most of them wives of career officers, driven by the need to increase the miserable family budgets. The majority of them filled different auxiliary, non-combat positions in staffs, signal and medical units.

The reason why the MoD not only stopped recruiting more contract soldiers but decided to get rid of the already serving half a million of them was very simple: lack of money. The suddenness of this unexpected money shortage was due first of all to an unbelievable ignorance in matters of finance and economy, both in the government and in the presidential structures, as well as in the State Duma and in the MoD itself, which forgot to cry wolf at the right time.

Expressed in dollars at the official exchange rate of the time, the defence budget comprised US\$ 7.4 billion in 1993, US\$ 18.0 billion in 1994, US\$ 12.8 billion in 1995 and US\$ 15.1 billion in 1996. However according to my calculations³, based on the purchasing power parity of the rouble, the real picture of the defence spending looked quite differently: US\$ 28.2 billion in 1993, US\$ 40.2 billion in 1994, US\$ 21.1 billion in 1995 and US\$ 18.2 billion in 1996.

That means that in 1993, the armed forces received in real terms not US\$ 7.4 billion, but four times that amount. In 1994 the defence budget increased by another US\$ 11.5 billion to the quite impressive figure of

³ "Tainy voennogo buydzheta", *Nezavisimoe Voennoe Obozreniye*, #9, May 1996; "Byudzhety i Armiya", *Svobodnaya Mysl*, #8, 1996; "The Budget and the Army", *Russian Politics and Law, A Journal of Translations*, September-October, 1997/vol. 35, #5, M.E. Sharpe INC.

US\$ 40.2 billion (which is possibly more in purchasing power than the present Russian defence budget). However then, quite unexpectedly for the military, the 1995 budget was abruptly cut in half.

In world practice, cutbacks of this scale in defence spending occur only at the end of major wars when the army is demobilised. Even in such cases they are exercised more or less smoothly, at least in democratic countries, since civilian reintegration of large numbers of servicemen and workers in defence industries does not come cheap.

However in Russia in 1995, the situation was quite the opposite. The cutbacks took place during a bitter war in Chechnya, for which not a rouble was allocated in the 1995 budget and on which, according to MoD data, the army spent about 10 percent of its 1995 budget. Besides, the MoD had to find money for the extra 200 000 new conscripts due to the lengthening of their service term from 1.5 year to 2 years.

Especially hardly hit by the draconian cuts in defence spending was the officers' corps. In the mid-1990s officers were not being paid their salaries for months at a time. Naturally enough young officers, mainly at platoon and company level, began leaving the army in their tens of thousands. As a result, by spring 1995 the military was deficient in 64 000 officers, 38 percent of the number needed to fill the positions of platoon and company commanders.

The problem was solved on the cheap by resorting to a kind of conscription of the new officers. On 25 November 1994, President Boris Yeltsin signed decree No. 2113, which allowed the MoD to call up for two years of service the graduates of institutions of higher education who had undergone their reserve officer training. The decree authorised the call-up of 18 000 of such reservists (nicknamed by the career officers the 'jackets'). Later the quota for the call-up of 'jackets' was set at 15 000 a year. That figure equalled the annual output of new lieutenants by all Russian military schools (16 500 in 2006), but many of them left the army immediately after their graduation. As a result, by 2000 approximately three-quarters of all platoon commanders were 'jackets'. The result was a growth of hazing and a drop in discipline.

As far as the officer corps and the army command were concerned, by mid-1990s the idea of military reform was totally discredited. In the eyes of the army the reform began to represent poor salaries, poor housing, a deep drop in prestige of the military profession, ageing weaponry and a loss of professionalism due to an almost complete cessation of combat training.

The Commander-in-Chief of the Airborne Forces Colonel General Evgeny Podkolzin said in 1995: “If we don’t have the money to feed the soldier and to provide an apartment for the officer, all talk about the ongoing military reform is worthless. If we had the same economic resources as the Americans, we wouldn’t be needing now to talk about reform”⁴.

The Defence Minister General Pavel Grachev was openly derisive of the proponents of military reform. Speaking on TV on 12 February 1995, he said: “Everybody talks all the time about reform. All right. The tank T-72 has proved itself excellently in Chechnya. All right then, we will do the reform on the basis of T-72”.

In 1999 the Chairman of the State Duma Defence Committee Andrei Nikolaev summarised the efforts at reform in the following way: “All that has been happening in the realm of military development so far in Russia cannot be viewed as reform. As is common knowledge, a military reform is a transformation of the military system as a whole, but not the destruction of its basis. What we have witnessed was the destruction of all and everything”.⁵

Finally, on 28 March 2002, Sergei Ivanov, a year after his appointment as defence minister, declared that the use of the term ‘military reform’ should be stopped, at least inside the MoD. In his words, the army was sick and tired of talk about military reform, and: “The reform is over, what we need now is not reform, but modernisation”⁶.

The army embraced the concept of modernisation with gratitude, all the more so since it was accompanied by promises of increased

⁴ *Moskovskie Novosti*, No. 51, July 30 – August 6, 1995.

⁵ *Nezavisimoe Voennoe Obozrenie*, 4 – 10 March 1999.

⁶ *Krasnaya Zvezda*, March 28, 2002.

spending on defence. Indeed, since 2001 the defence budget has been steadily growing at an annual rate of 15 to 20 percent. However while accepting the call for modernisation, the military leadership gave it its own meaning. Over the past years it has become obvious that under modernisation it understands a return to the familiar Soviet Army model with its relative stability, social protection and prestige in society.

The standards of the Soviet Army became the benchmark against which the progress in modernisation is being measured. A case in point is pilot training. According to the Commander-in-Chief of the Air Force, Colonel General Alexander Zelin, the flight hours for a pilot increased from about 20 hours in 2000-2004 to 40 hours by the end of 2006. In 2007 they are expected to reach 50 hours. However the aim, according to Zelin, is to reach at some time in the future the level of training of the Soviet pilots in the 1980s, namely 100-120 hours.⁷

The other services and branches of the Armed Forces have also activated their combat training. Military exercises and calls-up of reservists, though at a modest scale compared with Soviet times, have been resumed on a regular basis.

The military command has started to heal some of wounds inflicted on the officer corps by the deep spending cuts of the 1990s. The two-year practice of calls-up of reserve officers (the 'jackets') ceases as of 1 January 2008. The MoD is confident that it can satisfy its requirements for lieutenants by its own military schools. In 2007 these turned out 18 500 new lieutenants. The goal is to increase the output of the military schools to 20 000 lieutenants a year. Reserve officer training centres have been established (along the line of the US ROTC system) at a selected number of civilian universities and colleges. Joining the ROTC is voluntary, but with an obligation to serve in the army for three years after graduation.

To improve the quality of the officers' corps the military command returned to the Soviet standards of the length of service between ranks for the officers. In a desperate attempt to prevent officers from leaving

⁷ *Voenno-Promyshlennyyi Kurier*, No. 32, August 22-28, 2007.

the army the length of service for different officer ranks was shortened by presidential decree No. 1237 of 16 September 1999. The time necessary for the promotion to the next rank was reduced for lieutenants and senior lieutenants from 3 to 2 years, captains from 4 to 3 years, majors from 4 to 3 and lieutenant-colonels from 5 to 4 years. The accelerated career growth of younger officers in the absence of regular combat training often led to the appointment to higher positions of officers with inadequate experience in prior posts. This convinced the MoD to return to the previous length of service inherited from the Soviet Army. A corresponding decree (No. 364) was signed by President Putin on 19 March 2007.

However, nowhere is the return to the Soviet Army as evident as in the reincarnation of the famous 'Glavpur' (The Main Political Department of the Soviet Army) under the guise of the Main Department of Educational Work of the Russian Armed Forces or, for short, the Main Educational Department (MED). The MED's return to its former importance was slow and went largely unnoticed by the public.

After the dissolution of Glavpur in 1991, it was replaced in 1992 by the Main Department for Work with Personnel of the MoD. In 1994 it was renamed first the Educational Department of the MoD, and soon afterwards the Main Educational Department of the MoD. In 1997 it was reorganised into the Main Educational Department of the Armed Forces — the name it has kept since then. However the organisational changes of the MED do not show the steady growth of its role in the Armed Forces. Being at first some kind of education consultants for the respective commanders, now the representatives of the MED are their deputies for 'educational work' (with the functions of moral guidance, indoctrination and social protection) at all levels of the military command structures down to company level. In 2007 the first group of several hundred lieutenants graduated from newly established special schools of military education to serve as educational deputies to company commanders. Last but not least, from 2007 onwards September 11 is designated by presidential decree an official holiday of the 'Military Educator of the Armed Forces'.

So after almost twenty years of talk about 'reform', the Russian armed forces are step by step returning back to their origins, the Soviet Army.

It is hardly surprising that having survived the upheaval and turmoil after the collapse of the USSR, the remnants of the old Soviet Army, inherited by Russia, have shown a surprising resilience. Now that the traditional Russian state is coming back, it is only natural that the army is following suit.

The reform is dead. Long live the reform!

The fact that military reform failed is not surprising. Russian political elites, the military leadership and society at large never seriously considered fundamental reform of the armed forces to be their top priority, or simply an issue of urgency. What is really surprising is that the Russian military has been able to absorb the traumas brought on by the collapse of the USSR and the almost total neglect on the part of the government without having rebelled against it or simply disintegrated, as in my opinion, any normal army would have done.

The official explanation for this is that it was the officer's patriotism and call of duty which saved the army under the dire conditions of the 1990s and early 2000s (a recent example of which was President Putin's speech at his birthday party on 7 October, to which he demonstratively invited only representatives of the army, including middle-ranking officers with family members). Without denying the possession of these noble qualities by a part of the Russian officer corps, I doubt that they alone would have allowed the Russian army to reach its present point of partial stabilisation.

I am afraid that it was some of the nastiest features of the Soviet Army, inherited by its successor, the Russian Army, which helped to preserve it as a more or less disciplined force. First, it was the so-called '*dedovschina*' (the violent hazing of first-year conscripts by second-year soldiers), rampant in the Soviet Army of the 1980s and which in the total absence of career sergeants was the only instrument available to the officers to keep discipline in the barracks.

Sociologist Sergei Belanovsky, Russia's most prominent authority on hazing (he wrote a book *Dedovschina in the Army* in 1990 and has been studying the problem ever since), argued in the official newspaper of the Russian government *Rossiyskaya Gazeta* that "discipline in the army

in the 1980s was based on *dedovschina*. This is the result of my studies. I think that it is the same now. I am told by many that without *dedovschina* the military equipment won't be operable, the tank engines won't start and the aircraft won't fly. And I undersign all these statements".⁸

Belanovsky is convinced that the decision to reduce the length of compulsory service of conscripts to 12 months from 1 January 2008 would effectively get rid of *dedovschina*, but would have catastrophic consequences for the army.

A second feature of the Soviet heritage that kept the Russian army afloat was the total dependence (a kind of serfdom) of the officers on the army for solving their housing problems. Every Soviet officer had a legal right to an apartment of his own after 20 years of service and could not be dismissed from the army without being provided with one. This law was never challenged by the Russian government, though rarely adhered to. Nevertheless the promise of a free apartment from the state, dangling before the eyes of the officer, kept many middle-ranking officers with 15 and more years in the army, while their younger colleagues were resigning en masse (in 1998 alone 69 000 officers left the army before reaching retirement age). This rather numerous group of officers, who decided to stick it out till retirement, allowed the army hierarchy to be maintained more or less intact.

Does the above mean that I consider the present Russian army unreformable? Not at all. On the contrary, I am convinced that conditions for a new attempt at reform are more favourable now than at any time since 1991. To explain my optimism I would refer to the statement (to which I was a contributor) of the non-governmental Council on Foreign and Defence Policy 'The Current State of the Russian Armed Forces as an Impending National Catastrophe'.⁹ The Council stated that no military reform was possible until some

⁸ *Rossiyskaya Gazeta*, February 2, 2006.

⁹ *Nezavisimaya Gazeta*, February 14, 1997.

preconditions for it were met. Among those preconditions were:

- Provision of sufficient financial resources for reform;
- Changing the economic policy from its reliance on export of raw materials in favour of high technologies;
- Preserving the officers' corps at all cost;
- Immediate establishment of a civilian defence ministry.

In my view, these pre-conditions are sufficiently fulfilled by now to justify a resumption of serious research of the problems of military reform in Russia.

In Russia such research is at present practically non-existent. That is why I am grateful to FOI and the Swedish Defence Commission for putting such problems on the agenda of this conference.

Third Session: Economy and Military Industry

5. RUSSIAN REARMAMENT: MOTIVES, OPTIONS AND PROSPECTS

Professor Steven Rosefielde

Abstract

Russia has vigorously defended its spheres of influence in the Ukraine, Central Asia, Georgia, Transdnestria and Chechnya, flexed muscles elsewhere and restored the power vertical and its Muscovite authoritarian martial police state in recent years without significantly increasing the defence burden. Should we expect the Kremlin to enhance its *hard power* tactics (Clausewitzian *real politik*) with a coherent rearmament strategy? Can this be done given the constraints of the post-Soviet economic system, and if so, what might be the consequences? Would rearmament harm consumption and promote accommodation, or culminate in a superior type of Russian superpower, without impoverishment? Systems theory and the statistical record suggest that large scale military modernisation should not impair living standards enough to promote accommodation, but the benefit will depend on replacing the prevailing permissive defence sector rent-granting regime with a tauter variant facilitating high volume weapons production. Success could increase the effectiveness of Kremlin *hard power* across a broad spectrum of issues affecting the European Union, including the partial restoration of Russia's lost empire. It could enable Moscow to intervene in other theatres such as the Middle East and better cope with Ummah on its Southern flank. The offensive threat will be at its acutest during the coming decade. Beyond this, however, the deficiencies of Russia's Muscovite economy will prevent it from keeping pace with the United States and China, a finding that the EU and Russia should consider in devising their alliance strategies.

Introduction

Francis Fukuyama equated the fall of Soviet empire with the *end of history*; the eternal triumph of the affluent west over impoverished communist superpower.¹ Until 2004, when the G-7 finally abandoned the pretence of Russian westernisation in favour of the language of *frameworks for change*, it seemed as if Fukuyama might be right. However, as the evidence of authoritarian revanchism accumulated and Russia regained its economic footing, the problematic shifted.² The burning question no longer was whether the Kremlin would shed its authoritarian stripes, but whether post-communist Russia could achieve affluent superpower status?; whether market Muscovy could match the west at its own game? China after all has managed to combine authoritarianism with markets and rapidly improving military prowess,³ so why not Russia?

The neoclassical answers to these questions are unambiguous. Authoritarianism is not a serious barrier to becoming an affluent superpower given perfect planning or effective markets.⁴ However this insight is extraneous. What counts in all economic systems are the operational rules of the game and in this respect, despite grave handicaps, Russia could succeed where the Soviet Union failed. It could continuously raise western-style living standards while resuscitating full spectrum military superpower to or beyond the Soviet threshold.⁵ Putin need only crack heads to restore defence claims on natural resources and VPK (military-industrial complex) discipline, while allowing market competition in the consumer goods sector. Will he do it?

Authoritarian Reconsolidation

Defence and security policy affect the structure, character and performance of all economies. As the scale of military activities increases,

¹ Francis Fukuyama, *The End of History and the Last Man*. New York: The Free Press, 1992.

² Steven Rosefielde and Stefan Hedlund, *Russia Since 1980*, Cambridge University Press, Cambridge, 2008. Steven Rosefielde and Romana Hlouskova, "Why Russia is Not a Democracy", *Comparative Strategy*, Vol.26, No.3, May-June 2007, pp.215-230.

³ Office of the Secretary of Defense, *The Military Power of the Peoples Republic of China*, Annual Report to Congress, 2005.

⁴ Steven Rosefielde, *Comparative Economic Systems: Culture Wealth and Power in the 21st Century*, Blackwell, Oxford UK, 2002, pp. 62-76.

⁵ Russian superpower can be restored, but re-achieving the Soviet level will be difficult because of territorial and population losses.

civilian production declines. The same principle holds proportionally if defence grows faster than average. Heavy industry, machine-building, natural resource production, RDT&E and employment expand, and consumer influence wanes to the extent authorities override popular preferences. Market scope shrivels and choice-making is concentrated in military-industrial institutions, with adverse effects on technical and economic efficiency. Consumer prosperity is impaired compared with systems potential, but outcomes nonetheless may be better than the Soviet alternative, and living standards can rise due to capital deepening, technology transfer or improved terms of trade.

Russia's economic future therefore depends significantly on trends in its military and security policies. The prevailing current during the Putin years has been unmistakable. The Kremlin has moved implacably from authoritarian mayhem and power service curtailment to the restoration of an imperial power vertical under the guise of market democratic liberalisation. To paraphrase Pavel Felgenhauer, Muscovy is big, bad and back.⁶ Despite ceaseless doublespeak and blame-shifting sanitising Russia's maturing military and security policy,⁷ the bottom line has been the steady strengthening of the power services in the formation and implementation of an increasingly assertive global presence. The movement is two-pronged. The nation's mobilisation capacity has been enhanced by curtailing media, political and civil liberty (despite paper constitutional rights) through the adroit Soviet-style use of edicts and the power services. In addition, its military and security agenda has become more contestive.⁸ Russia neither accepts the Paris/Berlin axis' social democratic vision of a greater Europe extending through the Ukraine and beyond, nor its infatuation with

⁶ Pavel Felgenhauer, "KGB: Big, Bad and Back?" *Moscow Times*, March 13, 2003, p.9. The term Muscovy refers to the autocratic, rent granting governance style of Russia's rulers since Ivan the Great (1440-1505) ["gatherer of the Russian lands], which typically includes a strong role for the military and security services. See Steven Rosefielde, *Russian Economics from Lenin to Putin*, Blackwell, Oxford, 2007.

⁷ Yevgeny Primakov, "Who Is Muscle Flexing?" *Johnson's Russia List*, Vol.196, Article 37, 2007.

Doublespeak is a language of deliberately distorted meanings, and is close to George Orwell's term "newspeak" coined in his dystopic novel *Nineteen Eighty-Four*, published in 1948. Doublespeak encourages deliberately issuing contradictory statements to fog intention.

⁸ Rosefielde and Hedlund, *Russia Since 1980*, chapter 12. Cf. Alexander Golts, "Russian Power Structures and their Impact on Russian Politics Regarding the Upcoming Elections," in Jan Leijonhielm and Fredrik Westerlund (eds.), *Russian Power Structures, FOI, Swedish Defence Research Agency, Stockholm*, December 2007, pp. 11-22. Dmitri Trenin, "What Role Will Russian Power Structures Have in Domestic and Foreign Policy After Putin?" in Jan Leijonhielm and Fredrik Westerlund (eds.), *Russian Power Structures, FOI, Swedish Defence Research Agency, Stockholm*, December 2007, pp. 163-177. Cf. Trenin, "Russia Leaves the West," *Foreign Affairs*, Vol. 87, No. 4, (July/August 2006), pp. 87-96.

soft power (cultural and ideological engagement).⁹ It engages for real political offensive and defensive advantage, and prefers *hard power*. While Germany has forgotten Clausewitz, Russia has become its Eurasian heir. Both EU social democrats and Russian Muscovites dis-esteem each other, and are prepared to prove themselves right.¹⁰

This recipe for cold peace (not quite cold war yet) is matched by the Kremlin's ambition to thwart America everywhere and restore its Soviet era influence whenever it can through petro power,¹¹ or more coercive means if required. China's and India's ascent together with nuclear proliferation and the Ummahist threat complicate these aspirations,¹² but do not alter the link between Russia's imperialising aspirations (spheres of influence and perhaps partial Soviet re-consolidation) and the requisite economic adaptation. Although many in the Kremlin may be content to bluff, the path of least resistance points straight to intensified structural militarisation,¹³ a conjecture supported by the preponderance of the evidence.¹⁴ The military share of GDP, arms and perhaps men will surely increase in the years ahead unless the Kremlin's defence and security policies change, but will the efficiency outcomes of the new structurally militarised order parallel or exceed the Soviet experience?

⁹ Joseph Nye, *Bound to Lead: The Changing Nature of American Power*, Basic Books, New York, 1991; and Nye, *Soft Power: The Means to Success in World Politics*, Public Affairs, New York, 2004. The scope of the EU's expansionary ambitions are ambiguous. It could include Belarus, Moldova, Georgia and Central Asia. On its southern flank consideration is being given to a Mediterranean cooperation zone including Libya, Tunisia, Morocco and Egypt.

¹⁰ The game is precarious. The EU is subject to coercive engagement from Russia in the east, and Ummah along the Mediterranean, and is internally divided about how to counter the threats, increasing its vulnerability to both. If Russia is pressured in the years ahead by China, it may find bullying the EU for economic support a practical way to partially counter Beijing. See Steven Rosefielde and Quinn Mills, *God of Storms*, 2007. Some also claim Moscow is merely chest beating for domestic consumption.

¹¹ Acting First Deputy Prime Minister, Sergei Ivanov disputes the allegation. See "Ivanov Denies Russia Uses Energy as a Means of Pressure," *Johnson's Russia List*, Vol.195, Article 37, 2007. Cf. Rosefielde and Hedlund, *Russia Since 1980*, chapter 10, and Foreign Defense Policy, *The World Around Russia: 2017*, Moscow, 2007.

¹² Ummah is a pan-Islamic theocratic state under construction that seeks to restore the governing order of the first Caliphate. Advocates such as Osama Bin Laden hope to use the concept to found a mighty empire, armed with nuclear weapons that can recapture territories and assets lost to infidels and revive past glories.

¹³ Term coined by Vitaly Shlykov used to describe a productive system with a large embedded military industrial sector capable of persuading government leaders to provide sufficient resources to deal with worst case security threats, resulting in perpetual excess defence spending and activity.

¹⁴ Stephen Blank, "The Political Economy of the Russian Defense Sector," in Jan Leijonhielm and Fredrik Westerlund (eds.), *Russian Power Structures*, FOI, Swedish Defence Research Agency, Stockholm, December 2007, pp. 93-123. Ron Rosenbaum, "The Return of the Doomsday Machine?,"

<http://www.slate.com/id/2173108>

A Tale of Two Structural Militarisations

A restoration of administrative command planning of course would *ipso facto* generate Soviet-type results,¹⁵ but how would the new mixed economic mechanism change things?¹⁶ To access this question, the essential elements of Putin's Russian economic system must be elaborated.

Russia's structurally militarised economy differs from the Soviet archetype in the degree of insider permissiveness wrought by the decriminalisation of private ownership, business and entrepreneurship in large segments of the defence and civilian economies, and the imposition of a new public choice management regime aimed at making national security self-financing. Its architects, with scant justification, liken Putin's arrangements to western defence public choicemaking optimally meshed with private sector competition under the rule of law. They presume that private sector profit seeking (not Pareto efficient profit maximising)¹⁷ and competitiveness make consumers *workably* sovereign, providing an opportunity for the state to optimally manage the supply of defence goods and services in accordance with the people's will (democracy). The implementation of this goal given Putin's defence preferences (serving as the people's agent) boils down to the creation of an optimal control regime that harnesses the various potentials of private and state ownership, finance and investment; supervision and administration, agent and owner motivation, incentive design, regulation and enforcement.

¹⁵ Steven Rosefielde, *Russia in the 21st Century: The Prodigal Superpower*, Cambridge University Press, Cambridge 2005.

¹⁶ Rosefielde, *Russian Economics from Lenin to Putin*.

¹⁷ Profits can only be maximised in a socially optimal way if there are no barriers to entry and all value-added augmenting opportunities are exhausted. Firms can seek profits in less efficient environments, but results are necessarily inferior. On public choice see Steven Rosefielde, *American Democracy: Icon and Mirage*, Cambridge UP, 2009.

This Olympian goal as Kenneth Arrow demonstrated long ago, and Coasian public choice theory later corroborated, is unachievable.¹⁸ Problems of demand specification, incentive design and moral hazard mean that rulers must choose among various satisficing options.

During most of the Soviet period, influenced by Stalin, weapons designers and red directors were given relatively little latitude and pressed to mass produce. Moral hazard was contained by proscribing private ownership, business and entrepreneurship in a physical management system with little pilferable cash. Managers could massage prices and characteristics to ease the fulfilment of targets and receipt of bonuses, but not enough to derail high volume weapons production. Neither the characteristics nor costs of lethal Soviet armaments could be competitively ideal, but arsenals brimmed. Mikhail Gorbachev's tolerance for spontaneous privatisation and managerial revenue misappropriation imperilled command structural militarisation after 1987, without wrecking it.

It was junked by Boris Yeltsin who flattened the power vertical, drastically cut procurement, dethroning high volume weapons production as the defence sector's cardinal success criterion; transferred natural resource control to civilian cronies, and broadened managerial choice within the VPK, including partial privatisation of defence assets with a mandate to make military activities self-financing amid hyperinflation. This opened the portals of moral hazard wide, allowing cunning insiders to press for rent-seeking advantage under the guise of optimal defence policy, which in practice mostly meant purloining prolonged war fighting reserves.

This defence demobilising, rent-granting order might have continued to the present had Vladimir Putin been satisfied with helter skelter. However as a dyed in the wool Muscovite KGB man, he was inexorab-

¹⁸ Kenneth Arrow, *Social Choice and Individual Values*, John Wiley and Sons, New York, 1951. James Buchanan and Gordon Tullock, *The Calculus of Consent*, University of Michigan Press, Ann Arbor, 1962, Buchanan, "Individual Choice in Voting and the Market," *Journal of Political Economy*, 57, 1954, Buchanan, "Public Choice-Politics Without Romance," *Policy*, 19, 2003, pp.13-18. Ronald Coase, "The Problem of Social Cost," *Journal of Law and Economics*, 3, 1960, pp.1-44. Mancur Olson, *The Logic of Collective Action*, Harvard University Press, Cambridge, 1965. Andrei Shleifer and Robert Vishny, *The Grabbing Hand: Government Pathologies and their Cures*, Harvard University Press, Cambridge, 1999. Gordon Tullock, "Some Problems of Majority Voting," *Journal of Political Economy*, 1959, pp.571-579. Charles Bankart and Gerrit Koester, "Political Economics versus Public Choice," *Kyklos*, Vol.59, No.2, 2006, pp.171-200.

ly drawn to reconstituting the power vertical, and a contestive foreign policy agenda (*hard power* engagement). Stephen Blank has shown how these impulses have led to the construction of an increasingly nationalised procurement regime controlled by the VPK, reporting directly to the president, with the task of mass producing a full spectrum of fifth generation weapons systems.¹⁹ The emphasis had been on RDT&E until 2007, which allowed insiders to thrive on empty promises, but they are expected to show results soon without excuses.²⁰ Private ownership, foreign joint ventures and the machinations of natural resource oligarchs cannot be convincingly blamed for low volume weapons production, because on paper the VPK and other defence affiliates are in command. All that is required is Putin's GO signal; a directive to produce at full throttle without excessive concern for sales, efficiency or cost, enforced with the lash.

The starting gun has not been fired, perhaps because Putin cannot bring himself to accept the inherent deficiency of permissive rent-granting in the era of RMA (Revolution in Military Affairs).²¹ The decision to output-maximise is tantamount to abandoning optimisation and self-financing under existing market arrangements.²² To parry America (but not the EU), Putin must do more than field huge tank armies. He needs technological parity and cannot avoid paying the piper. His inaction suggests that he has not abandoned hope of finding an administrative-regulatory-market solution to the eternal public choice problem enabling the Kremlin to have it all: efficient, self-financing, state of the arts, mass weapons production.

The quest is futile, and is apt to yield especially poor results in a Muscovite rent-granting regime, but wishful thinking and insider interest make reality difficult to swallow. Putin's approach implicitly assumes that his appointees can be motivated through mixed forms of proprietary and non-proprietary rent-seeking to optimally manage his

¹⁹ Blank, "The Political Economy of the Russian Defense Sector."

²⁰ Julian Cooper, "Military Expenditure in the Three-Year Federal Budget of the Russian Federation, 2008-10," Sipri, October 2007, p. 4. www.sipri.org "From now on the procurement of arms is to be the first priority and this accounts in part for the rapid growth of spending under subchapter 0201."

²¹ The revolution in military affairs here refers to reliance on high tech mobility forces for defeating large traditional force formations. See Donald Rumsfeld, "Transforming the Military," *Foreign Affairs*, Vol.81, No.3, May/June 2002, pp.20-32.

²² Rosefielde, *Russia in the 21st Century: The Prodigal Superpower*.

arms modernisation programme at minimal expense to the federal budget through the actions of the market, directives, duty and artful regulation under the rule of contract law. No model has been contrived to show how this can be achieved. It is just assumed.

Analogous schemes advocated by the OECD for Russia's civilian economy illustrate the impracticality of the approach. The OECD claims that even though Russia has not transitioned, it can achieve similar results by adhering to *framework conditions* including successful adjustment to permanently high oil prices, modulating the speed of real exchange-rate appreciation with fiscal policy, insulating the economy from terms of trade volatility, structural reform, reform of public administration, empowering citizens, enhancing transparency, intensified anti-corruption efforts, legislative change, intensified use of information and communication technologies (ICT), improved framework conditions for business to realise innovation potential, increased responsiveness by the public science sector and domestic intellectual property rights regime (IPR) to business needs, a more favourable tax regime for private sector R&D, improved intervention monitoring, healthcare reform as part of a larger effort to address Russia's health crisis, government identification of the main healthcare reform priorities, and reform of the system of mandatory medical insurance.²³

The report then details these initiatives which in essence prod Russia toward perfect administration and markets under the rule of law, ending in most instances acknowledging the dearth of positive outcomes. The OECD pins its hopes on the new Concept for Administrative Reform 2006-08 promulgated in late 2005.²⁴ Soviet public administration was the antithesis of the Weberian ideal we are told, because politics superseded efficient bureaucratic processes and jurisdictional lines between hierarchies were blurred. It claims that Putin is committed to rectifying the error, complemented with a shift toward performance-orientated budgeting and transparency inspired by the New Public Management, before conceding that these

²³ OECD Economic Surveys, *Russian Federation 2006*, OECD, Paris, 2006, p.22. On the medical situation in Russia, see Murray Feshbach, "Russian Military: Population and Health Constraints," in Jan Leijonhielm and Fredrik Westerlund (eds.), *Russian Power Structures*, FOI, Swedish Defence Research Agency, Stockholm, December 2007, pp. 127-159.

²⁴ *Ibid.*, pp.98-102.

programmes are off to a rocky start. Implementation remains spotty,²⁵ despite an effort to rationalise jurisdictional roles by assigning ministries, services and agencies respectively exclusive authority over policymaking, supervision and public services. Civil service reform inaugurated in the Federal Programme for Reforming the State Service of the Russian Federation (2003-2005), aimed at transforming state service into public service, has likewise progressed slowly along conservative lines. Suggestions for improvement are proffered, but they are all what Gertrude Schroeder calls the treadmill of reform, recommendations for ideal change detached from Muscovite reality.²⁶

The Kremlin's efforts to promote domestic innovation, technology transfer and diffusion by strengthening intellectual property rights, competition, the public science sector, special economic zones and the tax regime for private-sector R&D all suffer from the same malady, with identical results. The OECD claims to be hopeful because Russia's innovation potential is greater than that of most of its peers, noting that the country benefits from a substantial science base and a well developed education system in science and technology.²⁷ While acknowledging that indicators of innovation activity remain disappointing, the imbalance between the public resources devoted to knowledge creation and innovation is construed as 'disappointingly ineffectual' more than a harbinger of future failure. Moreover, Russia's dismal record in developing commercial technology is treated as a fading legacy of Soviet arrangements that can be reversed by enhanced market competition, despite the fact most Russian R&D is financed by the state, interaction between the state and private R&D sector is limited,²⁸ the private sector emphasises imitation rather than R&D-based innovation, many indicators of private innovation

²⁵ *Ibid.*, pp.136-7.

²⁶ Gertrude Schroeder, "The Soviet Economy on a Treadmill of Reforms," in *Soviet Economy in a Time of Change*, Washington, D.C.: Joint Economic Committee of Congress, pp.312-366.

²⁷ *Russian Federation 2006*, pp.148. Russia has a well educated workforce, although the quality of higher education appears to have fallen during the 1990s. Tertiary educational attainment is relatively high compared with OECD countries, and Russia produces a far higher proportion of graduates in science and engineering. The number of IT graduates per annum has more than doubled since 1995. However, the country remains a major exporter of researchers, especially in their late 20s and 30s. The limited involvement of higher education institutions in R&D represents a missed opportunity in the university sector. In 2005, HEIs received only about 4.3 percent of budgetary funding for R&D, down from an already low 6.1 percent in 2004.

²⁸ *Ibid.*, p.155. Most research personnel in the Russian Academy of Sciences(RAS) system and in universities have little incentive to worry about the commercial application of their work.

activities are declining, and only 30 percent of innovating firms conduct any R&D at all.²⁹

The solution to this impasse is said to lie in better state science policy that improves the framework conditions for business; one that will energise innovation in the private sector without waiting for the market to empower itself.³⁰ The OECD contends that “The creation of sound framework conditions for business would appear to be a *sine qua non* for boosting private innovative activities”, even though the proposition borders on neo-liberal heresy,³¹ and is advanced with a conspicuous lack of conviction: “..., it is important to proceed with a realistic understanding of how far innovation policy can go and what can be reasonably expected”.³²

In a nutshell Kremlin efforts to turbo-charge the civilian sector with administrative, legislative and technology reforms have come to naught despite the glittering rhetoric, but the OECD is obligated to pretend that tomorrow will be different because it cannot acknowledge the durability of Muscovy, or think of anything constructive to do other than repeat the mantra of frameworks and transition.

Although the OECD studiously avoids any discussion of the Putin's defence industrial reforms, the failure of optimal public programming in the civilian sector holds in spades for the military. The Kremlin does not know its mind well enough to dictate arms procurement, or to accomplish the same thing through institutional design and optimal incentives. Giving rent-seeking insiders the power to divert resources, revenues and assets for their own purposes, and to satisfy while

²⁹ *Ibid.*, pp.150-54. Roughly 60 percent of R&D is publicly financed. The ratio is stable. At first glance, the bulk of R&D appears to be conducted in the business sector, but this reflects the fact that state owned-companies and branches of research institutes are classified as business entities, and they conduct a large share of publicly financed innovation activities. Broadening the definition of the public sphere to include not only state institutes and state unitary enterprise, but also joint stock companies that are majority state-owned, it is estimated that the state science sector consumes up to 98 percent of budgetary funding for science and represents about 86 percent of the fixed assets of the science sector.

³⁰ *Russian Federation 2006*, p.158.

³¹ *Ibid.* The OECD has repeatedly asserted that Russia's market is maturing, which would seem to suggest that the private sector should generate more innovations as times goes by without state hothousing, but adopts the opposite stance here: "Ultimately, a successful innovation policy, in Russia as elsewhere, must provide the right incentives for those engaged in R&D, facilitate contacts between knowledge producers and business, and create an institutional environment that favors the reallocation of resources needed to turn new knowledge into wealth-creating activities."

³² *Ibid.*

pretending to profit-maximise for their firms and the state likewise cannot serve Putin well, even though these activities are mischaracterised as competitive. Rent-seekers have an overriding interest in skewing reforms and programmes for their advantage while paying lip service to national security. Competition and the rule of contract law cannot discipline them because they are more powerful than judges in accordance with the logic of Muscovy. Effective incentives cannot be devised under these circumstances, even if the government knew how, which it does not. Furthermore, of course, the entire enterprise cannot be efficiently self-financing, except by accident. Consequently, it can be confidently predicted that the Kremlin will throw much of its oil bonanza down the rat-hole of defence until Putin or his successors accept that Soviet-style mass armament, inferior as it is, is nonetheless superior to monkey business public choice optimisation. There is a third way. Russia can abandon Muscovite rent-granting in favour of democratic, generally competitive free enterprise, but this is the least probable outcome.

The most likely outcome is a gradual return to high volume weapons production driven by rising imperial aspirations, after Putin decides and fate determines his political future.³³ For the present, he seems content to curry the loyalty of security service personnel who might be disaffected if forced to restrict their avarice, but he and his successors may soon resume curtailing rent-seekers' freedom in the defence sector by making output maximisation pre-eminent. This can be accomplished seamlessly by slowly increasing pressure for tangible results (cracking heads), rewarding managers for maximising weapons production in strict compliance with assignments and milspecs. In the process, reduced rent-seeking will raise productive efficiency up to and perhaps beyond the Soviet defence sector ceiling. Diminished permissiveness here and elsewhere will weaken rent-

³³ Putin appointed Viktor Zubkov Prime Minister after dissolving the Fradkov government September 12, 2007. Zubkov then said he might consider running for president. *Johnson's Russia List*, Vol. 195, September 13, 2007. Leon Aron, "We'll Always Have Putin," AEI Online, November 1, 2007. Aron expects Putin to remain president for life, retaining the position by 1) constitutional amendment, 2) using the Prime Ministership as a stepping stone, or 3) declaring a state of emergency. Putin chose Aron's second option. On December 10, 2007 he endorsed Dmitri Medvedev as his choice for presidential candidate in 2008, and a week later on December 12, Medvedev returned the favour by publically supporting Putin as his Prime Minister. "Reciprocal Appointment: Medvedev Offers Vladimir Putin the post of Prime Minister," *Johnson's Russia List*, Vol. 254, Article 1, December 12, 2007; "Putin Accepts the Office of Prime Minister," *Johnson's Russia List*, Vol. 258, Article 5, December 17, 2007.

seekers both in the military and civilian sectors (intermediate input suppliers), creating an opportunity for increased market competition as rent-seeking oligarchic power recedes. Should this transpire, resource diversion from civilian activities associated with rearmament could be more than offset by enhanced civilian competitive efficiency. Hence, it is conceivable that in the not too distant future, a partially reindustrialised, post-communist Muscovy can restore its superpower without having to bear the burden of impoverishment.

Rising natural resource prices will also cushion living standards, allowing the Kremlin to partially offset expanded defence resource utilisation with improved import terms of trade. Technology transfer too could improve if windfall gains are partly spent on acquiring foreign know-how. Nonetheless, rent-granting economies are restrictively competitive by design. A weakening of oligarchy in the civilian sector should diminish this productivity loss, but it is a mistake to expect Russian *per capita* consumption to rise to the EU mean as long as rent-granting persists and Muscovy intensifies structural militarisation. Furthermore, of course, when the natural resource bubble bursts, adjustment will not only be painful, but it will take decades to offset windfall losses with domestic civilian productivity gains. Conjunctural factors are certain to play a crucial role in determining whether Muscovy's military might can match its rising imperial aspirations without exacting a heavy consumer penalty.

Russia's Choices

No nation is compelled to reject EU social democracy and *soft power* management of international relations. Likewise, Russia's preference for *hard power* is neither precluded by engineering nor the risk of consumer impoverishment. The Kremlin can *transition* or re-dedicate itself to Muscovite superpower as culture and policy dictate. However it cannot do either successfully without radical change. The power vertical, rent-granting reliance on the power services and superpower aspirations are incompatible with social democracy, and permissive rent-seeking defence industrial management will not provide the credible force needed to daunt key rivals. Adopting social democracy is the least plausible option, and reverting to high volume weapons production the most plausible, implying that Russia will soon re-

emerge as a testy superpower with a technologically inferior arsenal and a sub-par standard of living, sealing its relationship with the EU and its other neighbours for decades. The strategy could pay handsome dividends against the EU, and greatly complicate relations with America and China. Otherwise, there will be a large, and perhaps fatal, discordance between Moscow's superpower ambitions and its dysfunctional rent-granting defence industry.

Some analysts sense aspects of the dangers both for Russia and its neighbours, pointing to:³⁴

1. Revival or restoration of the military industrial complex with a security concept based on the presupposition of enemies reminiscent of Soviet defence arrangements and attitudes.
2. Reliance on an inefficient defence industrial system with defective centralised weapons selection, and distorted, non-competitive production.
3. Acquisition of an arsenal 'out of tune' with the logic of the contemporary RMA, threatening to leave Russia further behind its rivals. RMA places a premium on costly high tech and high-performance systems, while the VPK still wants mass production, high tech mobilisation reserves and subsidiary civil product lines.
4. A strong preference for defence industrial autarchy with severely restricted foreign participation that needlessly constrains military industrial investment and augments cost.

They are right, but fail to sharply distinguish between the Soviet VPK system based on physical systems management (requisitioning, assignment and rationing in an economy criminalising private ownership, business and entrepreneurship) and Putin's rent-granting model. The latter is much worse from the standpoint of military capability, and perhaps Russia's welfare, but can be made better. Its present form incentivises the enrichment of selected insiders, rewards political sup-

³⁴ Stephen Blank, "The Political Economy of the Russian Defense Sector," pp. 37-40. Cf. Adrian Kuah, "Reconceptualizing the Military-Industrial Complex: A General Systems Theory Approach," Working papers Institute of Defense and Strategic Studies, Singapore, No.96, 2004. Blank copiously references this source.

porters, squanders resources and under-produces, instead of facilitating superpower policy implementation. However this can be remedied without reverting to the *status quo ante* by narrowing insider discretion and capitalising on the benefits of partial marketisation. The permissive rent-granting model is dangerous because bluster could end in military disaster. The improved taut rent-granting alternative to command high volume weapons production poses the opposite risk.

Another subtlety is noteworthy. The private property and market aspects of the new rent-granting defence industrial model are not sufficient for Russia to capture the efficiencies of western, market-informed defence industrial management schemes. Both suffer from the fictions of *workable* competition and optimal public choice, but rent-granting is not only conspicuously more anticompetitive, but also pretends that moral hazard is a virtue. Where Western institutions try to combat myriad insider distortions to limit the degree to which private interests dominate national security, Putin acts as if he believes rent-granting is guided by a harmonising invisible hand.

Flying Blind

Russia is hardly unique in flying blind. The EU has its own myths about the merit of social democratic defence industrial and military policy centred on wise democratic public choice and efficient competitive procurement supply. However the gap between its soft power aspirations and its posture is miniscule compared with the gulf separating the Kremlin's preference for *hard power* and the military vulnerabilities spawned by rent-granting. The Kremlin has the greater objective need for clarity, and a history of calamities from the Bolshevik *coup d'etat* through the Soviet Union's self-destruction. Why does it doggedly resist westernisation?

There are many possible answers. The willingness of leaders and the populace alike to believe their own Enlightenment gloss is surely central to the self-deception. Tsars postured as paternalists, Stalin as communism's guardian, and his Soviet successors as avatars of

optimal scientific planning. Putin has not christened his concept of the Russian idea but its virtues include *sovereign democracy*,³⁵ liberalism, civic empowerment, social justice, national glory and optimal public governance where the best mix of institutions and incentives, combined with wise Kremlin guidance, assure superior results. Russians of all stations are free to criticise specifics and recommend reforms within the rent-granting paradigm. They can even advocate replacing Muscovy with social democracy or democratic free enterprise as long as they do not actually do it, creating the illusion that rent-granting in the final analysis really is superior. Consequently, while Russia may choose between resource mobilising and demobilising variants of rent-granting, it is unlikely to transition. Markets, political opposition, balloting and the rhetoric of contemporary public administration do not save the day.³⁶ The combination of wishful thinking, fogged perception, self-interest and embedded culture are too potent to make westernisation plausible.

Chinese Option

They may also be too strong to restore output-maximising weapons production. However, if they are not, has anything changed since the Soviet Union's demise that might enhance Muscovite defence mobilisation? The Chinese example provides clues. Under Deng Xiaoping's guidance, Beijing discovered that serving western out-sourcers was more effective than industrial espionage for transferring technology. This has allowed China to augment the value-added of its exports, and its import substitutes as well, while attracting massive direct foreign investment (FDI). Climbing the value-added ladder is the secret of China's post-Mao rapid growth and development.³⁷ However it requires more than official declarations welcoming FDI and various concessions. Russia would have to become a low cost production platform and permit foreign participation in lucrative

³⁵ Euphemism for Putin-style authoritarianism, vetted in 2005 and claiming that the façade of democracy is an ingredient of the Russian idea. If the Soviet Union had survived, Gorbachev might well have followed Yeltsin's and subsequently Putin's course within the communist framework.

³⁶ Putin's semi-marketised approach to public administration was latent in the Soviet system of automatic management and production (ASUP). If the Soviet Union had survived, Gorbachev might well have followed Yeltsin's and subsequently Putin's course within the communist framework.

³⁷ Steven Rosefielde, "The Illusion of Westernization in Russia and China," *Comparative Economic Studies*, Vol.48, 2007.

projects if it sought to emulate Deng's example. Neither is likely. The overvalued rouble impairs Russia's industrial exports, a point confirmed by the hollowing out of its manufacturing sector,³⁸ and domestic rent-seekers fiercely resist sharing attractive investment opportunities with outsiders. Legislation and policies prohibiting foreign participation make this evident in the defence sector, but similar barriers apply in the civilian sector too. The spider will doubtlessly lure flies, and will benefit from its post-communist liberalism. Embodied civilian, weapons and military manufacturing technologies will be better than under Soviet autarchy, but the gains will be comparatively small. While Russia can benefit by emulating China, it will not.³⁹ Even if the Kremlin opts for high volume arms production, its armed forces will still be severely handicapped by the self-imposed deficiencies of its Muscovite system. Compared with China, Russia cannot be second best.⁴⁰ It must be worse.

Reconfiguration of Global Economic Power

Russia's economic inferiority is defined here relative to its competitive potential. Special factors such as relative economic backwardness, terms of trade effects and related possibilities for technological catch-up could temporarily countervail systemic deficiencies, while Russia's shrinking population and labour force,⁴¹ as well as educational and healthcare woes, could exacerbate them. A heavy defence burden also may be a significant drag. If the CIA building-block-factor cost approach were adopted, military outlays would be more than

³⁸ *Russian Federation 2006*, p. 82.

³⁹ Rosefielde, "The Illusion of Westernization in Russia and China."

⁴⁰ Richard Lipsey and Kelvin Lancaster, "The General Theory of the Second Best," *Review of Economic Studies*, Vol.24, 1956, pp.11-32. A first best is policy unconstrained. Russia is no better than third best because it has chosen Muscovite rent-granting, and additionally prefers strong barriers to foreign direct investment.

⁴¹ *Russian Federation 2006*, p. 189.

quadruple those officially reported, given Putin's revelation that Russia has five million men in arms.⁴²

The resultant of these cross-currents cannot be reliability calibrated, and even if it could, doubts about the accuracy of Russian defence and civilian economic statistics remain high. Girsh Itsykovich Khanin contends that *hidden inflation* continues to greatly distort GDP growth rates.⁴³ Nonetheless, some quantitative impression of the consequences of Russia's contestive agenda can be obtained with projections adjusting the raw statistics, and taking account of various plausible scenarios.

Table 1 presents estimates of comparative Russian GDP performance for 2000-2020 assuming that Putin and his successors accelerate defence spending and alternatively 1) retain low volume weapons production (LV), 2) switch to high volume weapons production (HV), and 3) the economy suffers a petro bust (PB). America is used as the standard to illuminate the reconfiguration of wealth and power. The data and methods are detailed in Table 1 and Table A1 for Russia, the European Union, America and China.

Given its economic backwardness, Russia fares poorly relative to America and China, but does better compared to a sclerotic EU beset by welfare state disincentives, straightjacket integration, and a shrinking population.⁴⁴ If the Kremlin switches to high volume

⁴² Vitaly Shlykov, "The Military Reform and Its Implications for the Modernization of the Russian Armed Forces," in Jan Leijonhielm and Fredrik Westerlund (eds.), *Russian Power Structures*, FOI, Swedish Defence Research Agency, Stockholm, December 2007, pp. 55-65, references Vladimir Putin's statement that Russia has approximately five million men in arms, making it the world's largest standing armed force. Speaking in December 2003 during his annual call-in Q & A session, President Vladimir Putin mentioned for the first time the official number of 'military personnel and those equal to them in status,' in Russia: some four million not including the police forces of the Ministry of Interior, the so-called militia, more than one million strong. Out of the four million armed personnel mentioned by Putin, the Ministry of Defence (Armed Forces proper) numbered less than a third, namely 1,132 000 service persons as of January 1, 2004." For a CIA based burden estimate see Rosefielde, *Russia in the 21st Century*, Tables 6.3, and Table 6.4, pp. 98-99.

⁴³ Girsh Itsykovich Khanin, "Ekonomicheskoe razvitie Rossii 1999-2004 gody: predvaritel'naia alternativnaia otsenka sostoiانيا rossiiskoi ekonomiki i ee analiz." Paper presented at the VI World Congress of the International Council for Central and East European Studies "Europe - Our Common Home?" Berlin, Germany, July 25-30, 2005. Khanin, *Dinamika ekonomicheskovo razvitiya*, Novosibirsk, Nauka, 1991. Rosefielde, *Russia in the 21st Century*, Table 6.3, p.98. Also see Khanin, "Economic Growth and the Mobilization Model," in Michael Ellman (ed), *Russia's Oil and Natural Gas: Bonanza or Curse?* Anthem Press, London, 2006, Chapter 7.

⁴⁴ Paul Taylor, *The End of European Integration: Anti-Europeanism Examined*, Routledge, London, 2007.

weapons production, it should gain economic and military ground on the EU.

Unlike the early post-war period, Russia will not be able to convincingly claim that its HV weapons production economic model is socially superior, even if continues to pad its GDP growth statistics, but the combination of enhanced military and natural resource power could intensify pressures on the EU to make concessions in Central Asia, Ukraine, Transcaucasus, Transdnestria, Georgia, the Balkans, Baltics, Eastern and Central Europe, and Kaliningrad.

However, this *hard power* will not be as effective elsewhere. The comparative GDP size projections in Table 1 indicate that Russia is going to rapidly lose economic and probably military ground to China while remaining vulnerable to Ummahist pressures in the South. Demographic trends display a similar pattern.⁴⁵

Other things being equal, one could suppose that Moscow might be preoccupied with these looming vulnerabilities, but the remoteness of the Chinese threat apparently combined with the petro-boom have allowed the Kremlin to fixate on immediate targets of opportunity. During the cold war, American assistance buffered Europe from the brunt of Soviet *hard power* pressure, but this may cease in the era of cold peace. EU integration pains and aspirations, together with changing US demographics, have weakened bonds⁴⁶ and may make Russian *hard power* primarily a European problem.

⁴⁵ Nicholas Eberstadt, "China's Future and Its One-Child Policy," AEI, September 19, 2007. Eberstadt predicts that China's population will commence a prolonged decline around 2030, after the period under review in this paper.

⁴⁶ Steven Rosefielde and Quinn Mills, *Masters of Illusion: American Leadership in the Media Age*, Cambridge University Press, Cambridge, 2007. Rosefielde and Mills, *God of Storms*.

Table 1.
Comparative GDP size estimates 2000-2020

(America = 100 per cent)

	EU	China	LV Russia	HV Russia	PB Russia
2000	93.6	54.5	10.0	10.0	10.0
2010	82.7	81.8	10.1	10.1	10.1
2020	73.8	122.8	8.3	10.2	7.6

Source: Angus Maddison, *The World Economy: Historical Statistics*, OECD, Paris, 2003, pp.45, 57, 83, 86, 109, 111, 164, 174.

Definition: Western Europe as compiled by Maddison includes the top 12 EU countries and is used as a proxy for the European Union.

Derivation: It is assumed that American *per capita* income grows to 2020 at the 1973-2001 mean, and that Western Europe grows at half this rate, as it has in recent years. Furthermore, Russia is assumed to grow at the robust post-war USSR rate (1950-73) until it re-attains the Soviet living standard of 1991, and then keeps pace with Western Europe, yielding better long-term results than those achieved by the USSR(LV). If Russia switches to a high volume serial weapons production strategy the 1950-73 rate is employed throughout, and if the Russia retains LV and the petro bubble bursts (PB), the growth assumption is reduced to zero. Finally, it is assumed that China chugs along at the stellar rates recorded in 1990-2001 before it decelerates to the America pace in 2021. Comparative size ratios, with America in the denominator, are formed from these projections. The underlying data are provided in Table A1.

Growth rates: America (extrapolation) 2.86, Western Europe (extrapolation) 1.16, China (extrapolation) 7.1, Russia (assumed) 3.55(2000-2011) and 1.18(2011-2020). See Steven Rosefielde and D. Quinn Mills, *Masters of Illusion: American Leadership in the Media Age*, Cambridge University Press, Cambridge, 2007, Table 9.10, p.180.

Symbols: LV is a low volume weapons production scenario
HV is a high volume weapon production scenario
PB is a petroleum bust scenario

Table A1
Reconfiguration of global GDP 2000-2020

(billion 1990 international Geary-Khamis dollars)

	America	West Europe	China	LV Russia	HV Russia	PG Russia
2000	7 941	7 430	4 330	791	791	791
2010	10 526	8 708	8 614	1 063	1 063	1 063
2020	13 953	10 206	17 136	1 163	1 429	1 063

Source: Angus Maddison, *The World Economy: Historical Statistics*, OECD, Paris, 2003, pp.45, 57, 83, 86, 111, 164, 174.

Projections. See Table 1.

Structural Adjustment

Russia's leaders should not expect a free lunch if they decide to align their military force capabilities with their Clausewitzian engagement strategy. Rearmament means diverting labour, capital and natural resources from other internal uses and exports in order to expand military and civilian machine-building, related manufacturing, military construction, R&D and troops to the extent that this cannot be covered by improved productivity (growth). As this occurs civilian consumption must decline, unless offset in whole or part by technological progress. The most striking effect should be observable in industry and machine-building. Industrial employment and GDP share statistics in Tables 2 and 3 show a pronounced contraction in industry's share of Russian GDP during the post-Soviet era, exacerbated in later years by the *Dutch disease*.⁴⁷ A switch from the LV to HV weapons production paradigm should reverse these effects directly and indirectly, as increased military petro use reduces oil exports and devalues the rouble.

⁴⁷ The term Dutch disease was first coined to describe the decline of the manufacturing sector in the Netherlands (and the rise in unemployment that accompanied it following the discovery of natural gas in the 1960s). It denotes the harmful economic consequences that may arise in certain conditions from a sudden increase in a country's wealth. See W. Corden, and P. Neary, "Booming Sector and De-industrialization in a Small Open Economy," *Economic Journal*, 93:3, September 1984. Cf. Michael Ellman, *Russia's Oil and Natural Gas: Bonanza or Curse?*

Table 2
Structural effects of rouble appreciation

Industrial employment shares

	1990	1995	2000	2004
Total Industry	30.3	25.8	22.6	21.5
Manufacturing	-	21.9	18.8	17.7
Non-Tradable Services	53.4	47.0	60.7	63.9

Source: Federal Service for State Statistics, Central Bank of Russia, Ministry of Finance, OECD, Economic Surveys, *Russian Federation 2005*, OECD, Paris, 2006, Table 2.3.

Table 3
Russian GDP structure

(Percent)

	2001	2002	2003	2004
Products	42.9	40.2	39.9	39.3
Industry	28.1	26.5	26.2	-
Construction	7.5	7.2	7.3	-
Agriculture	6.5	5.7	5.6	4.9
Services	57.1	59.8	60.1	55.8

Sources: <http://www.economist.com>; Simo Leppanen, Centre for Markets in Transition, HSE; Baltica, 2004.

Defence Burden

Rearmament also implies a substantial increase in the defence budget, and the defence share of GDP. If defence activities were to re-attain the Soviet level, then presumably so should the burden because Russia's GDP today is claimed to be near that of 1989. For those foolish enough to accept official burden statistics at face value (Table 4), a return to Soviet defence spending levels would have only a modest impact on consumers, but if the CIA's building-block factor cost methodology is employed the real burden would once again be in the vicinity of 15-30 percent,⁴⁸ with a correspondingly formidable arsenal. According to Julian Cooper's calculations displayed in Table 5

⁴⁸ Rosefielde, *Russia in the 21st Century*. Also, see note 41.

(disputed by Vitaly Shlykov) Russia will soon be half-way back to the future, and more so if Putin's December 2003 military manpower figure is accurate⁴⁹. The procurement component should be above 75 percent of the 1991 level.⁵⁰

Table 4
Russia's defence burden

1992-2010

Ruble defence spending as a share of GDP (per cent)

1992	1995	1998	2000	2005	2006	2010*
4.7	4.6	2.1	2.6	2.7	2.7	2.7

*Estimate

Source: International Institute for Strategic Studies, *The Military Balance 2001-2002*, Oxford University Press, London, 2002, p.110, Table 14. Julian Cooper, "Military Expenditure in the 2005 and 2006 Federal Budgets of the Russian Federation," January 2006. Julian Cooper, "Military Expenditure in the Three-Year Federal Budget of the Russian Federation, 2008-2010," Sipri, October 2007, Table 10, p. 15. www.sipri.org.

⁴⁹ It is unclear how many non MOD troops, excluding the MOD should be included in the CIA's definition of armed forces because of insufficient detail.

⁵⁰ See Table 5, note.

Table 5
Real Russian defence spending

1991-2010

Index

	Defence	Weapons	Civilian
1991	100	100	100
2000	28	17.5	41.0
2003	35	42.3	-
2006	39	-	-
2010	51	-	-

**Estimate*

Source: Julian Cooper, "The Russian Military-Industrial Complex: Current Problems and Future Prospects," in Pentti Forsstrom, ed., *Russia's Potential in the 21st Century*, National Defence College, Series 2, No.14, Helsinki, 2001, p.43. The Underlying data are taken from VPK publications. Cooper, "The Economics of Russian Defence Policy," paper presented at the conference on Russia under President Vladimir Putin: Towards the Second Term, European University Institute, Florence, April 22-23, 2004; Cooper, "Military Expenditure in the 2005 and 2006 Federal Budgets of the Russian Federation: A Research Note," January 2006. Julian Cooper, "Military Expenditure in the Three-Year Federal Budget of the Russian Federation, 2008-10," Sipri, October 2007, Table 11, p. 16, www.sipri.org.

Note: Putin has suppressed publication of budgetary annexes detailing weapons and civilian machinery production. "From the law on the budget, it can be established that 13 of the 33 appendices concerned with budget expenditure have been classified as 'secret' and a further six as 'top secret,' that is, 58 per cent have not been openly published." Nonetheless, Julian Cooper's estimates show gosudarstvennyi oboronnyi zakaz (Ministry of Defence arms procurement expenditure) increasing by 60 percent in 2005-2007, and 74 percent in 2007-2010. Cooper, "Military Expenditure in the Three-Year Federal Budget of the Russian Federation, 2008-10," p. 2. Tables 7 and 8, pp. 11.2.

Economic Resurgence

The future suggested by the economic statistics above is discordant with official data for the decade 1998-2007 presented in Table 6.

Table 6
Main indicators of contemporary
Russian economic performance

Macroeconomic indicators											
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
GDP, per cent-change	1.4	-5.3	6.4	10.0	5.1	4.7	7.3	7.2	6.4	6.7	7.9
Industrial production, per cent-change	2.0	-5.2	11.0	11.9	2.9	3.1	8.9	7.3	4.0	3.9	6.6
Fixed investments, per cent-change	-5.0	-12.0	5.3	17.4	10.0	2.8	12.5	11.7	10.7	13.5	22.1
Exports, US\$ billion	86.9	74.4	75.6	105.0	101.9	107.3	135.9	183.2	243.6	304.5	187.0
Imports, US\$ billion	72.0	58.0	39.5	44.9	53.8	61.0	76.1	97.4	125.3	163.9	114.9
Current account, \$ billion	-0.1	0.2	24.6	46.8	33.9	29.1	35.4	59.0	83.8	94.5	39.0
Unemployment, per cent (end of period)	9.0	13.2	12.4	9.9	8.7	9.0	8.7	7.6	7.7	6.9	5.7
Population, mill. persons, Jan 1	148.0	147.8	147.5	146.9	146.3	145.6	145.0	144.2	143.5	142.8	142.2

1) New methodology from 1 Jan 2005, figures for 2001-2004 revised, not comparable with previous years.

Source: Bank of Finland – BOFIT Statistics, www.bof.fi.

Aggregate economic growth and investment not only exceed historical norms, but appear to be accelerating, an impression confirmed by direct observation of burgeoning affluence at home and abroad. If one blinks, it is possible to suppose that Russia is more likely to emulate China's spectacular economic ascent than to revert to its historical pattern. Instead of being a security challenge, the Kremlin can be re-scripted as a force promoting global prosperity that will ultimately transition to democratic free enterprise. Should historical precedent be

disregarded? It would be premature to do so for four reasons. First, the rapid production gains of the last decade constitute recovery, not growth. The gains have been produced mostly by restarting idle facilities and rehiring the unemployed.⁵¹ Second, modernising investment and technology transfer were deficient until 2007. Third, the speculative surge driven by rising natural resource prices is approaching its peak, and supply side constraints are looming. Finally, as Khanin cautions and Soviet experience confirms, the data are untrustworthy. Thus, while miracles cannot be excluded, benign Russian prosperity is an unlikely long-term scenario, even if the Federation's future is *smuta* free.⁵²

Prospects

Russia should be able to benefit from its emerging *hard power* national security strategy, particularly toward the EU, whether or not it successfully modernises its armed forces. If its economic performance surpasses the historical norm the task will be simplified. Rearmament should together with rapidly improving readiness and force projection capabilities enhance the size of these benefits,⁵³ permit the Kremlin to fish in other troubled waters, and assist in coping with Ummah and China. The evidence suggests that Moscow will try to match its military prowess with its rising superpower aspirations. The effort is likely to fail if the Kremlin retains permissive rent-granting in the defence sector, but could succeed without impoverishing the nation by switching to a taut rent-granting regime that facilitates high volume arms production. HV weapons production should also increase the rate of aggregate economic growth. Russia's muscle flexing therefore should not be economically self-limiting for the next five to ten years unless natural resource prices fall precipitously and become

⁵¹ IMF data indicate recovery won't be complete until 2012. See Bengt-Goran Bergstrand, "Some "WEO" on Russian Economic Developments," FOI, October 16, 2007. Pekka Sutela however rightly notes that real improvements in the quantity and quality of services have contributed to growth as distinct from recovery during the last decade.

⁵² Philip Hanson, "The Russian Economic Puzzle: Going Forwards, Backwards or Sideways? *International Affairs* 83:5(2007) 869-89. Pekka Sutela, "Reciprocity in EU-Russia Relations," article prepared for the Sub-Committee on Foreign Affairs, Defence and Development Policy of the House of Lords Select Committee on the European Union, Helsinki, August 10, 2007. Pekka Sutela, "The Economic Future of Russia," *International Journal of Economic Policy in Emerging Economies*, Vol. 1., No.1, 2007, pp.21-33.

⁵³ Vitaly Shlykov reports that Russian seabased and combined arms readiness and force projection capabilities improved substantial since 2005. Shlykov in Jan Leijonhielm and Fredrik Westerlund (eds.), *Russian Power Structures*, FOI, Swedish Defence Research Agency, Stockholm, December 2007, pp. 55-65.

threatening, even though Dimitri Trenin believes otherwise.⁵⁴ A petrobust would deflate the Kremlin's national security ambitions and dramatically increase the social costs of rearmament. Moreover, the long-term inferiority of Russia's Muscovite rent-granting system deserves to be better appreciated. If the Kremlin persists in suppressing westernisation, its economic performance will continue to lag behind that of the United States and China, exacerbated by adverse demographics. As during the Soviet period, it could try to compensate by hyper-militarising its economy, but even then *victory* over America or China would not be assured now or ever. Russia is a serious emergent threat for the near future, but not the long run, if it clings to Muscovy.

⁵⁴ Trenin, "Russia Leaves the West." Trenin argues that Russia no longer has an expansionist ideology supporting Soviet-style imperialism, and its prickliness stems from G-7 mistreatment during the Yeltsin years. Once Russia regains international respect, it will mellow, pursuing a reasonable course defending its great power interests. His view is shared by Pavel Baev, Alexander Golts, and many EU defense analysts. They think Russia isn't really threatening. Cf. Clifford Gaddy, "Issues in the U.S.-Russia Economic Relationship," (statement to the Committee on House Financial Services Subcommittee on Domestic and International Monetary Policy, Trade and Technology, October 17, 2007), reprinted in *Johnson's Russia List*, No.219, Article 25, October 17, 2007.

6. THE POLITICAL ECONOMY OF THE RUSSIAN DEFENCE SECTOR

*Professor Stephen Blank*¹

Introduction

The Soviet Union did not have a military-industrial complex. Instead it *was* one, or as Oskar Lange long ago observed it was a *sui generis* war economy. Consequently, a touchstone of the extent to which Russia has and can overcome its Soviet past and integrate into Europe is the extent to which it successfully demilitarises both its economics and politics. Sadly, 16 years after the fall of the USSR the outlook is decidedly pessimistic. Russia is plunging headlong back into the state of siege begun by Lenin at home and in world politics. As part of that condition, it is generating inflated threat assessments and heightened defence spending.² It is also uprooting arms control agreements such as the CFE treaty and is threatening to do the same with the INF treaty.³

The trends in defence economics are equally regressive and disheartening. Just as Russia seems to be going back towards a Czarist or Muscovite paradigm in politics with some neo-Soviet aspects, it is embracing neo-Stalinist defence economics once again, even though

¹ The views expressed here do not represent the views of the U.S. Army, Defense Department or the U.S. government.

² Stephen Blank, "Taking Aim," *Russia Profile*, V. No. 4, June, 2007, p. 41 and "Russia Suspends Fulfillment of CFE Treaty," *Russia Profile*, V, NO. 4, June, 2007, p. 20

³ "Scrapping Medium-Range Ballistic Missiles a Mistake-Ivanov-1," *RIA Novosti*, February 7, 2007; Demetri Sevastopoulo, Neil Buckley, and Daniel Dombey, "Russia Threatens to Quit Arms Treaty," *Financial Times*, February 15, 2007, www.ft.com; Martin Sieff, "Russia Rattles Missile Treaty," *UPI*, March 2, 2006

they ruined the USSR.⁴ For example, in December 2006, Defence Minister Sergei Ivanov revealed that the defence industrial complex accounts for more than 70 per cent of all scientific output produced in Russia and that defence sectors employ over 50 per cent of all scientific staffers in Russia. Andrei Reus, Deputy Minister of Industry and Energy, followed up by pointing out that over 45 per cent of the volume of this industry's output goes to civilian spheres of the economy including dual-use sectors.⁵ For example, in 2006 this sector produced 15 civil airplanes (excluding light aircraft), 84 helicopters, 37 ships of all kinds, import-replacing equipment for the heat and energy complex, electronic equipment and high tech medical equipment, 879 000 television sets, 600 000 refrigerators and freezers, 8 000 000 washing machines, etc.⁶ Both in its domination of science and in its use of industrial capacity for civilian purposes that are decidedly low tech and not high quality or competitive in the global arena, today's Russian economy resembles its Soviet predecessor. However, Ivanov welcomes this trend as long as these enterprises produce dual-use, innovative and competitive technologies and products.⁷ Indeed, he is urging the defence sector and particularly electronics not only to move to higher quality products but also to produce even more for the civilian sector.⁸

It is not only the structure of this production that is typical of the Soviet system, but also its quality, or more precisely lack of quality, and its technical backwardness. In 2005 the figure for this sector's innovation of output was 19 per cent, a figure that is less than half that of other developed countries, while in industrial production as a

⁴ Steven Rosefielde, *Russia in the 21st Century: the Prodigal Superpower*, Cambridge: Cambridge University Press, 2004; Richard Hellie, "The Structure of Russian Imperial History," *History and Theory*, XLIV, NO. 4, December, 2005, pp. 88-112; Marshall T. Poe, *The Russian Moment in World History*, Princeton, NJ: Princeton University Press, 2003; Stefan Hedlund, *Russian Path Dependence*, London: Routledge, 2005; Emil Pain, "Will Russia Transform Into a Nationalist Empire," *Russia in Global Affairs*, III, No. 2, April-June, 2005, pp. 71-80; Dimitri Trenin, "Putin's Russia is Embracing Czarism," *Trud Interviews*, November 14, 2006, retrieved from the Carnegie Endowment website, www.carnegieendowment.org; Eugene Huskey, "The State-Legal Administration and the Politics of Redundancy," *Post-Soviet Studies*, XI, No. 2, 1995, pp. 115-143

⁵ Sergey Simonov, "Defence Industry: Locomotive of the Economy," Moscow. *Voyenno-Promyshlenniy Kuryer*, in Russian, December 27, 2006, *Open Source Committee*, Foreign Broadcast Information Service Central Eurasia (Henceforth FBIS SOV), December 27, 2006

⁶ Ibid.

⁷ "Interview With Defence Minister Sergei Ivanov," Moscow, *Voskresenoye Vremya* First Channel TV, in Russian, November 20, 2006, Retrieved from Lexis-Nexis

⁸ Moscow, *Rossiia TV* in Russian, March 21, 2007, FBIS SOV, March 21, 2007

whole the figure was 3.5 per cent!⁹ Another report stated that in 2006 this figure was actually 1.5 per cent.¹⁰ Thus it is not surprising that Russia cannot compete in electronics and high tech production despite its highly educated and computer-literate population. Yet Ivanov, President Putin and virtually every other official have consistently argued and still argue that the defence sector is, and must be, the locomotive of the entire economy, which must also move to high tech and greater innovation.¹¹

Obviously despite ceaseless organisational restructurings from 1992 to the present, the results of all these reforms of this sector have been disappointing to say the least. Nobody, least of all the Defence Ministry, is happy with the results or the quality of production.¹² Thus Ivanov's Military-Industrial Commission (MIC) concluded that poor finances among companies earmarked for integration into giant holding companies and poor state management brought about a situation where only 5 of 21 planned holding companies were set up in 2005-06.¹³ Citing a government report, Retired General Vladimir Dvorkin told a radio audience in February, 2007 that: "A third of the enterprises in the military-industrial complex are bankrupt. --- 80 per cent of the production plants are psychologically and physically obsolete. Investment in the main production facilities is a fifth or tenth of what it is in the developed countries. The system of staff training has been destroyed. The average age of workers in the military-industrial complex is 54 and in research institutes 57".¹⁴

⁹ "Interview With Defense Minister Sergei Ivanov"

¹⁰ *Minatom.ru*, December 21, 2006, *FBIS SOV*, December 21, 2006

¹¹ *FBIS SOV*, December 27, 2006.; Dmitry Litovkin, "The Will Make Fighters Into airbuses," *Izvestiya*, in Russian, Moscow Edition, March 6, 2007, *FBIS SOV*, March 6, 2007; Moscow, *Interfax*, December 15, 1999; Moscow, *ITAR-TASS in English* November 6, 1999, *FBIS SOV*, November 6, 1999, Moscow, *Nezavisimaya Gazeta*, in Russian, (Electronic Version), July 22, 1998, *FBIS SOV*, 98-222, August 13, 1998, Moscow, *Izvestiya*, in Russian, December 24, 1996, *FBIS SOV*, 96-248, December 26, 1996, Moscow, *Nezavisimaya Gazeta*, in Russian, (Electronic Version), July 22, 1998, *FBIS SOV*, 98-222, August 13, 1998, Moscow, *Izvestiya*, in Russian, December 24, 1996, *FBIS SOV*, 96-248, December 26, 1996, Moscow, *Nezavisimaya Gazeta*, in Russian, *FBIS SOV*, 98-077, March 18, 1998; "Interview With Deputy Head of Federal Agency for industry Igor Borisovich Gavriadsky by Nezavisimoye Voennoye Obozreniye Reporter, Aleksandr' Babakin" Moscow, *Nezavisimoye Voennoye Obozreniye*, in Russian, July 22, 2005, *FBIS SOV* July 22, 2005

¹² Moscow, *ITAR-TASS*, in English, March 15, 2007, *FBIS SOV*, March 15, 2007; Moscow, *Ekho Moskvy Radio*, in Russian, February 24, 2007, *FBIS SOV*, February 24, 2007

¹³ Moscow, *Agentstvo Voennoykh Novostey Internet Version*, in Russian, March 22, 2007, *FBIS SOV*, March 22, 2007

¹⁴ *FBIS SOV*, February 24, 2007

Similar cries of despair go back over a decade. Yet Ivanov's reply to this ongoing crisis is that the industry is to be profitable in three years!¹⁵ His plan is based on doing more of the same things the government has been doing since 2004 to revitalise this industry.

Since 2004 the state's answer to these problems has taken three forms: unification of all defence procurement into a single office by 2007, as begun in late 2004 and was again advocated by Putin in his 10 May 2006 speech to the Federal Assembly, further integration of defence industries in giant holding companies under state control, most recently the radio-electronic, air, automotive, heavy metals, ship-building, missiles or rockets, atomic energy and now nickel industries, and the creation of a military-industrial commission.¹⁶ For example, in 2005 the Ministry of Defence (MOD) hired an external auditor to conduct research on market costs of major weapon systems in which the Ministry is interested. The Ministry's procurement and finance agency will introduce a uniform tender format for all armed services and non-MOD Security agencies. Weapons will be procured at fixed prices and the MOD suppliers will be bound by tighter quality control, requirements, and delivery schedules. Few, however, expect rapid changes. A lawyer with the MOD's atomic energy agency told JDW (*Jane's Defence Weekly*) that the lack of transparency inside the procurement system serves the interests of both Ministry personnel and contractors'.¹⁷

Officials believe that setting up a single procurement centre in the Ministry will facilitate coordination of both current and long-term programmes and plans for the creation of arms and military equipment for domestic and foreign customers. It will also raise the technical level of models of arms and military equipment supplied for domestic needs up to global requirements, ensure unified state control over the quality of goods and a coordinated pricing policy, and it will carry over the positive experience of military-technical cooperation in

¹⁵ Moscow, *Channel One Television*, in Russian, March 14, 2007, *FBIS SOV*, March 14, 2007

¹⁶ "RF President Putin's Speech to the Federal Assembly, May 10, 2006" ; Irina Isakova, "The Russian Defense Reform," *China and Eurasia Forum Quarterly*, V, No. 1, 2007, p. 79

¹⁷ Denis Trifonov, "Russian Defence Reform: Reversing Decline," *Jane's Defence Weekly*, June 8, 2005, www.4janes.com/subscribe/jdw/doc;

the performance of pre-contract work and fulfilling contracts in the sphere of the state defence order.¹⁸

This agency, which comes into being on 1 January 2008, will be under the control of the new Military-Industrial Commission (MIC) led by Deputy Prime Minister Sergei Ivanov. It is allegedly to provide a basis for civilian control of procurement (at any rate it will be taken away from the Generals in the MOD - or at least that is how it is supposed to work). The MIC will thus become the main generator of innovation. This agency will place state military and defence orders across all power institutions, prepare and sign contracts, conduct funding, monitoring and accounting. However, 'the responsibility for the sustainability and development of defence systems in the operational manner is to be retained on the ministerial level'.¹⁹ While establishing this system certainly reduces the number of procurement agencies throughout the Russian defence and security sector, it remains to be seen whether a unified procurement system will actually reduce costs, improve quality, effectiveness and efficiency, and possibly improve transparency.

Similarly, Ivanov and Putin have steadfastly championed the idea of integrated defence industrial firms controlled, if not owned, by the state. They began with the radio-electronic industry in 2003-04 and have since sought to create such integrated holding companies throughout the sector.²⁰ Thus the regime seeks to set up these vertically integrated holdings on the basis of their end products and horizontally integrated structures based upon profile technologies and components for them.²¹ 'Through mergers and acquisitions, about 40-45 integrated holding companies are expected to be created from the existing 579 state-owned companies and 428 shareholding firms within the next five to seven years'.²²

Ivanov believes that the solution to the defence industry lies in such vertical and horizontally integrated holding firms which will, as in

¹⁸ Moscow, *Agentstvo Voennoykh Novostei*, in Russian, December 8, 2004, *FBIS SOV*, December 8, 2004

¹⁹ Isakova, p. 81

²⁰ Moscow, *Nezavisimoye Voennoye Obozreniye*, in Russian, December 26, 2003, *FBIS SOV*, December 26, 2003

²¹ Moscow, *Vestnik Vozdushnogo Flota*, NO. 3, May-June, 2003, *FBIS SOV*, Accessed on November 5, 2004

²² Isakova, p. 79

Soviet times, produce high tech civilian goods, even though few of the old defence plants were closed after 1991 and most of them still cannot compete even in the defence sector, let alone in consumer products.²³ Furthermore, 'Sergei Ivanov continues to insist that large holding companies be formed in the defence industry based on the types of arms that they produce. The Almaz-Antey Air Defence Concern and the Tactical Missiles Corporation already exist, and decisions have been made to create a consolidated aircraft manufacturing company, a missile-and space holding company, and another in the field of electronics. Next in line are armoured equipment and shipbuilding, the latter to be divided into manufacturers of surface ships and submarines'.²⁴

In a similar case, the Russian Conventional Weapons Agency began setting up similar vertically integrated holding companies across Russia for small arms, precision-guided missiles, optronics and an optical holding company in 2003-04.²⁵ At the same time experience suggests that these vertically integrated firms cannot survive except by dependence upon the state order, so they are dependent upon the state. Certainly this is what happened in 2003-04.²⁶ Thus even if there are private owners or shareholders, the state controls these firms.

The following 2005 example shows just how this state control is ensured. On 7 February 2005, the state transferred to the Tactical Missiles Corporation (Takticheskoye Raketnoye Vooruzhenie) 38 per cent of all shares in Salyut OAO (Joint Stock Company), 38 per cent of Smolensk Aviation Plant OAO, and 50 per cent plus one of shares in Gorizont OAO. To acquire these shares the Tactical Missiles Corporation conducted further share issues on behalf of the state to be reimbursed by the shares in the companies being transferred.²⁷ Alternatively, as in the case of Yukos and more recently VsMPO-AVISM in Titanium and Norilsk Nickel, the government essentially expropriated those firms by levying massive tax arrears judgments

²³ "Defense Minister Reviews His Five Years in Office" CURRENT DIGEST OF THE POST SOVIET PRESS Bibliographic details 2006, VOL 58; Number 13, page 11.

²⁴ *Ibid.*

²⁵ Moscow, *Agentstvo Voyennoykh Novostei Website*, in English, March 3, 2004, *FBIS SOV*, March 3, 2004

²⁶ Moscow, *Agentstvo Voyennoykh Novostei Website*, in English, February 24, 2004, *FBIS SOV*, February 24, 2004

²⁷ Moscow. *Eksport Vooruzheniy*, in Russian, April 1, 2005, *FBIS SOV* July 27, 2005

against them.²⁸ Thus the state has become, or will become, the dominant shareholder in these firms.

The most recent example is the creation of a unified aviation firm to manufacture both civilian and military aircraft, as originally proposed in 2003. Once again the state is the main shareholder if not owner. This proposal encountered considerable resistance, leading many to suspect that issues connected with this integration and possible criminal connections in the industry were behind the murder of key aircraft firm executives in 2003.²⁹ However the government has persisted and recently launched the integration of five commercial airline companies and is pressing Aeroflot to buy other domestic carriers to consolidate the domestic aircraft industry. While such consolidation may be economically justified because many of Russia's many airline firms are struggling to stay alive and much actual production capacity has been lost since 1991, integration is also spreading to the companies that manufacture aircraft engines despite calls for retaining competition here. Meanwhile it is still unclear if there really is the political will here or elsewhere to cut away all the dead wood of the past generation.³⁰ As Valery Bezverkhny, First Vice President of the Irkut aircraft firm said, "We have an overcapacity on paper but much of the real manufacturing capability has been lost". Yet those firms, facilities and personnel continue to exist.³¹

Ostensibly, 'the intent is to provide a focus for a limited amount of state funding for the aerospace defence research and development, and to begin to rationalise the sector to a size at which it is sustainable'.³² However, it is also clear that the state will wholly control these vertically integrated firms whether they are in aerospace or other industries. Boris Aleshin, formerly Deputy Prime Minister

²⁸ Open Source Committee Analysis, "Russia: Arms Firm Run by Putin Friend Advances State Oversight Over Key Industries," *FBIS SOV*, December 22, 2006

²⁹ Konstantin Lantratov and Sergei Ryzhkin, "Military-Civil Aviation. Airplanes Will Be Caged in a Single Company," Moscow, *Kommersant* in Russian, December 24, 2004, *FBIS SOV*, December 24, 2004; Vladimir Ivanov, "Boris Aleshin Reviving Soviet Aviation Industry," Moscow, *Nezavisimaya Gazeta*, in Russian, February 11, 2004, *FBIS SOV*, February 11, 2004

³⁰ "Report: Putin Approves Airline Merger," *Moscow Times*, May 5, 2006; Moscow, *Agentstvo Voyennykh Novostei Website*, in English, April 22, 2005, *FBIS SOV*, April 22, 2005; Douglas Barrie and Alexey Komarov/Zhukovsky, "Stunted Growth," *Aviation Week & Space Technology*, August 22/29, 2005, p. 36

³¹ *Ibid.*, p. 36

³² Douglas Barrie and Robert Wall, "Property of the State," *Ibid.*, March 13, 2006, p. 50

and now Head of the Russian Federal Agency of Industry, told an interviewer that the new aerospace firm OAK (United Aircraft Corporation) will manufacture and provide not just planes but also follow-on services and marketing support, while each division of the company, whether it be commercial, logistics, military transport or combat aircraft, will pursue 'normal activity' and sign contracts. However, the managing company directed by the state will obviously coordinate all these efforts. Although OAK's structure is supposed to be transparent to all businessmen, the managing company will be at its core to 'control assets, form reserve and investment funds and develop favourable conditions for business development'.³³ In other words, the managing company will exercise firm financial and political control of the state over all the various divisions of the aerospace business, united into one giant holding company.

However behind this rosy scenario there are many problems. The state will own 75 per cent of OAK and while most of the companies entering into it are state owned or controlled, Irkut is a successfully restructured public company where EADS, the European Aviation and Defence group, owns 10 percent and institutional investors own 30 per cent. Integrating Irkut into OAK thus means re-nationalising this firm. As one recent analysis observes, this trend parallels what happened in the oil industry where Kremlin officials, often from the power ministries (the so-called *Siloviki*), have taken control. Nor is this an unusual occurrence, as Putin is pushing for the consolidation of all of Russia's automobile manufacturers into a single integrated state-run group and Rosoboroneksport (ROE) is taking control of another major car manufacturer (Avtovaz), which is one of those three firms. Thus ROE, i.e. the state, is re-nationalising the automotive industry and is also trying to move into metals and diamonds and to acquire the firm VsMPO-AVISMA, the largest Russian producer of titanium. More recently, the state is also moving to nationalise the nickel industry led by the giant Norilsk nickel firm.³⁴

In addition, ROE, Russia's main arms seller, evidently plans to form a new large metallurgy industry holding to unite all the major enter-

³³ Moscow, *Agentstvo Voyennykh Novostei Website*, in English, June 14, 2005, *FBIS SOV*, June 14, 2005

³⁴ Andrew Kramer, "The Kremlin Flexes and a Tycoon Reels," *New York Times*, July 12, 2007

prises that produce strategic raw materials for the aerospace industry under its management and control and has begun taking steps towards that goal. The purpose here is not just to prevent the 'capture of these industries by foreign firms or by allegedly criminal firms', but rather to keep all strategic raw materials under autarchic state control through ROE, which will be the muscle behind them.³⁵ This trend to autarchy can be seen in the reluctance of ROE to support joint ventures with foreign governments and/or firms, since it does not receive a commission from them. This preference for supply contracts over joint ventures or service contracts may inhibit realisation of the goal of improving funding and innovation by involving foreign partners. ROE's ambitions in the titanium sector encompass producers in Kazakhstan and Ukraine, suggesting a broader political agenda than merely state control over the defence industry.³⁶ Ivanov is also championing the autarchic trend in the electronics industry, urging the MOD to buy Russian rather than foreign components to stimulate the economy and improve the overall level of quality, although there are some producers who are already globally competitive.³⁷ Nevertheless within the Russian defence industry it is clear that ROE is emerging as a financial-industrial power in its own right.³⁸

Once these mergers are completed, Aleshin has already promised to turn his attention to the shipbuilding industry, which will also be integrated under state control and where ROE will undoubtedly play a similar role to the agent of the state's financial control over these integrated giants.³⁹ Such nationalisation is taking place at the time of writing, under Putin's direction.⁴⁰ Aleshin spelled out the supposed advantages of this system but also its distinguishing trademark: "The transformation of plants into joint-stock companies may soon

³⁵ ROE Promotion Brochure on Brazilian website "Rosoboroneksport State Corporation 2000-2005 to New Horizons of Military -Technical Cooperation," www.defesanet.com.br/russia/rosoboron_5_years.htm

³⁶ *FBIS SOV*, December 22, 2006

³⁷ Moscow, *Agentstvo Voyenmykh Novostey Internet Version*, in English, March 21, 2007, *FBIS SOV*, March 21, 2007; Moscow, *ITAR-TASS* in English, March 21, 2007, *FBIS SOV*, March 21, 2007

³⁸ Arkady Ostrovsky, "Kremlin Seeks to Boost Power of Aerospace and Motor Industries," *Financial Times*, February 25, 2006, p. 5; Guy Chazan "Russia May Build Aeroflot Into National Carrier," *Wall Street Journal*, April 24, 2006, www.wsj.com.

³⁹ "Russian Industry Official Heralds Shake-Up for Military Shipbuilders," *ITAR-TASS*, March 10, 2006; Lyubov Pronina, "Russian Agency Expands Industry Consolidation," *Defense News.com*, February 3, 2006, www.defenenews.com/story.php?F=1509537&C=europe

⁴⁰ Beginning of Working Meeting with General Director of Sovkomflot Sergei Frank, http://www.kremlin.ru/eng/speeches/2007/06/20/2019_type82913_135277.shtml

intensify. The format of federal state unitary enterprises has grown obsolete. --- Joint-stock defence plants will have flexible management, draw additional resources, and use them efficiently. --- The restructuring of the defence industry is a major way to concentrate resources, promote competition and form efficient instruments for manufacturing finished products. --- I mean 100 percent of enterprises will be state-owned. This is a sort of state governing model".⁴¹

Aleshin justified state control by referring to the poorly developed state of industry that cannot effectively realise the state's plans, e.g. the sub-optimal structure and effectiveness of federal state unitary enterprises. He envisions the ultimate integration of manufacturers of avionics, engines and other systems in the aircraft holding company, which alone will produce every kind of civilian and military aircraft desired by Russia in order to keep production facilities running and modernise them. He and other officials like Aleksandr' Brindikov, the leader of general advisors to ROE's director Sergei Chemezov, acknowledge that despite the need for effective and efficient utilisation of state tax rebates, loans and investments, it is not happening. Neither is the foreseeable capital market and investment picture encouraging.⁴²

Finally, the third aspect of this centralisation programme is the creation of the new Military-Industrial Commission (MIC) to which ROE is being subordinated and which will represent what appears to be in all but name a new Ministry of Defence Industry, but having its hands on much of the civilian sector, such as the metals, titanium, diamonds, high tech and automotive industries.⁴³ This trend clearly follows the complaint by Putin's Assistant for Defence Issues, Aleksandr' Burutin, in 2005 that uncontrolled privatisation and bankruptcies, as well as a decline in state control, were still occurring in the defence industrial sector despite the move toward integrated firms. He then observed that only 10 of the 75 planned firms were in

⁴¹ Moscow, *Agentstvo Voyennoykh Novostey* Internet Version in English, March 15, 2007, FBIS SOV March 15, 2007

⁴² Ilya Kedrov, "Prices Are Rising Quality Is Declining. Situation in a Number of Defense Industry Sectors Requires Adoption of Urgent Measures." Moscow, *Voyenno-Promyshlennyyi Kuryer*, in Russian, March 21, 2007, FBIS SOV, March 21, 2007

⁴³ Pronina, Nikolai Vardul and Konstantin Simonov, "Sergei Ivanov Has Been Appointed Successor," Moscow, *Gazeta*, March 21, 2006, Retrieved from BBC Monitoring

any way integrated.⁴⁴ Since then, it appears that if anything the number of anticipated holding companies has declined, meaning that they would be even larger than previously expected. Therefore a comprehensive reorganisation and programme of state support for the defence industry, including perfection of the 'power vertical' structure were needed to rescue it.⁴⁵ Moreover, such programmes were necessary because 'The defence industry incorporating high tech branches and carrying out 75 per cent of R&D can become the only starting point for boosting the innovations policy in Russia and form the basis for reviving our country's economy. The defence industrial complex is surely capable of launching serial production of modern weapon systems for qualitative rearmament of our Army, Navy and law-enforcement structures'.⁴⁶

Thus Stalin's mantra, echoed often by Putin, that the defence sector is the only or true locomotive of economic and great power revival, rode again.⁴⁷

Although this commission existed at least by 1999, little is known about its power which, along with its purview, was evidently limited. Even so, by 2004 Deputy Defence Minister, General Alexei Moskovskiy was calling for a restored MIC at the Prime Ministerial level "and with standing executive powers, a permanent staff and the tasks of running the defence sector, coordinating state-sector defence customers, drawing up and placing defence procurement orders and given pricing and tariff setting powers as well". He believed that "the market will not regulate this; the state must direct its own defence procurement".⁴⁸ Obviously this statement indicates which way the wind was blowing by that time.

⁴⁴ FBIS SOV, February 28, 2005

⁴⁵ *Ibid.*

⁴⁶ *Ibid.*

⁴⁷ Moscow, *Interfax*, December 15, 1999, Moscow, *ITAR-TASS*, in English, November 6, 1999, FBIS SOV, November 6, 1999, Moscow, *Nezavisimaya Gazeta*, in Russian, (Electronic Version), July 22, 1998, FBIS SOV, 98-222, August 13, 1998, Moscow, *Izvestiya*, in Russian, December 24, 1996, FBIS SOV, 96-248, December 26, 1996, Moscow, *Nezavisimaya Gazeta*, in Russian, (Electronic Version), July 22, 1998, FBIS SOV, 98-222, August 13, 1998, Moscow, *Izvestiya*, in Russian, December 24, 1996, FBIS SOV, 96-248, December 26, 1996, Moscow, *Nezavisimaya Gazeta*, in Russian, FBIS SOV, 98-077, March 18, 1998

⁴⁸ Moscow, *RIA Novosti*, in Russian, November 23, 2004, FBIS SOV, November 23, 2004

However, the decision to create this commission in November 2005 clearly stemmed from Chief of Staff General Yuri Baluyevsky's public complaint that the defence industrial sector could not meet the military's plans by 2010. Given the continuing crisis in this sector despite all of Putin's reforms up to 2005, it is quite likely that his warnings were not misplaced. A chorus of newspaper accounts indicated the paltry quantitative results of procurement and the rising costs of materials due to inflation. In the metals sector in particular, the pervasive corruption and the lack of transparency contributed to this inflation and to the consequent failure of production to meet the state's goals. Even officials admitted that the quality of weapons was still in decline since 2004.⁴⁹ Obviously the centralisation undertaken since 2000 was not bringing about the decisive transformations required by the regime, so the predictable answer was more centralisation and the announcement of the MIC under Ivanov.

This MIC continues the process begun in 2004 to make Ivanov's Ministry a kind of super Ministry as noted above.⁵⁰ Beginning in 2004 Ivanov engineered the removal of Chief of Staff, General Anatoly Kvashnin, and launched a series of reforms of the internal organisation of the MOD to centralise it more under his control.⁵¹ He then also began to rebuild the defence industrial administrations, taking control of FS Rosoboronzakaz (The Federal Service for the Defence Order, or more accurately Defence Procurement), Rosoboroneksport, and the Federal Agency for Military-Technical Cooperation.⁵² According to Ivanov the new MIC under his control will be a permanently operating body with broad powers, and could even prepare draft presidential resolutions and oversee their enforcement.⁵³ The MIC, he said, will work on a permanent basis that allows it "expeditiously to manage the country's defence industry,

⁴⁹ "Russia Has a State Monopoly on Arms Exports, *Vremya Novostei*, December 26, 2004, Retrieved from Lexis-Nexis

⁵⁰ Vladimir Mukhin, "One-Half of Budget Entrusted to Sergei Ivanov: Defense Ministry Becomes Key Department," *Moscow Nezavisimaya Gazeta*, March 11, 2004, FBIS SOV, March 11, 2004.

⁵¹ Trifonov; Vadim Solovyov, "Staff Reshuffles Completed at the Defense Ministry," *Nezavisimaya Gazeta*, November 19, 2004, retrieved from Lexis-Nexis; Carolina Vendil Pallin, *Defense Decision Making and Russian Military Reform: The Oblomov Approach*, Stockholm, Swedish Defense Research Establishment FOI, 2006, pp. 173-174

⁵² Andrei Reut, Viktoriya Sokolova, Aleksandr' Andryukhin, Mariya Stepanova, Aleksandr' Stepanov, "What is Behind Operation Customs?" *Izvestiya*, May 16, 2006

⁵³ "Russian Military-Industrial Commission to Have Broad Powers, Ivanov," *Interfax*, March 21, 2006

handle specific programmes for its development and draft government resolutions and presidential decrees pertaining to its development".⁵⁴ Although Ivanov denied that he is creating a new large bureaucracy, he admitted that the MIC is creating a "new mechanism of administration".⁵⁵

Although Prime Minister Mikhail Fradkov sought to gain control over the MIC and force Ivanov, who is also a Deputy Prime Minister, to report to him, he failed, indicating both the ongoing bureaucratic struggles within the government and Ivanov's primacy. These struggles are the daily stuff of Russian politics, as everyone with an interest in this sector is struggling to gain exclusive control over it at the expense of his rivals.⁵⁶ Indeed, the decree making Ivanov head of the MIC further weakened Fradkov because while he must approve its decisions, he is not part of the Commission. The Commission is a permanent standing body outside the regular government and its leadership members are not part of the government apparatus. Moreover, Ivanov and his team need not reconcile, coordinate or discuss their deliberations with Fradkov or the regular government before submitting them for approval, and can draft presidential resolutions and decrees without submitting them to Fradkov for approval.⁵⁷

Thus the creation of the MIC also further weakened the regular government, moving ever more key functions into the presidential administration which oversees Ivanov's expanded domain, and removing them from any kind of Parliamentary or public accountability. As one commentary observed 'Economic Development Minister German Gref and Industry and Energy Minister Viktor Khristenko will unequivocally be the losers in this reshuffle, in

⁵⁴ ITAR-TASS, March 21, 2006, Retrieved from BBC Monitoring

⁵⁵ Radio Free Europe Radio Liberty Newswire, March 21, 2006

⁵⁶ Vardul and Simonov; Aleksandr' Babakin, "The Defense Ministry Has Prepared Four Versions of the Armament Program," *Nezavisimoye Voyennoye Obozreniye*, February 25-March 1, 2005, p. 6, Retrieved from Lexis-Nexis; Yuri Lebedev, "Clinging to Branches, Moscow, *Komsomolskaya Pravda*, in Russian, June 28, 2005, p. 3, FBIS SOV, June 28, 2005

⁵⁷ Pavel Felgengauer, "An Old Body Revived for Ivanov," *Novaya Gazeta*, March 23, 2006, Retrieved from Lexis-Nexis; Oleg Liakhovich, "Sergei Ivanov to Head New Military-Industrial Commission," *Moscow News*, March 24, 2006; "Russian Military-Industrial Commission's head Interviewed About New Role," *Rossiyskaya Gazeta*, March 22, 2006, Retrieved from Lexis-Nexis; Pavel K. Baev, "Ivanov Takes Charge of Russian Military-Industrial Conglomerate," *Eurasia Daily Monitor*, March 28, 2006

addition to Mikhail Fradkov. The former loses control of the defence order, and it is not known at all what the latter heads now. The Federal Agency for Industry under Boris Aleshin's leadership will pass under [Deputy Chief of the MIC, Vladislav] Putilin's wing, because it essentially tackled primarily precisely the military industry'.⁵⁸

Similarly, it is now the case that the MIC will tell the government and Ministry of Finance what the defence order will be before the state budget is drawn up, rather than the other way around as had hitherto been the case. In effect, the MIC will have a privileged and unquestioned priority in that budget, which is unaccountable to any legislative or regular governmental scrutiny. Instead, the defence order remains a figure accountable only to the President personally and to his direct line of command down through Ivanov.⁵⁹ Here again we see that the entire defence sector and the industries it will control have been removed from any kind of governmental or Parliamentary oversight and are part of what might be called the President's personal government.

Ivanov was also granted the right to choose his own high-ranking officials from the government and presidential administration for commensurate posts within the MIC. He will control a budget of approximately US\$ 25 billion, which includes the budgets of the MOD and the budget of Viktor Khristenko's Ministry of Industry and Energy. He will also distribute foreign arms sales through ROE, which he now also oversees.⁶⁰ Inasmuch as the entire defence establishment ultimately reports to Putin, not Fradkov, it is now the case that the defence industrial sector which is, as we have seen, expanding into the civilian economy, has now also been removed from any oversight and control by the regular government. For example, Ivanov's Deputy, Retired Lt. General Vladislav Putilin, publicly said that he and the other members of the MIC will be permanently in charge of certain problems relating to weapons development on land, sea and air and that he is totally independent of

⁵⁸ Vardul and Simonov

⁵⁹ Andrei Lavrov, "The Khaki Budget," *Gazeta*, May 10, 2006, p. 13, Retrieved from Lexis-Nexis

⁶⁰ "Defense Minister Forms a New Administration," *Kommersant*, March 21, 2006

the regular government staff, and also laid claim to taking over some of the so-called national projects for the military-industrial complex.⁶¹ Similarly Ivanov is urging the MIC to direct the defence industry to produce high tech civilian products and will oversee the government's 200 billion rouble (US\$ 7.7 billion) investment in nanotechnology by 2015.⁶² Although he denies this is reverting to the Soviet system of having defence plants dominate science and industry and also produce for the civilian sector, where defence firms allegedly made pots and pans, in fact that is exactly what is happening.⁶³

Consequently, it is already clear that the MIC will also assume control or the responsibility for coordination of projects and programmes that are managed by several ministries, giving it control over much of the civilian sector, not only through its oversight of the budget of the Ministry of Industry and Energy.⁶⁴ It is equally clear that the MIC bids fair to become a government within the government, another part of the presidential administration reserved essentially for Putin's autocratic and patrimonial control with no oversight from society. Now the defence apparatus as a whole, including its expanding economic structures, has been removed from control either by Parliament or the regular government, it is clearly part of Putin's personal administration or *Votchina* in a modern sense.⁶⁵

Not surprisingly, this development will require an enormous bureaucracy to monitor the agencies and industries overseen by the MIC in order to monitor implementation of state policy. The MIC will supposedly ensure that at least half of future defence budgets is spent on development of the armed forces, establish a unified procurement and supply system for weapons, military hardware and logistic

⁶¹ Petr Netreba, "Sergei Ivanov Will Control Land, Sea, and Air," *Kommersant*, March 22, 2006, pp. 1, 4, *CDPP*, LVIII, No. 12, April 19, 2006, p. 11

⁶² "Russia to allocate \$7.7 bln for Nanotechnology until 2015," *RIA Novosti*, June 21, 2007

⁶³ "Press Conference With Vice Premier and Minister of Defense Sergei Ivanov, March 28, 2006, Retrieved from lexis-Nexis

⁶⁴ Konstantin Lantratov, "Russia Will Have More Arms," *Kommersant*, May 10, 2006, p. 2, Retrieved from Lexis-Nexis; Viktor Litovkin, "Russia's Military Order, *RIA Novosti*, May 11, 2006 www.bilkent.edu.tr/~crs.russianmilitaryorder.htm.

⁶⁵ This division of the state into the 'regular state administration' and the presidential sector which comprises the key strategic sectors of the economy beyond any other control may look like a Russian effort to construct 'domaine reservee' as in the French system, or more likely to the Russian historian as a perverse echo of a trend begun by Ivan the Terrible to create a separate personal government apart from the nominal regular government.

support, and 'substantially increase the number of modern long-range aircraft, submarines and launchers in the Strategic Missile Force'.⁶⁶ Beyond ensuring greater coordination and output, as well as more rational expenditure of the state order, the MIC will have to deal with the skyrocketing price of energy, labour, materials, metals and transport, and recruit more young professionals to this field. It will also have to establish more stable and long-term contracts and plans, i.e. for three, five and ten years, not annual contracts and plans for production of weapons.⁶⁷ Toward these goals, Ivanov has already called for a new weapons programme for 2007-15 and an increase in the procurement budget of 28 per cent, as well as a unified procurement and logistics system.⁶⁸

It is clear from the foregoing that even if, as Putin and Ivanov have often said, Russia will not engage in a Soviet-style arms race, it is reverting to an ever more Soviet or at least Czarist-like defence industrial structure. Hence Russian defence policy will be more opaque and even less transparent than before. In keeping with the Russian tradition that an effort to root out inefficiencies and ineffectiveness often involves more centralisation, and that this centralisation then entails the creation of ever more auditing and inspecting agencies to perform those regulatory functions summed up in the Russian definition of the word *Kontrol'*, Ivanov is creating what one writer called an audit pyramid under him in the MIC. The justification for such permanent monitoring is precisely because otherwise rampant corruption will ensure and once again the market cannot be trusted.⁶⁹

Since the MIC's instructions specify that it will be the chief standing body for implementing state policy in the defence sector through the completion of the 2007-15 armament programme, the MIC will exist at least through 2015. Thus in 2007, it will oversee the establishment of a single agency to oversee all purchases of military hardware and rear

⁶⁶ Konstantin Lantratov, "Russia Will Have More Arms," *Kommersant*, May 10, 2006, p. 2, Retrieved from Lexis-Nexis; Viktor Litovkin, "Russia's Military Order," RIA Novosti, May 11, 2006 www.bilkent.edu.tr/~crs.russianmilitaryorder.htm.

⁶⁷ *Ibid.*

⁶⁸ Mikhail Sergeyev, "Ivanov Takes Charge of the Defense Sector," *Bizness*, May 12-14, 2006, p. 2, Retrieved from Lexis-Nexis

⁶⁹ *FBIS SOV*, November 23, 2004

services property and logistics. Not only will that agency have oversight or responsibility for several hundred billion roubles annually, it will also have to perform functions of *Kontrol'*, i.e. monitoring that all this money is spent on buying goods and services through single contracts. This includes an anti-corruption component "since the military will decide what to buy, and the agency's specialists will decide where to buy it".⁷⁰

Thus the MIC will become even more of a behemoth and duplicate existing structures within the MOD. According to Vladimir Mukhin in 2005, "according to the roughest estimates, over one-half of the country's budget will come under the new military-industrial control. Solely in respect of direct allocation, around US\$ 16 billion will officially pass through the Russian Federation Defence Ministry-controlled Federal Agency for the Defence Order and Federal Agency for Military-Technical Cooperation in 2004 (according to economic Development and Trade Ministry data, 341.2 billion roubles will be removed from the defence order and 150 billion roubles from the arms business). Expenditure on special construction and military reform, as well as on defence industry administration, must be put into this category. However, Comptroller's Office audits of the military department regularly reveal the non-targeted use of vast resources"⁷¹ (emphasis added).

Obviously this system of *Kontrol'* already exists within the MOD, where FS Rosoboronzakaz exercises such oversight functions under the MOD's control. Indeed that agency already duplicates the same functions as the state's Auditing Chamber. Yet neither the Auditing Chamber nor FS Rosoboronzakaz will be abolished when this new purchasing and auditing organisation is set up. Indeed FS Rosoboronzakaz, which is already supervised by ROE, will apparently become an independent agency outside the Defence Ministry to supervise the new agency and then report to the Auditing Chamber. Hence Ivanov's "auditing pyramid, with numerous *Kontrol'* agencies

⁷⁰ Vladimir Mukhin, "Sergei Ivanov is Establishing an Audit Pyramid," *Nezavisimaya Gazeta*, May 15, 2006, p. 3, Retrieved from Lexis-Nexis

⁷¹ Vladimir Mukhin, "One-Half of Budget Entrusted to Sergei Ivanov: Defense Ministry Becomes Key Department," *Moscow Nezavisimaya Gazeta*, March 11, 2004, *FBIS SOV*, March 11, 2004

supervising each other and the procurement process as a whole”.⁷² ROE also works closely with Rosoboronzakaz as it imports foreign defence technology for the armed forces’ use, to help them realise the defence order and enhanced procurement quality.⁷³

Mukhin’s list of the MOD’s components also highlights the endemic corruption that this system bred and still breeds. Ivanov admitted that the new procurement agency was formed explicitly to fight corruption by separating procurement for all the power structures from those ministries. Two centres will be set up, one for procurement and the other for materials and logistics, and all the ministries must pass through them. It also seems that Anatoly Serdyukov’s replacement of Ivanov at the MOD was based on his experience in the tax service, so that his main job is auditing and monitoring defence spending.⁷⁴ At the same time the new procurement agency, which has superseded FS Rosoboronzakaz, means that this agency was also set up to weaken the MOD and strengthen Ivanov and his MIC which is a further move of a key organisation from a ministry, albeit one under presidential control, to a wholly unaccountable entity, the MIC.⁷⁵

This kind of politics and these types of structures highlight one of the abiding features of the rent-granting state and rent-seeking elite relationship to it that typify the Russian government.⁷⁶ As Czarist and Soviet history tells us, this kind of system virtually compels the state to set up an endless and proliferating number of *Kontrol’* organisations to regulate, monitor, inspect and verify implementation of policies, and each of these bureaucracies inevitably falls prey to the same pathologies as exist elsewhere in the state administration. Rather than regulate by law and market, bureaucratic despotism and centralisation are invoked as mantras only to fail and lead to fresh attempts to square the circle at ever higher levels of centralised and thus non-responsible authority. Such efforts invariably end up as turf-grabbing

⁷² *Ibid.*

⁷³ Alexey Nikolskii, “Military Cooperation: Rosoboronimport,” *Defense and Security*, August 12, 2005, Retrieved from Lexis-Nexis

⁷⁴ WPS Analysis, “Defense Ministry Will Be Spared From Uncritical Functions,” February 26, 2007, Retrieved from Lexis-Nexis

⁷⁵ Oleg Vladykin, “Event of the Week: Who’s Got the Bigger Breeches,” Moscow. *Moskovskije Novosti*, in Russian, February 9, 2007, *FBIS SOV*, February 9, 2007

⁷⁶ Stephen Blank, *Rosoboroneksport: Arms Sales and the Structure of Russian Defense Industry*, Carlisle Barracks, PA, Strategic Studies Institute, US Army War College, 2007

and turf-expanding wars by bureaucrats and officials at each other's expense, without really solving the problem. Moreover, it is clear that within this administrative system typical of Russian history, ROE will play a vastly more important supervisory and *Kontrol'* type role than merely overseeing the sales of Russian weapons abroad. Very probably it will be the key agency of the MIC to regulate the activities of the defence industrial sector.

ROE and the Defence Industry

There are abundant grounds for reaching this conclusion. First of all there is no doubt that Putin and the Russian government believe that "in terms of its significance and scope, the global weapons market is comparable with such segments of the global economy as energy and food. Competition here is extremely strong".⁷⁷ Similarly, due to management changes at key defence industrial firms such as the RSK MiG corporation, Ruslan Pukhov, Director of CAST, made the following observations already in 2004: "The latest events point to the conversion of Rosoboroneksport, which is in the hands of presidential appointees, into a kind of Ministry of Defence Industry. It was Sergei Chemezov, CEO of the national military-technical cooperation broker [i.e. ROE, author's note] who was the key figure in the formation of the Vertolety Milya helicopter holding company and it was he who lobbied for the appointment of Aleksei Fedorov, his Irkutsk high school classmate, to the post of head of MiG. After this, the MiG Corporation will most likely lose the right to independent foreign economic activity or will not avail itself of it, having signed over the authority to Rosoboroneksport."⁷⁸

Pukhov then drew the only appropriate conclusion, that the state was now going to impose order from above as well as ownership and control over the defence industrial sector.⁷⁹

⁷⁷ "Russia Needs Permanent Adjustment of Arms Export Policy-Putin," *Interfax*, December 28, 2005

⁷⁸ Vladislav Kramar, "Fradkov Has Begun the Redivision of Defense Industry With MiG: Selling Planes Without Political Cover is Impossible," Moscow, *Nezavisimaya Gazeta*, in Russian September 28, 2004, *FBIS SOV*, September 28, 2004

⁷⁹ *Ibid.*

Clearly ROE is capable of playing this role. An estimated 70-90 per cent of the revenues and production volume of many critical defence companies is tied to exports of systems or of spare parts, giving ROE enormous leverage vis-à-vis these industries.⁸⁰ Today ROE proclaims itself “the sole state intermediary agency for Russia’s exports/imports of defence-related and dual-use products, technologies and services”.⁸¹ This observation fully accords with Chemezov’s publicly stated view that only one government-owned company should be exporting Russian defence products abroad. Otherwise every time multiple exporters appeared, the volume of sales would plummet, though Chemezov does support keeping private firms in reserve as independent sellers of spare parts.⁸²

Indeed, Chemezov has been an unapologetic proponent of state control of the defence industrial sector by ROE since 2003, if not before. Even as the whole sector of the defence industry and arms sales underwent numerous reshuffles and reorganisations in 2000-05, suggesting that the present *status quo* is by no means immutable, he has held to this position.⁸³ Thus in 2003 during one such reorganisation, he unsuccessfully proposed that ROE, which is a federal state unitary enterprise, be converted into a joint-stock company and that as part of this process a blocking percentage of shares from the military-industrial holding companies that were then being formed be transferred to ROE. In this way, ROE could place its people on their boards and control their foreign economic activities. This plan was rejected then but it now appears to have succeeded.⁸⁴ Nevertheless there are reports that ROE may be undergoing another

⁸⁰ Nikolai Poroskov, “Nikakoye Real’noye Voennoye Stroitel’sтво v Rossii ne Vedetsya,” *Vremya*, August 9, 2005

⁸¹ Rosoboroneksport at XI “Security and Safety Technologies International Forum,” February 7-10, 2006

⁸² “The Soviet Union Did not Receive Such Huge Revenues in Foreign Currency Each Year,”

Rosoboroneksport, October 24, 2005 www.rusarm.ru/pages_firm/medi/pr_027.htm

⁸³ For example, Lyubov Pronina, “New Agency Rules Russia’s Defense industry,” *Defense News*, March 22, 2004, p. 18; Lyubov Pronina, “President Starts Reshuffle of Arms Exporters,” *Moscow Times*, November 20, 2003; Konstantin Lantratov, “President Takes Control of Military Exports,” *Moscow, Kommersant*, in Russian, April 25, 2003, *FBIS SOV*, April 25, 2003

⁸⁴ Ibid.; Ivan Yegorov, Vestiges of Perestroyka-Style Economic Accountability, Rosoboroneksport Is Changing Its Form of Ownership,” *Moscow, Gazeta*, in Russian, September 20, 2004, *FBIS SOV*, September 20, 2004

reorganisation that would change its corporate structure and legal status.⁸⁵

However that rejection of Chemezov's plans in 2003-04 had two significant outcomes. First, for some time this decision subordinated ROE to the Federal Service for Military-Technical Cooperation (FSVTS). FSVTS plays a key role in arms sales because it issues licenses to exporters for each specific deal, sets prices, ensures compliance with state policy in military-technical cooperation and grants firms the right to do business in some parts. Since the right to export depends on securing licences, FSVTS has a major share of control over exports and this forces ROE to engage closely with it.⁸⁶ Thus in fact there is a high degree of overlap in the functions of these two agencies and consequently they are rivals, as it was FSVTS that quashed Chemezov's original proposal for making ROE a joint-stock company. Hence bureaucratic rivalry remains a built-in factor in arms sales policy, just as in so many other sectors of Russian politics.

Second, this decision of 2004, pushed by FSVTS, also subordinated ROE to the Ministry of Defence. Thus paradoxically it allowed ROE and the MOD to begin taking control of financial flows from arms sales and to some extent of defence investments.⁸⁷ It also cemented the relationship of subordination and close contract that still exists between ROE and the Ministry and which will undoubtedly carry over into its relationship with the MIC.

ROE works closely with the Ministry to increase control over the trade in conventional weapons, raise funds for future R&D activities through arms sales, supply the armed forces with hardware and training, and build an effective security system with other members of the CIS through military-technical cooperation (VTS) with them, often at subsidised prices. This involvement includes visits by Ivanov and

⁸⁵ Alexander Vitovsky, "Military Cooperation: It's not an Easy Undertaking to Sell Weapons," *Parlamentskaya Gazeta*, December 28, 2005, p. 3

⁸⁶ Mikhail Dmitriyev, "Front Line. Current Status and Development Perspectives of Russia's Military-Technical Cooperation With Foreign Countries," *Military Parade*, April 30, 2005, pp. 4-5, Vadim Solov'ev and Viktor Myasnikov, "Double Special-Control Over the Weapons Market, the Federal Service for Military-Technical Cooperation Wages a Fierce Battle Against internal and External Competition," *Nezavisimoye Voyennoye Obozreniye*, December 2, 2005, *FBIS SOV*, December 2, 2005

⁸⁷ "Russia: Policy changes Afoot in Defense Industry," *Oxford Analytica*, *Oxford Research*, June 16, 2004, p. 1

his successor Anatoly Serdyukov to strategically important regions in Russia or foreign capitals to conclude working agreements and to decide which weapons to release from the Ministry for sale or lease abroad by ROE.⁸⁸ The Ministry's prior involvement in such actions appears to be a necessary precursor for ROE's activities, including actual contracting, and because such sales often involve foreign forces' training of their men using these weapons, if any training obligations are in the contract, the Ministry needs to be involved.⁸⁹ Finally Ivanov obviously has significant influence over the entire field of military-technical cooperation abroad, enjoys Putin's confidence and even recommends high-level appointments to ROE.⁹⁰

Thus it is hardly surprising that following Ivanov's similar standpoint, throughout the period since 2003 ROE has encouraged the formation of the aforementioned large vertical integrated holding companies in the defence sector and their spread into other industries. As the consolidation of the MOD's control over the entire defence sector has accelerated and deepened, ROE has also been able to expand its oversight functions over defence industry. In 2005 it announced plans to increase its involvement in the management of export-orientated enterprises, particularly the holding companies.⁹¹ Of course, if a company was not part of those holding companies, but was subsequently integrated into them as is now increasingly becoming the norm, it becomes fair game for ROE. What Chemezov now claims to want is not so much to hold shares in these firms, let alone a controlling interest, but to be able to gain seats on their boards of directors.⁹²

In fact, Chemezov wants power over the entire sector, including ownership of shares of defence sector firms. He is trying to have his deputy Vladimir Pakhmonov appointed head of the new civilian unified defence procurement office so that he would control all

⁸⁸ Anatoly I. Mazurkevich, "International Military Cooperation . As Befits Russia's Status and Resources," *Russian Military Review*, April 30, 2005, General Mazurkevich is Chief of the international Cooperation Directorate in the Ministry of Defense.

⁸⁹ Anatoly I. Mazurkevich, "International Cooperation: Considering new Realities," *Rossiiskoe Voennoye Obozreniye*, January 31, 2006, FBIS SOV, January 31, 2006

⁹⁰ Igor Korotchenko, "Military Status, New Prospects of the Defense Ministry," *Defense and Security*, December 1, 2003, Retrieved from Lexis-Nexis

⁹¹ Moscow, *Agentstvo Voennykh Novostei*, Website, in English, June 16, 2005, FBIS SOV, June 16, 2005

⁹² *Ibid.*

defence procurement.⁹³ Similarly it was at this time that Chemezov announced the formation of ROE's own holding company, OPK Oboronprom (Unified Industrial Corporation Oboronprom-Ob'edinennaya Promyshlennaya Korporatsiya Oboronprom). Oboronprom is supposedly not intended to sign contracts for arms sales, but rather to decide how best to implement contracts and to decide which firm will execute these.⁹⁴ Obviously Oboronprom will actually be a powerful organisational and financial weapon over all defence industries to ensure their submission to state dictates. Indeed, this may have been part of the plan all along.

In fact, despite Chemezov's statements, Oboronprom is an essential mechanism in giving ROE the means to buy stock in and emplace its representatives in the management of defence firms.⁹⁵ Already in 2004 Chemezov was advocating such a plan, only to be rebuffed.⁹⁶ However, since then his view has clearly prevailed. Oboronprom, structured as a multiprofile investment group, was set up to allow ROE and Rosimushchestvo (the Federal Agency for Management of Federal Property) to buy stock in export-orientated defence firms, e.g. the recently formed helicopter holding company.⁹⁷ Indeed, some analysts believe that Oboronprom has enough financial and lobbying power to consolidate whole sectors of industry in this fashion.⁹⁸

Thus Oboronprom, supported by presidential decrees, has taken over several firms and placed its managers on their boards in the new helicopter vertically integrated holding company, and owns a high percentage of shares in numerous other firms. e.g. Sukhoi, the Kamov helicopter firm, the Progress plant in Primorye that produces the Ka-50 Black Shark (Chernaya Akula) Ka-52 Alligator helicopters and cruise missiles for the Moskit anti-ship missile system, etc.⁹⁹ Similarly,

⁹³ Nabi Abdullaev, "Russia To Hand Defense Procurement to Civilians," *Defensenews.com*, May 22, 2006

⁹⁴ *Ibid.*

⁹⁵ Centra Corporation, Draft Report No. 1 on ROE, 2006 passim.

⁹⁶ Konstantin Lantratov and Ivan Safronov, "Russian Federation President Familiarizes himself With Arms Trade Plans," Moscow, *Kommersant*, in Russian, September 18, 2004, *FBIS SOV*, September 18, 2004

⁹⁷ Yuri Avdeyev, "In Charge of Oboronprom," *Krasnaya Zvezda*, in Russian, July 23, 2005, *FBIS SOV*, July 23, 2005

⁹⁸ Nikolai Poroskov, "Interview With Konstantin Makiyenko, Deputy Director of CAST," *Vremya Novostei*, August 9, 2005

⁹⁹ www.oboronprom.ru, Moscow, *Interfax*, September 17, 2004; *Open Source Center*, *Open Source Analysis*, in English, "Russia: Rosoboroneksport Expanding, Moving Toward New Status," *FBIS SOV*, April 12, 2007

Oboronprom has actively encouraged the process of forming these large, vertically integrated firms in the aircraft, helicopter, ship-building, missile-building and defensive systems sectors. Seeking to expand its influence over programmes and capacity of these industries, ROE has established ownership and management roles in those firms, often through Oboronprom's buying of shares or placement of management officials in them. These firms include the new OAK, Baltiyski Zavod and Severnaya Verf shipbuilding firms, the Air Defence holding company Ob'edinitelnye Systemi (United Systems), the missile firm Takticheskoye Raketnoye Vooruzheniye, and the Almaz-Antey air defence firm. More recently it has been revealed that Oboronprom has taken control of the Mil Moscow Helicopter Plant, the Ulan-Ude aviation plant, the Moscow Vperiyod machine-building plant, and the Stupino-machine-building industrial enterprise. By the end of 2007 and early 2008, Oboronprom also intends to take control of the Kazan aviation plant, Kamov, and the Rosvertol helicopter plant, no doubt intending to amalgamate them all into one giant helicopter holding company to go with the other holding companies that are, or have recently been, formed.¹⁰⁰ As noted above, ROE has also moved into the automobile and metallurgy industries.¹⁰¹

By acting as the state's agent in purchasing controlling or at least blocking interests in defence firms and extending that control into other more civilian sectors, and by placing its people on their boards, ROE acts as a major player in bringing those industries under state control and reorganising the defence industry.¹⁰² ROE is involved in the work of over 700 enterprises and provides credit totalling 3-4 billion roubles annually under its guarantee and insurance arrangements.¹⁰³

Equally important, those companies that under previous legislation and decrees have received the right to export independently, and have the means to do so, not only include ROE and Oboronprom, but are

¹⁰⁰ Nabi Abdullaev, "Oboronprom Takes Control of Russia's Mil Helicopter Plant," DefenseNews.com, July 20, 2007, www.defensenews.com/story.php?F=2910326&C=europe

¹⁰¹ Pronina, "Russian Agency Expands Industry Consolidation,"

¹⁰² *Ibid.*

¹⁰³ "Rosoboroneksport State Corporation 2000-2005 to New Horizons of Military -Technical Cooperation,"

also, in practice, cooperating quite closely with ROE.¹⁰⁴ It remains to be seen if they can compete with ROE or if the latter can compete with them and maintain this status under the terms of the newest reorganisation of the defence industry depicted above.¹⁰⁵ In any case, even if ROE cannot compete with these other firms in the world market, by law they are obliged to have the state own 51 per cent of their shares if they are going to sell arms abroad.¹⁰⁶ Therefore ROE might be able to find bureaucratic, i.e. non-market or extra-market, ways of subordinating them to its control if not ownership. Furthermore, in view of ROE's expanding role in industry and its management - both defence and civilian industries - ROE and the new MIC will interact a great deal in fulfilling the latter's mandate to streamline the financing of military production.¹⁰⁷

As part of this interaction, ROE has been, and will probably continue to be, active in importing foreign defence technologies so that Russian firms can meet the state defence order which is soon likely to become the biggest source of orders surpassing exports. ROE's entry into the state defence industrial sector will also oblige it to become more involved in seeing to the fulfilment of this state order. Indeed, such an interaction fits with Chemezov's advocacy that ROE should "place orders for export of military hardware and hold tenders for Russian plants".¹⁰⁸ Further action along those lines would also obviously greatly expand ROE's commercial activities. Thus ROE is expanding in the metallurgy sector from titanium to rolled steel.¹⁰⁹

In the spring of 2007, ROE announced further action to expand its commercial activities in this and other fields. Aleshin indicated that ROE will form a holding company for special steels and alloys centring on the Chelyabinsk and Kulebaskiy Metallurgic combines and the Stupino enterprise.¹¹⁰ Chemezov has also proposed to Aleshin the formation of an integrated structure to consolidate ten

¹⁰⁴ Centra Corporation Report No. 1, pp. 11-12

¹⁰⁵ *Ibid.*, pp. 12-13

¹⁰⁶ Federal Law on Military-Technical Cooperation of the Russian Federation With Foreign States, Adopted by the State Duma on 5 July 1998, and the Federation Council on 9 July, 1998, <http://projects.sipri.excon/natex/pcon/Russia/114law.htm>

¹⁰⁷ Netreba, p. 11

¹⁰⁸ "The Soviet Union Did not Receive Such Huge Revenues in Foreign Currency Each Year,"

¹⁰⁹ *Ibid.*

¹¹⁰ "Russia: Rosoboroneksport Expanding, Moving Toward New Status," *FBIS SOV*, April 12, 2007

state-owned enterprises producing or processing composite materials that will have special relevance for the aviation industry.¹¹¹ Finally Russia's electricity import-export trader, Inter RAO YeEs, announced that it and ROE were planning a joint venture with Vneshkonobank to create an energy trading company that would supply electricity and energy to state-controlled enterprises.¹¹²

More recently, Chemezov announced that ROE would be reorganised as a national corporation composed equally of itself and the industrial firms subject to its control. It would also remain under government control in the form of a 100 per cent state-owned management company. The reasoning behind this was to avoid US sanctions against ROE, which then also rebounded on its subject firms, limiting their exports and access to financing. For instance, as US aircraft companies are the main buyers of Russian titanium, it was then claimed that because ROE controls VsMPO-AVISMA, Moscow would possess information on US planes. The companies could then lobby for a ban on titanium purchases from Russia. Second, its structure as a federal state unitary enterprise (FGUP) limits the flexibility of management. State corporation status would free ROE from much government oversight and divert its profits from flowing back into state coffers. Whereas a FGUP must remit its profits back to the state, a state corporation is by definition not a profit-making institution and can retain the profits it makes as income and channel them back into its own development or choices. Now Chemezov can make many more decisions himself without referring to Putin, a process that invariably causes delays. Finally, Chemezov has argued that the FGUP structure makes sense only for a firm engaged in the export of state arms and defence equipment, not for a multi-sectoral and diversified corporate owner.¹¹³ Allegedly this new form of management is on market principles and has nothing to do with Soviet management. Moreover, like ROE the new corporation will be a giant holding company organised on multi-sector principles.¹¹⁴ "Rosoboroneksport invests in itself. It assembles beneath one roof

¹¹¹ *Ibid.*

¹¹² *Ibid.*

¹¹³ *Ibid.*

¹¹⁴ Viktor Myasnikov, "Arms to Sell, Enterprises to Purchase," Moscow, *Nezavisimoye Voyennoye Obozreniye*, in Russian, March 16, 2007, *FBIS SOV*, March 30, 2007

enterprises with export potential, machine-building enterprises ensuring the manufacture of high tech products. The goals here are exclusively pragmatic – to obtain profit, develop production and ensure export potential for the future. After all, Rosoboroneksport sells not only weapons but commercial products as well”.¹¹⁵

ROE’s supporters are at pains to insist that it is a well-managed firm that is eliminating duplication, cost overruns, corruption and wasteful and superfluous or unneeded investments. They rightly portray the earlier state programme that intended to create 70 holding companies but only created six by 2006 as a failure. Instead ROE’s *modus operandi* of acquiring multi-sectoral holdings across multiple industries is supposedly now favoured by the Kremlin due to the close personal ties of Chemezov and Putin, who served together in the KGB in East Germany. Thus these firms can supposedly get by without all the bureaucratic paraphernalia of the MIC, ministerial conferences and public funds.

However, even these glowing accounts cannot but admit that with the creation of such monsters comes a possible loss of control over the management of ROE’s components, the possibility of duplication of efforts and even of ‘colossal’ malfeasance and diversion of these firms to personal and corrupt, even criminal, purposes. On the other hand should this experiment succeed it would lead to the transition of most firms in the defence sector to such management, which would supposedly then eliminate many officials from the ministries.¹¹⁶ However that also means that control over all these firms resides not in the formal state, but in the even more shadowy and unaccountable presidential apparatus that would then literally own Russian industry and fully reincarnate the patrimonial Czarist state. In other words, again we have a lack of oversight and removal of huge economic sectors from the purview of the government to the personal control of the president, a visible trend in Putin’s Russia.¹¹⁷

¹¹⁵ *Ibid.*

¹¹⁶ *Ibid.*

¹¹⁷ “Russia: Rosoboroneksport Expanding, Moving Toward New Status,” *FBIS SOV*, April 12, 2007; Nikolai Petrov, “The Political Design of Contemporary Russia,” *Nezavisimaya Gazeta-Politika*, May 24, 2007, *Johnson’s Russia List*, May 24, 2007, www.cdi.org/russia/johnson/2007-119-35

Signs of Regression

It is not only the Muscovite patrimonial model that continues to flourish. We also see that as both state control and opacity grow in this sector, there is a reversion not only to Soviet or Czarist-type strictures but also to pressure to adopt Soviet-style practices, e.g. selling arms on credit. Although Ivanov has recently reiterated that Russia will not sell weapons on credit, it may give loans to solvent countries.¹¹⁸ Yet Moscow already has forgiven three-quarters of Syria's debt to sell it weapons.¹¹⁹ Likewise, Russia's recent arms sales deal with Algeria involves the forgiveness of Algeria's debt to the Soviet Union in return for arms. ROE benefits because under this agreement no arms will be shipped until payment has been received and thus the date of payment is advanced, giving ROE and its firms quicker access to capital. Russia may also receive compensation by gaining access for Russian energy companies to Algerian oil and gas fields.¹²⁰ At the same time, ROE has also already announced its willingness to entertain flexible approaches to payment for weapons sales, including payment in goods, or, as Chemezov says, returning to barter trade.¹²¹ This is another way in which Russia could expand its foreign client network.

Even so, this neo-Soviet model has never functioned according to market logic before and is not likely to do so again under the present political-economic structure of the Russian government. Nevertheless Ivanov, and presumably Putin, expect it to become profitable by 2010. They appear to be following the logic of the reforms begun in 2004. It is also the case that ROE is now expected to undergo further reorganisation along with defence industry as a whole.¹²² However, equally important is the fact that through the organisational moves listed above, Ivanov and Putin have in effect recreated the Soviet Ministry of

¹¹⁸ "Russia To Sell Arms Only to 'Solvent Countries,'" *ITAR-TASS*, May 13, 2006

¹¹⁹ Stephen Blank, "Bashear Assad Comes to Moscow, Seeking Gifts," *Eurasia Daily Monitor*, January 26, 2005

¹²⁰ Viktor Litovkin, "Outside View: Russia's Algerian Arms Deal," *UPI* March 14, 2006

¹²¹ Moscow, *Agentstvo Voyennykh Novostei*, Website, in English, June 16, 2005, *FBIS SOV* June 16, 2005

¹²² Moscow, *Agentstvo Voyennykh Novostey* Internet Version in English, March 15, 2007, *FBIS SOV* March 15, 2007

Defence Industry.¹²³ Ivanov believes that this is the only way to induce or even compel this sector to move forward. He does not believe that private capital has either the interest or the capital to move into sectors such as space, aerospace, shipbuilding etc. Only the state can do this. Furthermore, he believes that by creating these huge holding corporations the state is not engaging in rigid Soviet-like administration or management, but merely creating clear and transparent rules of the game that are going to attract businesses from abroad as well as from the internal market.¹²⁴ Supposedly this kind of policy will bring about the change whereby in five to seven years OAK, for example, will be able to challenge the main global companies on an equal basis, especially if it can command the resources of the state and domestic market and China's support.¹²⁵

However, we have heard Ivanov's argument about the private sector's inability and unwillingness to do what the state wants as justification for a takeover too many times in the past. It may not have yet become clear to Putin and his team that even despite Russia's impressive progress in the last 9 years, it cannot compete as a major military power with a closed autarchic and archaic defence sector and state management of the economy. Some have argued that Putin's policy of national champions resembles South Korea's industrial spurt or calls for such a programme. However, the justification for it ultimately appears to be not economic but political, the quest for great power status in real terms and Ivanov's desire, now realised, to be able to give instructions to any minister and report directly to either Fradkov or Putin.¹²⁶ That desire, of course, is the flip side of the visible trend across Russian governance to subsume ever more of the government

¹²³ Dmitri Litovkin, "Sergei Ivanov is Reviving the Defense Industry Ministry," *Izvestiya*, February 6, 2007, Retrieved from Lexis-Nexis; "Russia: Rosoboroneksport Expanding, Moving Toward New Status," *FBIS SOV*, April 12, 2007

¹²⁴ Mark A. Smith, "Russian Domestic Policy: A Chronology April-June 2007, Conflict Studies Research Center, Camberley, Surrey, England, 2007, pp. 12, 14; Neil Buckley and Catherine Belton, Interview with Sergei Ivanov, *Financial Times*, April 18, 2007

¹²⁵ Vladimir Kamofov, "OAK Preparing for War With Boeing, Russian Aircraft Manufacturers' Production Program Submitted," Moscow, *Voenno-Promyshlennyi Kuryer*, in Russian, February 28, 2007, *FBIS SOV*, February 28, 2007

¹²⁶ Illya Bulavinov and Konstantin Lantratov, "Dmitri Medvedev and I Have Something in Common," *Kommersant*, December 25, 2006, Retrieved from Lexis-Nexis

in shadow institutions accountable only to Putin and his Administration.¹²⁷

The Regressive Political Economy of Russian Policy

At the same time, these policies introduce and strengthen or revive elements of the political and economic system that are not only regressive but also contra-indicative to contemporary trends in defence industrial organisation in major military and economic powers. This regressive quality also has implications for foreign policy. First, these policies point to a revival or restoration of the military-industrial complex within the contemporary Russian scene. Although Russia, unlike its Soviet predecessor, is not as a whole a state optimised for war, this mentality finds expression in the restoration of that military industrial complex, as depicted in the following model of that complex “The market structure of the military-industrial complex is one which is economically inefficient on two fronts. On the one hand, allocation decisions are determined by the defence ministry rather than by market forces, which may not represent the most optimal employment of scarce resources. On the other hand, the combination of oligopoly and imperfect cost information results in production inefficiencies, which are borne by the government and, by extension, the broader economy”.¹²⁸

Second, the confluence of a Cold War, a particular set of technologies and the concept then regnant of a military-industrial complex allowed such entities to form oligopolistic combines, if not monopolies that united together defence firms, contractors and other key lobbies in favour of policies that promoted the adversarial policies of the Cold War. We should remember that it was the military and the military-industrial complex in the USSR that were the moving spirits of the 1991 coup against Gorbachev. Moreover, that complex could use its political power to banish sound economic policies from consideration and subordinate them to a security concept that was based on the

¹²⁷ Nikolai Petrov

¹²⁸ Adrian Kuah, “Reconceptualizing the Military-Industrial complex: A General Systems theory Approach,” Working Papers Institute of Defense and Strategic Studies, Singapore, No. 96, 2005, p. 4

presupposition of enemies, exactly what we see in today's military-industrial complex and MOD in Russia.¹²⁹

Third, this concentration of industries represents a traditional Russian approach but is out of tune with the logic of the contemporary Revolution in Military Affairs (RMA). Thus it threatens to leave Russia even further behind its notional competitors. The RMA places a premium on high tech and high performance systems that are extremely expensive, as well as technology intensive. Logically this means producing and buying fewer systems and in smaller numbers, a trend that entails reducing overabundant defence capacities.¹³⁰ Yet Russia is building or trying to build new capacity, retain the mobilisation capability of the past and use it to produce simultaneously high tech defence and civilian goods based on the primacy of the defence factor. Although the RMA is leading to a convergence where factories produce dual-use goods and both civilian and defence products simultaneously, it is the civilian goods that take precedence and that are the generators of new technologies, not the other way around as in Russia. Whereas in the West fragmentation of defence industries has occurred with the number of major manufacturers of defence platforms declining and confronting a growing number of subcontractors with dual-use capacity, Russia seems intent on amalgamating everyone together into giant holding companies as under the Soviet system.¹³¹

Fourth and finally, the autarchic logic of Russian policy, even though it is surely seeking foreign investment, contradicts the logic of globalisation that is eroding the old concept of a national defence industrial base and network.¹³² Even though there is still a strong logic behind major producers like America trying to retain control over critical technologies, "production efficiency also consists in the robustness of the global defence supply chain as defined by the strength of the link between different defence industrial systems".¹³³

¹²⁹ *Ibid.*, p. 6

¹³⁰ *Ibid.*, p. 12

¹³¹ *Ibid.*, p. 14

¹³² *Ibid.*, pp. 14-22

¹³³ *Ibid.*, p. 20

In all these four critical dimensions, Russia is going against global trends and embracing a system that has already shown its essentially sub-optimal if not catastrophic domestic and foreign policy tendencies. More particularly, Ivanov and Putin's plan also flies in the face of the constantly rising prices in metals, the worn-out condition of the defence sector, the high interest rates that discourage state lending, the bureaucratic interference and lack of respect for property rights inherent in this system, and the need for clear and transparent rules of the game which cannot be observed in this massive edifice of ever more *Kontrol'* agencies.¹³⁴ It is indicative of the situation that in the energy sector which exists under the same management system, growth since state takeover in 2003-04 has been negligible despite skyrocketing global demand for the product. Thus in this respect too, the Putin system is coming to resemble its Soviet predecessor whereby the state conjures up dreams that cannot be realised, much as it may try to compel or persuade industry to the contrary. However when the reckoning of failure, which in this case is almost two generations long in the defence industrial sector, comes due, who will recognise the need to adjust to reality and, equally importantly, who will then pay the price of feeding Russia's heart on fantasies of revived great power status?

¹³⁴ Aleksandr' Golts, "Take As Much As You Can, throw It Around As far As It Will Go," Moscow, *Yezhenedevnyi Zhurnal Internet Version*, in Russian, March 15, 2007, *FBIS SOV*, March 15, 2007

Fourth Session: Health Problems

7. THE RUSSIAN MILITARY:

POPULATION AND HEALTH CONSTRAINTS

Dr. Murray Feshbach

Introduction¹

It is believed by many that health is a less imperative concern for the uniformed services. In the current and future Russian case, the conjuncture of population and health will play a very significant role, contrary to usual evaluations. These dynamics and trends will influence choices made by the Russian government and not ignored as previously. A number of important steps have been taken, but while they will help mitigate some of the constraints, it is likely that they will not be sufficient to overcome the population dynamics and the poor health status of the potential military service personnel.

In mid-June of 2007, reports from a press conference held by Col.-General Igor Bykov, Head of the Military Medical Service, indicated that at the beginning of the month, the service had been transferred out of the Rear Services Command and assigned to the General Staff. Bykov stated that: "Two weeks ago, the Medical Service of the Armed Forces was transferred from the Logistic [Rear] Service to the General Staff. Igor Bykov, Director of the Main Military Medical Service, disclosed the secret of this re-subordination on Thursday".² Four days earlier, however, Bykov is cited as noting that the Medical Service was

¹ The current paper is a much revised and updated version of a report prepared for the Netherlands Institute of Foreign Affairs (Clingendael Institute's "AIDS, Conflict and Security Initiative"), The Hague, The Netherlands and the U.S. Social Science Research Council, New York, in partnership with UNAIDS, the Netherlands, Canadian and Swedish Ministries of Foreign Affairs and the Australian Agency for International Development.

² Yelena Pavlova, "K Armii goden lish' kazhdyy chetvertyy," *Moskovskiy komsomolets*, 15 June 2007, p. 4, <http://dlib.eastview.com/sources/article.jsp?id=12148939>, accessed 20 June 2007.

made “directly subordinate to the Defence Ministry....and is linked to the fact that the health of citizens is becoming a state priority.”

It appears that both statements seemingly contradict each other. However, the most important issue is that Bykov is correct about the transfer of the Military Medical Service out of the Rear Services but, as later information revealed, not directly to the General Staff at present, but to the equivalent of the US Department of Defence, Office of the Secretary (read: Minister for Russia) of Defence. In August 2007, it was clarified that currently, that is during peacetime, this assignment is correct. However, according to Ministry Directive No. D-17, dated 5 May 2007, during wartime it will be transferred to the General Staff as the highest authority to conduct operations during wartime.³

The paper describes and analyses basic information on the demographic echoes of the past significant decline in births and the consequences not only for labour supply *per se*, but also for cohort size of potential conscripts and the importance of their health status. Given major reductions in their number as well as the need for individuals with appropriate physical and mental ability to cope with the requirements of higher-level weapon technologies, the inauspicious nexus of these issues has finally reached the highest levels of the Russian leadership.

Regarding demand for more technically capable troops, for example, only 42.6 per cent of new conscripts for the Russian Navy in 2004 had complete secondary education or higher. This is less than half the 97

³ Vladimir T. Roshchupkin, “Ne tylovaya struktura,” *Nezavisimaya gazeta*, 10 August 2007, http://nvo.ng.ru/notes/2007-08-10/8_structure.htm. Accessed 23 October 2007. Also see, I. Yu. Bykov, “Aktual’nyye voprosy sovershenstvovaniya raboty voyennykh gosspitateley meditsinskoy sluzhby vooruzhennykh sil Rossiskoy Federatsii,” *Voyenno-meditsinskiy zhurnal*, no. 9, September 2007, pp. 4-9, <http://dlib.eastview.com/sources/article.jsp?id=1270241>, accessed 13 October 2007, and “Russian official explains changes to military medical services,” *RIA-Novosti*, 14 June 2007, in <http://toolkit.dialog.com/intranet/cgi/present?STYLE=739318918&PRESENT=db=985>, accessed 22 October 2007. It is particularly interesting to note the parallel to the U.S. Military’s arrangement for a wartime period. In the case of the Public Health Service, Capt. Peter Hartsock, US Navy equivalent rank and PhD, affirms that they will be transferred to the Department of Defense in an analogous pattern to that which the Russians now are authorising for their Military Medical Service. In addition, the US Coast Guard, under the Department of Homeland Security (previously the Department of the Treasury) and the National Oceanic and Atmospheric Administration (NOAA) also will be transferred from the US Department of Commerce to the Department of Defense.

per cent of Navy conscripts in 1986 with such education. In addition, in 2004, 0.3 per cent of conscripts had 4 years or less of schooling.⁴

Educational attainment levels also concern Lieutenant General Vasily Smirnov, head of the General Staff's Mobilisation Directorate. The Armed forces suffer from a lack of educated conscripts. He noted that in autumn 2006, 16.7 per cent of all conscripts had higher education, while 6 months later, in the spring of 2007, only 13.2 per cent had higher education. At the same time this latter share is double that of the spring 2006 draft, when there were only 6.2 per cent.⁵

Military officer training is undergoing major changes in scope, number of facilities, length of contract obligation upon completion and new programmes to recruit women for service. Beginning in 2008, if assignments are not followed up by active duty, any individual completing their education at the new Military Training Centres in the Military Faculties will have to repay the state 300,000 to 700,000 roubles for such education. Depending on the facility and or programme completed, it appears that the term of service could be 1, 3 or 5 years. The 2-year reserve officer programme is being phased out. Re-enlistment rates are reportedly improving, but many still decide not to do so. Overall it would appear that the General Staff has resolved to put the military higher education system under stricter supervision, even to the extent of abolishing those institutions that do not provide good quality training. Opportunities for female officer training have been expanded to six 'high-quality' military programmes, up from one several years ago, and are promised to expand even further in the near term.

In 2006, the federal authorities finally took the HIV situation as seriously as required. In addition, the tuberculosis epidemic alone and

⁴ *Krasnaya Zvezda*, 9 December 2004, no. 232, quoted in A. Khomyakov, "Prestupnost' voyennosluzhashchikh est' otrazheniye nashego obshchestva," *Morskoy sbornik*, no. 8, August 2006, p. 23, <http://dlib.eastview.com/searchresults/article.jsp?art=6&id=9958643>, accessed 15 July 2007.

⁵ Nikolay Prokhorov, "Sluzhba dlya izbrannykh," *Voyenno-promyshlennyy kur'er*, no. 28, 25 July 2007, <http://dlib.eastview.com/sources/article.jsp?id=12351199>, accessed 26 July 2007, V. Mukhin, "Prezident likvidiroval dvukhgodichnikov," *Nezavisimaya gazeta*, 24 August 2007, p. 3, <http://dlib.eastview.com/sources/article.jsp?id=12488098>, accessed 4 September 2007, "Poluchil obrazovaniye – sluzhi gosudarstvu," *Voyennyy zheleznodorozhnik*, 23 July 2007, p. 3, <http://dlib.eastview.com/sources/article.jsp?id=124908457>, accessed 6 September 2007, and "On Military Education in Russia," *Defense & Security*, 7 September 2007, <http://dlib.eastview.com/searchresults/article.jsp?id=12552595>, 7 September 2007.

in combination with HIV/ AIDS has led to more cooperation with the World Health Organisation's efforts to stop the spread of tuberculosis. Russia ranks among the 22 high burden countries for TB incidence, and the only one in all of Europe. Reproductive and child health, the determinants of future population size and quality, are also influenced by past, current and future trends. Thus, the demographic factor also leads to a major shift to a volunteer military, despite its higher costs and requirements. The conjuncture of population and health issues is strong enough to question whether the Russian Federation will find it possible to cope with the manning crisis of the next decades.

From other information, the Russian military is trying to expand its recruitment base. They will now begin to draft Chechens, expand officer and combat (*sic*) training for women, as well as create small military units of volunteers from former SU countries to close the gap. In June 2007 it was planned to abolish the long-standing penal battalions by the end of the year to free the staff for assignment to combat-type units. Later, however, in October of 2007, RIA-Novosti broadcast that this planned action had been rescinded.

One key factor beyond the major decline in cohorts available for possible conscription is the major increase in the number of full-blown AIDS cases and deaths last year, and very importantly, whether these trends will continue into the future. Vadim Pokrovskiy, the leading HIV/ AIDS epidemiologist and head of the Federal AIDS Centre, reported in March 2007 that the number of persons diagnosed in 2006 with AIDS – not HIV-infections, *went up by 54 percent and the number of deaths from AIDS went up by 39 percent. Of these deaths, half were co-infected with tuberculosis.* Remarkably, the number of AIDS deaths in the first 6 months of 2007 exceeded the annual total for 2006. When and if this emerging number of deaths from AIDS increases even further, the consequences may be more negative than the Russian leadership recognises up to this point in time.

Despite the warnings issued by Pokrovskiy and others over a number of years about the need for anti-retroviral therapy (ART) medication, the Russian government was late in allocating funds for manufacturing and/or purchasing such medication; only now in the last year have they begun a serious effort (but are still short of the full

requirement of medication). With only several thousand supplied with ART by 2006, it is no surprise that so many became ill or died with AIDS last year. The demand level is stated to be some 40-50 000 currently, but other information indicates that the actual need at the end of 2006 was about 200 000. And now? Another instance where positive steps have been taken, but a bit late and short of demand.

If the basic active *Mycobacterium tuberculosis* converts to Multi-Drug Resistant TB, let alone to Extensively Drug-Resistant TB, then the potential loss of life can be quite large. Since the core military conscript age group of 18 to 27 is roughly synchronous with the 15 to 29 year old age group, where some 80 percent of registered HIV/AIDS cases are found, the consequences are possibly extremely serious indeed.

Population

The major factor in the dynamics of the population is the remarkable 50 percent drop in births during the period 1987 - 1999. Coincidentally, five years after the beginning of the decline in births, and the first registered HIV case in 1987, mortality began to exceed births (in 1992). Net in-migration was statistically significant only in 1992 and 1993, immediately after the change in regime in late 1991. Until 2007, migration compensated only for some 10 to 15 percent of the net excess mortality over births. By mid-2007, however, net migration increased to a point covering almost 35 percent of excess mortality.

Efforts in the very recent period to produce a pro-natalist upsurge and a fight against mortality are serious.⁶ Yet it is likely that these efforts will not prove to be highly successful in the medium to long-term. In the very short term, there has been a growth in births of some 5.8 percent in the first 5 months of 2007 compared with the corresponding period of 2006. Deaths declined by a slightly higher proportion (6.1 percent) in the respective periods, but both are probably not sustainable.⁷

⁶ Among many others, see ITAR-TASS, "Putin to Discuss Demographic Policy 21 Dec with Council of Lawmakers," of 20 December 2006, summarizing Putin's discussion of these issues.

⁷ http://www.gks.ru/bgd/free/b07_00/1ssWWW.exe/Stg/d03/08-00.htm, downloaded 30 April 2007.

Sergey Stepashin, head of the Russian Federation Comptroller's Office, in downplaying this positive trend cites the estimates provided by the Federal Service for State Statistics that the population will number 136.2 million by 2020. What is more shocking is that the same projections also predict a growth in the birthrate. The decline is attributed by Stepashin to the increasing age of the Russian population as a whole. It is estimated that the working age population will fall by 13.6 million between 2005 and 2020.⁸ Even assuming better survival rates, any increase in 2007 in the number of births will not be potential male conscripts or female volunteers until they turn 18 in the year 2025. Projections of the population by both the Russian Federal State Statistical Service (FSGS) and the United Nations Population Division 2006 Revision show parallel declines in the overall population of Russia for 2025, but at a distinctly lower end-point in the UN projection (medium variants). The Russian official projection for the end of 2025 shows a figure of 134 422 300, whereas the UN calculation yields 128 193 000, a difference of about 6 million people.⁹

The increase in births may be both a reflection of the economic incentive offered for second births and the demographic echo of the increase in number of females 20-29 years of age – but only until 2013, when it will start a decline from 13 million to 7 million for the next almost four decades.¹⁰ Two-thirds of the decline in mortality in the first six months of this year is due principally to a drop in the (extraordinarily) high rate of cardiovascular (CVD)-related deaths (perhaps triple that of western Europe and the United States per 100 000 population) and to a decline in reported rates of exogenous causes of death (accidents, poisonings, murders, suicides), all of which also remain at very high rates compared with other countries. While they

⁸ "Russian chief auditor calls for urgent measures to halt population decline," *BBC Worldwide Monitoring*, 10 March 2007, <http://w3.nexis.com/>, accessed 26 July 2007.

⁹ Federal'naya sluzhba gosudarstvennoy statistiki, *Predpolizhitel'naya chislennost' naseleniya Rossiyskoy Federatsii do 2025 goda. Statisticheskiy byulleten'*, Moscow, 2005, p. 7 and Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, *World Population Prospects, The 2006 Revision*, New York, United Nations, 2007, <http://esa.un.org/unpp/p2k/data.asp>, downloaded 20 March 2007.

¹⁰ See Figure 3: Number of Females, Ages 20-24, 25-29, and 20-29, Russia: 2000-2037, in Murray Feshbach, *Russia's Health and Demographic Crises: Policy Implications and Consequences*, Washington, DC, The Chemical and Biological Arms Control Institute, 2003, p. 100. Additional information on these numbers until 2025 indicates no revival beyond 8 million.

may not have died, many are left with residual disabilities due to their illnesses or injuries.

Average life expectancy at birth of both sexes in Russia is among the lowest in Europe and North America. For males, in 2005 the Russian official estimate was 58.9 years, whereas for the Netherlands a year earlier (in 2004), the average life expectancy of males was 75.8 years, or 17 years longer on average. The United Nations Demographic Yearbooks calculate that average life expectancy for Russian males at birth ranks 137 in the world, and the rank order for females is 100. It is not surprising then to read that about 50 percent of 16-year-old males in Russia do not survive until age 60; 40 percent of all males die between 16 and 60 years of age.¹¹ Projections of average life expectancy among males in 2025, prepared by the Russian statistical agency, show an increase from 58.9 in 2005 to 61.9 in 2025, a very small improvement over the 20-year period.¹² Medvedev, Zurabov and others think it will be closer to 70; I do not. On the positive side, the first estimate of life expectancy at birth for males in 2006, as prepared by the Ministry of Health and Social Development of the Russian Federation, shows an improvement to just beyond 60 years of age, 60.56 years for males and 73.10 for females (an increase from 72.39 in 2005). The disparity in life expectancy between the sexes is still about 12 to 13 years in Russia and this gap is bigger than in any other country of Europe or North America.¹³

Simultaneously, the Ministry of Economic Development and Trade has prepared estimates of labour force trends. The net change in the labour force turns negative beginning in this year (2007), as well as in the next two years, the time period of the Ministry's set of projections. Reflecting the continuing downturn in the overall size of the population, the economically active population is calculated to decline in 2005 and 2006, but still be positive in total number at 0.7 percent in 2005, 0.4 percent in 2006, but decline by -0.7 percent in 2007, -0.6 per-

¹¹ See Feshbach, *Russia's Health...*, 2003, pp. 15-19 and Figure 5, p. 101.

¹² FSGS, *Predpolizhitel'naya chislennost'...*, 2005, p. 106.

¹³ For the 2006 Russian estimates see Ministerstvo zdoravookhraneniya i sotsial'nogo razvitiya Rossiyskoy Federatsii, *Analiticheskaya informatsiya. Ob osnovnykh pokazatelyakh razvitiya zdoravookhraneniya i sotsial'no-trudovoy sfery v yanvare-marte 2007 goda*, in http://www.mzsrfr.ru/analit_inform/653.html, downloaded 12 May 2007.

cent in 2008 and -0.8 percent in 2009.¹⁴ It is anticipated that productivity in 2009 will increase by 5.6 percent. *Rossiyskaya gazeta* claims that labour productivity is the only means to overcome the drop in the working age population, but that an increase of 6 to 7 percent per year is necessary to compensate for the decline in the economically active population.¹⁵

Health

In all, life expectancy, births, deaths, labour productivity and reproductive and child health, as well as that of the potential military age cohorts, concurrently depend on the health status of the population.

However, the health status of the population is not good, especially that of the young and among pre-draft males (ages 15 to 17), which is distinctly worsening. Drugs, alcohol, crime, growing illiteracy and health *per se* – to include HIV, tuberculosis, hepatitis B and C, as well as psychological disturbances, muscular-skeletal structures and central nervous system problems – are increasing markedly. This may well underlie the designation of ‘Health’ as one of the four priority National Projects initiated in 2006, along with Education, Housing and Agriculture. In 2001, Dr. Olga Sharapova, then a Deputy Minister for Child and Reproductive Health of the Russian Ministry of Health, convinced the *verkhushka* (the top leadership) to conduct a Child Health Census in 2002.

The health of the population even became a Russian Security Council topic of discussion.¹⁶ Whether the discussion was directly related to the later changes in the set of reasons for draft deferment or rejection cannot be precisely ascertained, but most likely had an impact.

¹⁴ “Prognoz indikatorov ekonomiki RF: 2006-2009 gg. (bazovyy stsennariy),” *Obshchestvo i ekonomika*, no. 11, December, 2006, pp. 208-225, <http://dlib.eastview.com>, accessed 12 February 2007.

¹⁵ See, T. Yefremenko, “Proizvoditel’nost’ v podderzhku ‘demografii’,” *Rossiyskaya gazeta*, 15 February 2007, p. 2, <http://dlib.eastview.com/searchresults/article.jsp?art=7&id=115208967>, accessed 16 February 2007.

¹⁶ I am informally told that my paper (with Cristina Galvin) on *HIV/AIDS in Russia – An Analysis of Statistics*, Washington, DC, Woodrow Wilson International Center for Scholars, January 2005, 90 pp., was reviewed at one of their meetings. In addition, my paper on *HIV/AIDS in the Russian Military*, prepared for a UNAIDS meeting in Copenhagen, was utilized by 2 leading Russian military medical service generals at the Joint US/Russian meetings on HIV/AIDS in the militaries in August 2004 and September 2005. I do not have the full set of papers from the September 2006 meeting.

Results across a multitude of specific nosological illnesses, by age and sex, from the Child Health Census of 2002¹⁷, show a roughly thirty percent higher rate of illness among the population below 18 years of age compared with those published by the official health statistics of the State Statistical Agency. The special Census covered 30.4 out of 31.6 million children ages 0 to 17 inclusive. Behind these negative numbers are the early health problems of newborn children, as well as those of teenagers and the working age population.

According to official Russian statistics, at least 80 percent of all pregnant women suffer a serious pathology during their pregnancy. Not surprisingly, only 30 percent of children are 'born healthy'. Moreover, in October 2006, when I was in St. Petersburg and Moscow, many posters in both cities proclaimed that the National Institute of Nutrition of the Russian Academy of Medical Sciences had determined that half of these newborn children were found to be iodine- or calcium-deficient. The former may well lead to mental retardation and the latter deficiency would affect bone strength. Russian military medical reports show that both problems afflict many current 18-year old potential conscripts. It also leaves open the likelihood that due to the young age structure of the incidence of HIV in Russia, HIV infection has increased among the draft-age cohorts in the last 3 years. Tuberculosis incidence is much higher than official numbers published in Russia. With a new type of tuberculosis beginning to affect Russia, it could also reduce the steadily decreasing pools of 18-year old cohorts needed by the military. Recently reported increases in youth crime have led many conscripts and/or new contract military to spend time in the penal system, where the chances of infection are very high.

Within the Child Health Census report, data and analyses are given for many illnesses. At one point, it is flatly asserted that the poor health of the 15 to 17 year olds is a strategic concern. In addition, it should not be forgotten that the full Child Health Census report is an internal document meant for Putin and his coterie. It undoubtedly

¹⁷ The Russian title is *Doklad o sostoyanii zdorov'ya detey v Rossiskoy Federatsii (po itogam Vserossiyskoy dispanserizatsii 2002 goda)*, Moscow, 2003, 96 pp. Only about 5 pages of summary text was published in the media. The report was handed to Putin in April of 2003.

had an influence on the selection of health as a national project, as noted earlier, as well as on many comments of Deputy President Dmitriy Medvedev's on the leadership's attention to this issue as contrasted to the past, when it seemed to be given only minimal budgetary allocations and attention.

From the Child Health Census report, we learn that:

- Tuberculosis grew among 15 to 17 year olds (both sexes) and it almost quadrupled, with the latter rate at 33.25 in 2002 compared with 1989 (p. 31);
- Psychological (mental) disorders recorded as the number of new cases among 15 to 17 year olds (both sexes) almost doubled between 1992 (786 cases per 100 000 population) and 2002 (1356 per 100 000) (p. 34);
- Alcoholism among youths, 15-17 year olds, grew by almost one-third between the two years 2001 and 2002;
- Cancer cases (new incidence per 100 000 population among 15 to 17 year olds grew from 87.5 in 1992 to 237.3 in 2002 (p. 38);
- Nervous system illness declined between 1992 and 2002 by almost one-half among all youths (15-17), from 4 103.5 per 100 000 population to 2 692.0 in 2002 (p. 42);
- Cerebral palsy incidence more than tripled between 1992 and 2002 (from 4.0 in 1992 to 14.6 in 2002 per 100 000 population (p. 43);
- Muscular-skeletal illnesses were found to have tripled, from 1 511.3 in 1992 to 5 162.2 in 2002 (per 100 000 population) (p. 59);
- Chronic disability leads to serious social, economic and psychiatric problems for the individual involved and for society and the economy, according to the Child Health Report, especially given the growth in this condition. Among 0 to 17 year olds, such disorders were found among 620 342 children of both sexes, of which 17.8 percent were among 16 to 17 year olds (i.e. an estimated 110 420 among the pre-draft

pool, divided approx. by half, yields an estimate of 55 000 disabled males.) Twenty-four percent had visceral and metabolic nutritional disorders; 23 percent had mobility disorders; 21 percent had mental disorders; 9 percent had visual disorders; and the residual 23 percent are not specified (pp. 63-64);

While there is no tabular material in the Child Health report on micronutrients, the next-to-last page of the entire text specifically cites the shortage of iodine and other micronutrients, which allows other illnesses to develop; it is clear that it is a serious concern to those who prepared this special report (p. 93).

An article that appeared in the February 2007 issue of *Public Health of the Russian Federation* contained estimates of micronutrient shortages for the population as a whole, implying that it is still applicable for the current time (2007) and the time of the Child Health report (2002), as follows (emphasis added): “a Vitamin C deficit was found among 60 to 80 percent of the population regardless of income, a calcium deficit among 40 to 60 percent, iron deficiency among 20 to 40 percent, folic acid among 70 to 80 percent, a vitamin B complex deficit among almost 40 percent, and IDD (iodine deficit deficiency) among almost 70 percent of the population.”¹⁸

Domestically, the ‘official’ registered prevalence numbers¹⁹ for HIV/AIDS in Russia for the end of last year and the summer of this year are variously 350 000, 370 000, 380 000 or 402 000, or 388 871 at the end of the first six months of 2007 (reported by AFEW).

¹⁸ V.M. Cherepov, “Problemy pitaniya naseleniya Rossii kak factor riska zdorov’yu,” *Zdravookhraneniye Rossiyskoy Federatsii*, no. 2, February 2007, p. 48.

¹⁹ First, a methodological problem must be addressed. It is important to note that it is more than likely that all Russian health statistics are undercounted. To put a positive light on this methodology, it may not be deliberate obfuscation per se, but the result of a clear statement that the numbers reflect only “the first time in life” that a person has been diagnosed with the given illness. For present purposes, it is particularly important for statistics on tuberculosis. Second, the official numbers for total prevalence of those with HIV/AIDS has long been estimated to be some 3, 5, 7 or 10 times higher than the official numbers published in Moscow. UNAIDS has long calculated a range of some 3 to 5 times higher than the Russian official figure. What has changed is that not only Pokrovskiy, but also others in the Ministry of Health and even Medvedev are using numbers close to the UNAIDS high estimate. At least as important there appears to be a debate going on among the senior staff of the Military Medical Service whether the number as reported is correct or is as Generals Bykov and Kulikov note that the numbers are the proverbial “tip of the iceberg.” More attention to pre-conscription health status also is the subject of debate and disagreement between those who need to fill quotas and those who worry about the quality not only the quantity of new recruits.

Pokrovskiy writes that the number has grown by 8 to 10 percent in the past 3 years. He and Onishchenko both cite the WHO figure of 1.2 to 1.3 million as the total number in Russia. Given the difficulty in determining a correct number for the total population, it is not surprising that the number affected by HIV/AIDS on active duty in the Ministry of Defence and in other formations, such as FSB, MVD, and seven other types of units, is not readily ascertainable, in addition to the usual secrecy applied to these formations. However, the recent overall increases, combined with the spread to the female population whereby almost 50 percent of new cases are diagnosed among heterosexual women, would seem to indicate that the problem associated with HIV in the military could be transmitted to the troops of all ranks and become a major threat again – if it ever ceased to be so. (See Appendix IV for the rates of HIV/AIDS per 100 000 population from 1987 to mid-2007.)

Emphasis is now also being placed on combating psychological illnesses and on physical capability for a more professional contract (volunteer) military, as well as among conscripts. Before the fuller activation of the programme to split the Armed forces into a contract and conscript military, the then head of the Military Medical Directorate, Lt. General Ivan Chizh, noted in June 1999 that psychological illnesses among conscripts had risen in the previous 2 years by 30 percent and 19 percent among officers.²⁰

As always, corruption in obtaining a false medical certificates concerns the military, but given other evidence this may not be at such a serious level *per se* that it could significantly reduce the supply of combat capable personnel for the Armed forces.²¹ False certificates are usually very costly – reportedly as much as US\$ 4 000.²² The most likely ‘customers’ for this type of evasion are arguably young persons (or their families) from big cities who can afford this expense and do not

²⁰ “Health Worsening in Russia's Armed Forces,” *Associated Press Wordstream*, June 4, 1999.

²¹ “It is estimated that thousands of potential conscripts fake psychological and physical sickness to escape conscription into the Russian army...” Quoted from “We don't want you: soldiers with ‘diseases’ not welcome,” *Russian Life*, 1 May 2003, no. 3, vol. 46, p. 10.

²² Andrey Andreyev, “Medical Notes Cause ‘Depletion’ of Army Numbers,” *Izvestiya*, 16 December 2005, <http://toolkit.dialog.com/>, accessed 16 December 2005.

want to 'waste a year and a half' serving in the Armed forces while they could be making good money instead.

General Smirnov notes a positive tendency in the reduction of the number of draft evaders, pointing out that while there were about 30 000 of them in 2002, this number went down to about 12 000 in autumn 2006 (but was about 13 000 in the spring of 2007). He explains this small increase in the number of evaders by two factors:

1. Psychological, since by evading conscription until 2008 the length of military service will be reduced to 12 months, instead of the 18 months currently applicable. Thus some young men would try to 'stay away' from the Army until the next draft.
2. Weak law enforcement; there were only 1 600 criminal cases of draft evasion initiated in 2006.²³

Other devices are also utilised by potential conscripts to evade the draft. Moscow city Military Prosecutor, Major General of Justice Vladimir Mulov, calls this technique 'stretching the rubber band'. Thus, the draftee is temporarily taken off the rolls and his file is sent to a different military commissariat. While it is moving around, the current draft period ends - and someone in the military commissariat receives a certain sum of money for this. It is very difficult to track these violations.

Simultaneously, other problems arise from this modality because commissariats are still required to 'supply' a certain number of conscripts to the Russian armed forces. Finding these missing conscripts leads to frequent violations of the law. Cases of the so-called 'quick draft,' are reported wherein young people are literally grabbed off the street or from their college dormitories. They are not given any chance to present their deferment papers or even to go through a full medical examination. Exact numbers of these cases are not available, but the fact that the military prosecutor of Moscow

²³ Nikolay Prokhorov, "Sluzhba dlya izbrannykh," *Voyenno-promyshlennyy kur'yer*, no. 28, 25 July 2007, <http://dlib.eastview.com/sources/article.jsp?id=12351199>, accessed 26 July 2007.

describes this in detail makes it more likely that the possible scope of these 'activities' is not small.²⁴

Government directive no. 123, issued 25 February 2003, redefined those who are 'healthy, partially healthy but can be drafted with limited assignment possibilities' and 'those who are not acceptable at all'.²⁵ The follow-up Ministry of Defence listing of 'new' diseases, which went into effect on 1 July 2003, exempted certain potential conscripts from being drafted. These included: 'drug addicts, drug users, alcoholics and persons who have tested positive for HIV', as well as 'men of nontraditional sexual orientation' (i.e. men who have sex with men).²⁶ After going into effect, those found to suffer from any of these illnesses, whether acquired prior to being called up for service or acquired since beginning active duty, were to be discharged. Currently, any person found to be ill with tuberculosis is added to the list as a cause for non-acceptability for military service.

Reductions in the list of 25 causes for deferments to 16 may later be adjusted even further, perhaps to nine. Keir Giles of the British Conflict Research Studies Institute estimates in his detailed analysis of the exclusion of five allowable deferments and modification of four others that this will provide an additional 90 000 persons per year.²⁷ However as Giles clearly demonstrates, even this addition to the

²⁴ "Moscow prosecutor reviews violations of draft law by military commissariats," *BBC Worldwide Monitoring*, 4 April 2007, <http://w3.nexis.com/>, accessed 26 July 2007.

²⁵ See "Postanovleniye pravitel'stva Rossiyskoy Federatsii ot 25 fevralya 2003 g. N. 1243 ob utverzhdenii polozheniya o voyenno-vrachebnoy ekspertize," *Armeyskiy sbornik*, 30 June 2003, pp. 60-69, especially paragraph number 17, about the 5 grades of readiness for active duty service. The 5 letter (English equivalent) categories are: A. Ready for military service; B. Ready for military service with insignificant limitations; C. Limited readiness for military service; D. Temporarily not ready for military service, and E. Not ready/acceptable for military service.

²⁶ Ibid.

²⁷ See Keir Giles, *Where Have All the Soldiers Gone? Russia's Military Plans Versus Demographic Reality*, Conflict Studies Research Centre, Defence Academy of the United Kingdom, 12 October 2006, p. 3. A detailed breakdown of the estimated change in numbers available because of the changes in deferments is based on materials provided by Major General V. Kozhushko, of the Main Organization and Mobilization Directorate of the Ministry of Defense, as follows: 1. Children of Invalids and Pensioners: 3,000; 2. Fathers of children under 3 years of age: 18,000; 3. Young males whose wives are over 26 weeks pregnant: 4,500; 4. Rural teachers: up to 1,000; 5. Rural physicians: 90 persons; 6. Males working in government state organizations: 3,000; 7. Students of educational institutions, firefighting service, MVD, correctional institutions, customs organizations: 14,000; 8. Those who have completed primary and secondary vocational school education if they have completed secondary education: 45,000; and 9. Talented musicians, artists, sportsmen, who had received deferments by presidential decree: up to 2,000, for a total slightly above 91,000. From, V. Oleshchuk, "Sluzhba po 'prizivu' – vopros ukrepleniya oboronosposobnosti strany," *Voyennoy zheleznodorozhnik*, no. 20, 22 May 2006, p. 6, <http://dlib.eastview.com>, accessed 27 May 2007.

cohorts available will not be sufficient to cover the demand of the military for 700 000 troops per year under a 12-month term of service and the demographic reality of declining cohorts. According to an article in *Komsomol'skaya pravda*,²⁸ the local “registration and enlistment offices recruit more and more contract servicemen” who are “alcoholics, drug addicts, people with previous imprisonment and sometimes people with AIDS.”

Authorisation for formation of a contract, voluntary military forces was passed in 1992. A basic series of the numbers of such troops, beginning in 2000, indicates that their number was still less than 100 000 by that year. However, the number at the beginning of 2007 was slightly over 200 000.²⁹

The number of contract troops for the period 2000 - 2007 is as follows:

2000 – 72 000	2004 – 140 000
2001 – 90 000	2005 – 165 000
2002 – 96 000	2006 – 180 000
2003 – 101 000	2007 – 202 000

Surprisingly, partly because such information had not been published previously, about 30 percent of the soldiers and non-commissioned sergeants among the contract troops are female service personnel. Some 60 000-plus are females, leaving 140 000 males available for combat or similar assignments (until the changes noted earlier about females given combat training succeeds and these occur in significant numbers). Other information indicates that there are around 32 000 female officer-rank personnel as well, of which 5 600 are fully commissioned and 26 500 are warrant officers.³⁰ Reflective of the desperate need for staffing the military, Deputy Defence Minister and State Secretary General Nikolay Pankov is cited as stating that “starting in 2007, the army will start seriously preparing women for combat

²⁸ Translated in *Defense and Security*, 30 June 2006, <http://dlib.eastview.com/sources/article.jsp?id=9701052>, accessed 24 May 2007.

²⁹ Viktor Baranets, “Prizraki na kontrakte,” *Komsomol'skaya Pravda*, no. 112, 6 August 2007, <http://dlib.eastview.com/sources/article.jsp?id=12402543>, accessed 7 August 2007.

³⁰ “Women in the Russian Federation's Armed Forces today,” *Russian military review*, no. 3, March 2007, p. 66, <http://dlib.eastview.com/sources/article.jsp?id=12212712>, accessed 10 August 2007.

service". Again, "according to Pankov, women are needed badly in the army now."³¹

For a number of years outright rejection of potential conscripts for health reasons has been about 30 percent, with about 50 percent or more of those actually conscripted serving with 'limitations on assignment'. The rules have recently been changed to bar these 'limited' conscripts from serving in the parachute troops, the Navy and the internal troops.³² When combined with other deferments, draft evasion and changing illness patterns, only some 10 percent of the cohort are drafted or enter contract service (see Appendix II).

However, while the rejection rate has stayed the same over the last few years, the draft pool itself is shrinking. According to Smirnov, in 2007 there were 72 000 fewer potential conscripts registered compared with the number in 2006.³³

For Moscow City and Moscow Oblast, Major General Vyacheslav Miroshnichenko, head of the Organisational and Mobilisation Directorate of the Moscow Military District provided detailed figures on the educational and health quality of potential and actual conscripts in the Moscow area in spring 2007 as follows: "At the moment of the draft, one-third were not working or studying, one-fourth came from incomplete families [that is without one or both parents]. Their educational level makes us hope for better. Slightly over 20 percent of draftees had finished complete secondary education, and 15 percent [had] graduated from [a] higher educational institution. Five percent of the potential conscripts suffer from drug or toxic substance abuse, [and] 15 percent – from alcohol abuse. These people are not getting drafted; they are no good for the Ministry of Defence [which would] have to spend its own money to cure them. Among the medical diagnoses that grant deferment, the leading

³¹ D. Litovkin, "Girls will be Converted into Officers," *Defense and Security*, 4 July 2007, translated from *Izvestiya*, 2 July 2007, p. 3, <http://dlib.eastview.com/searchresults/article.jsp?art=3&id=12274227>, accessed 10 August 2007.

³² Nikolay Prokhorov, "Sluzhba dlya izbrannykh," *Voyenno-promyshlennyi kur'er*, no. 28, 25 July 2007, <http://dlib.eastview.com/sources/article.jsp?id=12351199>, accessed 26 July 2007.

³³ Olga Bozhyeva, "Prizyv v armiyu vyrastet vdvoe," *Moskovskiy komsomolets*, no. 153, 13 July 2007, <http://dlib.eastview.com/sources/article.jsp?id=12284732>, accessed 7 August 2007.

causes are diseases of the muscular-skeletal system (almost 21 percent) and mental disorders (slightly more than 13 percent)".³⁴

A detailed listing follows of the national rate of illness per 1 000 persons examined by the medical *voyenkomaty* (local military draft boards) who have been declared unfit to serve. Although valid for five or more years ago, a picture emerges of the range of underlying causes for rejection in 2000 and 2002. Additional information for individual causes such as drug addiction, HIV and mental disorders in the period up to 2006, in absolute numbers, is denoted after the first section of Table 1.

Table 1
Medical conditions underlying rejection from service, Russia.

A. Rate per 1 000 persons examined (2000 and 2002):

Medical condition	Year	
	2000	2002
Malnutrition	31	24
Mental disorders	73	67
Diseases of the digestive system	33	32
<i>of which ulcers</i>	14	14
Muscular-skeletal illnesses	37	43
<i>of which flat feet</i>	18	21
Spinal disorders	12	14
Diseases of the nervous system	28	26
<i>of which head trauma</i>	11	12

³⁴ Vasilii Fatigarov, "Ne putat' komissii s voyenkomatami," *Krasnaya zvezda*, no. 138, 7 August 2007, <http://dlib.eastview.com/sources/article.jsp?id=12405186>, accessed 7 August 2007.

B. Absolute number rejected, by selected cause (1996 and 2000 to 2006):

	1996	2000	2001	2002	2003	2004	2005	2006
Drug addiction	6 500	20 855	19 500	13 313	10 200	6 600	N/A	up to 500
HIV	N/A	2 073	N/A	4 653	N/A	N/A	N/A	approx. 800
Mental disorders	N/A	130 318	N/A	128 914	N/A	N/A	N/A	104 208
Tuberculosis	N/A	3 000 per year (2005 report)					N/A	N/A
Malnutrition	N/A	N/A	N/A	N/A	N/A	N/A	N/A	154 128
Muscular-skeletal illnesses	N/A	N/A	N/A	128 914	N/A	N/A	approx. 90 000	109 000

Note: For the number of HIV-related rejections see the next textual paragraph after the source note. Unfortunately, there is no year by year information.

Sources: Data for 2000 and 2002 are from the Central Military Medical Commission of the Russian Ministry of Defence, are given in O. Timofeyeva, "Ne po zubam. Prizyvnik udalil sebe devyat' zubov, puluchil otsrochkiu ot armii i sobirayetsya sudits'sya s voyenkomatom," *Izvestiya*, 28 November 2003, p. 2. Results of a medical evaluation in 1981, 1991 and 1995, of 20 000 conscripts, is given in R.S. Rakhmanov and K.R. Genrikh, "On the Problem of Evaluating Health Indicators During the Preparation of Young Conscripts for Military Service," *Voyenno-meditsinskiy zhurnal*, no. 5, May 1999, pp. 11-14, translated in FBIS, FTS1999092000454, dated 26 September 1999. The TB rejection number is cited from BBC Monitoring Service in Keir Giles, *Where Have All the Soldiers Gone...*, 12 October 2006, endnote 98. Rejections due to drug addiction in 1996, 2001, 2003 and 2004, are from "Troop Support. Ivan Chizh: "We Have Passed the Test for Endurance," *Russian Military Review*, 31 May 2004, pp. 25-27, <http://dlib.eastview.com/searchresults/article.jsp?art=0&id=6626101>, accessed 23 May 2007 and I. Plugatarev, "Voruzhennyye sily – oazis zdorov'ya?," *Nezavisimoye voyennoye obozreniye*, no. 042, 4 November 2005, p. 3, <http://dlib.eastview.com/sources/article.jsp?id=8540201>, accessed 1 June 2007. Estimates for mental disorders and malnutrition for 2006 are found in V. Litovkin, "Nedozrevshiy prizyvnik," *Nezavisimoye voyennoye obozreniye*, no. 21, 6 July 2007, p. 3, <http://dlib.eastview.com/sources/article.jsp?id=12247993>, accessed 15 July 2007. HIV, drug addiction, and muscular-skeletal illnesses figures for 2005 and 2006 are found in Ye. Fomina, "V tsentre vnimaniya – zdorov'ye prizyvnika," *Strazh Baltiki*, no. 105, 3 July 2007, <http://dlib.eastview.com/sources/article.jsp?id=12401639>, accessed 16 August 2007, and Yuriy Apal'kov, "Sila armii v zdorov'ye natsii," *Krasnaya zvezda*, no. 114, 4 July 2007, <http://dlib.eastview.com/sources/article.jsp?id=12231948>, accessed 16 July 2007.

Recent information indicates that in all years up to 2006, 15 000 potential recruits in all were rejected for being HIV-positive.³⁵ I had previously found 2 067 cases by the end of 2003. It was recently reported that the number of active-duty troops found to be HIV-positive was between 2 200 and 2 300 (end of 2005).³⁶ Seventy-two cases were found in 2005 and an additional 38 in 2006 (see Appendix table V).³⁷ All conscript soldiers and non-commissioned officers who have HIV are discharged. Officers are not. In addition, these numbers are restricted to Ministry of Defence troops and do not include those in other power structures (FSB, MVD, Presidential Guard, etc.).

In only one instance that I can find are details openly published for the numbers of HIV-positive persons in other uniformed services, and that only for the period 1989 to March 1999. While these numbers and this distribution are from almost a decade ago, the agencies involved are useful to keep in mind when analysing the usual reported number, which relates to MOD only.³⁸ The *NG Military Review* lists nine additional formations, and the number of HIV cases found in each during the period 1996 to 1998 is as follows: Ministry of Internal Affairs - 3; Federal Border Service - 4; FAPSI (communications) - 3; FSB - 1; Federal Special Construction Administration - 23; Minatom - 1; Ministry of Emergency Situations (MChS) - 2; Federal Railroad Troop Service - 5, and Troops of other ministries and agencies - 7. Clearly not a complete list, but as noted, the best listing I have found. Thus, the total of 49 cases in these nine formations, when compared with the 164 HIV cases in the Ministry of Defence at that time, represents almost one-third of all cases in the MOD. Unfortunately, later reorganisations of some of these other troop groupings makes it impossible to just add

³⁵ O. Yelenskiy, "Ne tol'ko meditsinskaya problema," *Nezavisimoye Voyennoye Obozreniye*, no. 4, 6 February 2004, <http://dlib.eastview.com/sources/article.jsp?id=5859558>, accessed 25 May 2007, and information provided by AFEW information resources.

³⁶ According to Major General Pavel Melnichenko, "there have been between 2,200 to 2,300 cases of HIV servicemen of the Armed Forces. There are no HIV cases among soldiers doing their mandatory military service." See "Over 70 HIV cases registered in Russian Armed Forces in 2005—official," *Russia and CIS Military Weekly*, Interfax, 12 September 2006, <https://w3.nexis.com>, accessed 1 November 2006.

³⁷ See *Voyenno-promyshlennyiy kur'yer*, no. 36, 20 September 2006, p. 4, <http://dlib.eastview.com/searchresults/article.jsp?art=0&id=10056390>, accessed, 15 May 2007, citing Medical Service Colonel Maksim Parshin, the Chief Specialist for HIV Prevention of the Ministry of Defense, for these numbers.

³⁸ A. Al'f, "Armiya pod kayfom," *NG Military Review*, 4 June 1999, <http://dlib.eastview.com/searchresults/article.jsp?art=332&id=3515462>, accessed 21 May 2007.

some 30 percent to the numbers we find for the Russian MOD in order to get the full picture.

However, according to a February 2004 article by Oleg Yelenskiy (*Independent Military Review*), the number of service personnel who have AIDS (or HIV) in the *siloviye strukturi* (regime forces) is closed, i.e. secret. Nonetheless, the author states that at this later point in time, about 15 percent of these personnel who were found to be HIV-positive were discharged prior to the end of their normal period of service. An alternative distribution of the percentage of HIV-positive cases, by branch of service, is found in the report by US Colonel Jeffrey Holachek for the Atlantic Council. For the period 1989 to 2002, almost half of the cases found were in the Ground Forces (44.4 per cent), the next largest in the Navy (16.8 per cent), then 'Units Under Centralised Subordination' (10.6 per cent), the Air Force (9.1 per cent), Strategic Rocket Forces (7.4 per cent) and the remaining 11.7 scattered among other branches. While the 'Centralised Subordination' grouping seems high (yet without knowing their total force numbers I cannot determine its relative size), the others seem to correspond to the size of the various branches known from The Military Balance issued by the International Institute for Strategic Studies in London.³⁹

Officers are treated in military hospitals for the illness. Lower rank contract troops who are ill are discharged. Whatever the official numbers may be, General Kulikov and others, as noted above, assert that they are far from complete. Given that 80 percent of all recorded cases of HIV/AIDS are among persons 15 to 29 years of age and that the draft pool includes 18 to 27 year olds (as well as the fact that pre-draft medical examinations were or are not allowed to check for HIV, drug addiction and hepatitis), then many who are ill with these afflictions may be drafted and not found while on active duty, if ever. Despite the very extensive child health survey of all pre-draft males and females, the then Air Force Chief General Mikhaylov surprisingly claimed that many conscripts from rural areas had never seen a doctor prior to being called up for service. This seems to contradict the Child

³⁹ See Col. Jeffrey Holachek, *Russia's Shrinking Population and the Russian Military's HIV/AIDS Problem*, Occasional Paper prepared for the U.S. Atlantic Council, September 2006, p. 14 and troop strengths through 2004, in Murray Feshbach, *HIV/AIDS in the Russian Military – Update*, Prepared for UNAIDS Meeting in Copenhagen, Denmark, 22-23 February 2005, p. 4.

Health Census assertion that coverage was over 95 percent and therefore should have included a very high proportion of the rural pre-conscription age males.⁴⁰ When the Ministry of Defence petitioned the Ministry of Finance to allocate funds for provision of equipment to examine potential conscripts for these illnesses, the petition was rejected (as it was by the Ministry of Health). Kulikov has estimated that the cost for provision of equipment has almost doubled since the original request.⁴¹

As far as I understand, this provision has been altered to test for drug usage and polygraphs are being used to test for mental problems. More likely, however, is that the availability of the appropriate equipment and reagents to all medical pre-draft medical facilities is not yet universal, and many might be drafted who should not be. The true numbers of these illnesses, as well as others, remain unknown.

The key question about the number of people with HIV/AIDS in the military is whether the authorities do or do not test; or do they do it selectively? It appears that the rules overall have not changed, but that there are some exceptions to the non-testing which seem to apply overall. In September 2004, Kulikov is quoted as stating that "At the present time, military medicine does not perform HIV diagnostics" before or during service.⁴²

On one hand, an article apparently quoting Kulikov asserts that up to that point (October 2001) "we do not conduct the necessary blood tests to detect HIV or hepatitis..."⁴³ Very interestingly and contradictorily, Kulikov noted that "...over 2 000 carriers of HIV were dismissed from the army last year." That is, in the year 2000. If this is correct, it may also reflect his (and Bykov's) assertion on other occasions that the numbers officially recorded for HIV incidence are 'the tip of the iceberg.' If the number of dismissals was over 2 000, in the year 2000,

⁴⁰ Colonel-General Vasily Smirnov is cited in V. Khudoleyev, "The Military and Society. 29,000 Draftees Already March," *Krasnaya Zvezda*, 2 June 2006, translated in *Defence & Security*, 5 June 2006, <http://dlib.eastview.com/searchresults/article.jsp?art=64&id=9573676>, accessed 25 April 2007.

⁴¹ O. Yelenskiy, "Ne tol'ko meditsinskaya problema," *Nezavisimoye voyennoye obozreniye*, 6 February 2004, p. 1, <http://dlib.eastview.com/searchresults/article.jsp?art=1&id=5859558>, accessed 23 May 2007.

⁴² V. Gavrilov, "Armiya voyuyet so spidom," *Trud*, 1 September 2004, <http://dlib.eastview.com/sources/printarticle.jsp?id=6650171>, accessed 12 October 2004.

⁴³ D. Polikarpov, "Good draftees are hard to find," *The Moscow Tribune*, 12 October 2001, <http://www.cdi.org/russia/johnson/5489-6.cfm>, accessed 17 May 2007.

then how could the official cumulative number of HIV/AIDS in the military be reported as less than 400? Does this give us justification for saying (at least at that time) that a multiplier of 5 would be acceptable and thus when the cumulative number of 2 067 was reached at the end of 2003, there really had been over 10 000 cases in the military. With a number of 2 270 in 2006, we could derive a simplistic, but very intriguing, number of some 11 350 cases.⁴⁴ By the same year, 2006, reference had been made to a total of 15 000 HIV-positive rejections (see the first paragraph after Table 1, above).

On the testing issue, the Zhirnova article in the same central military newspaper brings up to September 2006 the omission of testing: "From the reports of military medical personnel it follows that the new accumulation (*zanos*) of HIV infection into the military collectives basically originates with the intake of young men. Yet until now, federal legislation does not anticipate obligatory testing of civilians for HIV at the time of their conscription for military service..."⁴⁵

The lack of testing was confirmed by Col. M. Zh. Parshin at the September 2005 Joint US/Russian Conference on HIV/AIDS held in Moscow. Testing of conscripts for the military, he said, was conducted rarely and voluntarily. However, soon after the joint meeting, *RIA Novosti*, on 14 October 2005, reported that in Moscow, Samara, Saratov and Kalingradskaya oblasts, testing of potential conscripts on a mandatory basis had been authorised.⁴⁶ Will this be expanded to include all the country, particularly as the number of HIV cases has resumed an upward trajectory? Almost two years later, nothing more has been written about this possibility.

One of the main illnesses not listed or even rarely discussed is tuberculosis among potential conscripts, and especially among the active duty military. For the country as a whole, the rate per 100 000 persons with tuberculosis is two to three times the take-off rate determined by WHO as qualifying for epidemic status. Put another way, Russia is the

⁴⁴ Zhirnova quotes Melnichenko for this more precise number (of 2,270) than he usually affirms. See I. Zhirnova, "Armiya boretsya s 'nevidimym' vragom," *Krasnaya gazeta*, 21 September 2006, p. 3, <http://dlib.eastview.com/searchresults/article.jsp?art=0&id=10834633>, accessed 30 April 2007.

⁴⁵ *Ibid.*

⁴⁶ "AIDS: Russian Army Takes on Board American Experience," *RIA Novosti*, 6 October 2005, <http://w3.nexis.com/>, accessed 21 May 2007.

only developed country, and simultaneously the only European country, to be listed as a high-burden country among the 22 so designated by WHO. Given methodological issues described earlier, the official rate of 83.8 per 100 000 population in 2005 is adjusted by WHO to 150 to 170 for the same year.⁴⁷ It is no surprise, therefore, that annually about 3 000 young males are rejected for active military duty because of this dangerous illness.⁴⁸

Complicating the entire issue of health and sanitation in crowded barracks or on ships, as well as in Russian prisons in particular, there is a high potential for outbreaks of drug-resistant tuberculosis. In prisons, it is clear that the danger exists as many HIV-positive prisoners are also resistant (Multi-Drug Resistant Tuberculosis [MDR-TB]) to first-line anti-TB medication.⁴⁹ Given that about half of ex-prisoners with tuberculosis (and HIV) do not continue treatment when released from incarceration, they can spread the disease among the population, including youths of pre-conscription age.⁵⁰

Tuberculosis cases diagnosed among active duty servicemen increased by 11.3 percent in 2004 compared with 2003 and a decade previously, in 1993, by 13.4 percent compared with 1992; or about 10 percent per year.⁵¹

These serving troops with TB are usually found to be infected with TB in their first month of service. According to an article in the *Military Medical Journal*, "There are many servicewomen among them as well".

⁴⁷ M.V. Shilova, *Tuberkulez v Rossii v 2005 godu*, Voronezh, BGPU, 2006, p. 14, and World Health Organization, WHO Report. Global Tuberculosis Control. Surveillance, Planning, Financing, Geneva, 2007, p. 26.

⁴⁸ See Giles, *Where Have All the Soldiers Gone...*, 12 October 2006, footnote 98, p. 22 cites BBC Monitoring of the Military News Agency of 22 March 2006, for this information.

⁴⁹ See my article in the on-line Johnson's Russia List, of 29 January 2007, item 8, entitled "XDR-TB in Russia," for estimates of extensively or extreme drug-resistant tuberculosis for Russia.

⁵⁰ Dr. Margarita Shilova's latest compendium of data and analysis, *Tuberkulez v Rossii v 2005 godu*, p. 116, contains a chart with data on the proportion of the ex-prison population who go for treatment after release between 1998 and 2005. The share ranged from 60.4 percent in 1998 to a high of 69.6 percent in 2001, and declined to 57.6 percent in 2005; in other words, about 42 percent did not continue treatment in 2005.

⁵¹ See R.D. Muchaidze et al., "Epidemiologiya i infektsionnyye bolezni. O 'tuberkuleze' u voyennosluzhashchikh zapasa, prizvannykh na voyennyye sbory," *Voyenno-meditsinskiy zhurnal*, no. 4, 30 April 2006, pp. 37-39, <http://dlib.eastview.com/searchresults/article.jsp?art=8&id=9956470>, accessed 23 May 2007. The authors cite a previously unknown handbook - but not unexpected - source for these data. The statistical book on health in the military is entitled *Pokazатели sostoyaniya zdorov'ya voyennosluzhashchikh Vooruzhennykh Sil Rossiyskoy Federatsii, a takzhe deyatel'nosti voyenno-meditsinskikh podrazdeleniy, chastey i uchrezhdeniy v 2004*, Moscow, 2005.

This is perhaps the only reference to female soldiers in all of the military health material under review. Given a pattern of increasing tuberculosis among all service personnel, it is not surprising that 3 000 are rejected every year, or rather it is surprising that only 3 000 are rejected for this reason. If the medical and General Staff are not as worried about tuberculosis as about other medical issues, they should be; it is the HIV/AIDS-equivalent danger.

Conclusions

It is clear to me that there are many more cases of HIV/AIDS, tuberculosis, hepatitis and drug addiction in the Russian Armed forces than reported. Whether the number is 2 200 or 5 000 or double that is far from certain. I would opt for the higher levels, in part because rural recruits are infrequently examined by local *voyenkomaty*. Whether this will lead to weakened combat capability until and if a successful contract military is in place, well-trained and equipped and all healthy remains moot. Achieving these goals will be made more difficult by the overall poor health among 15 to 17 year olds.

We are now entering the point of 10 to 11 years after the officially registered explosion in the late 1990s of persons becoming HIV-positive, and without much provision of anti-retroviral therapy (ART) to those who need it until last year, we can expect this number to climb rapidly (cf. increases cited by Pokrovskiy about AIDS cases and deaths above).

It is not only HIV/AIDS that impacts on the potential of recruits for active duty, but also the array of tuberculosis, drug addiction, alcohol, mental disorders and other illnesses and disabilities. With only 10 percent of the diminishing cohorts actually conscripted and only 30 percent of these conscripts qualified for full service in all components of the military, the situation is taut enough at present.

The Russian government's attention for the health sector is recently much improved, yet it is quite late by allowing anti-retroviral therapy medication to be so inadequate and irregular, or by failing to recognise the potential danger of tuberculosis in all forms to combine with HIV/AIDS. Frequent reference can be found to the 'national security'

of the state being threatened by the health and demographic factors. Other commentators dismiss this 'threat' and, in a private, neo-malthusian summary evaluation, they are not bothered by such deaths among those afflicted due to their own risk-taking style of life.

Sergey Stepashin, the Comptroller General (Chief Auditor) of Russia, wrote earlier this year that the predicted "reduction in the size of the population and the reduction of population density to a level three times below the world average will create the danger of weakening of Russia's political, economic and military influence in the world".⁵²

In other words this can be cut down to the simple formula 'the fewer people, the less sovereignty'. If Stepashin is correct, Russia is a country with major ambitions and very low possibilities to realise these ambitions, but, simultaneously, in possession of a huge military arsenal.

The elimination of deferments for full-time students may provide more quantity for the military, but the loss of human capital formation if they do not return to their studies after service could be a loss of quality for the society as a whole. The pro-natalist policy of Putin may well also draw down the number of women who might continue their education.

Until very recently in the Russian Federation the new phenomenon of XDR-TB was hardly addressed. Because their TB situation is very difficult, it will add to the burden of disease due to lack of proper food supplies and/or consumption, that is poverty and alcoholism. As part of its effort to determine the cost of an expanded effort to deal with MDR-TB and XDR-TB, the WHO Stop TB unit has calculated the estimated numbers of each type of TB expected to be under treatment in 2007 and 2008. For the Russian Federation the numbers for MDR-TB are 16 393 and 19 975 in 2007 and 2008, respectively. It is important to understand that these are not the total number diagnosed, which was 34 055 in 2007, or slightly more than double the number on treatment. (No other estimates of estimated actual new incidence numbers are provided in this report, nor any of the likely 'real' total

⁵² "Russian chief auditor calls for urgent measures to halt population decline," *BBC Worldwide Monitoring*, 10 March 2007, <http://w3.nexis.com/>, accessed 26 July 2007.

numbers.) The numbers of persons with XDR-TB under treatment in the Russian Federation are calculated in the two years (2007 and 2008), as growing by over 20 percent; that is from 1 915 up to 2 306, respectively. How many or what proportion of these figures are on active duty in the uniformed services is not detailed in this report, or even whether they are included or not.⁵³

In 1988, the total officially registered number of HIV/ AIDS cases in Russia was less than 10. In 1998, the total officially registered number of HIV/ AIDS cases in Russia was slightly less than 4 000 (rounded). In 2001, the last full year before the US National Intelligence Council report was published, the number was twenty times higher, at over 87 500. Officially, at least, the number declined from 2001 to a low of 34 000 in 2004, but has since increased to close to 40 000 in 2006 and is stated to be increasing at 8 to 10 percent per year (see Appendix V).

The possible, or even likely, large co-infection of HIV and TB will be an additional heavy burden for the country. The overall combination of population decline and likely increase in mortality will lead to a more tenuous situation in Russian society, including the military, than the economic dimension would portend.

I am indebted to my research assistants, Eugene Zamastysyanin and Bo Anders Knutson, for their research and computer assistance in preparing this paper.

⁵³ World Health Organization, Stop TB Partnership, *The Global MDR-TB & XDR-TB Response Plan 2007-2008*, WHO/HTM/TB/2007.387, Geneva, World Health Organization, 2007, pp. 19 and 31, http://whqlibdoc.who.int/hq/2007/WHO_HTM_TB_2007.387_eng.pdf, accessed 1 August 2007.

Appendix I.**Male births, infant male deaths, and year at which they attain 18-years of age, Russia: 1980 to 2005**

Year	Births	Infant deaths	Net number	Draft year
1980	1 126 666	28 300	1 038 366	1998
1981	1 145 239	28 141	1 117 098	1999
1982	1 192 252	27 528	1 164 724	2000
1983	1 268 820	28 706	1 258 124	2001
1984	1 234 760	29 551	1 205 209	2002
1985	1 217 322	28 993	1 188 329	2003
1986	1 273 213	27 913	1 245 300	2004
1987	1 283 425	28 669	1 254 756	2005
1988	1 204 907	26 309	1 178 590	2006
1989	1 110 602	22 991	1 087 611	2007
1990	1 021 248	20 691	1 000 557	2008
1991	923 319	19 131	904 188	2009
1992	816 757	17 238	799 519	2010
1993	708 689	16 213	692 476	2011
1994	724 818	15 394	709 424	2012
1995	700 191	14 472	685 719	2013
1996	671 430	13 416	658 014	2014
1997	648 195	12 738	635 457	2015
1998	660 842	12 327	648 515	2016
1999	626 149	12 020	614 129	2017
2000	653 146	11 248	641 898	2018
2001	675 750	11 273	664 477	2019
2002	719 511	10 703	703 808	2020
2003	760 934	10 429	750 505	2021
2004	772 973	10 090	762 883	2022
2005	749 554	9 416	740 138	2023
2006	N/A	N/A	N/A	2024

N/A – Not available by sex, as of 12 August 2007.

Note: The net number shown here needs to be further reduced due to deaths during ages 1 to 17 inclusive, which including infant mortality (0-1 years of age) amounts to about 3 percent up to age 18. For 2005, a 3 percent cumulative number of deaths in ages 0 to 17 inclusive, amounts to 22 487 through this period, or an additional 13 071 male deaths in ages 1 to 17 inclusive (excluding infant deaths at ages 0-1).

Source: FSGS (Rosstat), *Demograficheskiy yezhegodnik Rossii, Ofitsial'noye izdaniye*, 2006, Moscow, 2006, p. 69.

Appendix II.**Proportion of potential conscripts rejected for medical reasons, proportion of net intake of males on military register and share of those serving with medical limitations, Russia. Years vary by subsection**

A. Fit for service (before deferments, evaders and last minute rejections at call-up station) as a percentage of those on military register:

Year	Percentage fit
2002	69.0
2003	69.8
2004	70.3
2005	69.9
2006	70.1

Source: I. Zhirnova, "Bud' zdorov 'Prizyvnik,'" *Krasnaya Zvezda*, 21 June 2006, no. 107, p. 2, <http://dlib.eastview.com/searchresults/article.jsp?art=163&id=965578>, accessed 27 May 2007. (An English summary is given in *Defence and Security*, omits some important detail.)

B. Rejected due to medical reasons:

Year	Percentage deferred
1988	32.7
1994	50.7
1998	66.4
2006	67.6

Sources: P. Titov, "Bolevaya tochka. Poschitali po oseni," *Nezavisimoye voyennoye obozreniye*, no. 2, 25 January 2002, p. 3, <http://dlib.eastview.com/searchresults/article.jsp?art=16>, accessed 3 December 2004, and Ministerstvo Oborony, "Press-konferentsiya nachal'nika Glavnogo organizatsionno-mobilizatsionnogo upravleniya General'nogo Shtaba VS RF General-polkovnika Vasiliya Smirnova, 2 October 2006, *Federal News Service (Russian Version)*, <http://dlib.eastview.com/searchresults/article.jsp?art=73&id=10131397>, accessed 27 May 2007.

C. Actual percentage drafted:

Year	Percentage drafted
1988	54.6
1994	27.5
1998	17.4
1999	13.0
2000	12.0
2001	12.0
2002	11.2
Spring 2004	9.5
2005	9.1
2006	9.7

Source: Giles, *Where Have All the Soldiers Gone...*, 12 October 2006, pp. 2, 8, and V.
 Kozhukhovskiy, "Vzyatochnichestvo v voyenkomatakh – ne glavnyaya problema prizyva,"
Nezavisimoye voyennoye obozreniye, no. 15, 23 April 2004, p. 1,
<http://dlib.eastview.com/searchresults/article.jsp?art=2&id=6179641>, accessed 21 May 2007.

Appendix III.**Distribution of psychological (mental) disorders among those rejected for active duty military service or accepted for limited duty assignment, Russia 2003 to 2005**

Psychological disorder	Rejected or limited service (per cent)		
	2003	2004	2005
Mental retardation	1.5	1.0	0.7
Psychological disturbance due to organic brain injury	9.2	9.0	9.5
Disturbed personality	57.4	55.2	53.4
Drug addiction, substance abuse, alcoholism	1.7	1.2	1.0
Neuroses	26.5	29.8	31.0
Endogenous psychoses	2.1	2.2	2.5
Other psychological disorders	1.6	1.6	1.9

Note: In addition to medical causes, there are a low number of potential conscripts who are awaiting court trials or have been convicted and in prison, several hundred per year who are selected for alternative civilian service, and several thousand who have deserted. Apparently the total is in the range of 5 000 or less.

Source: V.V. Kulikov et al., "Psikhicheskoye zdorov'ye lits prizyvnogo vozrasta," *Voyenno-meditsinskii zhurnal*, no. 2, February 2-7, 2007, pp. 8-12,
<http://dlib.eastview.com/sources/article.jsp?id=11885619>, accessed 14 May 2007.

Appendix IV.**Official registered number and rate per 100 000 persons with HIV/AIDS in the total population of Russia: 1987 to June 2007**

Year (end of year)	New registered cases	Cumulative registered cases	Deaths among PLWH/A	Net PLWH/A	Prevalence per 100 000 population
1987-1995	1 090	1 090	407	683	0.7
1996	1 513	2 603	503	2 100	1.4
1997	4 315	6 918	779	6 139	4.2
1998	3 971	10 889	1 044	9 845	6.7
1999	19 758	30 647	1 785	28 862	19.8
2000	59 261	89 908	3 452	86 456	59.5
2001	87 671	177 579	5 327	172 252	118.9
2002	49 923	227 502	6 164	221 338	152.7
2003	36 396	263 898	6 744	257 154	178.4
2004	34 306	298 204	7 230	290 974	202.8
2005	35 526	333 730	8 157	325 573	227.4
2006	39 988	373 718	16 791	356 927	251.0
2007 (30 April)	15 122	402 000	N/A	N/A	N/A
2007 (31 May)	12 423	386 141	16 933	369 208	259.6
2007 (30 June)	15 153	388 871	17 050	371 821	261.5

N/A - Not available; PLWH/A - People living with HIV/AIDS

Note: However, there are a number of discrepancies between official data provided by the Federal AIDS Centre to AFEW, and the figure given by Pokrovskiy, the head of the AIDS Centre at his May 15 2007 press conference. The first figures given to AFEW were apparently preliminary and Pokrovskiy reported the updated, amended figures. One of the more likely 'culprits' is the late delivery of complete information for Moscow City which has notoriously either been late, as noted, or less cooperative than one would expect. Even if Pokrovskiy is correct when he gives a figure of 402 000 for mid-May 2007, and simultaneously reports that there has been an increase of 15 125 in the first four months of the year, the numbers do not add up. Thus, 380 000 plus 15 125 does not equal 402 000. The numbers have been adjusted to their official final registered numbers.

A personal e-mail communication, dated 27 June 2007, from Yekaterina Kharlamova, Acting Head, Monitoring and Evaluation Branch, AFEW, clarified the differences between the two figures for 2007. The larger number used by Pokrovskiy includes non-Russian citizens and children born to HIV-positive mothers awaiting final diagnosis as to their status. The numbers for 2006 and 30 June 2007 in the table reflect the latest, corrected numbers.

Sources: From AIDS Foundation East-West, based on data from the Russian Federal AIDS Centre, <http://afew.org>, accessed 24 July 2007, for all dates, except 30 April 2007, which is from V. Pokrovskiy, "HIV/AIDS Continuing to Spread in Russia – Gov't," *Interfax*, 15 May 2007.

Appendix V.
Cases and prevalence of HIV/AIDS in armed forces of Russia:
1989 to 2006

Year	New registered cases	Cumulative number
1989-1990	1	1
1991	3	4
1992	2	6
1993	2	8
1994	7	15
1995	2	17
1996	29	46
1997	72	118
1998	46	164
1999	117	281
2000	110	391
2001	741	1 132
2002	554	1 686
2003	381	2 067
2004	121	2 188
2005	72	2 360
2006	38	2 598

Sources: 1991 to 2003, from Murray Feshbach, *HIV/AIDS in the Russian Military*, paper prepared for UNAIDS meeting in Copenhagen, Denmark, February 2005, p.6 and for 2004, see Col. Jeffrey Holachek, *Russia's Shrinking Population and the Russian Military's HIV/AIDS Problem*, Occasional Paper for The Atlantic Council, September 2006, p. 13. Col. Holachek was the US Army Military Attaché in Moscow during the time of the September 2004 and 2005 Joint US/Russian Conference on HIV/AIDS Prevention in the Military, and obtained these and other data and insights while participating and helping coordinate the two conferences; for 2005. *Interfax*, 15 September 2006 through August 2006, from "Po soobshcheniyam korrespondentov 'VPK,' informagenstv ARMS-TASS i Interfax-AVN, VPK. *Voyenno-promyshlenny kur'yer*. No. 36, September 2006, p. 4, <http://dlib.eastview.com/searchresults/article.jsp?art=0&id=10056390>, accessed 23 May 2007 and for 2006, from "38 HIV Cases Reported in Russian armed forces in 2006 – expert," *Russia & CIS General Newsletter*, 14 September 2006, citing Col. M. Parshin, Chief HIV/AIDS Prevention expert, <http://w3.nexis.com/>, accessed 21 May 2007.

Summing Up

8. THE ROLE OF RUSSIAN POWER STRUCTURES IN DOMESTIC POLITICS AND FOREIGN POLICY: WHAT THE FUTURE HOLDS

Dr. Dmitri Trenin

Speculating about the future in politics anywhere is always tricky and could be treacherous. “A week is a long time in politics”, British Prime Minister Harold Wilson once said. Attempting to speculate about Russia’s politics within a few months of a power transfer appears to be sheer folly. Nevertheless, there is a clear demand to look beyond the March 2008 horizon. Furthermore, there is an understandable revulsion at the notion of unpredictability and inscrutability of all things Russian. Thus, the present paper seeks, in all humility, to distil what is knowable about the Russian power structures with the aim of assessing the impact of that highly diverse community on the politics of the 2008 power handover and the post-2008 policies of a regenerated regime. Assessment of the legacy of the Putin presidency, when it comes to the role of the power structures, forms the baseline for projections into the future. Politics are examined separately from policies and, within the latter, a distinction is made between largely domestic issues and foreign affairs.

Baseline: The Putin Legacy

As he approached his 55th birthday in October 2007, the last one of his eight-year tenure, Vladimir Putin made a most unusual, highly symbolic and thus potentially significant decision. He broke with his old habit of private birthday parties, often away from Moscow in his native St. Petersburg, and instead threw a Kremlin reception, to which he said he would invite his closest friends. These friends turned out to

be Russia's military chiefs and a number of mid-level unit commanders, alongside their wives. With this 'thank you all and let's keep in touch' gesture, the Russian Supreme Commander-in-Chief expressed his gratitude to the people who had been not only loyal to him as President, but instrumental in achieving victory in Chechnya.

Putin's bond with the Armed Forces was created exactly eight years previously when Putin, then Prime Minister, against the advice of many political heavyweights, supported the General Staff and the professional military, who advocated defeat and destruction of the separatist enemy, not their containment. Crossing the Terek toward the Chechen mountains was like crossing the Rubicon: for both Putin and his uniformed friends, failure would have been fatal. In reality, this river crossing turned out to be a path to victory, although bought at a high cost. Three months later, and hours after his appointment as Acting President on New Year's Eve 2000, Putin flew to Chechnya to see the New Year in with the military commanders and the troops.

The two events neatly frame a presidency which laid the foundations for Russia's current political regime, economic system and moral environment. What is the legacy of Putin's years in terms of the role, position and function of the Russian power structures?

The Centrality of the Security Community

Too often during his presidency, Vladimir Putin was feared or despised for being a former KGB officer. Such was the demand of Russia's first president, Boris Yeltsin: Disillusioned with 'young reformers' and distrustful of the veteran *nomenklatura* types, he and his powerful family were looking for a patriotic military officer as a guarantor of stability and their own security. Putin did not volunteer, he was drafted.

From the beginning of his second presidential term in 2004, Putin's administration came to be seen as dominated by the *siloviki*, i.e. 'power types'. Some observers have gone so far as to claim that 'Putin's Russia' has become a 'KGB state'. The term has become so widely spread that it requires a better explanation than what is usually given:

the government's domination by people with a background in the security services, the military and the police.

One needs to differentiate between two faces of the Russian security community. One represents the formal structures, such as the Ministries of Defence, the Interior, the Emergency Services; agencies, such as the Federal Security Service, Federal Anti-Narcotics Service *et al*; and national committees for fighting terrorism and drugs trafficking. The other face is the informal network of personal relationships and connections among the individuals with security background (*les anciens*).

It is not the former, i.e. the formal structure, that is the dominant element and the hallmark of the Putin regime. It is the latter. Russia is ruled by people who in many cases were raised and first became acquainted in the Soviet KGB. With a president who is a veteran himself, and in the absence of real political parties that can compete for power, that informal network forms the core of the ruling elite; it provides for the principal cadre reserve and national management system within the Kremlin-centred 'vertical of power'. In the absence of an ideology, the mindset of that group is the equivalent of a basic *Weltanschauung* that is shared by most people who rule Russia. To the security veterans themselves, their community is a 'hook' which caught Russia as it was plunging into an abyss. To the critics, it is on that same 'hook' that Russia became impaled, which prevented it from completing its transition to post-Communist modernity.

The Formal Structure

The tumultuous Yeltsin presidency, punctuated as it was by several crises, some of which led to violence and involved the use of force or its threat, logically looked for support to the Interior Ministry and, as a last resort, to the Armed Forces. In contrast to that, the much quieter Putin years opened under the headline of the 'dictatorship of law'. This change in emphasis favoured the law-enforcement agencies, including the security services, the prosecutor's office and the courts.

Overall, the security services have been able to recover in the 2000s after the preceding decade of decline and uncertainty. They have markedly raised their profile in Russian domestic politics and in

Moscow's foreign policymaking. Within the community of the security services, the Federal Security Service (FSB), the principal successor to the KGB, has much enhanced its bureaucratic role and grown in size (including through mergers with other agencies in an attempt at 'streamlining'). The FSB director has been named chair of the National Anti-Terrorist Committee.

The Foreign Intelligence Service (SVR) has established itself as a separate government agency and the principal source of government information and analysis about the outside world. The appointment in 2007 of an SVR director as Executive Secretary of the Commonwealth of Independent States (CIS) and his replacement by a former Prime Minister are telling.

A new service, FSKN, was created during Putin's first presidency to check drugs trafficking. In reality, FSKN is also a check on its big sister, the FSB. The Prosecutor General's Office, which in the 1990s was occasionally used in political struggles, became a tool of choice to be used against 'the oligarchs'. Toward the end of the Putin presidency, a new law-enforcement agency was formed, the Investigation Committee. It was endowed with wide powers and made autonomous from the Prosecutor General.

On the other side of the ledger, the Interior Ministry slipped into the background, politically. It was placed in the trusted hands first of a Putin loyalist and later of a former security services officer, but compared with the Yeltsin presidency, the MOI turned into a backwater. The evolution of the role of the Ministry of Defence (MOD) and the Armed Forces (AF) has been more interesting.

The Ministry of Defence and the Armed Forces

Under Putin, the Kremlin worked to streamline the 'power vertical' as it applied to the MOD/AF. It reaffirmed presidential control over the defence establishment first by appointment of an SVR general, Sergei Ivanov, as nominal Defence Minister, and then by subordinating the uniformed military to a civilian head of the Ministry, and drastically reducing the autonomy of the General Staff (GS). Replacement of Anatoly Kvashnin by Yuri Baluevsky as CGS served to send the mes-

sage to the officer corps that discipline was a prime military virtue. Independent-minded and occasionally controversial veterans of the second Chechen campaign saw their military careers deadlocked or cut short. Toward the end of his second term, Putin apparently decided to transform the MOD into a management structure. He appointed a former head of the tax police, Anatoly Sedyukov, as the first truly civilian Defence Minister and tasked him above everything else with overseeing the spending of defence roubles.

Even as he proceeded to tighten his grip over the MOD/AF, Putin moved closer to the defence establishment's views on the military doctrine and threat assessment. The 2000 versions of the Military Doctrine, the Foreign Policy Concept and the National Security Concept embraced a more 'muscular' approach to the use of force and a more pessimistic view of international relations. The failure of Putin's very own attempt to create strategic partnership with the United States in 2001-2 enhanced that pessimism. The 2003 MOD 'White Book', while paying its dues to the struggle against terror, emphasised defence against an aerospace attack, i.e. an attack by the US, as the prime function of the Russian Armed Forces. For a dozen years, the military had been pleading with the Kremlin to designate a realistic enemy to them. They finally got their answer.

From the 2004 Beslan address to the 2007 Munich speech and beyond, Putin's presidential pronouncements on military security issues highlighted the themes close to the hearts of the defence establishment and the security community. These could be summarised as follows. Russia is a great power among a half dozen or so power centres in the world. The United States is the principal obstacle to Russia expanding its role even further; America's aim is to weaken Russia. In order to neutralise presumably hostile US policies, Russia needs to be militarily strong, especially in its strategic forces. Whenever its interests are affected by US encroachments, as in NATO enlargement, missile defence deployments, or support for 'orange revolutions' in the new independent states, or for Kosovo's unilateral independence, Russia needs to stand up to the US.

This new assertiveness was not the product of pressure of the power structures on the President. Rather, this was the combined outcome of

the evolution of Russian domestic politics in the wake of the YUKOS affair and the foreign policies of the Bush administration in the US. The latter initially (2003-2004) demonstrated Washington's resolve to crush any opponent anywhere in the world, and to promote democracy and freedom, if need be with military force, and with scant regard for outdated notions of state sovereignty. This produced a big impression on the Russian security and defence establishments, pushing them toward seeking counter-measures. When, within a couple of years, US power was stymied in Iraq and American policies came to be seen as a major failure, the Russian leadership sensed an opportunity to move to a political counter-offensive. For the first time since the early 1990s, Russian politico-military leaders felt winners, and saw Americans as losers.

The perceived change in the balance of forces led to the rise of revisionism. The Russian security and defence establishments had always held that the post-Cold War order was essentially unfair. They rejected the notion of a Western victory in the Cold War; Moscow, they believed, had withdrawn from the confrontation when it discovered that it was devoid of any sense. They saw NATO's eastern enlargement as an act of bad faith toward post-Communist Russia. They regarded NATO's air war against Serbia and Montenegro as proof of the West's readiness both to use military force and to ignore Russia's veto power at the UN Security Council.

The Russian power structures welcomed Putin's quick step march after the Munich speech, in particular suspension of the Conventional Forces Europe (CFE) treaty, threats to target US missile defence deployments in Central Europe by Russian nuclear missiles to be deployed in Kaliningrad and Belarus, resumption of strategic air patrols in the Atlantic and Pacific, and the imminent restoration of a permanent naval presence in the Mediterranean.

At the same time, the defence establishment remains interested in arms control. Even though they have an interest in intermediate-range missiles as a tool to be used in various emergencies along Russia's southern flank (the Greater Middle East), a cancellation of the INF treaty could bring back US missiles to Europe, which would have a

capability to eliminate Russia's strategic command and control centres.

Throughout his two terms, President Putin has remained Russia's only decision-maker on politico-military issues and the only strategist. Rather than falling under the influence of the military, his own views have been evolving to meet theirs.

Future Outlook

Domestic Politics

With the departure of a popular president at the end of his two-term constitutional mandate, Russia is stepping into the unknown. 2008 offers no repetition of the 1999-2000 model of power transfer, when the outgoing leader passed the baton to his chosen successor, and retired, under appropriate guarantees, to his dacha. In contrast to that, Putin will be succeeded not by an anointed successor – although Russia's choice as third president will be essentially Putin's choice – but by an arrangement of which the former head of state will be part. It is unprecedented for Russia to have a former leader who would remain politically active and probably popular after leaving office. Even though Putin will take great pride in abiding by the letter of the Constitution, which is no mean feat under conditions of an authoritarian regime, the *real* Constitution of Russia is about to be fundamentally changed.

While the immediate future looks to comprise elections – formal power transfer – formation of a new power configuration, medium-term prospects are less certain. It is not clear to what extent and in what form politics will survive after 2008. It is yet to be seen what the central issues will be. Even if this will not be democracy for a while yet, how strong will be the popular demand for social justice, protests against corruption and demand for better governance? What will be the level and intensity of ethnic tensions?

As long as the current political regime persists, albeit in a modified form, members of the security officers' network will form its personnel backbone. The actual role that the power structures play in this

environment will depend on the challenges that Russia faces. In the event of *dvoevlastie*, or power dualism, fraught with dangers of a showdown and, at worst, civil war, various clans within the security establishment can find themselves engaged in a ruthless fight for power. In a situation where palace politics have replaced public politics, palace coups are no longer unthinkable. At the end of his second term, Putin appears headed for a position of the indispensable arbiter among the warring clans, wherever that position may be formally housed. The situation of cohabitation between the new president and the informal arbiter, however, is inherently unstable. Things can resolve themselves either in an early exit for the new head of state or in a final one for Vladimir Putin. However, if what Putin is seeking is not the perpetuation of his personal rule, but rather the continuation of the system which he has built, he may be limiting his post-presidency role to that of an in-house tutor for his successor and an 'off-shore balancer' for the power elite. Once that mission is accomplished, the new president will be on his own, and Putin will go down in history as the father of Russia's recovery.

Whereas the role of the security community – both the structures and the *anciens* – is likely to remain very influential, the role of the MOD/AF will probably be minimal. Except in a real emergency, when one or both of the warring parties might reach out to the MOD for support, or the military chiefs decide to step forward as a stabilising force, no general officers' cabal is likely to emerge. A military coup d'état appears improbable. The Defence Ministry's top echelon is being transformed into a management team; the Armed Forces and their General Staff, having won the survival battle, are likely to stay focused on their long-overdue modernisation. Unless political activities in Russia cease to be largely confined to the moves by a few elite players, the Interior Ministry will keep a low profile. However, the occurrence of mass demonstrations and the potential for street violence will enhance the importance of the MOI.

Domestic Policies

Vladimir Putin may be an autocrat, but he is a responsible autocrat, one who cares about the continuity of his policies. In the last year of his mandate, Putin laid down key policy guidelines which would keep

Russia 'on course' after he steps down. These measures included the promulgation of an unprecedented three-year federal budget; the 'refreshing' of the cabinet under a new Prime Minister personally devoted to Putin; the appointment of a new Defence Minister and his confirmation in the government reshuffle; the extension of the Chief of the General Staff's term of service and the promotion of a loyalist likely to replace the CGS in due course; the 'balancing' of the FSB-led National Anti-Terrorist Committee by an FSKN-led State Anti-Drugs Committee; the creation of the Investigative Committee, a Russian analogue of the FBI, only loosely linked to the Prosecutor General's Office.

In his final year in office, Putin embarked on a seven-year programme of Armed Forces modernisation, allocating around US\$ 200 billion toward that goal. This represents the first major case of funding defence procurement since the collapse of the Soviet Union. This modernisation will be the main priority of the MOD in the medium term, hence the appointment of a tax policeman as Defence Minister. Other priorities include improving the living conditions of the officer corps, in particular housing, pay and pensions. While the phraseology of 'military reform' has been abandoned, cautious steps toward professionalisation of the Armed Forces will continue. The aim will be both to raise the effectiveness of the Armed Forces and to make conscription, to be reduced to 12 months from 2008, less of a social and political issue.

There will be increased pressure for more spending on the defence and security complex. The defence industrial lobby has long set the goal of increasing military spending to 3.5 per cent of GDP (from the current 2.7 per cent). Putin repeatedly vowed not to repeat the Soviet Union's experience in arming itself to death, and certainly US\$ 200 billion over seven years does not suggest that a break-neck rearmament effort is in the making. However, his successors, under pressure from the vested interests and in an international environment markedly less friendly toward Russia, may revise that policy and engage in a lopsided version of an arms race with the US.

These vested interests are now more consolidated than they have been since the break-up of the USSR. Contemporary Russia's political

economy features several large state corporations. Among them are Unified Aircraft Corp., Unified Shipbuilding Corp., Russian Technologies and Rosatomprom. Alongside the state-led energy companies, Gazprom and Rosneft, they make up what can be described as *Russia Inc.* This is where the real big-time interests of present-day Russian rulers are concentrated. Competition among the various elements of *Russia Inc.* is a natural phenomenon. Essentially, it is played out by groups representing Russia's two main competitive sectors: energy and arms manufacturing. Both are inseparably linked to the ruling bureaucracy, including the power structures.

One does not live by oil and gas alone, of course. Since about the mid-2000s, Russia has been experiencing a steep rise in nationalism. This is likely to continue. The power structures both support the trend and seek to structure it, by instilling state-sponsored patriotism in society. They emphasise the centrality of the State throughout Russian history, with society and individuals willingly subordinate to it. From that perspective, foreigners, especially Westerners, are usually depicted as rivals or enemies. The ideological underpinnings of that system of values come from the Russian Orthodox Church. Just beneath the veneer of the elite's vaunted pragmatism, conservative nationalism has been rapidly gaining ground and preparing to establish itself as the new quasi-ideology of the Russian state.

Even if Russian nationalism believes it has prevailed over liberalism, it faces serious challenges from other quarters. The popular slogan 'Russia for Russians' does not sound good in ethnic homelands. The war in Chechnya was brought to an end thanks not only to the successes of the Russian federal forces, but to a deal struck between President Putin and the Kadyrov family. The all-important question is whether this pact will hold when Putin leaves office. The Kadyrovs and the former Chechen fighters whom they enticed to come down from the mountains have never been popular among the Russian military and security personnel in the North Caucasus.

Beyond Chechnya, Ingushetia is restless, despite the heavy federal police, security and military presence there. From Daghestan to Karachaevo-Cherkessia, there is a latent danger of new violent attacks by the Islamist radicals. Even though the Russian military have gained

valuable experience in dealing with the Islamists, the task of facing that challenge is essentially a political one. The question is how adequate Russian government policies will be to the tasks at hand.

Foreign and Security Policy

The military and security community have full support for Russia's *Alleingang*. For Kremlin-level decision-making, input from the security community's analytical branches will continue to be of critical importance. All branches of the security and military community see the US as a potential adversary. Russian power structures would expect tensions with the US to continue, at least for the medium term.

However, none will want to embrace a full-scale confrontation. Rather, there is a longing for a revival of the late-Cold War Soviet-American agenda of arms control and geopolitical trade-offs. Controlled rivalry, 'smart contestance' by Russia of US hegemony, is deemed to be 'normalcy'. Relations with the NATO alliance are currently non-controversial within the defence establishment as sufficiently narrow, highly technical, respectfully elitist. This may change, however, in the event of Georgia joining the alliance.

There is broad agreement within both security and military circles that the most immediate and relevant threat to Russia in the early 21st century comes from the *south*, i.e. from Muslim radicals. In the long-term future, a major threat can arise in the East, if China, as some in Russia think, were to lay claim to the Russian Far East. The security services and the military will press for closer cooperation with Russia's Central Asian allies within the Collective Security Treaty Organisation (CSTO), which Moscow wants NATO to recognise as a regional alliance, under Russia's leadership. However, prospects for such cooperation will be limited by traditional Russian disdain for junior partners. Another typical problem will be the lack of trust among people brought up in the Soviet power structures culture.

The military/security community will view *China* simultaneously as a partner in balancing the United States for the sake of multipolarity, a huge neighbour whose power is growing ever more impressive, a major client of the Russian arms industry, and a potential over-the-horizon threat. Despite the proclaimed strategic partnership, Russian

security services continue to publicise cases of Chinese intelligence activities in Russia. Thus, while pledging friendship, they prefer to take no chances. Serious questions lie just ahead: what to do when China finally stops buying Russian arms off the shelf and insists on access to Russia's most advanced military technologies? There is an even a more serious dilemma further down the road: how can Russia escape unscathed in the event of a serious Sino-American conflict?

The Russian military and security services are deeply involved in conflicts in Moldova and Georgia. They can be expected to take a hard line on keeping the current format of conflict management, which gives Russia the dominant role. Pushing for regime change in Georgia will continue, in an on-off mode. In the event of Georgia's NATO membership, one can anticipate strong support for recognising Abkhazian independence and formalising South Ossetia's separation from Georgia, with the former's subsequent 'unification' with North Ossetia, i.e. its annexation by Russia.

The prospect of a Ukraine in NATO is even less tolerable for the Russian power structures. Should the issue become genuinely relevant, these Russian quarters are likely to press for breaking up Ukraine. The ideal division, from this perspective, would keep eastern and central parts of the country in the Russian sphere, and allow Crimea and possibly Odessa to 'reunite' with Russia. However, should an independent and EU-leaning Ukraine opt for *de-facto* non-alignment with either NATO or the Moscow-led CSTO, this situation will be regarded as tolerable.

In Belarus, a buffer state between Russia and NATO, the Russian military will continue to generally support Alexander Lukashenko as a bulwark against NATO enlargement and a guarantor against domestic pro-Western trends. The views of the security community may be broader and more nuanced, but a Russian-made *coup* against the Belarusian leader appears highly improbable.

With regard to the Baltic States, the Russian power structures feel aggrieved and insulted not only by those in Estonia and Latvia whom they see as 'Balto-fascists', but by the official view of history, which places Soviet annexation on par with Nazi occupation. This 'revision

of the history of World War II' cuts at the very foundation of the self-image and world view of the Russian power structures. Along with Poland and western Ukraine, Estonia and Latvia are dismissed as 'Russophobic'.

One major external interest of the Russian power structures is foreign arms sales. The sales agency, Rosobonexport, is the main beneficiary, followed at a large distance by defence manufacturers, but the military also benefit from these sales, albeit indirectly. The vested interests can be safely expected to press for more sales to more customers around the world. Some of these sales, as to Iran, will be highly controversial internationally and arouse protests from the US.

The view of Iran taken by the Russian power structures is very different from the views prevailing in the US establishment. Iran is essentially seen as a rational player, which needs to be handled with care, but never attacked or cornered. The Iranian nuclear programme will be approached with a degree of concern, but not as a clear and present danger. Russian military and security analysts point out that, like North Korea, Iran is pointing its nukes and missiles at the US, not Russia. For Russia, the problem is the fallout from the potential conflict between the US and Iran. If anything, there is more concern regarding Pakistan's nuclear and missile arsenal than Iran's.

The Russo-Iranian nuclear energy cooperation will continue to be a factor. The small but active pro-Iranian lobby in Russia will continue to tempt the Kremlin with the prospect of large-scale nuclear, industrial and arms contracts with Tehran. The emerging nuclear energy corporation, which had hoped to walk away from Iran in order to vastly expand its business activities in the US, may experience difficulties in America, related to its existing contracts in Iran. As a result, it may have to stick with Iran.

While the Russian power structures do not see Iran as a state sponsor of terrorism, they will enhance their own anti-terrorist efforts. To some degree, these efforts will lead them to reach out to their colleagues in the West. Largely, however, they will go their own way. They will pursue Chechen terrorists abroad and, in certain cases, will be sanctioned to kill them. They will also pursue – legally and otherwise –

émigré political enemies whom Moscow officially accuses of aiding and abetting terrorists. This could lead to international scandals, such as in Qatar after the killing of Zelimkhan Yandarbiev, or to crises in relations with other countries, such as in Britain over the killing of Alexander Litvinenko.

Russia's military and security officials will continue to view relations with Europe as essentially demilitarised. However, they will continue to draw a distinction between NATO and the European Union, Old and New Europe. Toward Central and Eastern Europe, the military and security community bristles. With Western Europe, these quarters feel generally at peace. Germany is their favourite. Continental Western Europe is much preferred to Britain, due to the latter's special relationship with the US.

Despite strong 'gut feelings', the power structures cannot provide the Kremlin with a strategic vision adequate to the new environment. Such fundamental issues as the nature of the threat and the identity of the potential enemy and of likely partners/allies remain either unanswered or wrongly answered. This makes it difficult to decide on the shape, size, and mission of the Russian military forces.

Conclusions: Why Study the Russian Power Structures?

Studying the role of the Russian power structures is again becoming important in a situation when the last hopes of Russia's integration into or with the West are being dispelled. Domestically, Russia is authoritarian, even if also capitalist. In foreign affairs, the Russian leadership insists on an independent position vis-à-vis the United States and the European Union. Tensions are rising across the board. The old idea that the West should help Russia to find its way out of the woods, including through assistance in modernising civil-military relations and through anchoring Russia in a special relationship with NATO is no longer relevant. With Russia no longer the West's ward, the old policy paradigm is lost.

Should one, then, revert to the much more traditional view of Russia as a threat to Europe, and its military as the embodiment of that threat? This view is increasingly gaining ground on both sides of the

Atlantic. There are increasingly powerful calls to oppose the seemingly assertive, opportunistic, probing Russia with a joint strategy of the newly reunited West. This strategy is seen as containment, linked to much more aggressive promotion of democracy within Russia than in the years of the Cold War.

That would be a seminal decision, in theory leading to the final solution to Europe's Russia Question, but also fraught with potentially disastrous consequences. More, and harder, thinking is in order. Present-day Russia is neither the Soviet Union 2.0 nor a reincarnated Czarist empire. It could be described as an independent variable with an uncertain trajectory, but its general direction is capitalistic. Its foreign policy is a case of 19th century assumptions under 21st century conditions. Its security and defence policies focus on both real threats and risks and the well-entrenched images of the Cold War past. Its security/military establishment and the power structures are more influential than they have been for a generation. Dealing with such a country will require thinking about it clinically, not only historically or ideologically. This is a serious and uncommon challenge for European and American strategic thinkers.

CONCLUDING REMARKS

Fredrik Westerlund

Several themes surfaced repeatedly in the conference papers and in the different sessions during the conference. These themes are not new, but well known. Nevertheless, they need to be addressed, because in many ways they are the defining features of Russian society as we know it.

The first theme is naturally *the role of the Russian power structures*, but other themes include *the vicious circle of kontrol'*, the somewhat worrying *signs of regression* and *the bleak prospects for a truly new military doctrine and fundamental reform*. The final theme is *Russia's challenges*, in which four serious challenges and the present and future roles of the Russian power structures in relation to these challenges are explored.

The Role of the Russian Power Structures

The issue of the present and future roles of the Russian power structures was the main topic of the conference and of this report. What functions do the power structures fill in Russia – what are they and what are they not?

As Carolina Vendil Pallin explains, the Russian power structures are important ingredients in the Kremlin toolbox for exercising and retaining power; for some of these it is crucial to have complete control, while others must simply be kept out of reach of potential opponents.

However, it is important to understand that the different power institutions are not actors in the political play; they are mere agents, or possibly even pieces in the political chess game. When the knight takes the pawn, it is not the knight moving of its own accord, it is the

chess master's hand guiding it, and the pawn may not necessarily be a victim, it might just as well be a judiciously calculated sacrifice as part of the chess master's grand strategy. As Carolina Vendil Pallin pertinently points out, the power structures, while growing all the more powerful, only have the power that the President or the Kremlin grants them.

Aleksandr Golts stresses that as far as the military goes, the power structures do not play an independent role in Russian politics, but that they nevertheless play an important role. The military is poised to play an important role in elections, not just by having a considerable cadre that can be brought to the election booths, but also, argues Golts, by possessing transport resources that allow soldiers to vote several times in different parts of the country. Both tactics would be conducive to increasing the number of votes cast, in order to bolster the claims to legitimacy.

However, the role of the power structures in Russian elections is most likely not decisive for the outcome, but then again, elections have not proved to be important for the distribution of power in Russia. What is decisive is bureaucratic infighting, and here the power structures are useful tools for the competing Kremlin clans; this has become evident in the run-up to the State Duma elections, where power structures such as the Federal Anti-Narcotics Service (FSKN), the investigative Committee and the FSB have been used to attack rivals.

The power structures have also served as an important cadre recruitment base for Putin, as pointed out by Dmitri Trenin, who argues that the informal network of *siloviki* is the hallmark of the Putin regime. This recruitment base allowed Putin first to bring in mainly ex-KGB people who could counterbalance the Yeltsin family and oligarch factions, and later to recruit people from the fiscal/judicial power structures as a counterweight to the FSB clans and the present oligarchs.

Furthermore, Pavel Baev argues that the power structures active in Chechnya have become 'agents of decomposition' of the current president-dominated system of governance, by channelling corruption and disrespect for the value of human life. At the same time, the power

structures have been indispensable tools in controlling developments in Chechnya and guaranteeing Russia's internal cohesion.

There are also areas where the power structures cannot play a role, or where they play a less constructive role. Dmitri Trenin points out that the power structures in the field of foreign and security policy cannot provide the Kremlin with an adequate strategic vision. Furthermore, as Stephen Blank shows, the role of the power structures in the Russian economy has been anything but constructive, although according to Steven Rosefielde's argument, they could play a more conducive role if the Kremlin chose to abandon the rent-granting economic system.

The Vicious Circle of *Kontrol'*

The *lack of transparency* in Russian politics and economy, coupled with the *absence of independent scrutiny*, results in *very limited accountability* for power wielders within the system. This in turn provides leeway for *corruption and systemic inefficiency*, which provokes Kremlin efforts to enhance accountability. However, due to an inherent *lack of trust* in others, the only way forward is apparently perceived to be *increasing Kremlin Kontrol'*, through organs directly subordinate to the President. These, on the other hand, duplicate existing control organs, resulting in an even greater opacity and, subsequently, demands for further control ...

The lack of transparency in the organisation of the government and the economy is not regarded as a drawback but rather as an advantage by many actors within the Russian system, since it reduces the risk of being held accountable, while increasing the possibilities to make personal gains.

The opacity in Russian politics could be corrected by an effective independent scrutiny; however the people, the parliament, the media and market forces – the factions that usually provide independent scrutiny – have very limited influence in Russia. Carolina Vendil Pallin concludes that there is no independent and open scrutiny of the past or present activities of the power ministries. Looking at the economic sector, state-owned industries dominate, thus leaving little

room for market forces. In addition, a continually growing part of the Russian economy is being placed outside the influence and oversight of the Russian people and of the RF Government, by the creation of State Corporations and the Military-Industrial Commission. As Stephen Blank notes, the control of these resides in the shadowy and unaccountable presidential apparatus, and are thus far removed from independent scrutiny. Furthermore, the media that should scrutinise economic and political decision-makers are severely circumscribed in Russia. The free press of the Yeltsin years is long gone, and even though there still are independent voices in the Russian media, they are not influential.

The lack of transparency and the absence of independent scrutiny are resulting in very low accountability for the power wielders. They not only escape being held accountable by democratic institutions, the electorate or the media, but accountability is also low for the man at the peak of the power vertical. Furthermore, the state-centred economic system reduces the accountability in the economy.

The opaque nature of the Russian governmental system precludes accountability and creates a haven for corruption and bureaucratic turf wars, to the detriment of sound political and economic development. The Russian power structures constitute no exception when it comes to corruption; on the contrary, Pavel Baev argues that the involvement of the power structures in the North Caucasus has led to particularly gruesome forms of corruption in the ranks.

The lack of transparency results in huge societal costs for Russia, economically and democratically. As Carolina Vendil Pallin points out, the absence of independent scrutiny of the power structures results in incompetence and malfunctioning, as well as corruption going unaddressed, and this is perhaps the most troubling aspect of Putin's power vertical.

The *siloviki* in general, and President Putin in particular, seem to be permeated by a lack of trust; a lack of trust in the people, in the state institutions, in the free press, in the effectiveness of the market economy and in the surrounding world. This is perhaps a vestige of the elitist Soviet system, or simply the professional pathological

paranoia which is the trademark of the Security Service – nevertheless it has an inescapable impact on the way Russia is governed.

The President and his entourage seem to be convinced of the need for ‘manual drive’ of the entire Russian society, or at least everything they deem important to it. This entails everything from the state apparatus, the media and important sectors of the economy to youth movements, NGOs and civilian control institutions.

Stephen Blank convincingly elaborates on the current Russian regime’s obsession with *kontrol’*, the latest sign of this being the effort to create state-controlled vertically integrated holdings in a growing number of sectors, while Dmitri Trenin recently singled out *kontrol’* as the key word of the Putin presidency.¹ However, the control established by further centralisation is illusory, and only adds to the opacity of the government system, while removing authority and responsibility from the organs that – at least in theory - have the staff and information to exercise effective control. As a result, the centralisation only feeds the craving for further *kontrol’* and the demand for constant efforts to establish new control organs.

The vicious circle of *kontrol’* cannot continue indefinitely, and when it breaks down it will promote system change. However, until that moment, it will impede positive economic and societal development in Russia.

The Signs of Regression

It is important to point out that Russia is not returning to the Soviet Union. Russia has shed its imperial ambitions and it has a much greater understanding of business and economics, as Dmitri Trenin has previously noted elsewhere.² However, a number of traits of the Soviet era are returning in decision-making, foreign and domestic policy, economics and defence issues.

¹ Trenin (2007b) ‘The Legacy of Vladimir Putin’, *Current History*, Vol. October 2007, pp. 346-348.

² *Ibid.*; Trenin (2007a) *Getting Russia Right* (Washington, Carnegie Endowment for International Peace), p. 75.

Carolina Vendil Pallin argues in the concluding paragraph of her paper that Putin's tendency to rely on a small number of trusted people, most of them with a KGB background, opens the way for dangerous group-think, which did not serve the communist party well in Soviet times. Furthermore, as Lilia Shevtsova has concluded, the opaque and immovable bureaucratic machinery created by the Putin people resembles the Soviet state in its rigid response mechanism to outside stimuli.³

In foreign policy, Russia is questioning Cold War treaties such as INF, CFE and START, seemingly trying to settle the current security policy challenges with the methods of the late Soviet era. In the domestic arena, the succession of power is reverting to becoming more a result of Kremlin infighting than of public elections, and the power ministries are being used as political tools by the Kremlin, as during Soviet times.

As Steven Rosefielde puts it, the Russian economy differs from the Soviet economy by being a Muscovite rent-granting/rent-seeking system, but the Kremlin nevertheless seems to share the Soviet instrumental view on economics.

Regression is also the key word in defence economics, as expressed by Stephen Blank in his paper. The impact of defence and the defence industry on the Russian economy is approaching a level close to that seen during the Soviet period, and the creation of the Military-Industrial Commission appears to be the heir to the powerful Soviet Ministry of Defence Industry.

Furthermore, defence and security spending as a proportion of GDP is seemingly returning to Soviet levels, at the expense of social benefits and other public services, and the Kremlin's view on the role and mission of the army and the security services stands out as almost identical to that of the Soviet era.

However, as Dmitri Trenin has repeatedly pointed out, the Russian people are much better off and the development in the individual

³ Shevtsova (2005) *Putin's Russia* (Washington, Carnegie Endowment for International Peace), p. 325.

economics sphere is moving further and further away from Soviet era standards. Russia is gradually becoming more and more capitalist and thus increasingly integrated with the West and the global economy. There is still some hope that the slowly evolving westernised, capitalist lifestyle of the Russian people will ultimately override the Kremlin's regressive tendencies.

Bleak Prospects for Military Doctrine and Reform

The prospects for fundamental military reform in Russia and the emergence of a truly new Russian military doctrine are bleak, to say the least. In short, there is no real momentum for change, and this is the main reason for the current state of military affairs in Russia.

The concept of military reform, as it was perceived in Russia, is still alive, but it is far from the more fundamental approach to military reform many Western analysts envisaged. Vitaly Shlykov argues that the concept of military reform in Russia never entailed anything more than the transition from the draft to voluntary recruitment of soldiers, but that the concept lost all credibility among the military and the public after the abrupt halt in the mid 1990s due to serious budget cutbacks and the acute lack of well prepared soldiers for deployment in Chechnya. Today, however, the gradual shift to an increasing number of contract soldiers has come further than it did when the reform was launched initially. Thus, in spite of the declaration of the then Minister for Defence Sergei Ivanov in 2002 that military reform had come to an end, it continues to live and thrive.

The wider interpretation of the concept of military reform – embracing RMA and moving from a mass army to modern warfare methods – which was favoured by military analysts in the West, obviously never had and, more importantly, still does not have any influential supporters in Russia. Aleksandr Golts and Vitaly Shlykov both conclude that neither the Russian political elite, the military leadership nor the Russian people are inclined to consider alternatives to the Army's present role and function. Furthermore, Shlykov argues that 'modernisation' of the Army is currently understood by the General Staff to be a return to the familiar Soviet Army model, i.e. restoration rather than change.

There have been rumours and hints of a new military doctrine for quite some time, but there are several factors indicating that a truly new doctrine will not emerge any time soon. First of all, a new military doctrine should be preceded by, and based on, a new national security concept. However, such a concept has to be produced by the political elite, and that is not the kind of undertaking that occurs during an election year, when the political elite is preoccupied with securing its political powerbase.

More importantly, there has to be a clear and sincere call for a truly new military doctrine from powerful actors, but so far there has only been muffled talk. The political elite so far has shown no great interest in fundamental change; the military seems more interested in solving the social problems of the Army; and the people most likely list other issues much higher on their agenda. It is not difficult to argue that there have been, and still are, more urgent matters to attend to than military reform and a new military doctrine, and the political elite is possibly also concerned about the political force into which a reformed, powerful Army might develop, as Pavel Baev suggests.

Furthermore, there is a lack of fresh thinking; Vitaly Shlykov argues that the military is unlikely to produce a modern military doctrine, and there is no independent expert community in Russia that can present such doctrine either. Finally, there are also the economic aspects: new thinking often requires new investments, while adhering to the old solutions is usually less expensive, albeit in the short-term perspective. This may induce the Kremlin to keep an outdated doctrine until it can afford, and is willing to bear, the investments a new doctrine would demand.

An important contributing factor to the current state of military affairs may be the militarisation of the political elite that Aleksandr Golts discusses; militarisation not in staffing, but in thinking on how to organise and run the government. As Stephen Blank convincingly argues, the Soviet legacy of heavily militarised politics and economics has not been overcome, and consequently this has had an incontestable influence on the prospects for fundamental military reform in Russia and the emergence of a truly new Russian military doctrine. What is needed is perhaps a reform of the entire defence and security

sector; Carolina Vendil Pallin points to that fact that Russia never went through the process of *Vergangenheitsbewältigung*, and that this is bound to influence the power ministries' interpretation of their roles in society.

Russia's Challenges

Russia is facing a number of challenges in the years to come, some of which have been discussed above, in which the present and future roles of the Russian power structures matter. These challenges are not serious threats to Russia's survival, albeit far more serious than the external existential threats depicted by the Russian political elite during the run-up to the 2007/08 elections. However, these challenges will have to be overcome in order for Russia to become a prosperous nation and achieve the great power status that the Kremlin and many Russians believe it deserves.

The strongly negative demographic development and the serious health issues, thoroughly analysed by Murray Feshbach, will lead to manning difficulties, if not a crisis, in the armed forces in the decade to come. The high mortality and low birth rates, as well as the alarmingly poor public health status in present day Russia, will afflict the armed services as well as the labour force, impeding Russia's economic and military strength. The future roles of the power structures will play an important part in this regard, as continuing with the current over-spending on military and security services will mean less money in the Federal Budget for restoring the failing healthcare system and social investments aiming at reducing health risks in the everyday life of Russians. Furthermore, maintaining a large cadre within the power structures will result in a shortage of labour in other sectors that contribute to either improving public health or increasing tax revenues. In addition, the plethora of health risks associated with serving in the armed forces not only negatively affects the life expectancy of Russian males, but also increases the number of people who, for mental or physical health reasons, are of limited use in the labour force. Finally, low wage levels within the power structures – as a result of a larger cadre than the economy can support – will have a negative impact on birth rates, as the wages cannot support a large family.

Another major challenge is *the nature of the organisation of the state*, and this is a challenge not only for Russia, but also for the current regime, as it in a sense has become a prisoner in its own system. It will not be easy to part with what Lilia Shevtsova refers to as the “Russian system”⁴ – the rule of a paternalistic all-powerful leader above the law without balancing accountability – but it is necessary to break free from the vicious circle of *kontrol’* and the militarised economy in order to lay the foundations for a sustainable economic system. The extent and form of state control and defence industry domination in the Russian economy do not stimulate competitiveness and innovation, as shown by Stephen Blank, and these are thus the major obstacle to economic growth. Steven Rosefielde envisages a way to match the superpower aspirations with military might within the existing system, but concludes that the economic performance will nevertheless be inferior to that of the US and China. The power structures are obviously part of the problem, both in respect to their vested interests in the existing system and as the principal Kremlin recruitment base for top officials. The question is in what way the power structures can be part of the solution?

A third great challenge to Russia is to *reduce corruption and establish the rule of law*, in order to create favourable conditions for sustainable, positive societal and economic development. The role of the power structures is of the utmost importance in this respect, and unfortunately, as has been illustrated in this report, the power structures today are by and large havens for corruption and the chief instrument for undermining the very concept of rule of law. As long as the power structures are regarded as political tools in the hands of the ruling elite, the prospect for change is anything but bright. However, given some degree of independence, there is the chance that the power structures will see the value – from an efficiency point of view – of reducing corruption within their own ranks, and supporting the rule of law in society, as a means to self-preservation and keeping other services in check. In that case, the power structures could assume a decidedly more beneficial role in Russian society.

⁴ *Ibid.*, p. 16, see also pp. 61 and 64.

Lastly, the challenge posed by *rising nationalism* may very well overshadow other serious problems in Russia in the years to come. Nationalism can be a strong, positive force in a society, making it more resilient to crisis and stimulating political and economic development, but if the nationalism assumes an excluding and xenophobic character, it can be detrimental. In a multi-ethnic society, such as the Russian Federation, the emergence of ethno-centric nationalism poses a serious threat to social stability. There is a very large number of non-ethnic Russian citizens in present day Russia, and if the current demographic trends continue, Muslims could make up the majority of the population within 20 years' time. Furthermore, there is a considerable number of numbers of migrants – many of them unregistered – in Moscow and many Chinese migrants in Russia's Far East, and both Muslims and migrants are underrepresented in political power. Their presence and that of Western foreigners is crucial to Russia; there is a need to increase the labour force in view of the strongly negative demographic development, but also to augment the flow of foreign investments and know-how in order to facilitate diversification of the Russian economy, without which Russia will remain an industrially underdeveloped raw material supplier. Russian nationalism is stirring and if it embarks on the road of ethno-centric xenophobia, it is very likely to cause social unrest and obstruct economic development in Russia. The political elite has used nationalism with an exclusive stance for political and economic gains, even though the Kremlin seems to be aware of the risk of losing control over nationalistic sentiments. The power structures, most notably the Army and the FSB, have so far adopted the role of spreading distrust of foreigners, if not outright xenophobia, by depicting westerners as subversive spies and potential aggressors and anyone resembling a Chechen or Georgian as an enemy of the state that needs to be eliminated. There is, accordingly, ample scope for the power structures to play a more constructive role in this respect.

In summary, the present and future roles of the Russian power structures are intimately connected to Russia's future development and the manner in which Russia will be able to handle the challenges the nation will face in the years to come. One of the key questions is whether the power structures will remain political tools of the

Kremlin, or become independent actors – and if so, will they serve Russia's development into a prosperous nation? In view of the recent politically motivated inter-service skirmishes, there is the risk of a full-scale conflict between the power structures, should Putin loosen his grip on power. Consequently, there is reason to devote further research to the Russian power structures and their role in the Russian society.

I am indebted to my colleagues Carl Holmberg, Robert Larsson, Jan Leijonhielm, Jan Knoph and Ingmar Oldberg for their comments and suggestions regarding the text.

ABOUT THE AUTHORS

Stephen J. Blank is Professor of Russian National Security Studies at the Strategic Studies Institute of the U.S. Army War College in Pennsylvania, where he has served as an expert on the Soviet bloc and the post-Soviet world since 1989. He has published over 500 articles and monographs on Soviet/Russian, U.S., Asian, and European military and foreign policies, and has published or edited 15 books focusing on Russian foreign, energy, and military policies and on International Security in Eurasia. His most recent book is *Russo-Chinese Energy Relations: Politics in Command*, London: Global Markets Briefing, 2006. He has also published *Natural Allies?: Regional Security in Asia and Prospects for Indo-American Strategic Cooperation*, Carlisle Barracks, PA: Strategic Studies Institute, US Army War College, 2005.

Pavel K. Baev is Research Professor at the International Peace Research Institute (PRIO) in Oslo, Norway, where he has served since 1992. His current research areas are Russian military reform; Russia's conflict management in the Caucasus and Central Asia; energy interests in Russia's foreign and security policy; and Russia's relations with Europe and NATO. He is also a frequent contributor to the Eurasia Daily Monitor and has written several reports for the Program on New Approaches to Russian Security (PONARS).

Murray Feshbach is a Senior Scholar at the Woodrow Wilson International Center for Scholars of the Smithsonian Institution in Washington, D.C. He is currently conducting research on the Policy Implications of the Demographic, Health and Environmental Crises in Russia, and he has published several books and well over one hundred articles and book chapters in his career. His most recent publications are *Russia's Health and Demographic Crises* (Chemical and Biological Arms Control Institute, April 2003), *HIV/AIDS in Russia-An Analysis of Statistics* (2005) and *HIV/AIDS in Ukraine* (2005, with a co-author).

Aleksandr Golts is a journalist and deputy editor-in-chief at web-site *Yezhednevnyi journal* (www.ej.ru). His journalistic activity covers a wide range of political and military topics, international and domestic.

From 1980 till 1996 he worked with the *Krasnaya zvezda* (Red star), the Russian military daily editorial board. In 1996-2001 he served as military editor of *Itogi*, a premier Russian news magazine, till April 2001 when the magazine was forcibly closed. From October 2001 till November 2004 he worked for the political magazine *Yezhenedelnyi journal* («Weekly») as deputy editor-in-chief. He is author of *Russian Army: Eleven lost years* (2004) and *Russian militarism as obstacle of country's modernization* (2006), and he has contributed to *The Russian military* (2004) edited by MIT-press (USA).

Jan Leijonhielm is head of Russian Studies at the Swedish Defence Research Agency. He graduated from Uppsala and Stockholm universities in political science and economy. After a career in military intelligence he became Director of The Stockholm Institute for Soviet and East European Economic Affairs (ÖEB) and joined FOI in 1989, where he has been project manager of Russian Studies since 1998. He has written extensively on Russian economy, Russian Defence Economy, Security Policy, Natural Resources and Early Warning methods.

Steven Rosefielde is, since 1986, Professor of Economics at the University of North Carolina at Chapel Hill. His work is in the fields of Soviet/Russian Economics, Comparative Systems, Transitional Economics, International Relations, and he is the author of a large number of articles and several books. His most recent books are *The Russian Economy: From Lenin to Putin*, Blackwell; *Masters of Illusion: American Leadership in A New Age*, (with Quinn Mills), Cambridge UP; *Comparative Economic Systems* (Chinese translation), Weber Publishers International Ltd., Tapei, Taiwan; and *Russia Since 1980: Wrestling With Westernization*, (with Stefan Hedlund), Cambridge UP, all published in 2007.

Vitaly V. Shlykov spent 30 years as a career officer with the Main Intelligence Directorate (GRU), Russia's largest intelligence agency. In 1988, he retired from the GRU after completing his doctoral dissertation, which challenged the entire system of Soviet military planning. From 1990 to 1992 he was Russia's deputy defense minister. In 1992, he co-founded the non-governmental Council on Foreign and Defense Policy. Since January 2007 he chairs Commission on Security

Policy and Evaluation of Defense Legislation of the Public Council of the Russian Ministry of Defense.

Dmitri V. Trenin is deputy director of the Carnegie Moscow Center, a senior associate of the Carnegie Endowment and chair of the Moscow Center's Foreign and Security Policy Program. He has been with the Center since its inception in 1993. In 1993-1997, he held posts as a Senior Research Fellow at the NATO Defense College in Rome and a Senior Research Fellow at the Institute of Europe in Moscow. He served in the Soviet and Russian armed forces from 1972 to 1993, and also taught at the war studies department of the Military Institute from 1986 to 1993. He is author of *Getting Russia Right* (2007), *Russia's Restless Frontier: The Chechnya Factor in Post-Soviet Russia* (with Aleksei V. Malashenko, 2004) and *The End of Eurasia: Russia on the Border Between Geopolitics and Globalization* (2002), all published by the Carnegie Endowment.

Carolina Vendil Pallin joined the Swedish Institute of International Affairs in 2006 and is responsible for its research on Russia and the CIS. She was previously deputy research director at the Swedish Defence Research Agency and has worked for the Swedish MoD. Vendil Pallin holds a Ph.D. in Political Science from the London School of Economics and Political Science and taught at Stockholm and Uppsala University as well as at the Swedish National Defence College. Her articles have appeared in journals such as *RUSI Newsbrief*, *European Security* and *Jane's Intelligence Review* and she is currently writing a monograph on Russian military reform, which will be published by Routledge in 2008.

Fredrik Westerlund is an analyst at FOI's Division for Defence Analysis and specialises on Russian military issues. He holds Bachelor's degrees in Law and in Political Science from Uppsala University.

SELECTED FOI-REPORTS ON RUSSIA

Anderman, Karin; Hagström Frisell, Eva; Vendil Pallin, Carolina

(2007) *Russia-EU External Security Relations: Russian Policy and Perceptions*, FOI-R – 2243 – SE, February 2007.

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

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

Hedenskog, Jakob & Larsson, Robert, L. (2007) *Russian Leverage of the Former Soviet Union*, FOI-R – 2280 – SE, June 2007.

Hedenskog, Jakob & Lavrenyuk, Viktor (2007) *Comparing the Baltic and Black Sea Regions: Regional Security, Energy Security and Euro-Atlantic Integration*, FOI-R – 2281 – SE, June 2007.

Hedenskog, Jakob (2004) *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. (2004) *Civilian Control of the Russian State forces: a challenge in theory and practice*, FOI-R – 1175 – SE, User Report, February 2004.

Larsson, Robert L. (2007) *Nord Stream, Sweden and the Baltic Sea Security*, FOI-R – 2251 – SE, Base Data Report, March 2007.

Larsson, Robert L. (2006) *Russia's Energy Policy: Security Dimensions and Russia's Reliability as an Energy Supplier*, FOI-R-1932-SE, Scientific Report, Stockholm: FOI.

Larsson, Robert L. (ed.) (2005) *Whither Russia? Conference Proceedings*, Strategiskt forum, nr. 15, Stockholm, FOI.

Leijonhielm, Jan et al. (2005) *Russian Military Capability in a Ten-Year Perspective: Problems and Trends 2005 – Summary and Conclusions from a Study for the Swedish Ministry of Defence*, Stockholm, FOI Memo 1369, June 2005.

Leijonhielm, Jan m.fl. (2005) *Rysk militär förmåga i ett tioårsperspektiv – problem och trender 2005*, Stockholm, FOI-R--1662-SE, användarrapport, juni 2005.

Oldberg, Ingmar (2007) *The Shanghai Cooperation Organisation: Powerhouse or Paper tiger*, FOI-R – 2301 – SE, June 2007.

Oldberg, Ingmar (2006), *The War on Terrorism in Russian Foreign Policy*, FOI-R – 2155 – SE, Base Data Report, December 2006.

Unge, Wilhelm et al. (2006), *Polish-Russian Relations in an Eastern Dimension Context*, FOI-R – 2008-SE, User Report, June 2006.

Vendil Pallin, Carolina (2005), *Russian Military Reform: A Failed Exercise in Defence Decision Making*, FOI-R-1777-SE, Scientific Report, November 2005.

FOI reports can be ordered by:

E-mail: chrber@foi.se

Telephone: +46-8-555 030 51

Internet: <http://www.foi.se>