Russian Military Capability in a Ten-Year Perspective:

Ambitions and Challenges in 2008

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Ambitions and Challenges in 2008

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

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Preface

This is a short summary of an original 300-page report in Swedish entitled '*Rysk military förmåga i ett tioårsperspektiv – ambitioner och utmaningar 2008*' commissioned by the Swedish Ministry of Defence.[1] That report is the fifth in a series, with four previous assessments in 1998, 2000, 2002 and 2005.

A preliminary version of the Swedish report was examined by Dr. Stefan Forss of the Finnish Defence University, Head of Department Kristian Åtland and Senior Researcher Rolf-Inge Vogt Andresen of the Norwegian Defence Research Institute (FFI) at an FOI seminar on 25 November 2008 chaired by FOI Area Manager Eva Mittermaier. The authors convey warm thanks to the examiners for their painstaking work and constructive criticism. We also want to thank the participants in an FOI symposium in November 2008 under the title '*Effects of the war in Georgia and the financial crisis on Russian domestic, foreign and security policy*'. A number of views pertinent to the report were expressed at that symposium, and some of these have been incorporated into the report. The editor of the report was Fredrik Westerlund.

Stockholm, February 2009

Jan Leijonhielm, Project Manager

[1] Leijonhielm et. al. Rysk militär förmåga i ett tioårsperspektiv – ambitioner och utmaningar 2008 [Russian Military Capability in a ten-year perspective – ambitions and challenges 2008], FOI-R—2707—SE, January 2009. For sources, see this version of the report.

Contents

1 Introduction

This condensed report deals with Russian military capability in a ten-year perspective, with the focus on ambitions and challenges. ‘Ambitions’ here refers to the intentions of the Russian leadership for the future as manifested in words and deeds during the past few years. These ambitions are resulting in a number of political, economic and technical challenges for Russian society and its leaders, but also in security-political challenges for countries near Russia and the whole world.

Why study Russian military capability in a ten-year perspective?

The main reason for conducting long-term studies of the security-political developments around us is that it takes a long time to build up the security-political instruments – for example in the form of military capability and defence alliances – necessary for handling future challenges, while it is easier to destroy them. For this reason, there is a need for investigations of future challenges posed by important actors and material factors.

Russia is a large power in Sweden’s neighbourhood. It is not the only country with considerable military, economic and political power in the region, but it occupies a special position by not being as integrated with Sweden in a cultural, economic and political sense as other European great powers. The ideological conflict between East and West that characterised the Cold War does not apply any longer, but fundamental differences in values still exist. The liberal Western ideology and its democratic social system are not compatible with the Russian political system and are therefore viewed as a threat to the Russian regime. To this can be added the military and political strength of the West. At the same time, there are few possibilities for the two sides to isolate themselves in a world where globalisation is driving technological and economic development.

Russia has never been as dependent on the surrounding world that it cannot control as now, and this dependency will only increase, since the alternative would be isolation and hence regression. In a similar way, Western Europe has never been as dependent on Russian energy as now – and access to the Russian

market will be an important economic factor for EU countries in the future. Thus there is a permanent conflict of interest accompanied by a mutual dependency, which will result in recurring friction of different kinds between Russia and the European states.

It is always difficult to make predictions about the future, and the historical, cultural and political differences between Russia and, for example, Sweden make it still more difficult to understand Russia intuitively and predict how its leaders will act and react in various situations. On top of this comes the Russian political system, which further complicates the matter. The latent instability inherent in authoritarian systems – through the ever-present risk of system change or collapse and the lack of conditions for coherent strategic decision-making – is creating insecurity in the surrounding countries about Russia's long-term security-political course. This is especially true since we are dealing with a military, economic and political Great Power.

Considering the high likelihood of friction of different kinds and the difficulties in predicting when such friction will occur and how Russia will react, it is necessary to equip oneself with the most powerful of weapons – knowledge. Good knowledge about the most probable security-political developments in the future creates room for manoeuvre and makes successful policy possible. This is the reason for studies of security policy in Russia and, from a defence political perspective, of its military capability in a ten-year perspective.

Aims of the report

This report is an English summary of a 300-page report, the fifth in a series, produced in the first instance for the Swedish Defence Commission on behalf of the Ministry of Defence. The conclusions of the report will create a basis for the regular security-political surveys that are made ahead of long-term defence decisions in Sweden and for current assessments of developments in Russia by the Ministry of Defence.

One of the main objectives of the report series is to identify and analyse trends in Russian development that will affect its military capability in a ten-year perspective. In this context it is especially important to maintain continuity by

referring to previous reports and to identify and scrutinise trend changes. The report focuses on developments during the past few years, but the different chapters also examine earlier periods to various extents. This report covers developments in Russia including the year 2008.

2 Threat Perception and Security-Political Decision-Making

Russia's threat perception as expressed in doctrines and strategic concepts is still based on the National Security Concept and the Military Doctrine of 2000, complemented by the so-called White Book of the Ministry of Defence of 2003. Current Russian threat analysis identifies three main types of military conflicts that may involve Russia. The first threat is post-Soviet conflicts close to Russia, possibly with Western involvement, which may spill over to Russia. The second threat is a military conflict with the United States and its NATO allies. The third threat, which is not seen as acute, is a military conflict with an expansionist China. Hence, Russian threat perception is dominated by external and purely military threats. Internal threats such as separatism and terrorism are no longer viewed as posing direct threats to the survival of the Russian Federation.

During 2009, Russia is expected to continue the updating of security-political doctrines and concepts that started with the adoption of the new Foreign Policy Concept in 2008. According to preliminary information, the new national security concept for the period up to 2020, which is planned to be presented in the spring of 2009, will declare that Russia has now overcome the effects of the political and economic crises of the 1990s and that today it is a key actor in the multi-polar world order. The concept envisages a number of conflicts influencing the international situation in the future, on the one hand the existing trouble-spots in Africa, Asia and the Middle East, on the other hand the conflicts emanating from the intensifying competition over energy resources, for example in the Arctic region. However, the concept considers that the main threat comes from the United States and its NATO allies, a threat which Russia will thwart with a pragmatic foreign policy in order to avoid a new arms race. Despite intensified military cooperation in the framework of the Collective Security Treaty Organisation (CSTO) and the Shanghai Cooperation Organisation (SCO), Russia primarily aims to rely on its own military resources.

Our assessment in 2005 that security-political decision-making in Russia has gradually been concentrated to the President and his closest circle was reinforced during Putin's last years in the post of President. This security-political decision-making has been characterised by continuity after the change of President from Vladimir Putin to Dmitry Medvedev, even though this continuity is tied more to the person Putin, now Prime Minister, than to the office of President. The exchange of cadres in the security structures and the presidential administration after the presidential election guaranteed that the change of leadership, to the extent that it took place, did not allow the competition between different power groups to get out of hand. The potentially most important organisational change that may affect security-political decision-making in Russia in the coming years is probably the creation of the new Presidium under the Prime Minister, which consists of seven deputy ministers and seven other key ministers. It is still unclear whether this Presidium or the old Security Council under the President will be the most influential actor in the security-political decision-making process.

3 Domestic Policy

The political system in Russia is to a large extent a well-developed institutional Potemkin village. Formally, there is a Parliament, several political parties and general elections. In reality, however, there is no counterweight to the executive power. The political parties are more or less created and directed from above. Russian domestic policy is apparently dominated by one man, the current Prime Minister Putin. However, the system is not as stable as it may appear. The lack of transparency concerning the real motives for political decisions makes the execution of power hard to predict. The latter is the result of complex and changing clan constellations involved in a constant struggle with each other, not a system directed with an iron hand in minor detail by one man or a selected few. The power struggle within the power elite affects the political process and allows the regional power elites de facto to act with a certain degree of independence.

Control over key economic sectors and the drive for personal economic gain are fundamental features in the Russian execution of power. Bureaucracy and economy are two sectors increasingly overlapping each other. A background in foreign trade rather than in the security structures is a common denominator for members of the power elite. The so-called ‘Muscovite syndrome’ is characterised by state control over key national economic sectors, the absence of functioning legislation on property, of parliamentary functions of control and of the rule of law, combined with an exaggerated fixation on the military and coercive aspects in security policy. To this can be added a dimension of great power mystique. With great likelihood this pattern will not change during the next ten-year period. The Kremlin will most likely continue its efforts to control the regions, but at the same time it will be dependent on the regional power elites.

However, the current financial crisis has now hit the real economy. This may exacerbate the contradictions between the political clans and expose the tandem leadership to serious strains. Even if United Russia so far has functioned as an instrument of power in the State Duma and as a club for the power-wielders, it might under certain circumstances be transformed into a

more independent force. The loyalty of the Russian population to the political leadership is largely due to the fact that the economic situation has improved in recent years. A prolonged economic crisis could bring about a new political phase of development, since widespread popular protests or a tough power struggle appear to be the only factors that could alter Russia’s political course in a decisive way.

4 Democracy

Russia still moves in the borderland between democracy and dictatorship. Since 2003, a clear deterioration can be observed with regard to democracy in a number of fields, which has resulted in a down-grading of Russia in international rankings concerning economic freedom, freedom of the press and of assembly, and fair elections. The rule of law is still a distant goal, and political parties are created, governed and eliminated by the incumbent political regime. Russia has become a country with only formally relatively correct elections, laws and a constitution superficially influenced by the West. The strategy of the current regime is to crush the politically insignificant opposition with all means at its disposal and to counteract strivings for autonomy in the regions. In all likelihood, the Russian form of democracy, officially called sovereign democracy, will not change in any significant aspect during the coming ten-year period, unless a politically uncontrollable upheaval occurs along the lines just mentioned or unless the President acquires exceptionally great political power. Since the current political elite have built up strong safeguards around their positions with laws and so-called administrative resources, there are very small possibilities to defeat them in elections. The label that should be applied to the Russian political system is a contentious issue. This report concludes that it is not some kind of democratic system, but also not a totalitarian one. Instead, Russia can be labelled authoritarian

The future for a state such as Russia, characterised as it is by very strong presidential power and murky processes of decision-making, remains hard to predict. The power transfer from Putin to Medvedev creates a precedent for a new political model. As long as a departing President can nominate his successor and simultaneously continue to have an impact on policy decisions, it does not matter which official position he holds, at least not in the short term. As long as the President is the weaker actor, the ‘tandemocracy’ is no problem. Through this order of things and the new law on prolonging the President’s term of office, Putin now has the possibility to cement his power for an additional twelve years after the Medvedev term elapses. This signifies a

development towards a system where the highest incumbents of power are selected by themselves, a development which started when Yeltsin appointed Putin as his successor.

Cadre issues may not determine the long-term development with respect to democracy, but they seem able to considerably slow it down or speed it up. This situation obscures the possibility to predict developments in a ten-year perspective. A future-orientated analysis must thus to a high degree focus on constant factors, i.e. enduring trends concerning the economy, demographic changes, R&D, technical levels, natural resources and industrial capacity.

True, some formal preconditions for democratisation do exist, but the most important one, namely the active engagement of the citizens in politics, is lacking. The forms of the fight against terrorism and extremism do not meet international legal standards. The rule of law is far away and corruption remains a great problem, but both the authorities and the citizens seem to be aware of this. Certain steps in the direction of judicial security can be discerned, mainly in economic disputes and when there are no political implications. These steps could in due time facilitate a move towards democratisation.

The direct military influence on Russian politics has continued to weaken. Today there is no officer who has the potential – like Aleksandr Lebed in the 1990s – to transform the great popular confidence in the Armed Forces into political capital. The political influence of officers and ex-officers is today all but negligible. The current Minister of Defence is the first in Russia not to be recruited from the security sector. Thus, the Armed Forces are as yet only another instrument of power with practically no direct political power. However, the military continues to have an indirect political influence, since several people in Putin’s entourage originate from the security sector and have a militaristic world-view. Russian economic and security thinking in general remain highly militarised since Soviet days.

5 Foreign Policy

President Medvedev is faithfully pursuing his predecessor's foreign policy. As is evident from the Foreign Policy Concept that he presented in July 2008, Russia primarily wants to be recognised as one of the Great Powers in a world not dominated by the United States and to regain its previous position of power rather than to be integrated with the West and adapt to its rules. Russia's foreign policy is permeated by security concerns, and Western democracy and human rights are viewed as threats, a view which in turn impedes cooperation with the West. Russia's means of achieving its goals have in some cases been successful, but also often counterproductive. In world politics Russia plays a classical power balance game, where it attempts to exploit the differences between its opposite numbers, for example by inflaming Europe or China against the United States and cooperating with France and Germany against Eastern European states that were formerly members of the Soviet Bloc. Medvedev's proposal of a new European Security Pact superseding the Helsinki Agreement of 1975 and the OSCE is clearly aimed at increasing Russian influence in Europe at the expense of the United States and at stemming further NATO enlargement to the east.

Even if Russia wants to have a say in all important international organisations, priority is naturally given to the post-Soviet states of the Commonwealth of Independent States (CIS), among which it still has overwhelming power thanks to its size and shared history. The most important organisations within the CIS are the Collective Security Treaty Organisation (CSTO) and the Eurasian Economic Community (EurAsEC), which encompass the most pro-Russian countries. A variety of means are used in order to control the other states and keep them from joining NATO. Despite all proclamations about territorial integrity, non-interference and peaceful solutions, Russia has for a number of years supported separatist regions in Georgia, Ukraine and Moldova. Support for Russian citizens and minorities abroad, for example by offering them Russian passports, is a most powerful political means of pressure on the adjoining states and has been used against the Baltic states. Russia also maintains military bases in almost all CIS states and uses 'peace-creating'

forces and military exercises either to prop up allied regimes against Western encroachments or to weaken West-orientated regimes. The invasion of Georgia in 2008 under the humanitarian pretext of protecting Russians in South Ossetia and Abkhazia from ‘genocide’ shows that Russia is not averse to using military force within its sphere of interest, even if this damages relations with the West.

In recent years the Russian leadership, emboldened by growing economic resources, has thus used all the means at its disposal to spread its influence: diplomacy, energy assets, IT attacks, subversion and even conventional warfare. This strategy enjoys strong popular backing in Russia, and the successful war against Georgia gave the groupings advocating an offensive foreign and security policy, the so-called *siloviki*, increased influence.

The most likely future Russian military conflict with a neighbouring state may again be with Georgia. According to the Russian military specialist Pavel Felgenhauer, a military operation to demote President Saakashvili, which was one of the obvious aims of the war in 2008, cannot be excluded. The cease-fire agreement of 12 August 2008 is brittle, and alleged Georgian violations of it can be used as a *casus belli* for Russia. The Western willingness to normalise relations with Russia after the war and NATO’s reluctance to give Georgia a membership action plan may also be interpreted by Russia as acquiescence with its dominance in the region. Alternatively, the Russian military may fear that NATO are building up the Georgian forces again and want to forestall that. It remains to be seen whether the economic crisis in Russia and the signs of improving relations with the new US President will make the Russian leadership more cautious and interested in avoiding conflicts. Besides, Saakashvili may be unseated by his own people.

6 Economy and Energy Policy

Since 2005 the Russian economy has developed at a fast rate in macro-economic terms, and the GDP grew by 6.8 per cent a year from 2003 until 2008. To a large extent this growth was due to transitory factors, which are now tapering off, and high world market prices for raw materials, primarily oil. The major structural problems of Russian development – the serious public health situation and its strongly negative demographic consequences, the high inflation, the wide-spread poverty, the rampant corruption, the low productivity and insufficient investments – have not been tackled despite, or thanks to, the good times. The economy still remains largely unreformed. The real effects of the new President's comprehensive programmes and good intentions remain to be seen. There is no lack of insight; implementation is the problem. Vast untapped resources such as energy saving, enormous forests and unused agricultural land require huge investments and plenty of time to be exploited. If the ongoing financial crisis does not have very deep effects that erase what was built up under Putin, Russia may – in a ten-year perspective – be expected to have a slowing growth of a few per cent a year. If the crisis is protracted and growth turns into recession, the Russian population at large will be seriously affected and social unrest may occur. The close connection between politics and the economy will affect those politicians who have continued growth as their main basis of legitimacy.

Since the autumn of 2008, the Russian economy has been exposed to an accelerating crisis as a result of the war in Georgia and the global financial crisis. Thanks to its substantial reserve funds Russia is better equipped than most other states, but its funds will not suffice for a protracted financial crisis followed by a world-wide recession. The official view that Russia can make an *Alleingang* and is only marginally affected by global trends has been proven erroneous. The Minister of Finance himself has declared that the economic model applied so far – very high dependence on export revenues and cheap loans in the West – is now exhausted. Inflation is a serious threat, since it is closely associated with the confidence of the population, and this problem must be addressed at once. Russian and foreign observers fear a considerable

slowdown of GDP growth, from 7-8 per cent in 2007-2008 down to 3-4 per cent in 2009, and some analysts predict an even greater reverse. Future development is thus totally contingent on the depth and length of the crisis and its effects cannot be predicted in this report. A negative budget balance for 2009 is highly probable if the world oil price stays below USD 50 a barrel. Domestic investments are insufficient, as noted, and foreign investments are in reality considerably smaller than officially admitted and clearly smaller than the critical mass needed for stimulating Russian industry.

Highly indebted companies will face an increasingly tough situation, and redundancies and unemployment will tend to grow rapidly. Rescue operations by the state may lead to more state ownership or influence in important sectors, while the power of the oligarchs will be undermined. In the long term, the problems of excessive dependence on export of raw materials, low productivity and the negative demographic development remain. Corruption is estimated to make up 15-20 per cent of GDP. Despite proactive legislation, Russia is likely to remain one of the world's most corrupt countries during the next ten-year period.

The net result of this is that the ambition to become one of the leading economies in the world will have to be toned down, even if Russia's influence within the CIS may grow because other states have even greater problems and few Western states can be expected to be willing to support their economies. Russia lacks competitive power on the world market, as well as an exit strategy from its dependence on raw materials. This is a key issue, since the production of oil and gas will stagnate during the next ten-year period. Russian political leadership has shown an awareness of the problem, as demonstrated in the four-year plan published in November 2008, but no sustainable solutions have been presented. Thus most signs indicate that the economic growth will slow down in a ten-year perspective or even earlier. The political consequence of the slow-down in the economy is that the leadership's freedom of action will narrow.

Energy policy was a highly prioritised area for Putin and it will remain so under Medvedev. State control over the energy sector has been substantially

tightened since 2003. Energy export as an instrument of power has partly replaced, partly supplemented, other means, especially in the regional arena. Since 1991 Russia has cut off its energy deliveries to CIS and EU states on 30 to 40 occasions. Between 2006 and 2008, almost a dozen new cases of delivery disturbances were reported. Four of these, which affected Estonia, Ukraine, Belarus and Lithuania, had clearly political motives, and the Russian energy policy vis-à-vis Moldova is still totally geared to supporting the separatist region of Transnistria. Insufficient investment in prospecting and infrastructure has increased the risk of an energy deficit in Russia, particularly since Russia's own consumption has grown, which in turn means export problems in the future. This problem can partly be alleviated by more Russian imports of energy from Central Asian countries, which means increased pressure on these countries. The fall in the price of oil has already drastically reduced energy export revenues, which are vital to the Russian economy, and it will strongly dampen economic growth in the immediate future.

7 The Armed Forces

The military budget has grown by about 25 per cent a year on average since 2003, which is about 15 per cent above inflation. In international terms this is an unusually rapid and large increase and is too much for a lopsided economy with serious infrastructural weaknesses. The promises to maintain the same rate of increase without regard for the ongoing crisis indicate that Russia is headed back into the Soviet model characterised by a militarily structured economy irrespective of the existing economic limitations.

During the last few years the Russian Armed Forces have boosted their capacity thanks to several years of increasing allocations of resources. The priority areas have been strategic deterrence – with nuclear forces and conventional mobilisation units – and countering local and regional threats. The mobilisation capacity has to some extent been maintained through a number of exercises, but the foundations for large-scale mobilisation have been eroded. With regard to managing local and regional conflicts, developments have been more clearly positive. Through contract employment and a growing number of more complex exercises, the availability, size and capability of the units of permanent readiness have been increased. The differences between the priority units and the other units as regards the degree of manning, wage levels, material status and regularity of exercises have widened. The differences between the principal tasks of the units in the various strategic directions are also becoming ever starker.

However, despite the growing allocation of resources the Armed Forces are still grappling with great problems, mainly regarding personnel and procurement. In addition, the organisation and the organisation culture restrict the development of qualitatively new capabilities, which means that for the foreseeable future, the Armed Forces on the whole will remain only a down-sized version of its Soviet predecessor. Earlier attempts at reforming the Armed Forces have not resulted in any tangible improvements and it remains to be seen whether the new reforms launched in 2008 will have any success, especially in view of the economic crisis.

8 Weapons of Mass Destruction

Russia aims to uphold both a deterrence capacity and a capacity to conduct war with strategic nuclear weapons. The maintenance of the strategic nuclear forces therefore has the highest priority. In peacetime, these forces are to deter foreign actors from exercising pressure or aggression against Russia and its allies. In wartime, deterrence is intended to interdict armed actions on terms favourable to Russia, for instance by inflicting palpable damage on the aggressor. Preparations are also being made for warfare with tactical nuclear weapons. In order to meet the deterrence objectives the Armed Forces must be prepared to show military presence and determination to use military force. Deterrence is based on the ability to inflict such losses on the adversary that any expected gains for them can be questioned.

Under Putin the nuclear weapons gambits markedly increased, but the Russian nuclear weapons strategy will be preserved during the next ten-year period, and land-based weapons will remain the backbone of the nuclear triad. The acquisition of new strategic weapons will stay on a high level, but the total numbers are likely to diminish. Technical bottlenecks will continue to impede higher production levels. There is real modernisation going on, but Russia lacks the capacity to back up certain gambits that have been made concerning re-programming of missiles, the basing of short-range *Iskander* missiles in the Kaliningrad region and the development of new middle-range missiles. Opting out of the INF agreement would be to Russia’s own disadvantage, since the development of a new generation of middle-range missiles would require very substantial investment. It is not clear whether the *Iskander* system has a longer range than reported and is operational.

The destruction of chemical weapons in Russia is a political issue of international importance. Despite official Russian reassurances that all chemical weapons will be destroyed by 2012, when the prolonged deadline runs out, our assessment is that this will be very difficult if not impossible. The most likely scenario is that Russia will claim that it has fulfilled the requirement, but that other states will claim that Russia has not fully and definitely destroyed these chemicals. The problems with the destruction of

chemical weapons, in the first place funding and physical safety in transport and at the destruction plants, partly remain. During recent years, progress has been made (27 per cent of the remaining stocks were destroyed by April 2008), but there is still insufficient transparency and credibility in the Russian position regarding chemical weapons. Russia still has good know-how and capacity in the field, and some chemical weapons will remain at least until 2012. In the case of chemical defence research and the development of new chemical substances to be used in combating terrorism, nothing indicates major new developments, even though some question marks exist.

Concerning biological weapons, the Russian transparency with regard to the historical record and ongoing defensive research has not changed in a positive direction. On the Russian side, it is stressed that this research is necessary when many countries have military biological weapons programmes and there are threats from genetically modified agents and from bio-terrorism. Even if there is little evidence of vast new programmes in biological defence research, great investments are being made in ‘civilian’ biotechnology. Priority is being given to improving biological safety, for example at facilities. The international threat-reducing support programmes in Russia have been revised, and the United States has significantly scaled down its involvement in the biological field in Russia, while its involvement in the neighbouring states has increased. In the future, the military uses and applications of progress in biotechnology will be increasingly dependent on the results of civilian research.

Thus, the military protection capacity against chemical and biological weapons in Russia must be considered as good in an international perspective, and will continue to be so. There are no signs of increasing openness in the chemical and biological fields in the short or longer term. Russia is emphasising the risks of new biological threats and bio-terrorism and the need to improve biological safety, as well as the importance of greater allocations to civilian biotechnology.

9 Defence Industry and R&D

In recent years, the Russian defence industry and research and development (R&D) have recorded visible progress. Production has increased in many areas so as to meet the growing demand. After several years of limited state orders for defence materials, the number of these has expanded substantially in recent years, not least through the state armament programme for the years 2007-2015. Simultaneously, Russian arms exports and the numbers of international customers have both risen, which has reinforced Russia's position as one of the world's leading exporters of defence materials. At the same time, many of the problems burdening the Russian military industrial complex have been laid bare. The defence industry seems close to, or has already reached, the limit of its capacity, and additional production increases are being hampered by several structural weaknesses. The most tangible problem today is finding skilled personnel and the large number of outdated production plants and machines. The investment needs in the Russian defence industrial complex are next to insatiable, while at the same time corruption and inefficiency are draining resources. For the past few years the defence industry has been undergoing comprehensive organisational changes in order to create about 50 integrated enterprise structures by merging whole production chains.

In the long term, there are still greater challenges to the Russian defence industry. The products that are made and developed today are with few exceptions of Soviet design. In many areas such as fighter aircraft, helicopters and air defence systems, the products are as good as, or better than, their Western counterparts, but this is only thanks to the technological heritage from the Soviet defence industry. The insufficient funding since the dissolution of the Soviet Union during the economic crisis of the 1990s has caused the Russian defence industry to regress in its technological development, and a pivotal question for its survival is whether new generations of weapons and materials systems will be created. The inflow of foreign know-how has so far been limited, although the number of international cooperation agreements is rising.

Russian R&D is characterised by an ageing body of researchers and a lack of access to modern equipment. The recruitment of younger researchers, not least in the military sector, must be radically intensified. An impaired economic situation could evoke a new wave of brain-drain, at the same time as international cooperation in the military sector is hampered by political factors. Insufficient investments in the sector will be a handicap for many years to come. However, if the economic situation allows for it, large-scale investments in certain fields such as nanotechnology may eventually yield positive results.

The Russian military industry is capable of supporting regional Great Power ambitions for the next ten-year period, but it is not likely by its own efforts to produce all the weapons and materials systems necessary to allow the Armed Forces to conduct modern warfare. If the capacity for research, development and production is not considerably improved, the defence industrial complex will find it increasingly hard to support great power ambitions in the long run, possibly already in the next ten years. The Russian military industrial complex (MIC) is facing great challenges, which are partly composed of external factors such as the lack of clear objectives, a faltering resource base, rampant corruption and the flaws of the political system, and partly of a number of internal factors, among which the lack of modernisation, the shortage of skilled personnel and the outdated infrastructure are paramount.

Russia stands at a strategic crossroads with regard to the future capabilities of the Russian MIC. It can choose to be largely self-sufficient in the whole materials spectrum, but must then accept a widening technological gap to the industrialised states and sacrifice some quality. The alternative is to relinquish the ambitions to be self-reliant in order to be able to procure modern military materials for the Armed Forces, which can be achieved by abandoning non-competitive parts of the military industry and importing weapons and vital components to a higher extent. Large parts of the remaining defence industry must also be opened up for domestic and foreign investments and for more comprehensive cooperation with foreign defence industry companies. The MIC would then be opened up and state control weakened, but the military industry would be able to deliver modern systems to domestic and foreign customers.

The Russian tax-payers would get more for their money with regard to output, but Russia's freedom of movement would be restricted by its growing dependency on other countries.

The Russian MIC runs the risk of being hit very hard by a protracted economic recession. If domestic orders decrease or are postponed and foreign investment is not accepted, there are very few possibilities to carry out the necessary structural investments. The different target programmes for the development of the defence industrial sector already appear to be under-funded and they are to a very high degree dependent on investments from the defence industry and non-state sources of funding. The very troublesome materials and personnel situation is not likely to improve and ongoing R&D programmes may grind to a halt, which raises still more serious doubts about the capacity of the Russian defence industry to develop weapons systems of the next generation.

With a view to Russia's ambitions to be a Great Power and an influential actor in world politics, the presence and activities of the Russian intelligence agencies can be expected to increase. These agencies are partly a means of exercising power and influence and partly a response to the greater potential need for retrieval of information and operations of influence stimulated by more pronounced conflicts of interest between Russia and other countries. The outspoken ambition to protect Russian citizens in the surrounding region may lead to expanded intelligence activities in the respective countries. The growing number of Russians in the West may also lead to an increased presence of Russian intelligence agencies, perhaps mainly the FSB. Finally, Russian industrial espionage may come to be intensified, not least if Russia continues to have limited access to Western know-how and high technology through cooperation with foreign companies.

10 Military Capability

Russia's military capacity has increased in recent years due to greater allocation of resources, primarily for spending on training and exercises. In a favourable financial situation, the capacity will continue to grow in the coming years, but in order to form fundamentally new military capabilities, wide-ranging structural changes in the Armed Forces and in Russian society at large are required.

In recent years, a gradual reform of the Armed Forces has been implemented, but the rate of change is slow. The Russian Armed Forces are still generally a downsized version of their Soviet predecessors with weapons, equipment, personnel, leadership, organisation and exercise activities tailored to a large-scale war. However, in recent years there has been a development in the direction of countering guerrilla and partisan warfare more efficiently. The capacity evolution of the Armed Forces is hampered by structural flaws in most fields, among which the personnel issue is the most obvious challenge. The pivotal question of development is whether the Armed Forces will basically remain a conscript-based mass army designed to meet large-scale conventional attacks through massive mobilisation, or whether a final step will be taken in the direction of a professional expeditionary force with fewer and more capable units.

If real defence expenditure declines noticeably as a result of a continuing economic crisis, the Armed Forces will face very hard choices. In such an event, exercise activities are likely to shrink considerably, as happened before when the budget funds dried out. The recruitment problems will probably also worsen, if the construction of apartment blocks and pay raises are postponed. In a prolonged scenario this may again make the recruitment of conscripts more topical. The planned organisational changes may also come to take more time, since the disbanding of units and personnel often involves high initial costs.

Economic contraction will likely entail a further slowdown in material modernisation, as procurement orders may be cancelled or deferred to the future. Altogether, this would mean that the capacity development of the

Armed Forces will stagnate in the coming years. If the decline in economic resources becomes a long-term feature, military capability will decrease in the long run. The savings measures will probably not affect the nuclear forces and the contract-manned units on permanent readiness, which means that the differences between the prioritised and non-prioritised forces and units of the Armed Forces will continue to widen. On top of this, discontent in the officer corps is likely to deepen, possibly resulting in political repercussions.

The Russian military capability will hinge on economic developments under all circumstances, unless we assume that the political leadership plans a military build-up irrespective of how it can be funded. There are certain signs pointing in that direction, judging from a statement by President Medvedev that the military build-up will continue despite the current crisis. In such an event, there is an obvious risk that Russia will again be dominated by military thinking dictated by exaggerated perceptions of threat. The socio-economic effects of such a solution may lead to growing discontent among the Russian people, which the political leadership would be tempted to meet with harsh measures.

Finally, it must be underlined that at present Russia’s strengthening military capability is not worrying per se. More disquieting is the lack of transparency concerning doctrinal changes, the defence budgets and, most of all, the political decision-making. This factor fosters insecurity among Russia’s neighbours about the future prospects of its military capability, and how and when it is intended to be used.

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