

## **Chapter 5**

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# **Russia— Regaining Influence and Military Strength**



With President Vladimir Putin set to step down in May 2008, Russia is being swept up in a flurry of political activity as power brokers and politicians scramble to steer the course for a post-Putin regime. United Russia, the pro-Kremlin party, clinched an overwhelming victory in the elections for the Federal Assembly's lower house (State Duma) on December 2, 2007, demonstrating the presence of a strong base of support for Putin. Ahead of the presidential election on March 2, 2008, Putin named First Deputy Prime Minister Dmitriy Medvedev as his preferred successor, and declared his intention to seek the prime ministership, which would allow him to continue exerting political influence.

As the nation's economy continues to enjoy stable growth buoyed by booming energy exports, Russia is steadily regaining its self-confidence as a major power. On the foreign policy front, the country's drive to once again become a dominant player in the international community is inciting tension with the United States and Europe. This strain has become clearly visible in such ongoing issues as US plans to deploy missile defense systems in Poland and the Czech Republic, Kosovo's independence from Serbia, and Iran's nuclear program. Moreover, Russia is adding fuel to the fire by taking a more aggressive approach to its foreign relations, as seen in its suspension of obligations under the Treaty on Conventional Armed Forces in Europe (CFE Treaty).

In response to the deteriorating strategic environment in Europe, Russia is endeavoring to boost its regional influence by strengthening cooperative ties with fellow members of the Commonwealth of Independent States (CIS), the Collective Security Treaty Organization (CSTO), and the Shanghai Cooperation Organisation (SCO). However, the attempt to deepen cooperation under these frameworks may be impeded by various differences concerning national interests that divide Russia from China and Central Asian nations.

On February 15, 2007, Anatoliy Serdyukov took over as Russia's new defense minister, raising expectations that his background—head of the Federal Tax Service without previous ties to the military—may be conducive to realizing a drastic reform of the country's armed forces. The appointment of Serdyukov signals that Russia recognizes attention to economic and financial factors as vital to military reform. The country is currently taking firm steps toward upgrading its military equipment and toward conducting training exercises. At the same time, it is seeking to strengthen its defense industry through expansion of arms exports, particularly to the Middle East and Southeast Asia.

## **1. Russia Transitioning to a Post-Putin Era**

### **(1) State Duma Election Results and Their Impact on the Presidential Election**

The governing United Russia Party won a lopsided victory in the elections for the State Duma on December 2, 2007, capturing 64.30 percent of the votes and 315 seats in the 450-member body. In the election, seats were assigned exclusively under a new proportional representation system, in which a party had to win 7 percent of the vote to be eligible for seats. The Communist Party of the Russian Federation, the Liberal Democratic Party of Russia, and the Just Russia Party also captured seats. Table 5.1 lists the percentage of votes and number of seats won by the respective parties.

United Russia's landslide victory was foreshadowed by the results of regional legislative elections held in fourteen federal subjects on March 11, 2007. These were closely watched elections because they involved one-third of Russia's electorate. The tally of votes for the major parties in these elections was as follows: United Russia, 44.05 percent; Communist, 16.04 percent; Just Russia, 15.53 percent; and Liberal Democratic, 9.62 percent. United Russia led the polling in thirteen of the fourteen subjects, winning 382 seats or approximately 60 percent of the seats up for reelection. This degree of dominance indicates that the ruling party's base of support is steadily being consolidated, not only at the federal level but also at the regional level. An important reason for this electoral strength in the regions is that, under President Putin, the formerly elected position of regional governor became an appointed one, and the governors actively supported United Russia's list of candidates. Another is that immediately before the regional legislative elections, United Russia proclaimed its intentions to submit a bill to the State Duma that would give governors the authority to dissolve regional legislatures.

**Table 5.1. Results of Russian lower house elections**

<b>Major parties</b>	<b>Percentage of votes won</b>	<b>No. of seats won</b>
United Russia	64.30	315
Communist Party	11.57	57
Liberal Democratic Party	8.14	40
Just Russia Party	7.74	38

*Source:* Compiled using data from media reports and other sources.

There can be little doubt that the Putin administration's tightening grip over the regions had the effect of solidifying the ruling party's base of support.

In addition to the consolidation of its regional base, there are three other reasons which explain United Russia's victory in the State Duma elections. The first is that President Putin placed his name at the top of United Russia's list of candidates and actively led its election campaign. In the campaign, Putin declared that a victory by United Russia would ensure the continuation of the policies of his administration under the next president. Through this strategy, Putin succeeded in turning a vote for United Russia into a vote of confidence in his administration. The second is that United Russia was able to draw in the support of voters who were seeking continued political and economic stability in Russia. The third is that the Putin administration's hard-line foreign policy toward Europe and the United States resonated closely with the sentiments of the Russian people, whose pride in Russia's status as a great nation is gradually being restored.

For President Putin, United Russia's convincing victory was a powerful vote of confidence from the Russian people in his policies and, at the same time, a means of ensuring that the policies taken to date by his administration would continue after he leaves office. The landslide win also meant that Putin has established a base of support by which to continue to exercise his own real political influence hereafter. On December 11, 2007, President Putin announced that he intended to nominate First Deputy Prime Minister Dmitriy Medvedev as his preferred successor in the presidential election on March 2, 2008. In turn, Medvedev has made clear his intentions to nominate Putin to be prime minister after he wins the presidency. On December 17, 2007, United Russia formally selected Medvedev as its candidate for president. In explaining his reasons for nominating Medvedev, President Putin referred at this meeting to Medvedev's experience as first deputy prime minister, saying that Medvedev had overseen priority national projects and

the program in population dynamics, a long-term strategic task raised by Putin. In these remarks, Putin also left no doubt that he intended to remain in power as prime minister after his retirement as president. After the presidential election, therefore, a peculiar dyarchic structure is likely to emerge in Russia, in which a president and a prime minister with de facto power share the stage. While for the sake of Russian stability, this kind of political situation may be essential, it will drive Russia and its opponents in the United States and Europe further apart on the contentious issue of what constitutes proper democracy and could increase tensions between the two sides.

## **(2) Policy Challenges in the Post-Putin Era**

On April 26, 2007, President Putin delivered his Annual Presidential Address to the Federal Assembly. Because there was still a year remaining before the expiration of his term in the spring of 2008, Putin did not use the occasion to sum up the achievements of his administration since 2000. But he did draw a comparison with the administration of his predecessor, former President Boris Yeltsin, saying that Russia in the Yeltsin years had to deal with complex internal conflicts which left it unable to resolve a number of urgent national issues, including the problem of national security. By contrast, Putin spoke in positive terms about the current situation. Russia today, he said, had completely reversed its steep and long-term decline in production, and people's real incomes were again rising, more than doubling during his administration. In the speech, he discussed as internal political issues the measures his administration had implemented for priority national projects and the challenges that remained to be tackled. Outlays for priority national projects would make up 5–10 percent of total budget spending on the corresponding sectors, and would be allocated primarily toward investments in people and in projects that improve the quality of life. Measures in a number of priority projects—housing construction, education, innovation, healthcare and agriculture—were launched in 2006. Putin declared that, with these actions, his administration had succeeded in aligning budget expenditures with the goals of these programs. He spoke positively about the successes being achieved today in housing construction and education through joint projects between federal, regional and local authorities.

Putin also cited the need for reform of the Stabilization Fund that was established in 2002. Under his proposal, revenues from oil and natural gas would be divided

into three components. The first was a “Preparatory Fund,” which would be used to maintain macroeconomic stability and fight inflation in the event of a steep decline in the price of energy resources on world markets. The second was the financing of federal budget expenditures on large social programs with part of oil and gas revenues. The third was the creation of a “Next-generation Fund,” using all the oil and natural gas revenues that remained after allocation to the first two components of the fund. The Next-generation Fund would aim mainly at enhancing the welfare of future and current generations. It is seen as a way of coming to grips with the long-term issue of pensions.

In the area of industrial policy, Putin discussed three primary tasks. The first was the development of infrastructure to spur economic growth. This comprised increasing electric power generation and building an efficient transportation system through improvements to roads, railways, and air and waterborne systems. Putin referred to the need to prepare a “State Roads Development Program until 2015” and said that the construction of high-quality roads was essential, particularly in view of the challenge of realizing the economic potential of the Far Eastern Region and the Siberia Region. The second task was improving the efficiency of natural resource utilization by establishing a legal system that encouraged the effective development and use not only of oil and natural gas but also of forestry and marine resources. In relation to fisheries, Putin called for the formulation and adoption of a series of measures aimed at creating an effective system of customs and import control and at preventing illegal fishing and smuggling. The third task was strengthening and developing high-tech industry and nanotechnology, as part of an overall strategy of economic diversification. He indicated that, in terms of high-technology, his government would emphasize aircraft manufacturing and shipbuilding. He noted that a decision has been reached to establish the United Aviation Corporation as a means of expanding Russia’s market share not only in military aircraft but also in aircraft for the civilian economy. With respect to shipbuilding, the government had taken a similar approach, establishing the United Shipbuilding Corporation, whose principal focus would be on promoting the recovery of private shipbuilding. Finally, with respect to nanotechnology, Putin noted that it would be important to provide financing for the necessary improvements in materials, technology, human resources, and organizations that would assist Russia in establishing an efficient system of R&D. To manage this capital, Putin announced his intentions to launch

the Russian Nanotechnology Corporation and asked the legislature to budget approximately 180 billion rubles for investments in this sector.

On strengthening national defense, Putin reported that the government's program to renew the military's equipment was proceeding on schedule. Moreover, work on a new State Weapons Program for 2007-2015 had begun, which would result in a large infusion of new weaponry and equipment into the military. With regard to improving the social security of military personnel and their families, the president announced a policy of pay increases for active duty personnel, in which wages would be increased twice by 15 percent, in December 2007 and in September 2008; and, in conjunction with these pay increases, the government would also increase pensions for retired military personnel. Putin stated that the government would continue to work on the issue of improvements to military housing through 2012 and stressed the need for supplemental measures to promote the construction of military housing, particularly in the Far East.

This series of policy challenges—advancing priority national projects; achieving long-term budget stability through the implementation of measures such as Stabilization Fund reform; implementing an industrial policy consisting of measures to develop infrastructure, enhance the efficiency of resource utilization, and bolster high tech industries; and strengthening national defense—all require long-term engagement by the government. A post-Putin administration will no doubt have to continue to deal with such challenges.

What strikes the observer from Putin's emphasis on long-term policy challenges is his government's commencement of discussions on a long-term fiscal plan. On March 9, 2007, President Putin submitted his Presidential Budgetary Address on the Budgetary Policy for FY2008-FY2010 to the Federal Assembly. This address contained a statement of basic principles that will inform budgetary strategy for the FY2008-FY2010 period and beyond, to wit: real rates of growth in budget expenditures will conform to rates of economic growth; long-term budgetary balance will be achieved; drafting and deciding on three-year budgets will become the foundation for a transition to longer term budgetary planning; all new budgetary policies or legislative measures must have fiscal guarantees and support; outcomes research will be undertaken for all expenditure categories in the budget; modern principles will be established for contracts dealing with national procurement; mechanisms which promote a higher level of service by the government and greater efficiency of expenditures will be adopted; the quality of

financial management in the budget division will be improved; a strategy for the promotion and realization of pension reform will be established; and the federal program for the promotion of social-economical development in the Far Eastern and Trans-Baikal Regions will be implemented. In terms of basic policy regarding budget expenditures, the budget message contains references to efforts to meet the priority challenges cited by Putin in his Annual Presidential Address. With this budget message in hand, the cabinet on March 22, 2007, deliberated for the first time in history on a three-year budget, covering the period from FY2008 to FY2010. President Putin said in reference to this new budgeting process that the goals were primarily to ensure the kind of stable economic development which would not be affected by any political developments in the future and to free the country from its dependence on oil and natural gas. This suggests that in compiling the three-year budget the government will not be counting on windfall revenues from oil and gas that are scheduled to go into the Stabilization Fund. In this regard, Minister of Finance Aleksey Kudrin (who was appointed to the additional post of deputy prime minister on September 24) made a statement that relates to the benefits of a long-term budget. He said that in addition to stabilizing the budgeting system, this approach would enable the country to allocate one-time increases in revenue into future-oriented expenditures and into measures that tackle strategically important challenges. The strategy for the diversification of Russian economy is a trademark of President Putin's industrial policy and is aimed at overcoming the weaknesses of an economy dependent on oil and natural gas exports—a weakness that is behind the adoption of the three-year budget. On July 31, 2007, the Ministry of Economic Development and Trade released a report on social and economic development in Russia in the first half of 2007. According to this report, the country registered economic growth of 7.8 percent during this period, compared with growth of 6.0 percent in the same period of the previous year. Not only energy exports but also growth in manufacturing contributed to this performance. During the period, industrial production increased by 12.2 percent, of which 9.7 percent was accounted for by growth in the manufacturing sector, where particular strength was shown in transportation machinery, electronics-related machinery, and steel. Higher investment supported this growth, with investment in manufacturing increasing by 22.3 percent during the period, sharply higher than the 11.3 percent rate in the previous year.

In the Putin administration, important political and economic positions have

### Positions held by major *siloviki* (as of December 2007)

Presidential Executive Office	Igor Sechin	Deputy Chief of Staff <u>President, Rosneft (state-controlled oil company)</u>
Security Council Government	Viktor Ivanov	Deputy Chief of Staff
	Valentin Sobolev	Deputy Secretary
	Sergey Ivanov	First Deputy Prime Minister (in charge of defense and high-tech industries) <u>Chairman, United Aviation Corporation</u>
	Sergey Naryshkin	Deputy Prime Minister (in charge of overseas trade and CIS relations) <u>Chairman, United Shipbuilding Corporation</u>
	Rashid Nurgaliyev	Minister of the Interior
	Nikolay Patrushev	Director, FSB
	Andrei Belyaninov	Director, Federal Customs Service
	Konstantin Romodanovskiy	Director, Federal Migration Service
Other	Nikolay Bordyuzha	Secretary General, CSTO
	Grigory Rapota	Secretary General, Eurasian Economic Community
	Sergey Chemezov	<u>General Director, Rosoboronexport (state arms exporter)</u>
	Vladimir Yakunin	<u>President, Russian Railways</u>
	Yuriy Zaostrovstev	<u>Deputy Chairman, Vneshtorgbank (state-controlled bank)</u>
	Dmitriy Patrushev	<u>Deputy Chairman, Vneshtorgbank</u>

*Note:* Underlined items indicate positions related to major industrial sectors.

*Source:* Compiled using data from media reports and other sources.

been occupied by the so-called *siloviki*, persons whose backgrounds are in the former Committee for State Security (former KGB) or in security or intelligence agencies connected to successor institutions of the KGB (excluding President Putin, positions now occupied by the prominent *siloviki* as of the end of 2007 are as shown in “Positions held by major *siloviki* (as of December 2007).”)

A look at the economic positions held by the *siloviki* shows that they range over industrial sectors that the president cited as strategically important in his Annual Presidential Address, to wit: oil, aircraft manufacturing, shipbuilding, weapons exports, railway transportation, finance, etc. Although not a *silovik*, First Deputy Prime Minister Medvedev is also chairman of Gazprom; if one includes this position, it adds natural gas to the list of sectors over which the administration

wields influence. In this way, the capitalist structure under the Putin government is seeking to advance economic development through state guidance. In a poll conducted in mid-September 2007 by the All Russia Center for the Study of Public Opinion, 56 percent of the respondents said that they supported an expansion of the nation's role in the economy.

On the other hand, according to the same poll, only 26 percent supported further centralization of politics. This was lower than the 30 percent who supported the promotion of greater democracy, transparent elections, and independent media. These poll results indicate that people's support for Putin's methods of ruling is not so strong as support for Putin himself. Therefore, if the post-Putin government cannot successfully manage this government-led system of capitalism, and if it fails to enhance economic efficiency and international competitiveness, popular support for the government could possibly decline.

## **2. The Increasingly Independent Direction of Russian Foreign Policy**

### **(1) Tensions in Russia's Relationships with Europe and the United States—Russia's Strategic Environment**

The recovery of pride in Russia as a great nation comes from a growing economy riding a surge in energy exports. This increased confidence is leading Russia to pursue an independent path in foreign policy and is generating tensions with Europe and the United States. On March 28, 2007, Russia's Ministry of Foreign Affairs released its first-ever Russian Federation Foreign Policy Survey, in which the principal theme is "a strong Russia." Vladislav Surkov, deputy chief of staff for ideology in the Presidential Executive Office, is widely credited for creating the concept of "sovereign democracy." In a speech before the Russian Academy of Sciences in June 2007, Surkov stated that criticisms about a deficit of democracy in Russia are an exercise in political deception by the West and have as their objective the weakening of Russia's state institutions and defense capabilities and the gaining of control over Russia's natural resources by undermining the country's autonomy. Such distrust and antagonism toward the West is becoming quite conspicuous. But caution is also in order here, because in its confrontational stance toward the West, the government has also been intentionally emphasizing and drumming up opposition for political reasons, as it prepared for the elections

for the State Duma and the presidency scheduled for the winter of 2007 and the spring of 2008.

This confrontational stance toward the West by the Putin administration is being amplified by Russian wariness about the deployment of military infrastructure in countries bordering Russia in the wake of the eastern expansion of the North Atlantic Treaty Organization (NATO). Russia clearly perceives that its strategic environment is deteriorating in Europe. In a speech at the Munich Conference on Security Policy given on February 10, 2007, President Putin sharply criticized the “unilateralism” of the United States and made clear his suspicions about the heightening military threat to Russia posed by NATO’s enlargement to the East.

Russia believes that Europe’s eastward expansion will result in countries with an extremely critical attitude toward Moscow—East European states and the Baltic nations—joining NATO or the European Union, which would cause Russia’s status in the eyes of Europe to be unfavorably affected. In a poll conducted by the All Russia Center for the Study of Public Opinion on May 31, 2007, respondents were asked to identify which five countries they believed to be the most hostile or unfriendly toward Russia. In descending order, beginning with the country receiving the most responses, the result was as follows: Estonia, Georgia, Latvia, the United States, and Lithuania. Estonia was named in part because, in April 2007, it had decided to move a Soviet war monument of the Second World War from the center of the capital city of Tallinn to a military cemetery outside the city. This decision provoked harsh reactions from the Russian government and prompted the pro-Putin Russian youth organization “Nashi” to rise up in a spontaneous demonstration which ended up besieging the Estonian Embassy in Moscow.

Russia believes that the deployment of missile defense systems in Eastern Europe by the United States will be a new destabilizing factor to the security of the region. Plans by the United States to deploy missile interceptors in Poland and a phased-array radar system in the Czech Republic were reported by the press in May 2006 and immediately drew sharp opposition from Russia. Although the United States has repeatedly explained that the deployment is not aimed at Russia, the Russians believe that it is self-evident that their country is being targeted by the plan. Russia therefore views this planned deployment of missile defense systems as a breach of faith by the United States and as a new move by the United States to augment its military power in Eastern Europe, at a time when Russia is reducing its military presence in Europe, including by withdrawing forces from

Georgia and Moldova as required under the CFE Treaty. Foreign Minister Sergey Lavrov has strongly criticized this planned move, saying that these kinds of unilateral actions by the United States will generate new schisms in Europe.

President Putin also responded immediately to this move by the United States. In his Annual Presidential Address on April 26, 2007, he criticized NATO for not strictly observing its obligations under the CFE Treaty and announced that if there was no clear progress on treaty implementation, Russia would declare a moratorium on its observance of the treaty. In June discussions were held with NATO on this issue but yielded no satisfactory response for Russia. At a US-Russia summit meeting held on June 7, Putin proposed that a radar site deployed in Gabala, Azerbaijan be jointly used. The United States withheld a response, saying that it would carefully consider the Russian proposal. Discussions on the issue will continue hereafter between the two countries.

On July 14, 2007, Putin signed a decree on suspending the Russian Federation's participation in the CFE Treaty, citing as reasons the following issues. First, although Bulgaria, Hungary, Poland, Romania, Slovakia, and the Czech Republic had acceded to NATO, the changes required to be made to the CFE Treaty to reflect this new membership had not been made. Secondly, although Estonia, Latvia and Lithuania had also become NATO members, they had yet to become parties to the CFE Treaty and continued to remain outside of conventional force limitations placed on other signatory nations. Thirdly, the United States was planning to deploy conventional forces in Bulgaria and Romania. And fourthly, most of the parties to the CFE Treaty had failed to comply with the political obligations contained in the Istanbul Agreements relating to the early ratification of the treaty in 1999.

At the Bush-Putin summit held in Kennebunkport, Maine on July 1–2, 2007, the issue of missile defense deployment in Eastern Europe was taken up. The talks yielded no results, however, and both sides agreed to continue working-level negotiations. When President Bush and President Putin met in Sydney on September 7 and when the foreign and defense ministers of the two countries gathered for the “2+2” meeting on October 12–13, the proposal to use the Russian radar site in Azerbaijan was again discussed but both sides again failed to reach a conclusion and the issue was tabled for further discussion.

On February 7, 2007, Russia's Deputy Prime Minister and Minister of Defence Sergey Ivanov stated in the State Duma that the signing of the intermediate-range

nuclear forces treaty (INF Treaty) by a Soviet-era leader was a “big mistake.” In October, in his meeting with US Secretary of State Condoleezza Rice and US Secretary of Defense Robert Gates at the opening of the 2+2 meeting, President Putin stressed the need for countries besides the United States and Russia to participate in the INF Treaty, and hinted that Russia was prepared to withdraw from the treaty if other countries strengthened their intermediate-range missile capabilities. Russian withdrawal from the INF Treaty could once again cause nuclear weapons to become a major point of contention. In October 2007, both the United States and Russia expressed the view that the INF Treaty should be expanded to include other countries as signatories.

The problems are not limited to confrontations between Russia and the United States/NATO on military issues in Europe. There are other issues where Russian and US-European positions differ and where the stakes are being increasingly radicalized. The first is the problem of independence for Kosovo from Serbia in the former Yugoslavia. Here, the United States and Europe favor independence, while Russia is speaking on behalf of Serbia and opposing the move. The second is the problem of how to deal with Iran’s program of nuclear development. The United States wants tough sanctions to be imposed on Iran. Russia, which is involved in the construction of the Bushehr reactor, argues in favor of nuclear development for peaceful objectives and is opposing harsh sanctions. In October 2007, on his first visit to Iran as president, Putin confirmed Russia’s commitment to complete construction of the reactor and condemned Europe and the United States’ hard-line stance.

Despite this deepening hostility with Europe and the United States, relationships with Europe and the United States continue to be important for Russia. This is especially true of Europe, which is a significant user of the country’s energy supplies. For Russia, whose economy relies on natural resource exports, this is a reality that cannot be denied. On the other hand, with respect to US deployment of missile defense systems in Eastern Europe, Russia condemns the United States but continues to search for some kind of compromise. Even with respect to the problem of how to respond to Iran’s program of nuclear development, Russia must balance its interests: while continuing to forge an independent position that differs from the European and US positions, there are reports that Russia has been dissatisfied with Iran’s response to European and US demands for greater transparency and has begun to pressure Iran to comply with these demands.

## **(2) Aiming for Greater Integration of the CIS Region**

Amid rising tensions in its relations with Europe and the United States, Russia's focus has shifted to relations with former Soviet republics, particularly in Central Asia, where it believes that the spread of Islamic extremism could become a major destabilizing factor for its national security. In his Annual Presidential Address on April 26, 2007, President Putin said that "Russia will continue to show initiative in pursuing economic integration in the CIS area and, more broadly, throughout the Eurasian region. We need to bolster the integration processes taking place in the Eurasian Economic Community (EAEC) and in the SCO. This, I stress, is precisely a case where economic development is synonymous with security, including the security of our borders." Here Putin is saying that, from the standpoint of Russian national security, he recognizes the importance of strengthening cooperation within various multilateral security frameworks.

The CIS convened an informal summit in Saint Petersburg on June 10, 2007. On June 14, the Defense Ministry organ, *Krasnaya zvezda* (Red Star), published an article summarizing the meeting. This account began by saying that, within the CIS, some countries were exploring options for cooperation that were contrary to neighborly relations among member countries and that differed from traditional forms of cooperation within the commonwealth. This statement suggests that there are member nations that are clearly dissatisfied with the move toward greater integration led by Russia.

According to this article, the importance of the CIS to Russia can be summarized in the following ways. First, stabilizing the political situation in the CIS region enables Russia to protect the interests of ethnic Russian citizens living in these countries. Approximately 65 percent of Russia's manufacturing and business activity takes place within the CIS region, and these activities provide employment to an estimated 26–30 million ethnic Russians living in CIS countries other than Russia. Secondly, close cooperation with CIS countries enables Russia to maintain a considerable percentage of its defense industry's manufacturing capability. For example, Russia's defense industry has cooperative relationships with a number of companies in this region: with 120 companies in Belarus, 60 in Kazakhstan, 17 in Kyrgyzstan, 12 in Tajikistan, 40 in Uzbekistan, and 10 in Armenia. Thirdly, it is important for countries to work together to solve problems of national security. Through frameworks such as the CIS Council of Defence Ministers, the CSTO, and the SCO, countries are making greater strides toward military cooperation;

and through the CIS Anti-terrorist Center, they are cooperating more efficiently on anti-terrorism. These institutions are providing the opportunity for cooperation that builds the normative and legal foundations for military integration among CIS countries.

In parallel with this informal summit, Russia held bilateral meetings with participating countries to discuss specific issues of cooperation. With Turkmenistan, it discussed the strengthening of energy-related cooperation through the joint development of natural gas. With Moldova, it discussed continuing to station Russian troops in the Trans-Dniester region of the country for peacekeeping operations, which can be viewed as a precautionary measure against a possible expansion of NATO military infrastructure into Romania as part of NATO's eastern enlargement.

On August 16, 2007, an SCO Council of Heads of State was held in Bishkek, the capital of Kyrgyzstan. This SCO summit convened in conjunction with a nine-day joint military exercise "Peace Mission 2007" conducted within the framework of the SCO, which began on August 9. The leaders adopted the Bishkek Declaration and also signed a treaty known as the Agreement on Long-Term Neighborly Relations, Friendship and Cooperation, which had been proposed by China and been a pending issue for the organization. In the preamble of the treaty, the signatory nations express a recognition that today's challenges and threats to security are global in nature and that cooperation will be essential in order to deal effectively with them. The preamble goes on to call for measures by the member states to strengthen neighborly relations, friendship, and cooperation. Article 1 is a clear statement of the need to develop long-term neighborly relations, friendship, and cooperation. Articles 7 and 8 call for the maintenance of global and regional stability, the advancement of the process of international control over weapons, the nonproliferation of weapons of mass destruction and their delivery systems, and cooperation in various areas of international crime, such

as terrorism and illicit trafficking in drugs and weapons. Article 15 stipulates cooperation among member nations in a wide range of fields, including finance, energy, transportation, science and technology, technological innovation, information, telecommunications, and aerospace. At the same time, the preamble contains a statement saying that the treaty is not aimed at any single country or organization, which clearly is an attempt by the signatories to say that the United States was not the target of the treaty.

Through the strengthening of multilateral cooperative frameworks that include Central Asian countries—frameworks such as CIS, CSTO, EAEC, and SCO—Russia is attempting to build a countervailing axis to the United States and an expanding Europe. On October 5–6, 2007, a series of meetings took place among the heads of state of CIS countries in Dushanbe, the capital of Tajikistan. The participants in the CIS summit on October 5 also attended the EAEC and CSTO summits on the following day. Behind this simultaneous convening of three summits, one senses that Russia was pursuing its agenda to strengthen CIS integration through the bolstering of these multilateral frameworks.

At the CIS summit, leaders deliberated the concept of future evolutionary development of the CIS; the concept was agreed to and signed by all countries (ten nations) except Georgia and Turkmenistan. This concept, which aims to increase mutual cooperation among member nations and to strengthen economic and political integration, assigns priority to achieving cooperation in economics, national security, crime and anti-terrorist measures, immigration, and the environment. Organizationally, the concept incorporates a proposal to strengthen the authority of the Council of Permanent Representatives of Member States and Executive Committee.

Next, at the EAEC summit, deliberations focused on the issue of establishing a customs union. The leaders of Russia, Belarus, and Kazakhstan signed a series of documents that will enable the union to be established by 2011. Separately, the leaders also deliberated on economic cooperation and customs control within the EAEC region.

Finally, at the CSTO summit, leaders discussed the issue of broad military cooperation. This led to the signing of a number of accords relating to: peacekeeping operations; provision of emergency assistance to countries invaded by an outside power; and system that provides special military technology under highly advantageous conditions to participating nations. According to CSTO Secretary-

general Nikolay Bordyuzha the signing of these accords will enable a foundation to be developed that will help nations achieve more effective peacekeeping operations, greater military-economic cooperation, and increased military-technical cooperation. Significantly, a representative of the SCO was also a participant in this summit. The result was the signing of the Memorandum of Understanding between SCO Secretariat and CSTO Secretariat. This memorandum, for the first time, established common goals and directions of cooperation for both organizations. It was signed on behalf of the CSTO by Secretary-general Bordyuzha and on behalf of the SCO by Secretary-general Bolat Nurgaliev.

For China, Russia's stance with respect to strengthening the alliance between the CSTO and SCO is not necessarily a welcome development. Although China values the SCO as a multilateral framework for stronger economic cooperation, it is not overly keen on the idea of the organization being used to strengthen military cooperation. Central Asian countries, on the other hand, are caught in between Russia and China. While they consider cooperation with both to be vital for energy and terrorism issues, they are wary about undue influence from either country. That is to say, there are differences between what Russia wants to achieve in terms of strengthening the SCO and what other members of the alliance want to achieve. So it remains to be seen whether Russia's efforts to strengthen the CSTO-SCO alliance will succeed, and whether the long-term cooperative relationships stipulated under the Agreement on Long-Term Neighborly Relations, Friendship and Cooperation will proceed as planned.

### **3. Responses to the New Military Environment**

#### **(1) Revision of the Military Doctrine (of the Russian Federation)**

Appointments to key military posts were reshuffled following the appointment of a new defense minister on February 15, 2007. Sergey Ivanov, who had moved government-led reform of the military forward as deputy prime minister and minister of defence, was appointed first deputy prime minister. His replacement was Anatoliy Serdyukov. As pointed out previously, Serdyukov assumed office at age forty-five after heading the Federal Tax Service, where he proved his skills in prosecuting the tax evasion case involving Mikhail Khodorkovskiy's Yukos, one of Russia's new financial cliques. Like Ivanov, Serdyukov was a civilian. By appointing him to the post, President Putin was underscoring for domestic and

international audiences the point that his government was establishing civilian control over the military. Because of his considerable knowledge of finance, some also see in the Serdyukov appointment hopes for more effective reform of management of military finances and also a strategic move by the Putin government to establish more centralized control over the defense budget and defense orders from the government. The personnel decisions surrounding the change in defense minister also included a three-year postponement of the retirement date of Chief of the General Staff Yurii Baluevskiy. In this role, Baluevskiy has advised the civilian defense minister and been a cooperative force in the government-led modernization of the armed forces. Baluevskiy was sixty years old in 2007, which was the age of retirement under current military regulations. This move allows Baluevskiy to continue to oversee the military until the new defense minister can assume full control over the ministry.

In addition to this overhaul of personnel, there has been a burst of new activity surrounding the updating of the Military Doctrine, which lays out Russia's fundamental defense policies. The doctrine in its current form was developed in 2000. President Putin formally directed the military to revise the doctrine at a meeting of the Security Council in June 2005. The outline of this revision was announced at a special conference at the Russian Academy of Military Sciences on January 20, 2007. Currently, work on a final draft of the doctrine is being carried out by the Secretariat of the Security Council. The new doctrine reportedly comprises six sections: the first, on threats to security and the consequences of national defense missions; the second, on the political principles of the military doctrine; the third, on issues of the polity and coping organizations, using politics-diplomacy, economics, intelligence and other non-military measures and methods; the fourth, on the military-strategic principles of the military doctrine; the fifth, on the military-economic and military-technical principles of the military doctrine; and the sixth, on international cooperation. The announcement of the new military doctrine has been awaited with great anticipation, ever since the Ministry of Defence issued its report entitled "The Priority Tasks of the Development of the Armed Forces of the Russian Federation." More than four years have gone by since that report. The biggest reason for the delay has been the dizzying pace of change in Russia's military environment. Its recent tensions with the United States, in particular, have caused planners to reassess the doctrine in fundamental terms. With reference to the new military doctrine, Chief of the

General Staff Baluevskiy harshly criticized NATO expansion and the hegemonic activity of the United States in the international community. In these remarks, made in the conference at the Russian Academy of Military Sciences, Baluevskiy identified the following as the most realistic threats to the Russian Federation's national security in the military arena: maintenance of global leadership by US military and political ruling classes; expanding economic, political, and military presence of the United States in regions where Russia has traditionally had strong sway; realization of NATO's expansion plans; and military action that fails to observe the general principles and standards set by international law. On the basis of Baluevskiy's remarks, the final draft of the military doctrine is likely to have strongly advocated the need for a multipolar world and to have placed the threat of NATO more prominently in the foreground.

In opposition to NATO's expansion, Russia has undertaken a major reassessment of its strategic deterrence forces. At a meeting of the cabinet in March 2006, President Putin stressed the importance of a nuclear weapons system, identifying it as a fundamental element for ensuring the nation's security, and formally announced that the country would reassess its strategic deterrence forces, with a particular emphasis on nuclear weapons. He then made a widely noticed statement at a meeting with the armed force's command staffs on November 16, 2006: "For us, this idea of maintaining the strategic balance will mean that our strategic deterrence forces must be capable of destroying any potential aggressor, no matter what modern weapons system this aggressor possesses. Only the guaranteed possibility of destroying such an aggressor can ensure Russia's strategic security in a long-term perspective." Putin's reference in these remarks to the need for a deterrence force "to be able to destroy any potential aggressor" is a highly significant statement. True to these words, Russia has rapidly pushed through a number of measures designed to strengthen its strategic forces in 2007.

On the ground, it made renovations that extend the useful life of its surface-launched intercontinental ballistic missile (ICBM) RS-18 (SS-19 Stiletto) and began a new missile development and deployment program. In December 2007, it placed on active duty with a missile division at Teykovo city in the Ivanovo region a second mobile version of the ICBM Topol'-M RS-12M1 (SS-27). It has plans to deploy the Topol'-M throughout the country hereafter. In May and December 2007, Russia also successfully tested a multiple independently targetable re-entry vehicle (MIRV) ICBM RS-24. Also in May 2007 it succeeded in a test launch of

the Iskander-M, an improved version of the surface-to-surface short-range missile Iskander (SS-26). In the air, it resumed the permanent combat patrolling of its long-range aviation unit's strategic missile carriers on August 17, 2007. At a press conference held at Tchebarkul on August 17 to mark the resumption of these flights, President Putin said that the flights were the result of Russia's increased perception of a threat, noting that "In 1992, the Russian Federation unilaterally stopped sending its strategic aviation on long-range patrols. Unfortunately, not everyone has followed our example and other countries' strategic aviation continues patrols to this day. This creates certain problems for the Russian Federation in ensuring its security." To strengthen the strategic capabilities of its navy, Russia has also decided to commission the missile-bearing nuclear submarine, the *Yuriy Dolgorukiy*. This will be the first strategic submarine to be commissioned by Russia since the fall of the Soviet Union. The *Yuriy Dolgorukiy* will carry MIRV submarine-launched ballistic missile (SLBM) Bulava-30 (SS-NX-30) missiles and will be equipped by the navy in 2008. After two failed test launches of the Bulava-30 in 2006, the navy had feared that it would have to postpone the equipping of the *Yuriy Dolgorukiy*, but a test launch from the missile-bearing nuclear submarine *Dmitriy Donskoi* in the White Sea in June 2007 was successful. Russia plans to make the Bulava-30 the principal weapon on board of its Project 955 *Borey*-class nuclear-powered ballistic missile submarines (SSBN). The navy plans to deploy eight *Borey*-class submarines by 2017.

## **(2) An Increasing Number of Military Exercises**

In 2007, Russia carried out two joint anti-terrorist exercises within its borders. One was the "Peace Mission 2007," conducted within the framework of the SCO in the Volga-Ural Military District (at the Tchebarkul training ground in the Chelyabinsk Region) on August 9-17. Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan participated. Russia was represented by approximately 2,000 troops, 8 Su-25 fighters, 12 Mi-24 attack helicopters, 12 Mi-8 transport helicopters, and 6 Il-76 transport aircraft. Also participating from Russia were the units of permanent readiness of the Thirty-fourth Motorized Rifle Division from the Volga-Ural Military District, one paratrooper company from an airborne brigade, Ministry of Interior troops, and border service units of the Federal Security Service (FSB). China's force comprised more than 1,600 troops, 6 Il-76 MF transport aircraft, 8 JH-7A bombers, 16 JG-9W helicopters, 24 Mi-17

helicopters (including 8 for reservation), and 200 combat vehicles. In addition, two parachute companies participated from Kazakhstan and Tajikistan and a special-task platoon participated from Kyrgyzstan. The exercise was not larger in scale than “Peace Mission 2005,” the first joint exercise which was held two years earlier. In the final stage of the exercise, airborne units and troops from participating countries took part in field training exercises, which were observed by participants of the SCO summit meeting, held at the same time.

The second joint exercise held inside Russian territory was the anti-terrorist exercise with India, “Indra 2007.” This joint exercise took place on September 11 to 20 in the Pskov Region, which is the closest region to the Baltic countries. Both countries participated in a similar exercise in India in 2005, “Indra 2005,” in which Russia was represented by 130 troops and India by 90 troops. In “Indra 2007,” Russia was represented by its Seventy-sixth Airborne Division and India by 160 members of its Fiftieth Parachute Brigade.

In preparation for joint military exercises within Russia, Russia and China ratified a status of forces agreement prior to the exercise, on May 17, 2007. This agreement was entitled “Agreement between the Russian Federation and the People’s Republic of China on the Status of the Russian Federation’s Military Formations which are Temporarily on the Territory of the People’s Republic of China, and the Status of the People’s Republic of China’s Military Formations which are Temporarily on the Territory of the Russian Federation for the Purpose of Carrying Out Joint Military Exercises.”

On the other hand, because the status of forces agreement between the United States and Russia remained unsigned in 2006, field training exercises for the joint anti-terrorist exercise “Torgau 2007” did not take place as planned inside Russia, occurring instead at a U.S. military base in Hohenfels, Germany from December 1 to 15.

It is generally believed that Russian initiative led to both “Peace Mission 2007” and “Indra 2007” and that the holding of exercises in areas close to Europe was intended as a check on NATO. Moreover, the fact that Russia carried out the same kinds of anti-terrorist exercises at roughly the same time hints at its intentions to have India participate in future military exercises within the SCO framework and at its desire to use the SCO as a check against NATO. However, the SCO is still not a monolith. Relations are complex between China and Russia, the two major powers in the organization. As the influence of the SCO expands, glimpses of an

intra-organizational leadership struggle between the two countries have emerged. At a meeting between military leaders of both countries to discuss exercises by the SCO, China rejected a proposal by Russia that joint military exercises be held between the SCO and the CSTO. According to a report in the military paper *Nezavisimoe Voennoe Obozrenie*, this was because China was averse to the idea of linking two organizations that had different purposes: the SCO, whose goals were primarily political and economic integration, and the CSTO, whose goals were military and political. However, the paper goes on to say that the real reason for the opposition was that Chinese leaders believed that this kind of military integration would dramatically increase Moscow's role in the military affairs of the two organizations. Although leadership of the SCO still rests in the hands of China, militarily Russia continues to have an advantage over China in terms of military technology and operational capabilities. Currently, the Russian Ministry of Defence and General Staff are collaborating with other agencies to develop "A Concept of Cooperation in the Military Arena" for the defense agencies in SCO countries. This is an effort to deepen the collaborative activity between the SCO and the CSTO through counterterrorism measures. These conflicting agendas between Russia and China, the former seeking to take military leadership in the SCO and the latter seeking to expand the influence of the SCO in Central Asia, raise the possibility of a deepening schism between the two countries within the SCO hereafter.

On its own, the Russian military successfully concluded exercises designed to verify progress on integrated strategic and operational planning, which it is aiming to achieve by 2010. Between June 28 and July 4, 2007, it held the command and staff exercise "Region 2007," to verify the capabilities of its regional command in the Moscow and Leningrad Military Districts, which make up Russia's Western region. The exercises focused on counterterrorism and were under the command of Chief of the General Staff Baluyevskiy. In 2006, it held the command and staff exercise "Baikal 2006" to verify the capabilities of the regional command of the East region, which comprises the Siberian Districts, the Far Eastern Districts, and the Pacific Fleet. This leaves only the South region covering the Northern Caucasus District and the Volga-Ural District still to be tested through exercise. From October 28 to November 3, the military carried out a large strategic command and staff exercise "Vostok (East) 2007" which involved the Far Eastern Districts, the Siberian Districts, and the Pacific Fleet. This exercise involved 7,500 troops,

upwards of 200 vehicles, more than 20 ships, and 6 aircraft. Under the command of Baluyevskiy, a large-scale anti-terrorist operation was conducted with the participation of power ministries located in the region. This exercise followed up on last year’s “Baikal 2006” and verified the military’s integrated strategic and operational capabilities in the East region. Speaking to a meeting with the armed forces’ command staffs on November 20, Defence Minister Serdyukov said that a major strategic command and staff exercise called “Stability 2008” would be held over a two-month period in 2008 in various locations across the country. “Stability 2008” will deploy the armed forces, including strategic nuclear forces, to areas near Russia’s borders.

### **(3) The Continued Strengthening of Military Power**

As its actions in these exercises indicate, Russia is feeling highly confident about the revitalization of its military power. On July 26, 2007, President Putin signed a three-year national budget for 2008–2010 into law, the first time the government is using this approach. In the area of national defense, the budget calls for the expenditure of 959 billion rubles, which will pay for weaponry, soldiers’ salaries, and housing and other military infrastructure. In his 2007 Annual Presidential Address to the Federal Assembly, Putin called on legislators twice to support a continued strengthening of military power. With the passage of a budget for the years through 2010, there is now budgetary backing for the State Weapons Program for 2007-2015, which was formulated and adopted in 2006. This decision on a multi-year budget provides a strategic foothold for Putin which will enable him to remain involved in the administration of the military after he leaves office in 2008 (see Table 5.2).

This powerful initiative by the president is contributing to considerable progress

**Table 5.2. Defense spending as percentage of federal budget**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Defense budget ( billions of rubles)	822.0	959.6	1061.5	1191.0
Percentage of total budget (%)	15.0	14.6	14.6	15.5
Indexed to 2007 defense budget (2007 = 100%)	100.0	116.7	129.1	144.9
Percentage of GDP	2.63	2.74	2.67	2.66

Source: *Krasnaya zvezda*, May 31, 2007

in the institutional reform of the military. In terms of personnel system reform, the most significant issue is the military's transition to a contract service system. Because of progress in the adoption of this new system, the period for conscript service was reduced to one year starting on January 1, 2008. On the other hand, to enhance the appeal of contract service, the government is preparing a new law that will enable soldiers to receive free higher education (university education). By January 1, 2008, the military is expecting to be able to fill 125,000 soldier and sergeant positions in its units of constant readiness with contract service soldiers, raising the total number of soldier and sergeants in these units to 247,000. If the transition proceeds according to plan, the number of soldier and sergeant positions filled by contract service soldiers will reach approximately 45 percent of all soldiers and sergeants during 2008. The most closely watched aspect of Russia's effort to strengthen military power through modernization is its equipment modernization program. On August 3, 2007, Defense Minister Serdyukov reported to President Putin that in the first half of 2007 the military had been supplied with thirty six new weapons systems, including the SLBM R-29 RGU Sineva, the 120 millimeter mortar SM-1 Nona, and the surface-to-air missile system S-400 Triumf. According to the Ministry of Defence, defense orders from the government in 2007 will amount to approximately \$35 billion, roughly double the amount spent in 2004. Currently Russia is placing particular emphasis on the development of air and space defense force. First Deputy Prime Minister Ivanov has stated that through 2015 Russia plans to spend a total of 23 billion rubles on aircraft orders for the Russian Air Force. At the same time, Russia has also prepared a document entitled Concept of Air and Space Defense until 2015 to guide the development of its space defense force. At a meeting of the Military-Industrial Commission on June 19, 2007, Ivanov indicated one possible direction for military-related technological development hereafter when he said over the next several decades, air and space intelligence and strikes could be in wide use and that they could become the methods for attaining the main goals of future wars. Moreover, he identified as a high-priority technology the development of a fifth-generation united system of ground-based missiles for use in air and missile defense. He added that this would lead the military to consider integrating the capabilities of its current air defense system. In his statements, Chief of the General Staff Baluyevskiy has indicated that future updates of Russian's military doctrine will contain policies on the fundamental directions and objectives for the construction

of air and space defense systems, which are not contained in the current version.

In this series of actions taken to strengthen and improve the military, some also appear aimed at strengthening military power in Northeast Asia. In relation to ground forces, the military has improved infrastructure that enhances the lives of military personnel stationed in the Northern Territories (Kurul Islands). In terms of air power, the military deployed the upgraded Su-24M2 fighters to Far East Integrated Air Force and Air Defense Army in September, the first deployment of this fighter since its upgrade. By the end of 2008, the military plans to complete the replacement of equipment, components and systems that will be required by the regiment to support the new fighter. It has also completed a similar replacement of support systems for the upgraded Su-27SM fighters at the Komsomol'sk-na-Amure aviation regiment. In December it deployed three Su-27SM fighters to the Primorskiy Region Aviation Regiment.

The most remarkable changes are occurring in naval power. On July 9, 2007, Commander-in-chief of the Russian Fleet Vladimir Masorin said on an inspection visit to the Far East that the navy would be investing 9 billion rubles in the Kamchatka region to construct a new atomic submarine base, which would be home to the new *Borey*-class strategic submarine. In addition, he said that construction of a new base for surface ships at Avachinskaya Bay in Petropavlovsk-Kamchatskiy would begin in April 2008. The Russian Pacific Fleet is based in Vladivostok, along the Japan Sea. While Vladivostok will continue to anchor Russian naval operations in the Far East, Russia has also begun to move its forces to the Kamchatka Peninsula. President Putin himself made a trip to Kamchatka in September to check on progress being made on the new naval bases. Today, although the submarine has still not been deployed to Kamchatka, the garrison's social infrastructure, including housing and physical training facilities, is 95 percent complete.

#### **(4) Arms Exports and Technical Cooperation to Foreign Militaries**

In January 2007, President Putin signed a presidential decree giving Rosoboronexport, the state-owned arms dealer, exclusive rights to export arms from Russia. His aim was to increase centralized authority over arms exports through a unification of export distribution channels, and to expand the weapons market through an integration of public and private resources. In 2007, total arms exports from Russia are estimated to have been more than \$7 billion. Exports to

Asia have been particularly strong. At an Itar-Tass press conference in February 2007, Mikhail Dmitriev, director of the Federal Service for Cooperation on Military Technology, said that the Asian market was the largest destination for Russian arms exports. He said that total exports to Central, East, and South Asia in 2006 reached \$4.2 billion, accounting for 65 percent of Russia's overall sales of arms. Sales were growing especially rapidly to countries in South and Southeast Asia, where a military modernization boom was occurring as a result of the economic recovery in those nations. Russia conducts arms diplomacy with these countries through a combination of political and military means. In January, former Deputy Prime Minister and Defense Minister Ivanov visited India, where he engaged in marketing activity to increase demand for fighters. Then, at a conference between defense ministers of both countries in October, India and Russia agreed on a plan valued at \$20 billion through 2010 for the license production of Su-30MKI fighters, the delivery of MiG-29K and MiG-29KUB carrier-based fighters and Ka-31 airborne early warning helicopters, and the license production of TK-90 main battle tanks. On September 6, 2007, Putin made an official visit to Indonesia which advanced cooperation in military technology between the two countries. During this visit, the first ever by a Russian president, he signed an agreement with the government of Indonesia that provided Indonesia with a \$1 billion export credit tied to the purchase of Russian arms. In Southeast Asia, Russia's principal customer has traditionally been Malaysia, but in 2007 Russia did an increasing amount of business, principally in aircraft, with Indonesia and Vietnam. Russia's order from Indonesia, the largest in history with that country, was received in August 2007 and covered the sale of three Su-27SKM and three Su-30MK2 fighters. The deal included the possibility of an expansion of exports in the future.

Until 2005, the principal destinations for Russia's arms exports were China and India, which accounted for 70 percent of the total value of its arms exports. This structure, however, is on the verge of a major transformation. Russia and China were involved recently in a dispute over the sale to third countries of the JF-17 (designated the FC-1 in China), a Chinese-made fighter which is equipped with a Russian RD-93 aero-engine. It was rumored that Russia had prohibited sales of the fighter to third countries. This rumor was denied by First Deputy Prime Minister Ivanov, who said that Russia had neither prohibited such sales nor adopted such a policy. But what is certain is that because of its relationship with India, Russia

**Table 5.3. Major weapons and defense industry transactions by Russia in 2007**

Country	Details of weapons exports
China	Contract for S-300PMU-2 (SA-20) air defense system (total value, \$200 million)
India	Additional contract for 126 fighters and 40 Su-30MKI fighters Delivery of MiG-29K/KUB fighters (as part of contract for 16 fighters) Contract for remodeling 67 MiG-29B/S fighters (including 8 MiG-29UB training fighters) Contract for 347 T-90S tanks (\$1.237 billion) Up to 3 <i>Talwar</i> -class frigates, project 11356 (approximately \$1.7 billion, under negotiations)
Philippines	Up to 6 Mi-24 attack helicopters (under negotiations)
Sri Lanka	Delivery of 5 MiG-29 fighters
Malaysia	Delivery of 6 Su-30MKM fighters (part of 2003 contract for 18 fighters, \$900 million) Additional contract for Su-30MKM fighters (unknown quantity)
Indonesia	Contract for 3 Su-27SKM fighters and 3 Su-30MK2 fighters (between \$330 million and \$350 million) Signing of \$1 billion export credit (list of weapons: 20 Su-30MK2 fighters; 4 <i>Kilo</i> -class diesel submarines, project 636; 2 <i>Lada</i> -class diesel submarines project Amur-1650; corvettes and other ships; air defense system; \$3 billion) Contract pending for 10 Mi-17 transport helicopters and 3 Mi-35 attack helicopters Contract for corvette project 20382 <i>Tigl</i>
Jordan	Contract for 6 Ka-226 light helicopters (total value, \$25 million) Delivery of 2 Il-76MF transport planes (under contract in 2005) Plan for joint production of RPG-32 grenade launcher system
Saudi Arabia	Up to 150 T-90S tanks, and an unknown quantity of Mi-17 transport helicopters (under negotiations) Contract for 150 attack and transport helicopters (\$2.2 billion)
Venezuela	Delivery of 2 Mi-35M attack helicopters (under contract in 2006) Delivery of 4 Su-30MK2V fighters (under contract in 2006)
Syria	Contract for 5 MiG-31E fighters
Algeria	Delivery of 2 Su-30MKA fighters (as part of 2006 contract for 28 fighters) Delivery of 40 T-90S tanks (under contract in 2006)
Libya	Contract for S-300PMU-2 (SA-20) air defense missiles (4 batteries); 20 Tor-M1 air defense systems; 12 Su-30MK2 fighters; 12 MiG-29SMT fighters; 2 <i>Kilo</i> -class diesel submarines, project 636 (\$2.2 billion)
Croatia	Delivery of 2 Mi-171Sh transport helicopters (part of contract for 10 aircraft; total contract value, \$65 million)
Iran	Delivery of 29 Tor-M1 air defense systems (under contract in 2005; \$800 million)
Greece	Contract for 415 infantry fighting vehicles (1.2 billion euros)

Source: Compiled using data from Russian media reports.

cannot engage aggressively in arms diplomacy with Pakistan. This contrasts with the situation for China, which has sold 150 fighters to that country. This revitalization of China's arms exports is undoubtedly a cause for concern for Russia. In addition to this entry by China into Russia's arms markets, Belarus signed a military agreement valued at more than \$1 billion with Venezuela on July 22. In the arms market, a new battle for market share is about to occur (see Table 5.3).