

## **Chapter 6**

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# **Russia— Evolving into an Independent Strategic Player**



In May 2008, Russia inaugurated an administration with a historically peculiar tandem structure, in which power is divided between President Dmitriy Medvedev and Prime Minister Vladimir Putin. While the challenges facing Russia as a nation have been highlighted in a plan entitled “Russia’s Development Strategy through to 2020,” there are signs that the country’s civil-military relations are being strained by disagreements over national security policy. Russia’s military clash with Georgia in August, its first military action outside the country since the dissolution of the Soviet Union, was aimed at demonstrating to the international community that Russia has both the intention and the capability to take this kind of military action in defense of its national interests. Moreover, in response to US plans to deploy a missile defense system in Poland and the Czech Republic, Russia has maintained a consistently hard-line foreign policy, including announcing its own plans to deploy ballistic missiles in the Russian exclave Kaliningrad region that is adjacent to Poland.

While opposing the United States in its possible intention to establish a global missile defense system, Russia is also growing increasingly wary of Japan’s efforts to build a ballistic missile system in East Asia. Thus, the deterioration of US-Russia relations is having an impact on diplomacy in East Asia. With resurging national power allowing Russia gradually to assume the status of independent strategic player, its motivation to strengthen strategic ties with China for the purpose of restraining the United States has diminished and it is seeking ways to establish its own style of diplomacy in East Asia, based on the export of arms and natural resources. Since 2007, its strategic bombers have resumed regular long-distance patrols, and in February 2008 a Russian strategic bomber violated Japanese airspace over the southern end of the Izu Island chain, the first such incident in this area in 33 years.

Militarily, Russia sought to expand its sphere of influence by conducting military exercises and entering into cooperative agreements on military technology with the nations of the Collective Security Treaty Organization (the “CSTO,” which consists of seven countries from the former Soviet Union) and with Venezuela. With Russia aspiring to promote innovation in the military both in terms of personnel and equipment, Minister of Defense Anatoliy Serdyukov has revealed plans for military reform on an unprecedented scale. Additionally, Russia’s military reform, which is aimed in part at revitalizing its weakened and struggling defense industry, is entering a new stage.

## 1. A Historically Unconventional Tandem Leadership Structure

### (1) The Inauguration of the New Medvedev Administration

A tandem leadership structure has come into being in Russia. Historically unconventional for both the Soviet Union and Russia, it is led by two powerful leaders, President Dmitry Medvedev and Prime Minister Vladimir Putin. During his eight-year tenure, former President Putin achieved success in setting Russia on course toward restoring its status as a world power—by fostering economic growth, stabilizing politics, and reestablishing order in society. In light of these achievements, many Russian citizens had hoped that President Putin would remain in power. The Russian constitution, however, limits the president's tenure to two consecutive terms, totaling eight years. As an advocate of the rule of law, President Putin chose not to enact a constitutional amendment that would have extended his stay in office. Instead he handed the presidency over to Medvedev, his choice as a successor and a former first deputy prime minister. At the time Medvedev took office, however, he was only 42 years old and a political novice. He also had no links to one of the groups whose support would be vital to running the government, the *siloviki*, who are the political elite from the military or security services. It was to support Medvedev among the *siloviki* that Putin remained in office, in the position of prime minister. On February 8, just weeks before the presidential election, Putin gave a speech to the Expanded Meeting of the State Council entitled "Russia's Development Strategy through to 2020," in which he personally enunciated the nation's medium-term strategy. Taking office soon thereafter, the Medvedev administration has been proposing and carrying out policies based on this national strategy, so Putin's policies are basically being continued under the new administration.

In the presidential election held on March 2, Medvedev was elected Russia's third president, capturing over 70 percent of the vote. On May 7, the new president took office in a grand inauguration ceremony held at the Kremlin. Two days later, the new government presided over its first public event, a military parade at Red Square commemorating the 63rd anniversary of Russia's victory over Germany—the "Victory in the Great Patriotic War." After the dissolution of the Soviet Union, Russia had stopped holding military parades in Red Square. And when the parades resumed in 1995, they had become processions of soldiers only. So the parade on May 9 was notable because, for the first time since 1990, immediately before the

demise of the Soviet Union, the military put on a major display of its weaponry. The parade featured: 32 aircraft, including the Tu-160 strategic bombers and the Su-34 fighters; the T-90 battle tanks and the BMD-4 airborne infantry fighting vehicles; surface-to-air missiles; and self-propelled artillery. Also on display were the missiles which Russia believes can penetrate the US missile defense system, such as the *Topol'* mobile intercontinental ballistic missile (ICBM) and the *Iskander* short-range cruise missile. The parade conveyed a political message, both to Russia's own citizens and to other countries, which was that, with the inauguration of the new administration, the country was also beginning to resurrect itself as a major power. Initially, the Presidential Executive Office was not enthusiastic about reinstating large-scale military parades. But it was prevailed upon to do so by the military, which pushed strongly for the idea. The resulting parade featured 8,000 soldiers marching in new uniforms and an emblematic array of 143 weapon systems. On the same day, a similar kind of parade was held in St. Petersburg, in which 4,000 troops and 80 tanks participated.

Another sign of the continuity between administrations was the composition of the Medvedev cabinet. Of 27 major cabinet positions, approximately half were given to ministers who had served in the Putin administration. Many of the remaining posts were filled through personnel transfers within the government. There were only three new faces in the Medvedev cabinet. Prime Minister Putin and President Medvedev exchanged offices with the former moving from the Presidential Executive Office near the Kremlin, to what is commonly known as the White House, where the Prime Minister's (Executive) Office is located, and the latter moving in the opposite direction. Both staffs also moved, but all in all it was the same people that ended up in charge. In Russia, diplomacy and national security have been the sole prerogative of the president, while the prime minister has traditionally dealt with internal affairs, primarily economic and social issues. But with the adoption of the new tandem leadership structure, a change has occurred in these roles. In his first official overseas trip, President

Medvedev visited Kazakhstan and China in May, following this up with a trip to Germany in June, underscoring Russia's friendly relations with these countries. Prime Minister Putin, meanwhile, has also maintained a diplomatic role, which began with a trip to Belarus and continued with a meeting with French President Nicolas Sarkozy and then attendance at the Opening Ceremony of the Beijing Olympics in August, where he held discussions with US President George W. Bush and other leaders. In an interview with French newspapers, Putin was asked whether diplomacy should not in fact be the job of the president. His response was that, although he was acting as prime minister, it was in his role as a permanent member of Russia's Security Council that he was involved in diplomatic activity. Medvedev and Putin meet constantly for one-on-one discussions and frequently convene operational meetings of the Security Council. Through these and other means, they take considerable care to avoid inconsistencies in information aggregation and in decision making. Although the Security Council itself played no real role in the Putin administration, it has begun to be used as a political device to support the new power sharing structure. From the above, it can be seen that Prime Minister Putin continues to wield significant influence on important policy issues and on diplomatic negotiations. We believe that his influence on decision making has been particularly strong since the Georgian Conflict.

Whether the tandem leadership structure is, in essence, "Putin running the show from behind the scenes" or a "transition of power from Putin to Medvedev" is still a matter of debate. There are some who believe that, although Putin obeyed the constitution and turned the presidency over to Medvedev, he will return as president and personally see the country's strategic plan through 2020 brought to a conclusion. Those of this persuasion argue that Putin's political skills will be indispensable in bringing about a needed breakthrough in relationships with Europe and the United States, which have deteriorated as a result of the Georgian Conflict. And, as will be discussed below, they argue that those skills will be necessary to restore the relationship between the government and the military, which has been on shaky ground since the launching of the tandem leadership arrangement. Finally, they see Putin playing a vital role in the task of rebuilding an economy which has slumped because of the global financial crisis and the decline in international oil prices. In his Annual Presidential Address to the Federal Assembly on November 5, moreover, President Medvedev declared his intentions to revise the constitution so that the terms of office of the President and members

of the State Duma are increased from four to six years and four to five years, respectively. Procedures required for this revision were completed by the end of 2008, setting the stage, some believe, for Putin's return to power at some point.

## **(2) Russia's Development Strategy to 2020**

After hitting bottom in the financial crisis of 1998, the Russian economy has grown rapidly at a rate of 6–10 percent since 1999. In 2007, economic growth reached 8.1 percent, marking nine consecutive years of expansion. According to the Federal State Statistics Service, in January 2007, Russia's total GDP had recovered to the level last achieved by the Soviet Union immediately before its dissolution. Russia's gold and foreign exchange reserves now rank third behind China's and Japan's, and in July 2008 they exceeded the total held by the 16 countries in the euro zone. Along with the other BRICs countries (the newly emerging economies of Brazil, Russia, India, and China), its reserves in July grew at a faster year-on-year rate than they grew in June. In his development strategy speech, President Putin declared that Russia had regained its position as a major power on the international stage, pointing to the fact that Russia's GDP in 2007, adjusted for purchasing power parity, had overtaken Italy's and France's to become the seventh largest in the world. He also forecast that in 2008 the country's GDP, in terms of purchasing power parity, would surpass Britain's and become the sixth largest in the world. In the same speech, Putin also propounded the vision of Russia becoming the largest economy in Europe by 2020, joining the United States, China, Japan, and India as one of the five great economic powers in the world. In the speech, Putin also said that Russia's foreign debt had been reduced to three percent of GDP, and that during his administration's eight years in office real incomes and pensions increased by 2.5 times, the unemployment and poverty rates halved, and the country had begun to deal successfully with the problem of a declining population.

However, because of the sharp decline in international oil prices and the impact of the global financial crisis, economic growth in Russia decelerated in the second half of 2008. The Russian economy's dependence on mineral resources is high; they account for nearly one half of the nation's annual revenues and approximately two thirds of its exports. After peaking at \$147 per barrel in July, however, crude oil futures on the New York market plummeted to \$30–40 per barrel at year end, significantly below the base price of \$74 assumed in Russia's

fiscal 2008 budget. The outlook for fiscal 2009 is for the country to record its first budget deficit in 10 years. Moreover, with other domestic factors adding to its problems—inflation and population decline, lagging technological innovation, and the future depletion of resources—it is becoming increasingly difficult for Russia to sustain an average six percent economic growth rate through 2020, which is the rate it uses in its development plan to 2020. According to Russia's Ministry of Economic Development, economic growth in 2008 will decline to an estimated 5.6 percent, with growth falling sharply again in 2009. Nevertheless, the Russian economy is not expected to slide into negative territory over the long term, for several reasons: (a) the International Energy Agency forecasts that international oil prices will begin to rise again over the medium-to-long term; (b) since 2004, the Russian government has set aside a portion of its oil revenues as a fund to tide it over during periods of sharply declining resource prices; (c) since 2008, the Russian government has adopted a medium-term perspective for managing its budget, which it reinforces through the use of a three-year budget; and (d) Russia is endeavoring to dislodge the economy from its current dependence on resources and is taking steps to diversify its industrial structure. According to a forecast released by the International Monetary Fund in January 2009, Russia's economic growth will fall to minus 0.7 percent in 2009 but will resume its upward trend in 2010. We expect the decline in Russia's economic growth to affect the country negatively on the home front in terms of its ability to implement the aforementioned development strategies to 2020, and also on the international front in terms of its ability to adopt the kind of get-tough posture that it took in the Georgian Conflict.

Based on figures provided by the Russian government, Russia's defense budget has been increasing at a rate of around 20 percent per annum, and in 2009 is expected to rise by approximately 25 percent year-over-year. The defense budget more than quintupled during President Putin's eight years in office, but as a percentage of GDP it remained unchanged at around 2.7 percent. According to the Russian government, expenditures are now at the level of the UK's and France's, indicating that Russia's defense spending has been increasingly proportionally with the expansion of its economy. This reflects some reluctance on the part of the Putin government to move resources heavily into the military sector given what happened to the Soviet Union, whose collapse it attributes to an excessively one-sided policy in favor of the military. In his development strategy speech for the



period to 2020, President Putin stated on the record that defense expenditures should be commensurate with the nation's strength and that social and economic development should not be sacrificed for the sake of defense. However, as we will discuss below, because of the substantial recovery in the country's national power as a result of resource exports and the deterioration in its strategic environment from the expansion of the North Atlantic Treaty Organization (NATO), the military is pushing back hard against Putin's policy of favoring economic growth above all else. The goal of restoring the country to a position of power internationally has not itself been at issue; both the civil and military sectors agree that this must be pursued. However, some in the military are now calling for the defense budget to be increased to 3.5 percent of GDP, causing a split between the government and the military on what constitutes an appropriate rate of national resource allocation to the military.

### **(3) Strains in Civil-military Relations**

Virtually as soon as the Medvedev-Putin leadership structure was launched, strains began to emerge in civil-military relations over what constitutes proper policy on national security. In the political race to succeed Putin, the military had supported former First Deputy Prime Minister Sergei Ivanov, who lost out to Medvedev in December 2007. Since then, Gen. Yuriy Baluevskiy, who was at the time Chief of the General Staff and the First Deputy Defense Minister, has made frequent appearances in the media, repeating hard-line political positions, including a call for unilateral withdrawal from the Intermediate-Range Nuclear Forces Treaty (INF). In a press conference on December 15, Baluevskiy announced that, in response to the United States' missile defense plans, Russia would be deploying by 2012 several nuclear submarines carrying the Bulava-30, a new submarine-launched ballistic missile (SLBM). On January 19, 2008, at a meeting at the Military Academy, Baluevskiy touched on the issue of the first use of nuclear weapons, saying that "in order to protect its and its allies' sovereignty and territorial integrity, Russia will use its armed forces, including nuclear weapons, and it can do it preemptively." Having served as chief of the general staff since 2004, Baluevskiy had been asked to extend his retirement for three years by President Putin, an indication of his considerable influence on both the civilian government and the military. His statements, therefore, have attracted considerable attention from the international community.

On March 18, 2008, when the foreign and defense ministers of the United States and Russia met for the 2+2 meeting, Chief of the General Staff Baluevskiy was absent because, it was said, he was on vacation. Because this meeting dealt with security issues, principally the problem of the US missile defense system, Baluevskiy's absence fueled speculation that problems had arisen in civil-military relations. On March 21, the Russian media reported that a bitter argument had erupted between the General Staff and Defense Minister Anatoliy Serdyukov, and that the entire General Staff, including Baluevskiy, had submitted their resignations. The military and the civilian government disputed four issues: (a) Serdyukov's insistence that the General Headquarters of the Navy be moved to St. Petersburg, a move which the military chiefs argued demonstrated his lack of understanding of military matters; (b) the sale of assets held by the military to the private sector; (c) reductions in the number of people serving in the military, by substituting civilians for military personnel in support functions such as military physicians, military journalists, and military lawyers; and (d) rationalization of the General Staff, through a reduction in the size of its organization and personnel reductions.

But Gen. Baluevskiy's political statements and actions can be interpreted not merely as a dispute with Defense Minister Serdyukov for his undisguised push for military reforms but also as criticisms pointed at the Putin administration. At the 2+2 meeting, negotiators were searching for a compromise on the missile defense issue, and some believe that when the President Putin was about to make concessions to the United States, Baluevskiy blocked the deal by submitting his resignation. Ultimately the threat of Baluevskiy's resignation was enough to prevent Russia and the United States from reaching an agreement on the missile defense problem at the April 6th summit meeting held in the southern Russian city of Sochi. It is widely believed that Putin prevailed upon Baluevskiy to remain in office, but except for a meeting with Saito Takashi, chief of staff of the Joint Staff of the Japan Self-Defense Forces on April 11, Gen. Baluevskiy has not appeared in public since the summit, and his presence was not confirmed at the military parade held in Red Square on May 9. On June 3, after the new administration had taken office, President Medvedev announced that he was dismissing Baluevskiy as Chief of the General Staff and appointing Nikolay Makarov, Chief of the Armament for the Russian Armed Forces and Deputy Minister of Defense, as his replacement. But Baluevskiy was not completely shut

out from the government. He was appointed deputy secretary of the Security Council and was also awarded the Second Order of Merit to the Motherland for his efforts to reform the military.

Although some believe that Baluevskiy was being exiled to a sinecure when he joined the Secretariat of the Security Council, one could argue, for the reasons presented below, that he is being counted on to represent the military in the final adjustments to security policy which are made by the Security Council. First, the position of deputy secretary of the Security Council is formally higher than chief of the general staff. Second, the final drafts of the *National Security Concept* and *Military Doctrine*, two documents of national importance, which govern security strategy for Russia, are compiled by the Secretariat of the Security Council. In an interview with news agencies in December, Baluevskiy announced that he would be leading the working group charged with formulating the country's new *Military Doctrine*, in which the so-called armed ministries—the Ministry of Defense, the Federal Security Service (FSB), and the Ministry of Internal Affairs—are involved. That said, however, the secretary of the Security Council is Nikolay Patrushev, the previous director of the FSB, and many of the senior officials on the council are former members of the FSB. Moreover, just before Baluevskiy joined the Security Council, a new first deputy secretary position was established and Patrushev's right-hand man, Vladimir Bulavin, was appointed deputy director of the FSB. These and other moves indicate that Baluevskiy, with his military roots, may have limited scope to exert influence. Further signs of instability in civil-military relations emerged thereafter, including the resignation at the end of June of several senior officers on the General Staff who were close to Baluevskiy and the early retirement, with one year remaining before their official retirement, of two senior administrators in the Ministry of Defense.

Military hardliners such as Baluevskiy believe that NATO's eastward expansion, the United States' deployment of a missile defense system in Europe, and other aspects of Russia's deteriorating strategic environment have been caused by policies pursued by the Putin administration, namely its priority on economic matters and the conciliatory approach that it has taken in its dealings with the United States. First, while Russia may never again regain the status of military superpower that it held during the Soviet era, hardliners argue that Putin's policies have caused Russia's military power to be weakened, and that it is this military weakness that has prompted the United States to take steps to contain Russia;

second, in the wake of the terrorist attacks, President Putin brushed aside opposition from the military and allowed US forces to be stationed in Central Asia, as part of a policy of cooperation with the United States in matters relating to nontraditional security, including international counter-terrorism measures. Despite this, in the view of military hardliners, Putin was unable to stave off NATO's eastward expansion, the United States' deployment of a missile defense system in Europe, and so on. What has lent considerable credence to these views by the military—and what has heightened the military's profile in debates on Russia's security strategy—was the military clash with Georgia in August.

## **2. A Continued Assertive Russian Foreign Policy**

### **(1) Russia's First Extraterritorial Military Action since the Demise of the Soviet Union**

In August, Russia and Georgia clashed militarily over the independence of South Ossetia, a region within Georgia. The independence movement in South Ossetia first emerged at around the time of collapse of the Soviet Union and has twice exploded into violent conflicts with Georgia. In 1992, with mandates from Russia, Georgia, North and South Ossetia, a mixed peacekeeping force composed of 500 troops from each of these countries and regions was established. A unit of the Russian Army was also stationed in the region. Although international law recognizes South Ossetia as a part of Georgian territory, the Georgian government's control extends to only a part of the region, which is de facto under the influence of Russia and is virtually independent of Georgia. Ossetians, who make up the majority of the people living in the region, receive passports from Russia, and South Ossetia's separatist government receives aid from Russia, both in the form of human resources and financial assistance. In Georgia, a presidential election was held in January 2004. The pro-Western Mikheil Saakashvili was elected

president. After his administration took office, relations between Russia and Georgia deteriorated, leading to a tense military situation in which frequent skirmishes broke out between separatist forces from South Ossetia and the Georgian military.

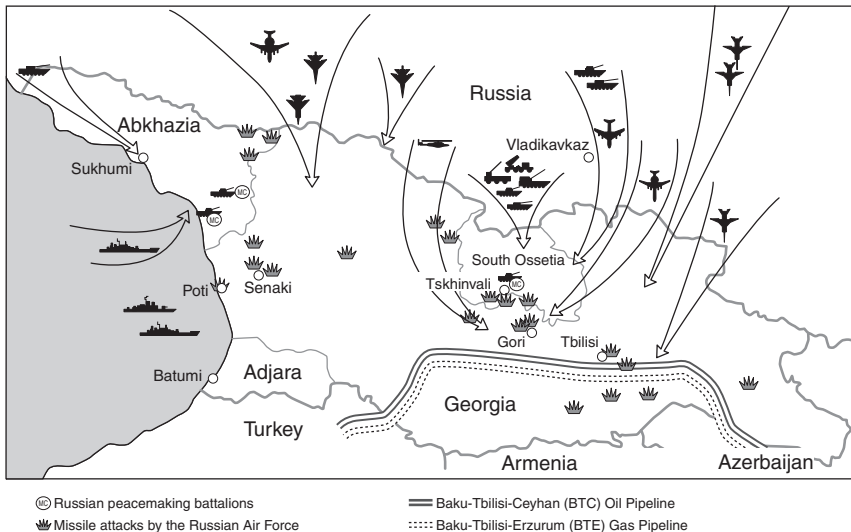
Then, in the late evening of August 7, Georgia launched an artillery barrage on Tskhinvali, the most important city of South Ossetia. The stated reason for the attack was to restore constitutional order in the region. Because the bombardment caused numerous casualties among the Russian peacekeeping force stationed in the region and also among residents with Russian nationality, Russia commenced a military action, for the stated reason of exercising its peacekeepers' rights of self defense and of protecting its country's nationals. In addition to aerial bombing of Georgian military positions, Russia's 58th Army of the Northern Caucasus Military District advanced on South Ossetia. Over a two-day period, the Russian military deployed about 10,000 troops. The swiftness of the Russian operation caused one high US military official to say that the speed of the Russian advance was a surprise. In fact, in mid-July, the Russian military had carried out an anti-terrorism exercise dubbed "Kavkaz (Caucasus) 2008," in which 8,000 troops were assembled near the Roki Pass on the border of Georgia. Some observers believe that Russia was using these exercises as preparation for an assumed military clash with Georgia. In this conflict, the Russian joint command, which was established in the city of Vladikavkaz, North Ossetia, directed a joint force composed of inter-service units rapidly deployed from various parts of Russia and executed joint operations for the first time in actual combat. This provides an indication of how far along Russia has come in actualizing its unified operational structure, which the Russian military has been advancing as a part of its structural reform program. This feat suggests that, when considering Japan's security environment, it is becoming increasingly less useful to evaluate the state of readiness of Russia's military by looking exclusively at strategic elements of the Russian military stationed in the Far Eastern region.

Many of the actual facts of the Georgian Conflict are unclear, with Russia and Georgia saying very different things about the details of the war, such as whether SS-21 missiles or cluster munitions were used or not. According to *Kommersant Vlast'*, a Russian weekly magazine, Russia committed between 25,000 and 30,000 troops to the conflict, while Georgia deployed approximately 30,000. The magazine reported that, in addition to the regular military, noncombatants such as

militias and volunteer soldiers were also involved. By the magazine's tally, Russia's force strength consisted of the following: 150–200 battle tanks; 650–700 armored combat vehicles; 150–200 combat aircraft, including the Su-27; 30–40 combat helicopters, including the Mi-24; 10 warships; and 4 Tochka-U tactical ballistic missile launchers. On the other hand, according to the magazine, Georgia's force comprised: 240 battle tanks; 270–300 armored combat vehicles; 12 combat aircraft; 40 combat helicopters; and 17 warships. Although the Georgians, who possessed US-made weapons, held a slight advantage in terms of weapons performance—as indicated by their ability to shoot down Russian fighters—the Russian military, with its long and varied experience in actual combat in Chechnya, had superior operational capabilities. As shown in Figure 6.1, many of the military bases in Georgia were attacked by Russia. On the other hand, in the battle of information, Russia was dominated by Georgia, which skillfully used the Western media for its own ends. The result was that Russia was denounced by the press in the United States and Europe for its excessive use of military force and suffered major damage to its external image.

On August 12, President Medvedev declared an end to the military campaign and signed a ceasefire agreement mediated by President Sarkozy of France, which

**Figure 6.1. Military action taken by Russia against Georgia**



Source: *Kommersant Vlast* No.32 (August 18, 2008)

at the time was the chair nation of the EU. The ceasefire brought an end to the short five-day military conflict between Russia and Georgia. As a result of the war, Georgia withdrew from the Commonwealth of Independent States (CIS) and on August 20 Poland signed an agreement with the United States to deploy a US missile defense system. The biggest reason for Russia's excessive use of force in its counterattack against Georgia was its desire to thwart Georgia's accession to NATO, whose rules state that a condition for new membership is that the country desiring to join must have resolved all territorial and ethnic problems within its borders. To achieve NATO membership at an early date, the Saakashvili government would have had to establish central government authority over Adjara in the southwestern part of the country and then over South Ossetia and Abkhazia. This situation provided Russia with an opportunity to support growing movements for independence in the latter two regions and in the post-conflict period to recognize their independence. After entering into friendship, cooperation and mutual assistance treaties with both regions, it formally stationed one brigade of ground forces (a force of 3,700 soldiers) in each. Although out of concerns for secessionism in its own country, Russia has consistently opposed the recognition of an independent Kosovo, on the matter of independence for these two regions, it changed its own position dramatically, willingly accepting the costs that it would incur in terms of isolation in international society.

In December 2007, Russia unilaterally suspended observance of its obligations under the Treaty on Conventional Armed Forces in Europe (CFE). Had it not done so, its military actions would, in all likelihood, have been in violation of the CFE Treaty. Signed by NATO and the former Warsaw Pact, the CFE Treaty is an arms control agreement which sets limits on the amount of conventional weapons (battle tanks, armored combat vehicles, pieces of artillery, combat aircraft, and attack helicopters) that the signatories may have in that part of Europe which extends from the Atlantic Ocean to the Ural Mountains (for Russia, only the area of Europe west of the Urals), and establishes a mutual reporting requirement for the signatories when they deploy military units above a certain size. From the standpoint of the Russian military, the treaty was a hindrance which kept it from carrying out major troop deployments in Russia's European region, including those required to conduct military exercises. The Georgian Conflict has had a major impact on the security of Europe because some now saying that Russia's use of force in Georgia and its stationing of its military in South Ossetia and

Abkhazia mean the de facto collapse of the CFE Treaty.

The impact of the Georgian Conflict on international security can be summarized as follows. First, in the post-9/11 world, the commonly accepted view was that the key concerns for international security had become international terrorism, the spread of weapons of mass destruction, and other asymmetric threats caused by non-state actors; the Georgian Conflict has shown that traditional armed conflict among nations stemming from territorial and ethnic issues can still occur today. Second, Russia has demonstrated to the international community that, despite its membership in the Group of Eight industrialized nations and its pursuit of a market economy and its transition to a democratic society, it has both the will and ability to take military action beyond its borders to protect its national interests. Third, Russia took this kind of military action because of a perception that, in the national security arena, the unilateralism of the United States was declining; witness that, after the conflict, the United States was unable to organize effective sanctions against Russia.

## **(2) Deteriorating US-Russia Relations**

Following the Georgian Conflict and Russia's recognition of the independence of South Ossetia and Abkhazia, relations between Russia and the West have declined to their worst state since the end of the Cold War. Within Russia, hard-line pronouncements against the US have dominated discourse since the end of the conflict, including this one by President Medvedev: "We are not afraid of anything, including the prospect of a Cold War." Also, public opinion polls show that the attitudes of the Russian people toward the United States have taken a sharp downward turn. Some are attributing this to a feeling among Russians that the US had a distant hand in igniting the conflict by pushing to expand NATO to include Georgia and by supporting the Georgian military nominally because of Georgia's contribution of troops to the war in Iraq. Domestically, therefore, many Russians now share the hard-line views toward the United States that have been expressed by conservative factions in the military and these negative attitudes could have an impact on the content of the new *National Security Concept* and *Military Doctrine* which are now being developed by the Secretariat of the Security Council.

On the other hand, in the arena of national security, Russia is also beginning to be viewed more negatively in the United States, as evidenced by two documents released by the US Department of Defense at around the time of the Georgian



Conflict. In *National Defense Strategy*, which came out at the end of July, the US Department of Defense stated: “Russia’s retreat from openness and democracy could have significant security implications for the United States, our European allies, and our partners in other regions.” Among the concrete causes for concern cited by the report were: Russia’s leveraging of the revenue from, and access to, its energy sources for diplomatic ends; its assertion of claims in the Arctic Ocean and its bullying of neighboring countries; its renewal of long-range bomber flights, withdrawal from arms control and force reduction treaties, and intimidation of countries that host US missile defense bases; and its increasing reliance on nuclear weapons. In a report issued in September entitled *National Security and Nuclear Weapons in the 21st Century*, the Department of Defense identifies China and Russia with increasingly modernized nuclear weapons as one of the key security challenges confronting the United States several decades in the future. The report goes on to warn that “Russia’s transition to a more democratic state... has seen recent setbacks. Greatly assisted by profits from its oil and natural gas resources, Russia continues to modernize its strategic nuclear forces.”

Today, US-Russian relations have a dual structure. On the one hand, there is a

### **Outline of US-Russia Strategic Framework Declaration (April 6, 2008)**

#### **1. Promoting security**

Post-START; Intermediate-Range Nuclear Forces Treaty (INF); Treaty on Conventional Armed Forces in Europe (CFE); measures against the illicit trafficking or destabilizing accumulation of conventional arms; defense technology cooperation

#### **2. Preventing the spread of weapons of mass destruction (WMD)**

The Treaty on the Non-Proliferation of Nuclear Weapons (NPT); Declaration on Nuclear Energy and Nonproliferation; International Uranium Enrichment Center; the Global Nuclear Energy Partnership (GNEP); development of innovative nuclear reactors and fuel cycles; the problem of uranium enrichment; the problem of Iran and North Korea; US-Russian Civilian Nuclear Cooperation Agreement; global initiative to combat nuclear terrorism; nuclear security; Proliferation Security Initiative (PSI)

#### **3. Combating global terrorism**

Bilateral cooperation; multilateral initiatives

#### **4. Strategic economic cooperation**

Russia’s accession to the WTO; dialogue on economy, investments, energy

clash of interests in areas of traditional security, such as NATO's eastward expansion, the deployment of missile defense systems in Europe, and the Georgian Conflict. On the other, there is cooperation in dealing with nontraditional security-related threats such as international terrorism perpetrated by the forces of Islamic radicalism and the spread of weapons of mass destruction. Since the 9/11 terrorist attacks, cooperation on matters of nontraditional security has expanded and deepened, culminating in the US-Russia Strategic Framework Declaration signed at the US-Russia Summit in April (see "Outline of US-Russia Strategic Framework Declaration"). While it is undeniable that the Georgian Conflict has caused relations between the two countries to skid seriously into conflict, both countries are at the same time seeking ways to cooperate in the peaceful use of atomic energy, as shown by the US-Russian Civilian Nuclear Cooperation Agreement that was made a part of the Strategic Framework Declaration. If this agreement comes into force, it will result in further cooperation between the United States and Russia on nuclear technology and will enable Russia to handle the reprocessing of spent nuclear fuel from the United States. The US government, in the wake of the Georgian Conflict, considered annulling this agreement as a way to sanction Russia. Rather than annul the agreement, however, the Bush administration chose to freeze further work on the agreement until the new administration took office. From the perspective of nuclear non-proliferation, the United States values cooperation with Russia on nuclear energy and there were no signs of either country pushing their disagreements beyond the point of no return on this matter. The United States has its hands full with its military campaigns in Iraq and Afghanistan and Russia clearly recognizes that these commitments leave the US with little capacity to oppose it on this non-traditional security issue.

In the US presidential elections held on November 5, Democratic candidate Barack Obama emerged as the victor. A few hours after the election results became final, President Medvedev delivered his Annual Presidential Address to the Federal Assembly. Ordinarily, Russian presidents deliver their speeches immediately after their inauguration but in this instance Russia seems to have postponed the occasion until it could ascertain which candidate would assume power. In a speech that contained an unprecedented amount of criticism of the United States, President Medvedev pulled no punches in pointing to US responsibilities for the Georgian Conflict, saying that "the tragedy of Tskhinvali was made possible in part by the conceit of a US administration that closed its ears to criticism and preferred the

road of unilateral decisions.” Medvedev declared that the Georgian Conflict was used as an excuse to send NATO warships into the Black Sea and to deploy US missile defense systems in Europe, and then spelled out the military countermeasures that Russia would take to deal with the US anti-missile systems. These would include, he said: (a) a suspension of plans that would have disbanded by the end of 2009 three missile regiments of a missile division (equipped with ICBMs) that is stationed in the Kaluga region of central Russia; (b) the deployment of the *Iskander* short-range surface-to-surface missile and electronic jamming equipment in the Kaliningrad region, the Russian enclave that is sandwiched between the two NATO member countries of Poland and Lithuania; and (c) the utilization of the Russian Navy to neutralize the missile defense system.

The United States plans to deploy interceptor missiles in Poland and to construct a radar station in the Czech Republic. The United States explains that the missile defense system will be necessary to defend against the threat of missile attacks from Iran and other nations. Russia, however, is vehemently opposed to the system, saying that while it recognizes that the system does not pose an immediate threat, future expansion and improvements to the system globally would threaten its security. Moreover, the first Strategic Arms Reduction Treaty (START) I, a treaty signed in 1991 by the United States and the former Soviet Union for the purpose of reducing nuclear weapons, is set to expire at the end of 2009. For the United States and Russia, finding a way to maintain a framework of arms control and arms reduction following the expiration of START-I has become a major issue. As these problems illustrate, there are a multitude of pressing issues that must be dealt with by the two nations. But because of the overwhelming military advantage held by the United States, Russia does not want to get into a military showdown with the United States. Instead, while adopting a mixture of hard-line and conciliatory actions toward the United States diplomatically, it is waiting for the Obama administration’s first move.

### **(3) A Search for Russia’s Own Brand of East Asian Diplomacy**

In July 2008, Russia revised its *Foreign Policy Concept*—the document that expresses the principles and policies of the country’s foreign policy—for the first time in eight years. The new *Concept*, however, does not alter the priorities of Russian foreign policy. Russian diplomacy will continue to focus, first, on the geopolitically vital CIS, second, on Europe, its largest trading partner, and, third,

on the United States, with which it has pressing security concerns. Although Russia places less priority on the Asian region, its focus there is on China and India and on the Shanghai Cooperation Organisation (SCO); only afterwards does Japan merit mention. Traditionally, the Asian region has never ranked high as a focal point of Russian diplomacy. But for a combination of political and economic reasons—deteriorating diplomatic relations with Europe and the United States and the need to export its resources to the Asian region to sustain economic growth—a case can be made that the center of gravity of Russia’s foreign policy has begun to tilt toward Asia.

While Russia’s East Asian diplomacy will continue to center on its strategic cooperation with China, which it views as the most important country in the region, Russia has also begun to search for its own brand of diplomacy in East Asia as its national power has recovered and as US unilateralism has declined. Outwardly although Russia and China continue to play up the honeymoon aspects of their relationship, their growing rapprochement has in recent years hit a ceiling; the highpoint was in 2004, when they agreed on the complete demarcation of their mutual border. The China-Russia strategic partnership has been a mixture of the strategic need to restrain the United States and of utilitarian interests, such as weapons and energy exports. But the Georgian Conflict demonstrated that Russia is beginning to take increasingly independent actions strategically and as it does so its motivation to cooperate strategically with China in restraining the United States declines. At the SCO Summit Meeting held in the Tajikistan capital of Dushanbe on August 28, China and the four Central Asian members of the SCO expressed understanding of Russia’s actions in the Georgian Conflict but stopped short of supporting its recognition of the independence of South Ossetia and Abkhazia. Besides Russia, only the Central American country of Nicaragua now recognizes the independence of those two regions.

Regarding the utilitarian aspects of the relationship, which revolve around weapons and energy exports, this too is problematic as weapons exports by Russia to China plunged by around 60 percent year-on-year in 2007 and as no new contracts for the sale of large weapons systems have recently been signed. Observers point to a number of factors that may be contributing to this situation, such as: (a) the major Russian weapons systems have already been sold to China; (b) there is increasing caution within Russia about exporting arms to China in view of the likelihood that China will emerge as a military power in the future; (c)

Russians are increasingly rejecting the idea of selling weapons to China when these weapons end up as copied versions sold to third-party countries. In terms of energy exports as well, problems have begun to arise. When President Medvedev made his state visit to China in May, both countries failed to bridge their differences on export prices for energy and also made no progress on problems surrounding the construction of the China branch pipeline of the Eastern Siberia-Pacific oil pipeline. For strategic reasons, Russia had previously given China preferential treatment on arms and energy exports. It is beginning to change this external stance, and, in terms of energy cooperation, now appears more eager to strengthen its relationship with Japan and South Korea.

At the end of September, South Korea's President Lee Myung-bak, who was making his first state visit to Russia following his inauguration, reached an agreement with President Medvedev to elevate the status of their countries' bilateral relationship to a "strategic partnership." In his talks with President Medvedev, President Lee proposed a three-part economic development and cooperation program, involving three new "silk roads": the "Iron Silk Road," which would be established through the linkage of the Trans-Siberian and Trans-Korean railways; the "Energy Road," based on cooperation in resource development and energy; and the "Green Road," which would provide support for agricultural, forestry, and fisheries development. Japan has already begun importing crude oil produced in Sakhalin and has plans to commence the importation of liquefied natural gas (LNG) from the island in March 2009, moves which are contributing to Japan's rising dependence on Russia for its energy needs. Russia and Japan have also begun looking into possible cooperation in the peaceful use of atomic energy, amid what some are calling the "Nuclear Renaissance," in which nuclear energy is making a comeback globally amid heightened environmental concerns, soaring oil prices, and the certainty of resource depletion in the future. In February 2007, Japanese and Russian leaders agreed to begin negotiations aimed at forging a Japan-Russia nuclear agreement. In March 2008, Toshiba, a major designer and builder of nuclear power plants, signed an agreement with Russia's state-owned nuclear power company Atomenergoprom to begin evaluating the possibility of establishing a cooperative relationship. Russia is the world's largest provider of uranium enrichment services and is currently constructing the International Uranium Enrichment Center in eastern Siberia. If the Japan-Russia nuclear agreement becomes a reality, it would pave the way for Japan to contract with

Russia for enrichment and reprocessing of its nuclear fuel. At the same time, some have begun to express skepticism about Russia's reliability as an energy supplier, citing moves within the country to bar foreign investors from participating in energy development projects, its suspension of natural gas supplies to Ukraine, etc. But it would still be desirable for Japan and Russia to build a mutually complementary relationship in the area of energy. Such a relationship would enhance Japan's energy security by contributing to the stability of its energy supplies and to increased diversification of its energy sources, while also promoting the structural stabilization of Japan-Russia relations overall.

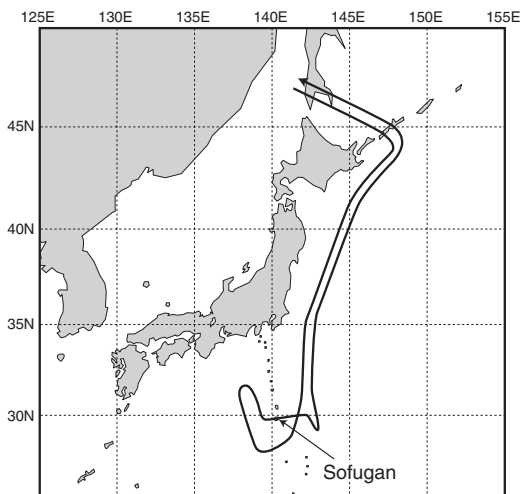
While Japanese-Russian relations have advanced considerably in the economic sphere, including energy, it is a different story when it comes to national security. Russia, increasingly suspicious of US intentions, has repeatedly been sending its strategic bombers near the airspace of Europe, Japan and other US allies. In August 2007, Russia resumed regular strategic bomber patrols, and Russian aircraft now reach the airspace of the UK, Japan, Guam, Alaska and other regions, sometimes necessitating the scrambling of warplanes. The Russian Air Force's Tu-95 and Tu-22M strategic bombers, along with the Russian Navy's Tu-142 long-range maritime patrol planes, increasingly fly the "Tokyo Express" route, which takes them southward along the Japanese archipelago on the Pacific Ocean side. On February 9, 2008, a Tu-95 strategic bomber violated Japanese airspace over the island of Sofugan on the southern end of the Izu Island chain, in response to which Japan scrambled 24 Air Self-Defense Force F-15s and other warplanes. This violation of airspace over the Izu chain was the first such incident in 33 years, the previous one occurring in 1975, when two Tu-95s entered the airspace between Shikinejima and Kozushima. Also on February 9, a Tu-95 flew low over the supercarrier USS *Nimitz*, which was sailing in the western Pacific Ocean. The *Nimitz* scrambled its aircraft in response. According to an announcement by the Joint Staff Office, the Japan Air Self-Defense Force had to scramble its interceptor fighters in response to foreign aircraft approaching Japanese airspace 307 times in fiscal 2007; in addition to exceeding 300 scrambles for the first time in 14 years, this number was 68 more than the previous year. Just in terms of the number of such emergency responses, the number of times Japan scrambled fighters approached the level last seen immediately after the demise of the Soviet Union. Of those incidents, approximately 82 percent were in response to Russian aircraft, while roughly 14 percent were against Chinese planes. A number of reasons could

be cited for this increase in strategic bomber patrols by Russia, including increased flight training time for the Russian Air Force due to larger defense budgets and the commencement of action by Russia to restrain the United States militarily in response to deteriorating US-Russian relations.

Besides strongly opposing the deployment of US missile defense systems in Europe, Russia is also growing increasingly wary of Japan's efforts to build a ballistic

missile defense system (BMD) in East Asia. Thus, the deterioration of US-Russian relations is having an impact on diplomacy in East Asia. In his April meeting with Chief of Staff Saito, Chief of the General Staff Baluevskiy expressed concern that Japan's BMD would be integrated in the future with the United States' global missile defense system. In his visit to Japan in November, Minister of Foreign Affairs Sergei Lavrov stated in a speech in Tokyo that Russia would closely monitor Japan's BMD, a system that it considered to be a part of the United States' global missile defense system. In addition, at the China-Russia Foreign Ministerial Talks held in Beijing in December, both countries confirmed their shared concerns about the missile defense system being advanced in Europe and East Asia. Expressions of concern from Russia about Japan's BMD had previously been confined to statements made by military personnel; but as the missile defense plans by the United States move forward in Europe, high officials in the government have also begun to express similar concerns.

**Figure 6.2. Violations of Japanese airspace by Russian combat aircraft**



Source: Japan Ministry of Defense

### **3. Innovation in the Russian Armed Forces**

#### **(1) A New Phase of Military Reform**

After the demise of the Soviet Union, the Russian Armed Forces were in disarray. As things began to settle down, the military moved to build a compact force of one million troops and to organize itself into units of permanent readiness composed of contract personnel. This process is now nearly complete. Defense-related budgets are increasing in proportion to economic growth; pay and other benefits for military personnel are improving and programs to modernize weapons systems are being launched. The size and the number of military exercises have increased, and, as noted above, the largest military parade in the last 18 years was held in Red Square in May 2008. All of these changes indicate Russia's strong financial condition in recent years. The skill levels of Russian troops also appear to be improving. For example, President Medvedev, in reviewing the Georgian Conflict in his Annual Presidential Address to the Federal Assembly on November 5, said that Russia's armed forces had restored a considerable amount of its combat potential. Although the military will continue to face many problems—declining internal discipline, the fading interest of Russian citizens in the military, the poorly performing munitions industry, the diminishing importance in the face of rising nontraditional threats such as terrorism—we expect the resurgence of Russian military power to continue hereafter. Russia's military capabilities, which suffered an enormous setback following the collapse of the Soviet Union, may never recover in the future to the point where it threatens the superiority of the United States. Nevertheless, in terms of strategic nuclear weapons, its arsenal remains the second largest after the United States' and it has begun to modernize its outdated conventional forces. Thus, Japan and other neighboring nations are obliged to keep an eye on trends in the Russian Armed Forces.

The deterioration of Russia's strategic environment on its European front is leading to a greater interest by Russia in the security of its Far Eastern front. In May, Defense Minister Serdyukov visited the Russian nuclear submarine base in Kamchatka. In September, President Medvedev also visited the base, where he stated that Russian presence in the Far East, which had fallen to a low point in the 1990s, had to be strengthened. In fact, in 2007, the first Su-27SM fighter was deployed to the aerial squadron in the Primorskiy region. Also, two Tu-95MS strategic bombers belonging to the long-range aviation squadron at the Ukrainka



air base in the Amur region completed 20-hour flights to various regions with in-flight refueling from an Il-78 refueling tanker. So, in addition to airspace violations, there are signs that the Air Force is stepping up its activity in the region. Also in the planning stages are the deployment of a *Borey*-class nuclear-powered ballistic missile submarine and the construction of radio-radar locating systems in Siberia and the Far Eastern region, as well as the construction of the new *Vostochny* (Eastern) spaceport in the Amur region.

In the above-mentioned speech on “Russia’s Development Strategy through to 2020,” President Putin stated that Russia would need to have a technologically innovative army. To bring about innovation both in terms of servicemen and equipment, the Russian Armed Forces have moved their programs of reform to a new phase. At a Security Council meeting on May 13, soon after his inauguration, President Medvedev stated that the nation would have to pay very close attention to moves to strengthen the military and pledged that he would continue former President Putin’s policies on military reform. The contract-service system, which the government implemented as a troop-related innovation, was introduced in the late 2007. As many as 247,000 servicemen, 45 percent of the total number of soldiers and sergeants, are now contract personnel. Moreover, beginning in 2009, the military will begin filling all posts for sergeants, master sergeants, and above-water craft crew with contract personnel. In 2008, the period of conscript service was reduced from the traditional two years to one year and the draft rate reached almost 100 percent of eligible citizens receiving notices. The units that fought in the Georgian Conflict in August were composed entirely of contract personnel and it was evident that the skill levels of those troops had improved over the skill level of troops who fought in Chechnya.

In terms of equipment and weaponry, Table 6.1 provides a look at Russia’s State Weapons Program for 2007–2015, where major changes in organization and weaponry are detailed. These include upgrading weaponry to the most advanced levels for strategic nuclear units, from the current rate of 60 percent to 80 percent; modernizing the weaponry of approximately 200 of Russia’s conventional force units; establishing a naval combat fleet of more than 170 ships; building a satellite system composed of around 80 new reconnaissance-communications satellites; and organizing approximately 600 permanent readiness units. But at the present time, the military is still far short of achieving these goals, with some estimating that deployment of new weapons for the military as a whole is only around 20

percent. Moreover, President Medvedev, who is now the commander in chief, paid his first post-inaugural visit to a military installation on May 15, and he chose for this visit the 54th Missile Division of the Strategic Missile Forces, which operates the latest strategic missile systems. As this indicates, Russia remains heavily oriented toward strategic nuclear weapons. The reasons for this can be summed up by two considerations, a military and a political one, the former relating to a need to compensate for deficits in its conventional forces and the latter to a need to maintain the foundation of its status as a major power. In terms of strategic nuclear weapons, although the military has plans to deploy approximately thirty new ICBMs by 2012, it has fallen behind in the development of the RS-24 multiple independently targetable reentry vehicle, which is the multiple warhead version of

**Table 6.1. Weapons plans based on State Weapons Program for 2007–2015**

Nuclear forces	Ground-based nuclear forces	ICBMs (silo-based/mobile)	Est. 200
	Bomber-based nuclear forces	Strategic bombers (Tu-95MS, Tu-160)	Est. 50
	Naval-based nuclear forces	Strategic nuclear-powered submarines	Est. 10
Conventional armed forces	Ground forces	<i>Iskander</i> -M missile systems	For 5 missile brigades
		<i>Uragan</i> -1M missile systems	For 2 missile brigades
		Battle tanks	For 45 tank battalions (of which 22 use new battle tanks): total 700 tanks
		Infantry fighting vehicles and armored personnel carriers	For more than 170 mechanized infantry battalions (1,500 vehicles)
	Air forces	New aircraft for forward air groups (modernized and refurbished aircraft)	Est. 120 new (more than 400 modernized and refurbished aircraft)
		New ground troop support aircraft (modernized and refurbished aircraft)	Over 50 new (est. 400 modernized and refurbished)
		New military transport aircraft (modernized and refurbished aircraft)	Over 30 new (150 modernized and refurbished)
	Air defense units	S-400 air defense missile systems	For 9 anti-aircraft missile regiments
		Pantsir'-S air defense missile systems	Unknown
	Navy forces	<i>Severodvinsk</i> -class multipurpose nuclear submarines	2
		<i>Lada</i> -class diesel submarines	4
New surface ships		15	
Various combat vessels		3	

Source: Vooruzhennyye Sily Rossiyskoy Federatsii 2006, pp. 303–305 (Moscow, Rossiyskoe Voennoe Obzrenie, 2007)

the SS-27, and the new SLBM Bulava. These delays can be attributed to lags in the development of mass production systems in the munitions industry and to increases in manufacturing costs due to inflation, but this probably also reflects the impact of the current administration's economy-first policy, which holds that military power must be commensurate with national power. But as traditional views of national security regain prominence in the wake of the Georgian Conflict, one cannot rule out the possibility that this current economy-first policy could be revised.

On October 14, 2008, Defense Minister Serdyukov announced an ambitious military reform proposal calling for major reductions in the number of servicemen and military units. Specifically, Serdyukov proposed a number of steep cuts in personnel by 2012: a reduction of the total number of military personnel from the current 1.13 million to 1 million; a cutback in the total number of commissioned officers from the current 355,000 to 150,000; a curtailment of personnel working in central control organizations and in central departments and agencies of the Ministry of Defense from 10,523 to 3,500; and a retrenchment of personnel assigned to command and control organizations of the Ministry of Defense from 11,290 to 5,000. Minister Serdyukov is also proposing a major revision in the organization of ground forces, in which he would convert from today's four-level structure made up of "military district - army - division - regiment" to a three-level structure comprising "military district - operational command - brigade." This would eliminate divisions and regiments, which many view as outdated structures. This reform proposal is being driven by determination of Serdyukov—a civilian—to push through a major rationalization of the central departments and agencies of the Ministry of Defense, and by the recognition of the need for highly mobile brigades of permanent readiness, which was a lesson learned from the Georgian Conflict. If these reforms can be carried out, it raises the possibility that the Russian military will be transformed from the massive and heavy force that dates back to the Soviet era to a modern military that is both mobile and combat ready. But there are those who are skeptical about the very feasibility of carrying out these reforms. Because of the large number of officers who will lose their jobs, the military will undoubtedly resist these reforms vehemently, and the central departments and agencies of the Ministry of Defense which will be in charge of the actual reforms will themselves be subject to rationalization at an early stage.

## **(2) An Expanded Military Sphere of Influence**

In 2008, the Russian Armed Forces carried out large, trans-regional military exercises inside the country, which involved all branches of the military. Within the framework of the Collective Security Treaty Organization (CSTO), it conducted exercises aimed at expanding its military sphere of influence. It kicked off the latter in the two-month period from December 5, 2007 to February 3, 2008, when it engaged in a massive naval exercise in the Atlantic Ocean and the Mediterranean Sea, in which its Northern Fleet, Baltic Fleet, and Black Sea Fleet participated. Then, in July, it conducted two separate major exercises of roughly the same size, which were held in parallel, in the southern and eastern regions of the country. The former was the anti-terrorism exercise “Kavkaz (Caucasus) 2008,” which some have cited as preparations for the Georgian Conflict. It took place in the Northern Caucasus Military District, which shares a border with Georgia; according to Russia, the objectives of the exercise were to evaluate the capabilities of the military command organization during anti-terrorism campaigns in Russia’s southern region, and to verify the military’s peacemaking capabilities in a conflict-torn area. The exercise in the eastern region was the command and staff exercise “Vostok (East) 2008,” which sought to evaluate control over joint forces. It involved 8,000 troops and 650 combat vehicles and was led by Chief of the General Staff Nikolay Makarov.

The largest military exercise in Russia’s history took place during the one-month period between September 22 and October 21, 2008. Dubbed “Stabil’nost’ (Stability) 2008,” this was a strategic command and staff exercise led by Defense Minister Serdyukov. In this exercise, which was carried in two stages in all areas of the country, the Russian Armed Forces were joined by the Interior Ministry, the Emergencies Ministry, and the FSB, as well as the Belarusian Defense Ministry. Altogether, 47,000 troops and 134 military command organizations participated. The exercises dealt with a scenario in which an unstable situation escalates into military conflict; nuclear weapons are assumed to be used, and on October 11 the Northern Fleet’s nuclear submarine *Tura* launches an SLBM, and on October 12 the Strategic Missile Forces launch the *Topol’-M* (RS-12M2) ICBM from Plesetsk Cosmodrome. This exercise can be considered the culmination of training for the operation of joint forces by regional commands to be built in three combat theaters.

Georgia’s withdrawal from the CIS immediately after the Georgian Conflict has

set in motion pressures that are turning the organization into a shell with minimal substance. In addition to dealing with the slide in the status of the CIS, Russia has found its relations with Ukraine deteriorating around the issue of Russia's use of Sevastopol' on the Crimean Peninsula as the base for its Black Sea Fleet (Russia leases Sevastopol' from Ukraine), and the problem of Ukraine's provision of weapons to Georgia. Russia's deteriorating relationships with Georgia and Ukraine, both of which have made their desires to join NATO clearly known, have translated directly to worsening relations between Russia and NATO. Although Russia and NATO resumed the command-staff exercise on theater ballistic missile defense in January 2008, which had previously been postponed, Russia declared that it would freeze all future military cooperation with NATO after the Georgian Conflict and postponed all military exercises that had been scheduled with NATO.

Since December 2007, when Russia suspended observation of its obligations under the CFE Treaty, its relations with NATO have reached an impasse and it now makes clear its intentions to strengthen the CSTO. Beginning in April with Belarus, Defense Minister Serdyukov made a round of visits to CSTO member nations; in July, on his visit to Tajikistan, an agreement was reached for the joint use of the Ayni military airbase by Russia and Tajikistan, expanding the influence of Russian Armed Forces within the CSTO. Russia also conducted a series of major military exercises, which are widely considered to be aimed at strengthening its relations with CSTO member nations. In July, Russia participated in the joint military exercise "Rubezh (Border) 2008" which took place in Armenia, and also in the anti-terrorism exercise "Vzaimodeystvie (Interaction) 2008" with Kazakhstan. Then in September, the Kazakhstan military participated in the large "Tsentr (Center) 2008" exercise in the central region of Russia, where participants practiced launching the short-range *Tochika-U* missile. (A dispute took place over whether this missile was used by the Russian Armed Forces during the Georgian Conflict.) Russia also participated in a military exercise with Belarus, with which it enjoys particularly strong relations; it incorporated the latter half of Belarus' joint operational exercise "Osen' (Autumn) 2008" into its command and staff exercise "Stabil'nost' (Stability) 2008," which enabled both militaries to carry out strategic combat training. During this exercise, Russia and Belarus also used their unified aerial defense system, which they established through an agreement signed on November 3. Belarus has thus become, in name and in fact, Russia's western flank. Hereafter, Russia is planning to provide Belarus with its most advanced air

defense system, the S-400. In 2009, Russia and Belarus are planning a major command and staff exercise dubbed “Zapad (West) 2009,” in which the militaries of both countries will train as a single force.

While conducting joint exercises with partners in the CSTO, Russia also began taking other steps to expand its military sphere of influence. In a meeting with senior military officers on September 11, 2008, President Medvedev added a new wrinkle to his definition of “partner” in joint military exercises, saying that this included “countries that want to expand their military and military-technological cooperation” with Russia, hinting at his intentions to strengthen military cooperation with the anti-American government of Venezuela. In September, two Tu-160 strategic bombers arrived at a Venezuelan military base; and in December the Russian and Venezuelan navies held a joint military exercise in the Caribbean called “VenRus 2008,” in which the heavy nuclear cruiser *Pyotr Velikiy*, the flagship of the Russian Northern Fleet, participated—along with patrol boats, sea tugboats, and maritime patrol aircraft. President Hugo Chavez has stated publicly that he would welcome the stationing of Russian Armed Forces in Venezuela. Following the joint military exercise with Venezuela, Russian warships made port calls to countries in the region for the first time since the demise of the Soviet Union, stopping in Nicaragua, Panama, and Cuba. Through military cooperation, Russia is gradually expanding its presence in the United States’ backyard. In addition to countries in Latin America, nations such as Iran, Vietnam, Mongolia, and Libya have actively been seeking Russia’s cooperation in matters of military technology. It is highly probable that Russia will expand military cooperation with these nations hereafter through joint military exercises.

### **(3) Revitalization of the Weakened Defense Industry**

After the collapse of the Soviet Union, the Russian defense industry fell into dire straits. To help the industry back on its feet, Russia has actively pursued a policy of expanding government-supported weapons exports. According to President Medvedev, the total value of weapons exports by Russia in 2008 will reach \$8.3 billion, second only to the United States; this represents roughly a tripling of weapons exports over the past 10 years. There is strong demand for Russian-made weapons because of their cost-performance and various options for payment other than cash, including agricultural products or debt cancellations. Russia also partially allows customers to engage in licensed manufacturing of the weapons

systems they acquire. Once best known for its aircraft exports, Russia is now gaining a reputation for its surface-to-air missiles. And as Table 6.2 illustrates, its business has now expanded beyond its traditional partners of China and India, to the new partners: Southeast Asia, Latin America, and the Middle East. In all, Russia is involved in cooperation on military technology with 82 countries. On the other hand, the Russian defense industry faces some problems: the emergence of Western and Chinese companies as competitors in the markets; and the decline of its technical capabilities to manufacture and supply high-tech products due to a shortage of engineers and other technical personnel. An export contract valued at \$1.5 billion to supply China with thirty-four Il-76 MD transport aircraft and four Il-78 refueling tankers was terminated because of production delays caused by a shortage of technical personnel. Russia's weapons transactions with China have been weak due to another reason: China does not need the military equipment that Russia is proposing to sell to it. China wants not merely to purchase weapons per se, but seeks license production deals with Russia. Currently, China is manufacturing Sukhoy fighters under a licensing arrangement, but its requests are apparently extending to artillery, battle tanks, and submarines as well. For Russia, which lacks the capacity to meet the demand, licensing agreements could be beneficial because they provide a means of supplementing its manufacturing capability. On the other hand, the Chinese-made J-11 and J-11B fighters are widely considered to be copies of the Russian Su-27SK and Su-27M/K fighters. Therefore, China's apparent attempts to sell the copied weapons to third-party countries are provoking strong opposition from the Russian military.

In addition to strong growth in weapons exports, the Russian defense industry is seeing a sharp increase in procurements for new weapons from the Russian military. In 2009, for example, defense orders from the government alone amounted to 1.3 trillion rubles. To meet these needs, the defense industry will have to step up its commitment to innovation so that it can develop and manufacture new weapons. To play a more active role in supporting the revitalization of the defense industry, the Russian government adopted a "Program on the Procurement and Organization of Military-related Material through 2015" in July and is advancing a major project to revitalize the defense industry. The government has taken a number of steps to diversify the country's oddly-shaped and energy-dependent industrial structure in order to sustain economic growth. These included measures aimed at rebuilding new strategic industries by establishing gigantic

**Table 6.2. Major weapons and defense industry transactions by Russia in 2008**

Export destination	Transaction
China	Delivery of S-300PMU-2 <i>Favorit</i> air defense systems for 4 battalions (total value \$980 million) Contract for approximately 100 <i>Tigl</i> light strike vehicles Negotiating contract for over 30 Mi-171 transport helicopters
India	Delivery of 12 MiG-29K fighters and 4 MiG-29KUB fighters (contract in January 2004) Contract for overhaul of 69 MiG-29 fighters (total value \$965 million) License agreement to assemble approximately 1,000 T-90S tanks Delivery of twenty eight 3M13E cruise missiles (delivery 2007–2008)
Indonesia	Delivery of 6 Mi-17 transport helicopters (within the framework of the \$1 billion loan signed in 2007) Scheduled delivery of 3 Su-27 fighters and 3 Su-30MK2 fighters (within the framework of the \$1 billion loan signed in 2007) Delivery of 6 Mi-35 attack helicopters (within the framework of the \$1 billion loan signed in 2007) Contract for 18 BMP-3F infantry fighting vehicles
Algeria	Delivery of 2 Su-30MKA fighters (out of contract for 28 aircraft in 2006) Scheduled delivery of 16 Yak-130 training aircraft (valued at \$7.5 billion)
South Korea	Negotiating contract for 32 Ka-32 transport helicopters
Cyprus	Negotiating contract for tanks, 6 Tor-M2 air defense system, and anti-tank missile system (total value \$256 million)
Croatia	Delivery of 2 Mi-171Sh transport helicopters (out of contract for 10)
Sri Lanka	Negotiating contract for 4 MiG-29SM fighters and 1 MiG-29UB fighter
Thailand	Negotiating contract for 3 Mi-17 transport helicopters (total value \$28 million)
Serbia	Overhaul completed on 2 MiG-29B fighters and 1 MiG-29UB fighter, and aircraft returned to Serbia
Pakistan	Delivery of 2 Mi-171 transport helicopters
Palestine	Delivery of 50 light armored vehicles
Brazil	Negotiating contract for 12 Mi-35M attack helicopters
Venezuela	Negotiating contract for 3 <i>Kilo</i> -class diesel submarines (for delivery 2012–2013) Delivery of 2 Su-30MK2 fighters (out of contract for 24) Contract for 6 Mi-17 transport helicopters and an undetermined number of Mi-26T2 and Mi-35M helicopters; negotiating contract for Mi-28N attack helicopters Contract for 20 Tor-M1 air defense missiles Negotiating contract for undetermined number of BMP-3 infantry fighting vehicles Negotiating contract for 100–500 T-90S or T-72M tanks
Belarus	Scheduled delivery of 27 <i>Iskander</i> -E anti-aircraft missiles (by 2020)
Malaysia	Delivery of 4 Su-30MKM fighters (out of contract for 18 signed in 2003)
Mongolia	Delivery of 1 Mi-171 transport helicopter (out of contract for two signed in 2007)
Jordan	Contract for delivery of RPG-32 Hashim anti-tank rocket grenade launchers for training
Libya	Contract for 12 Su-35 fighters; multiple S-125 Pechora air defense systems, Tor-M2E air defense systems, and S-300PMU2 air defense systems; and <i>Kilo</i> -class diesel submarines (in exchange for debt forgiveness of \$4.6 billion) Contract for delivery of 48 T-90S tanks
Lebanon	Contract for delivery of 10 MiG-29 fighters

Source: Russian and other media reports



national policy enterprises in fields such as aircraft manufacturing, shipbuilding, nanotechnology, atomic energy, etc. This recent move by the government finally adds the defense industry to the ranks of strategic industries.

By a presidential decree dated November 27, 2007, the government established a de facto state-owned enterprise called Rostekhnologii, at the center of which sits Rosoboronexport, the arms exports monopoly. Appointed as Rostekhnologii's new president was Sergei Chemezov, who has served as president of Rosoboronexport since 2004. Chemezov is a former member of the Committee for State Security (KGB) and an ally of Prime Minister Putin. In July 2008, President Medvedev issued another presidential decree which placed more than 400 companies under the control of Rostekhnologii, thereby reintegrating the defense industry which had been broken up after the dissolution of the Soviet Union. Approximately 80 percent of the companies that were integrated into Rostekhnologii were defense-related firms and they include civilian enterprises such as automobile manufacturers and titanium producers. In other words, Russia's objective in establishing the new organization was grand in scale: to create in Russia a comprehensive high-tech manufacturing enterprise built primarily around the defense industry. According to the federal law relating to Rostekhnologii, the company's objectives were to place under unified control the development, manufacture, and export of weaponry and other high-tech products. This move has brought into existence an enormous combined military-civilian high-tech manufacturing enterprise that handles everything from missiles to automobiles; moreover, the company will be the sole overseer of all exports of these products.

Another example of a combined military-civilian enterprise is the nuclear power corporation Rosatom, which was established in 2007. Rosatom controls Atomenergoprom, which has begun considering an operational alliance with Japan's Toshiba Corporation, a major builder of nuclear power plants. Rosatom is a large state-run enterprise whose activities range from the manufacture of nuclear weapons to the enrichment and reprocessing of uranium to the construction of nuclear power plants. Russia's aim in establishing these combined military-civilian state-run enterprises is threefold. First, by leveraging the strengths of the nonmilitary industrial sector, it is seeking to prop up an armaments industry which was dealt a catastrophic blow by the collapse of the Soviet Union and is aiming to encourage technology transfer from the civilian to the military

sectors and vice versa in the future. Second, by increasing transparency in the armaments industry, which is widely held to be more corrupt than industries in the nonmilitary industrial sector, it is seeking to impose the nation's strategic will upon the activities of these enterprises. Third, it is seeking to prevent the leakage of technology to third-party nations through the integration and control of industries with advanced technologies. The Russian defense industry will have to meet the demands of large defense orders from the government until 2015. The government's budget for 2008 alone calls for an investment of more than 800 billion rubles into the defense industry. However, disputes over how the power and interests from this reorganization should be divided continue, to the detriment of the government's goals. Thus there continues to be skepticism about whether the government's plans to revitalize Russia's defense industry through state control have a chance to succeed.