

Chapter 6

Russia— Formulation of a New National Security Strategy

The financial and economic crisis that struck the world in September 2008 brought an end to ten continuous years of economic growth for Russia. The “tandem” government of President Dmitriy Medvedev and Prime Minister Vladimir Putin is facing the structural problem of weaning the Russian economy from its heavy dependence on natural resources. But for now, since Russia needs to export natural resources to restore economic growth, it is stepping up investments in East Asia, an energy market that remains unexploited by Russians. With the end of its decade of growth, upon which the historically peculiar tandem governing structure was premised, there are now increasing signs that Prime Minister Putin is exerting “manual control” to ensure political stability—a development that is prompting growing speculation that Putin will return as president in 2012.

Judging from the content of *National Security Strategy through to 2020*, which Moscow approved in May 2009, it is now clear that Russia has reverted to its traditional view of national security in the aftermath of the Georgian conflict and the country is seeking an equal relationship with the United States in strategic terms in the context of progress in nuclear disarmament. The Russian view of the strategic environment is that a multipolar world has already arrived. On this basis, subtle changes have arisen in the country’s standing in East Asia, particularly in its relations with China, and it has begun to probe for an independent East Asian diplomatic policy, which includes strengthening relations with Japan in the area of cooperation on energy.

A new version of *Military Doctrine* that had been scheduled for release in 2009 is expected to include provisions that refer to the possibility of the preemptive use of nuclear weapons. While continuing nuclear disarmament talks with the United States, Russia is increasing its reliance on nuclear weapons to guarantee its national security. Meanwhile, based on a military reform plan that aims to change the look of its armed forces, Moscow is making progress in its efforts to organize a brigade-based structure for its military and to build permanent readiness capabilities. Large-scale maneuvers in Russia’s western and southwestern regions are being carried out to test the results of these reforms. Moscow is also endeavoring to strengthen military cooperation through the Collective Security Treaty Organization (CSTO) by creating a rapid reaction force and other means. Moreover, Russian defense contractors are attempting to expand their weapons exports. Particularly when they are made to nations that are antagonistic toward

the United States, such exports are emerging as a matter of concern in US-Russian relations.

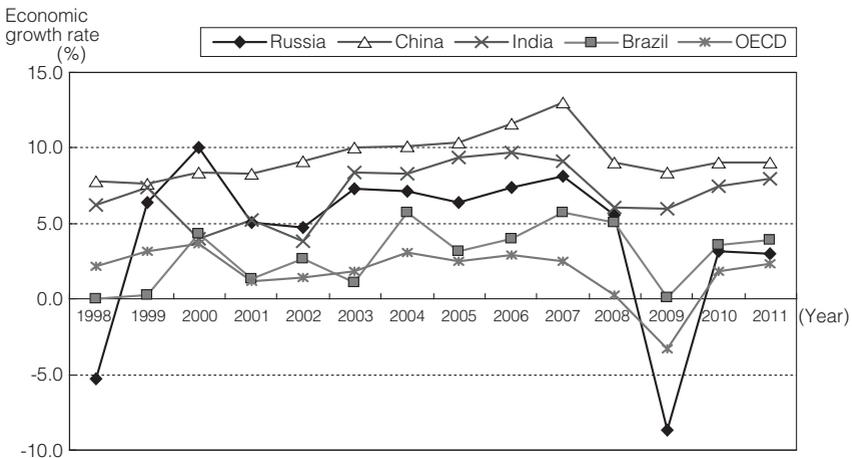
1. New Challenges for “Tandem” Governance

(1) The Russian Economy: Hit Hard by the Financial and Economic Crisis

The global financial and economic crisis of September 2008, along with collapsing international oil prices, hit the heavily natural resource-dependent Russian economy hard—an economy whose growth had been sustained to that point by soaring prices for those resources. As a consequence, the “tandem” structure led by President Dmitry Medvedev and Prime Minister Vladimir Putin, which began governing in May 2008, had to respond to the crisis and at the same time confront the structural problem of weaning the economy from its reliance on natural resources, which Moscow had been putting off until now.

According to the World Bank’s “Global Economic Prospects 2010,” which the bank released in January 2010, economic growth in Russia is likely to have declined by a steep 8.7 percent in 2009, which will bring to an end a ten-year run

Figure 6.1. Trend in Russian economic growth rates (real growth of GDP)



Source: Prepared from *Global Economic Prospects 2010: Crisis, Finance, and Growth*, a report published by the World Bank.

of economic expansion that began in 1999. With major companies in such sectors as oil and automobiles reducing production and investment, and cutting significantly back on payroll, serious impacts have begun to arise in the life of the nation, including unpaid wages and climbing unemployment rates. Both President Medvedev, in his Annual Presidential Address to the Federal Assembly of the Russian Federation on November 12, 2009, and Prime Minister Putin, in his subsequent speech to the Congress of the United Russia Party on November 21, 2009, made vigorous appeals for broadening the country's economic base and for enacting measures necessary for economic modernization.

The mechanism that allowed the Russian economy to recover from the financial crisis of 1998 and that sustained the decade-long period of rapid economic growth began with rising earnings from oil exports, which accrued from a protracted climb in international crude oil prices. The flow of foreign capital into the country, attracted by these rising earnings, caused personal incomes to grow, thus stimulating consumer spending and touching off a consumption boom that propelled the economic expansion. This "Oil Bubble" burst precipitously when crude oil prices began declining in the summer of 2008 and when the US-bred global financial crisis occurred. Domestic and international investors pulled short-term capital from the Russian stock market, and major US financial institutions, setting out to recover capital, began pressing global financial institutions for repayments of dollars. Both companies and financial institutions within Russia ran into difficulty funding their operations, on top of which the dollar climbed rapidly and abruptly against the ruble. Consumer spending, which had been supported by the strong ruble, plummeted and the Russian economy went into a steep contraction.

The response of the Russian authorities to the financial and economic crisis was unusually prompt and large. To begin with, in October 2008, public funds were injected into the financial institutions that were reeling under external liabilities. Then in December Moscow orchestrated a comprehensive anticrisis program and began implementing major measures to stimulate the economy. In early 2009, Prime Minister Putin ordered a revision of the budget enacted in the previous year, which enabled a major amount of emergency stimulus to be pumped into the economy and emergency social welfare measures, such as unemployment insurance, to be funded. Supporting all of these outlays were reserve funds that the government had established a number of years earlier, using as its source

revenue that it was taking in from oil and natural gas-related income. On the other hand, through an active round of diplomacy, President Medvedev took steps to deepen external economic cooperation with countries with ties to Russia and also endeavored to maintain Russia's leading position within the international framework. In May 2009, he signed off on a decision to

purchase IMF bonds in conjunction with China and Brazil. Then in June, when the BRICs countries (the fast-growing developing countries of Brazil, Russia, India, and China) met for their first official summit in Ekaterinburg, he presented the case for replacing the current international financial system centered on the US dollar with a system based on a basket of currencies. Medvedev also firmly endorsed the policy of providing financial support to countries in Central and Eastern Europe, and in Central Asia, whose economies were in crisis.

In terms of Russian government finances, expenditures in fiscal 2009 ballooned to around 10 trillion rubles from an originally budgeted figure of around 9 trillion rubles because of spending on the anticrisis program. On the income side of the ledger, from an originally estimated 11 trillion rubles (equal to approximately 33

Figure 6.2. Russia's fiscal balance

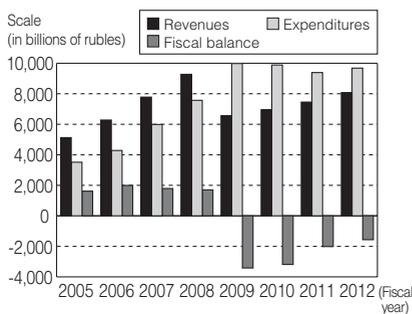
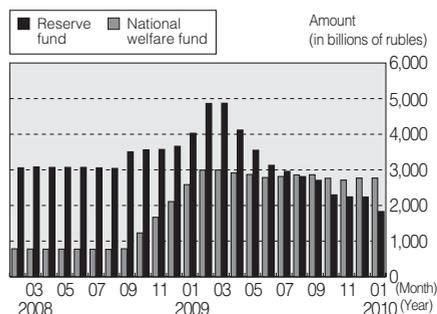


Figure 6.3. Accumulated reserve funds

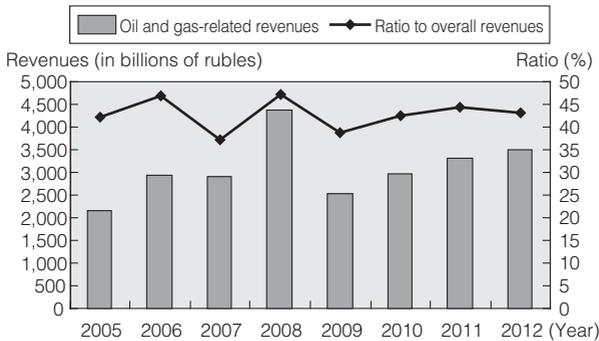


Source: Prepared from the Ministry of Finance's website.

trillion yen), revenues fell sharply to around seven trillion rubles, causing the government to run a deficit for the first time in ten years. This deficit reached 8.9 percent of GDP. Although Moscow is maintaining that it will reduce the budgetary shortfall by tapping into its reserve funds, it is expecting deficits to continue through 2012. According to the 2010 budget, which was enacted in late November, and to the government's budget plan for fiscal 2011 and 2012, the deficit will amount to 6.8 percent in fiscal 2010, after which it will persist at rates of 4 percent and 3 percent of GDP, respectively, in fiscal 2011 and 2012. There is a limit to how much Moscow can rely on reserve funds. Consequently, along with short-term economic measures, the Russian government must become fully engaged in nurturing a number of strategic domestic industries in which the country is competitive internationally, including aircraft, space, defense, atomic energy, and nanotechnology, thereby creating the foundation for a kind of economic growth that is resilient against price changes for international resources. This task of weaning the economy from its heavy reliance on natural resources has become urgent.

On the other hand, despite the government's serious financial straits, requests for defense-related expenditures in fiscal 2010 were up 8 percent year-on-year, which amounted to 1.17 trillion rubles. President Medvedev has expressed his intentions to maintain this level of spending hereafter. On the other hand, defense orders from across the gamut of Russia's ministries and agencies, which are incorporated into a program known as the "Development of the Military-Industrial Complex of the Russian Federation," was increased to 1.75 trillion rubles. Of this amount, approximately 470 billion rubles is being allocated toward equipment modernization. Moscow's need to increase its defense budget and its defense procurements is widely attributed to the following three reasons. First, militarily, during the Georgian conflict, it became clear that Russia had fallen behind in the modernization of its conventional forces and that a full-fledged program of equipment modernization was required. Second, economically, Russia will have to diversify its resource-dependent industrial structure by nurturing the strategically vital defense industry through further development and manufacture of internationally competitive weaponry. The third reason is social: the defense industry, built upon a wide foundation of suppliers, supports Russia's regional economies, thus enabling Moscow to stimulate those economies through growth of the defense industry.

Figure 6.4. Trend in oil and gas-related revenues



Source: Prepared from the website of the Ministry of Finance of the Russian Federation.

In November, when President Medvedev delivered his Presidential Address to the Federal Assembly, international oil prices were trending upward and comments about the Russian economy bottoming out began to be heard. But in his speech, Medvedev warned that this was no reason for the nation to halt its steps toward economic structural reform, and he reaffirmed his resolve to push through policies aimed at modernizing the Russian economy—by weaning it from a primitive, resource-dependent structure. The problem is that the national budget, which is the fundamental tool of economic policy, remains dependent on revenue derived from natural resource exports. As long as this situation holds, the success or failure of economic structural reform will be decided by whether Moscow can secure a steady flow of revenue from such exports or not. Russia is thus preparing to make a major push into East Asian energy markets, which it views as a promising new outlet for its exports.

(2) Manual Control by Prime Minister Putin

It has been a little over a year since the May 2008 inauguration of Russia’s historically peculiar “tandem” system, in which Medvedev and Putin serve as president and prime minister, respectively. In the Russian language, the word “tandem” refers to “a two-person bicycle on which the seats are placed lengthwise,” and this, by extension, has come to mean “two people cooperating and dedicating themselves to a job.” However, this historically peculiar governing structure was formed upon the premise that the country would be able to sustain the kind of

economic growth and political stability achieved under the Putin administration. However, the global financial and economic crisis shook this fundamental premise. During the Putin years, the size of the national budget expanded as revenues increased. Consequently, President Putin was able to exert control over various political forces by means of the budget, which is to say by means of distributing the nation's resources. However, as noted earlier, the government ran a deficit in fiscal 2009. Now something known as "Putin's List," which comprises companies eligible for national resources on a priority basis, has been created. But this has given rise to a class of companies that will be excluded from financial support provided by the national government.

This kind of economic malaise has led to a decline in approval ratings for both Medvedev and Putin. For example, the polling organization Public Opinion Fund found in a survey conducted in Russia on September 14, 2008 that Putin's approval rating was 75 percent, against a disapproval rating of 6 percent. This level of support, the highest since the beginning of the tandem arrangement, reflected the nation's engagement in the Georgian conflict. However, those approving of Putin's performance declined during the period between the financial and economic crisis and year end, with the December 21 survey showing that his approval rating had fallen to 65 percent while the disapproval rating rose sharply to 11 percent. In addition to this declining popularity, a phenomenon that had been nonexistent in the Putin administration began to be seen: Putin, in a series of demonstrations, was becoming the target of harsh personal attacks. For example, in January 2009, Moscow implemented a measure that increased import duties on automobiles. The protests against these higher duties began in late 2008 in Vladivostok, in the Russian Far East, where a thriving business exists in the importation of secondhand cars from Japan. Between then and May 2009, the demonstrations spread to locations such as Moscow and Ekaterinburg, which are major markets for imported luxury automobiles. Thereafter, as restructuring-related unemployment climbed to over 2 million and unpaid wages increased, antigovernment activities began to spread and, from May on, editorials directly critical of Prime Minister Putin's economic policies began to appear in the media.

In this environment, labor disputes involving protestors who take their grievances about job losses and unpaid wages directly to the government have become a frequent occurrence. After a number of protests evolved into expressway blockades, Prime Minister Putin, concerned about growing social discontent, took it upon

himself to forge a breakthrough. On June 4, he visited Pikalyovo, a suburb of St. Petersburg, where protests against unpaid wages and job losses at local factories had been continuing. After bringing managers and union leaders together at one of these shuttered factories, Putin demanded that Oleg Deripaska, the owner of the factory, resume operations at the plant and forced him to sign a document in which he agreed to pay back wages. Because every detail of that event was carried over nationwide television, the United States and British press reported that the event was staged by Putin to demonstrate his leadership abilities. The Russian media refers to these occasions in which Putin deals directly with an issue as “manual control.” The press in Russia has been using the expression “manual control” for some time now to refer to Putin’s fundamental style of national governance. Although instances of such control temporarily decreased following the launch of the tandem government, they have become more frequent again since the financial and economic crisis.

In September 2009, at a meeting of the Valdai Club, a gathering of Russian scholars from abroad, Prime Minister Putin adopted a stronger tone on the question of his possible reentry into the presidential race in 2012. This has led to increasing speculation that he will make a comeback as president. However, Putin has not avowed that he will run again in 2012, and by keeping the issue of 2012 vague while at the same time not excluding the possibility of his own run, he may be using the issue to keep various political forces at bay. And, while there can be no denying the existence of some discord between Medvedev and Putin in policy coordination, the two leaders are far from any kind of essential breakdown of the tandem arrangement at this time. On the contrary, a case could be made that, in the aftermath of the Georgian conflict and the financial and economic crisis, both sides recognize more than ever the need for meticulous policy coordination. However, if the Russian economic recovery stalls and a situation arises in which political stability is significantly threatened, tandem governance could become untenable and this could lead to a comeback by Putin as president. But any decisions on the question of whether the tandem structure should be continued or whether Putin should be reinstalled as president are likely to be put off until the last possible moment in 2012.

(3) Formulation of *National Security Strategy through to 2020*

On May 12, 2009, President Medvedev approved the *National Security Strategy*

of the Russian Federation through to 2020 (hereafter, “*Security Strategy*”). *Security Strategy* represents a fundamental revision, as well as a change of name, of the *National Security Concept* (hereafter, “*Security Concept*”), which was adopted in 1997 and amended in 2000. Originally scheduled for final approval at the end of March 2009, *Security Strategy* was released about a month after that date by Prime Minister Putin, who many believe postponed its release in order to discern the direction of the Obama administration’s Russia policies. *Security Strategy* systematizes Russia’s official views on national security issues, broadly defined. It represents Moscow’s highest level statement on strategy, and includes not only policies for the military, but also policies on economics, society, technology, the environment, health, education, and culture. These policies form the basis for preparation of individual policy documents, such as *Foreign Policy Survey* in the area of diplomacy and *Military Doctrine* in the area of military affairs.

Following the launch of the tandem regime, some observers felt that President Medvedev would take the country in his own policy direction. However, given that the content of *Security Strategy* borrows heavily from the document *Russia’s Development Strategy through to 2020* (commonly known as “Putin’s Plan”), which Putin announced before stepping down as president in February 2008, it is now clear that the country’s path through 2020 will be the one laid down by Putin. This means that, with respect to the nation’s fundamental strategic direction, Putin continues to have great influence even under the tandem regime. Moreover, the attachment of the deadline “through to 2020” may be interpreted to mean that the content of *Security Strategy* has been designed to fit Putin’s Plan. Finally, there is a sense that Putin will continue to involve himself in some way in the implementation of *National Security Strategy through to 2020*.

In 2002, Putin ordered a revision of *Security Concept*. Although the Secretariat of the Security Council drafted *Security Strategy* as its proposed revision in 2005, final approval of the document was postponed until 2009. The main reason for changing the name of the document from *Security Concept* to *Security Strategy* may have related to a decision to alter the nature of the earlier document, which was no more than a statement of concepts, and developing instead a strategic document which, by incorporating medium-to-long term goals for domestic and international policy and by identifying high-priority strategic issues, would provide a foundation for Russia’s national strategy. Whereas *Security Concept*

tended in many cases to frame its ideas in the form of general principles or declarations, *Security Strategy* not only cites concrete policy goals but also enumerates seven guidelines, unemployment rates among them, as a means of measuring progress toward those goals. Viewed in this light, the new document appears to offer both a certain amount of feasibility in terms of policy implementation as well as a specificity of means toward achieving policy ends.

The fact that Putin, who was then president, directed the Secretariat of the Security Council to revise *Security Concept* in the aftermath of the November 2002 Moscow hostage-taking incident indicates that one of the reasons for developing a new national security strategy was to arrive at an understanding of where “nontraditional threats” from Chechen rebels fit within the framework of Russian national security. The emergence of terrorism raised serious questions about the existence of the Russian army, whose original duty was to deal with “traditional threats” from foreign nations. At the same time, it brought about an enlargement of the Federal Security Service (FSB), the agency that is in control of antiterrorism policy. But influenced by the outbreak of armed conflict near the border with neighboring Georgia in August 2008, the new version of *Security Strategy* explicitly states that, in addition to border control vis-à-vis nations of the former Soviet Union, where conflicts over natural resources or border disputes are foremost in mind, Moscow will be strengthening border control in the Arctic, the Far East, and the Caspian Sea region. The inclusion of the expression “Far East region” has attracted attention and indicates the possibility of stricter controls being enforced along Russia’s borders with China, Japan and other nations. Thus *Security Strategy* implies that the concerns of Russian national security policymakers are shifting from “nontraditional threats” such as terrorism to “traditional threats” such as border disputes and that Moscow is reverting to its traditional view of national security. While *Security Concept* opens with references to deteriorating public safety and threats from terrorism, *Security Strategy* defines the problem of national defense as the core issue of national security, while providing relatively lighter treatment of terrorism.

Security Strategy incorporates a number of viewpoints from conservative military leaders, such as Yurii Baluevskiy, deputy secretary of the Security Council (and a former chief of the General Staff of the Armed Forces), who have taken a hard line against the United States. This is a clear indication that the military’s influence in drafting national security strategy in Russia is on the rise. That said,

however, there is no evidence of any change in the Putin policy of ensuring Russia's security through the enhancement of national power, which Putin has been seeking to achieve through economic and social development. Even in the Putin administration, the defense budget as a percentage of GDP was fixed at around 2.6 percent, an indication that Moscow continues to take to heart the lesson of the Soviet Union, which is that a skewed distribution of the nation's resources toward the military leads to collapse. On the contrary, it is probably reasonable to say that, with the outbreak of the financial and economic crisis, Moscow's appreciation of the importance of the economy-first Putin policy has only grown.

(4) The Pursuit of Strategic Parity in Relations with the United States

One other point of contention in the formulation of *Security Strategy* was the question of how to define the country's relationship with the United States, which is the paramount factor in Russia's security. Putin's view has been that terrorism by radical Islamists is a common threat to both the United States and Russia and he has argued that Russia is incapable of dealing with this threat on its own. Consequently, in the immediate aftermath of the 9/11 terrorist attacks, he overrode opposition from the military and agreed to allow the US military to station its forces in Central Asia, right in Russia's backyard. Although this enabled the two nations to cooperate successfully thereafter in the fight against terrorism, a number of developments have prompted a view that US-Russian relations have declined to their lowest ebb since the end of the Cold War, to wit: US-led NATO expanded the alliance to include the Baltic states, which were a part of the former Soviet Union; the US implemented plans to deploy a missile defense (MD) system in Eastern Europe, in Poland and the Czech Republic, which had recently gained membership in NATO; and armed conflict broke out between Russia and Georgia in August 2008, the latter a country which the United States had been supporting for NATO membership. In the new *Security Strategy* of 2009, Moscow states that it cannot accept NATO expansion and that it considers the MD system being deployed by the United States to be a military threat; it furthermore states that it will be pursuing a "relationship of strategic parity" in its relations with the United States. Moscow's external posture toward Europe and the United States, judging from the content of *Security Strategy*, has not fundamentally changed. In May, the

ten NATO nations and five nations that are candidates for NATO membership, including Georgia and Ukraine, held joint military exercises in Georgia, heightening the opposition in Moscow.

At the US-Russia Summit meeting held on July 6, 2009, agreement was reached on the broad outlines of a follow-up treaty to the Strategic Arms Reduction Treaty I (START I), which will lapse on December 5, 2009. The Obama administration, which is seeking a “world free of nuclear weapons,” has committed itself to the goal of sharply reducing strategic nuclear weapons. Russia, which wants to lessen the financial burden of maintaining and managing its nuclear stockpile, is fundamentally amenable to the kind of nuclear disarmament being proposed by the United States. However, regarding President Obama’s proposal for the elimination of nuclear weapons, the Russian response, while sympathetic with Obama’s broad thesis on nuclear disarmament, has frequently been skeptical on the particulars, including on feasibility. In fact, on the question of reducing strategic nuclear warheads to below 1,500, there is a great deal of opposition within the Russian armed forces to this target, based on the following kinds of military reasons: first, the balance of power with China and other nuclear nations would be undermined; second, Russia would lose the ability to maintain a second-strike capability across its entire territory; and third, nuclear forces play an important role in compensating for Russia’s inferior conventional capabilities vis-à-vis NATO. Initially, many expected that the United States and Russia would agree to a goal of reducing nuclear warheads to between 1,000–1,500 devices, but the actual range agreed upon was 1,500–1,675. In 2002, the United States and Russia entered into the Treaty on Strategic Offensive Reductions (SORT, or the “Moscow Treaty”), under which the low number in the prescribed reduction would have been 1,700. So the range of the reductions agreed to at the latest summit was not large. Even so, for Russia this was a major step forward in its drive to achieve strategic parity in US-Russian relations because the agreement narrowed the disadvantage that it faces with the United States in terms of the number of strategic nuclear warheads and delivery vehicles held.

Russia’s ability to drive a tough bargain with the United States can be attributed to the weakening of the latter’s once overwhelming influence, which has been diminished by the two military campaigns that it is now waging in Iraq and Afghanistan, and to Russia’s awareness that the United States, more than ever, needs its cooperation on the issues of Iran and Afghanistan. According to Russian

military experts, this awareness already existed before the Georgian conflict broke out in August 2008; and, these experts say, there was a strong conviction on the Russian side that the United States would not enter the war even if Russia and Georgia clashed militarily. In September 2009, President Obama announced his intentions to reevaluate the US plan to deploy an MD system in Eastern Europe. This led President Medvedev to declare his intentions to reassess Russia's plans to deploy missiles in the Kaliningrad region, a decision that he had announced in his Presidential Address to the Federal Assembly in November 2008. The Russians are interpreting this as a concession by the United States, which, Moscow understands, requires Russia's cooperation in negotiations for a follow-up treaty to START I and on the Iranian issue. A scattering of voices in the Russian media have begun portraying the episode as a victory for Russian diplomacy, which they maintain resulted from Moscow's consistent stance against the US's MD system backed by the adoption of a military countermeasure. In our view, this re-evaluation by the United States of its plans for an MD system in Eastern Europe will have a positive impact on US-Russian relations. However, because the United States has not entirely rescinded its plans for an MD system in Europe, which will include sea-based deployments, this outcome does not totally eliminate Russia's military concerns about the system. Through diplomatic negotiations in Geneva, the United States and Russia sought to reach agreement on a new follow-up treaty before the lapse of START I on December 5. In the end, however, this effort failed as Russia refused to relent on demands regarding the number of strategic nuclear weapons and delivery vehicles, and on methods of monitoring and verification. With the monitoring and verification regimes under START I no longer in force, United States observers stationed at a missile manufacturing plant in Votkinsk in Central Russia were forced to be deported.

US-Russia relations today have a dual structure, comprising both "confrontation on traditional security issues" and "cooperation on nontraditional security issues." On such issues as NATO expansion, the deployment of an MD system in Europe, and recognition of the independence for South Ossetia and Abkhazia, the United States and Europe contend with Russia over spheres of influence. This type of conflict corresponds to the "traditional security issues" that have existed since the Cold War. On the other hand, problems such as international terrorism relating to Afghanistan or Iran or the spread of weapons of mass destruction are a new type of "nontraditional security issue," which has emerged since the end of the Cold

War. As long as US-Russian relations continue to be constituted by both confrontation and cooperation, there will be no “New Cold War” of the kind that drew attention in the media immediately after the Georgian conflict, in which the two countries return to the total confrontation of the Cold War. This is because, following the 9/11 terrorist attacks, US and Russian interests have been converging in the realm of nontraditional security issues and both countries have been cooperating on a wider and deeper range of issues. On the other side of the coin, there has been little room for either the United States or Russia to make concessions on traditional security issues, so it is unlikely that Russia’s assertive posture toward the United States will soften any time soon. Moreover, while the United States has increasingly been focusing its concerns on nontraditional issues such as Afghanistan and Iran, Russia, in the wake of its experience in the Georgian conflict, has reverted to a traditional view of security. This has resulted in the emergence of an asymmetrical understanding of security between the two nations. All of this suggests that US-Russian relations are likely to remain bogged down for the foreseeable future, with confrontation taking center stage at certain times, cooperation at others.

Russia’s assertive external posture is also being directed toward Europe. In late November, President Medvedev released a draft of a document entitled a “New European Security Treaty,” in which he proposed a new concept of European security. He requested that the United States and Europe, NATO, the European Union, The Organization for Security and Cooperation in Europe (OSCE), and the Collective Security Treaty Organization (CSTO) review the proposal. In this document, Medvedev calls for the creation of a new security mechanism which will encompass the entire region from Vancouver to Vladivostok, covering every country from the Euro-Atlantic zone to Eurasia. Two reasons may explain why Russia would choose to propose this kind of comprehensive security concept. First, a security concept that incorporates NATO would enable Moscow to press for change in the currently heavily NATO-based European security structure, from which it has been excluded. Specifically, this provides Moscow with a means of deterring further expansion of NATO while diminishing NATO’s *raison d’être* as a military alliance. Secondly, such a concept would cause differences of opinion to emerge among the NATO member states regarding how best to ensure European security and order, thus fostering ruptures among these nations and, furthermore, estrangement between the “old” and “new” Europe. In fact, different responses to

the new Russian security proposal are being seen, with “non-continental Europe” (the United States, Britain, Canada) adopting one view, “old Europe” (France, Germany, and others that maintain a certain closeness with Russia) taking another, and finally the “new Europe” (comprising countries in Eastern Europe, the Baltic region, and other areas that have recently acceded to NATO—and which consider Russia to be a factor for instability in national security) adopting yet another view. Notably, France and Germany have expressed a certain amount of understanding toward Russia’s proposal. This understanding has extended even to explorations of possible cooperation on military technology, including the transfer of a major weapons system. As a case in point: when Prime Minister Putin visited France at the end of November, France, a NATO nation, entered into negotiations with Russia to sell it its Mistral amphibious assault ship.

2. Probing for an Independent East Asian Policy

(1) China-Russia Relations Enter a New Phase

One of the opening lines of *Security Strategy*, which was approved in May 2009, goes as follows: “At the end of the twentieth century, Russia overcame political, social, and economic crises, and, as an important player in an evolving multipolar world, recovered an ability to strengthen its competitiveness and preserve its national interests.” *Security Strategy* goes on to remark that “the expansion of the spheres of influence of new centers of economic growth and political power has created an essentially new geopolitical situation.” In his Annual Presidential Address to the Federal Assembly on November 12, President Medvedev declared that a multipolar world was already a reality, and that he welcomed the further development of such a world. As this makes clear, Russia’s fundamental perception of the strategic environment is that we are now living in a multipolar world, because of the decline in the absolute influence of the United States and the emergence of fast-growing nations such as China and India. In his annual address, President Medvedev elucidated a stance of pursuing a utilitarian foreign policy in this multipolar world, stating that while moving forward with its modernization, including economic restructuring, Russia must adopt a utilitarian external policy.

One of Russia’s national interests, as defined by *Security Strategy*, is expressed as follows: “in a multipolar environment, we will transform Russia into a global great power which takes actions aimed at maintaining both strategic stability and

reciprocal partnership relations.” The document also highlights a policy of strengthening Russia’s influence in international society by means of moving from bloc confrontation toward multipolar diplomacy and using the nation’s ability to supply resources in a utilitarian manner. It thus seems reasonable to say that Russian diplomacy now fundamentally aims to have Russia become one pole in a multipolar world. In *Security Strategy*, Russia indicates its intentions to strengthen alliances multilaterally, through such forums as G8, G20, RIC (Russia, India, and China), and BRICs. On June 16, at the First BRICs Summit convened in Ekaterinburg, in the Ural Region, President Medvedev joined President Hu Jintao of China, Prime Minister Singh of India, and President Lula of Brazil in discussions about reforming the international financial and monetary system. The summit closed with the adoption of “a joint communiqué of the leaders,” which included a statement calling for regular meetings of the leaders. Russia, however, views BRICs as an important diplomatic forum which provides a multilateral framework for discussions with China and India, two nations it considers strategically important; it views the RIC framework, which is BRICs minus Brazil, similarly. On June 15 and 16, Ekaterinburg was also the site for a summit of the Shanghai Cooperation Organisation (SCO), where participants discussed international security, control of terrorism and narcotics, and international financial problems. In the press conference following the summit, President Medvedev spoke of the need for multipolarism in finance and economics, calling for a move away from an international system dominated by the US dollar. In the communiqué of the SCO leaders, the leaders stated that the trend toward multipolarism was irreversible.

However, since the Georgian conflict, subtle changes have begun to be observed in Russia’s relations with China, a country which Moscow views as strategically preeminent in East Asia. For example, in a draft of *Security Strategy* written in 2005, policymakers made references to China and India, stating that “it is clear that the influence of China and India will increase in the future, and that with this growing power will come greater influence in the entire Asia-Pacific region.” However, in the draft of *Security Strategy* that was ultimately approved in 2009, the names of both nations no longer appear, and even in its discussions on the SCO, in which China and India are involved, the document merely highlights the original objective behind the organization’s founding, to wit: “strengthening mutual trust and partnership in the Central Asian region.” Then on July 22, 2009, “Peace Mission 2009,” the third joint military exercise between China and Russia

within the SCO framework, was held in Jinlin province, China. During maneuvers, there was no political staging of actions aimed at restraining the United States, as was observed in the previous two exercises. Based on the foregoing, one could say that Russia's stance of collaborating strategically with China and India in the interest of multipolarism is gradually changing. What we seem to be witnessing instead are events suggesting that Russia is becoming increasingly concerned from a security standpoint about China, which is potentially a key player in a multipolar world. For example, during Prime Minister Putin's visit to China in October, the two nations entered into an "agreement on mutual notification of ballistic missiles and launch of rockets." Observers have also pointed out that Moscow is growing increasingly displeased about China's practice of copying of Russian-made weapons and selling them to third countries, and that, in recent years, cooperation between the two countries in military technology has leveled off, as evidenced by a decline in the total amount of Russian weapons exports to China. In addition, with respect to the aforementioned negotiations between Russia and the United States on a follow-on treaty to START I, it is widely accepted that one reason for Russia's inability to reduce the number of its strategic nuclear warheads below 1,500 is the China factor—its concern, in other words, that China's future nuclear capabilities will threaten US-Russian superiority. From the standpoint of moving forward on nuclear disarmament, US and Russian opinions on how to estimate the increase in China's future nuclear capability are diverging. The view exists in some quarters that the China factor is behind Russian initiatives in other areas, such as its insistence on globalizing the Intermediate-Range Nuclear Forces Treaty (INF).

Russia's estrangement from China also manifests itself in the different political stances that both countries are adopting toward the North Korean issue. Russia had previously embraced a position resembling China's regarding North Korea, but its concerns about that country have deepened in the face of Pyongyang's repeated nuclear tests and missile launches. At the UN, Russia's criticisms of

North Korea have intensified in comparison to China's. Behind these diverging stances lie the following factors. First, the national boundary that Russia shares with North Korea is short, so even if the pressures on Pyongyang result in a change of governments, the impact on Russia in terms of refugee inflows and the like would be small compared to the impact on China. Second, compared with China, which has close political and economic links with North Korea, Russia's political and economic ties to Pyongyang are limited, which gives it room to adopt a relatively critical attitude. Moscow is seeking to establish a multilateral framework of security not only in Europe but also in the Asia-Pacific region in the future. The Six-Party Talks provide it with a foothold in this endeavor and it is seeking to do whatever it takes to sustain the talks. In late April, Minister of Foreign Affairs Sergey Lavrov visited both North and South Korea. The purpose of his visit was to save the framework of the Six-Party Talks, in which Russia is a participant. Moscow's insistence that the talks continue arises from its desire to avoid having North Korea or any other East Asian security issue be treated as a problem whose solution depends solely on the exceptionally powerful influence of particular nations, such as the United States and China.

Thus, when looking in isolation at international relations regionally in East Asia, we can observe subtle changes occurring in Russia's standing in the region, particularly in relation to China. Given Moscow's strategic perception that a multipolar world is already largely upon us, Russia's actions suggest that its political efforts to move closer to Beijing in the interest of a strategic alliance will diminish while, as we describe later, it seeks to develop stronger relations with Japan in such utilitarian areas as economics and natural resources. In this sense, Russia has moved away from a heretofore one dimensional pursuit of a strategic alliance with China toward a more autonomous diplomatic stance in East Asia.

(2) Investing in the East Asian Energy Market

When Russia's heavily resource-dependent economic makeup became problematic in the wake of the economic and financial crisis, the recognition arose that Russia had to diversify its industrial structure by nurturing strategic industries. But because such diversification will require time, the Russian economy faces the immediate need of finding a way out of the crisis by doing something in the area of natural resources. European markets, the traditional outlet for Russia's exports, are saturated; and political friction exists surrounding the pipelines that supply

Europe. So Russia has begun turning its attention toward East Asia as a promising export market, and is implementing plans to develop resources in Eastern Siberia and to construct a Pacific Ocean pipeline. In the future, Russia hopes to expand this figure to between 20–25 percent of the total for oil and to around 20 percent of the total for natural gas.

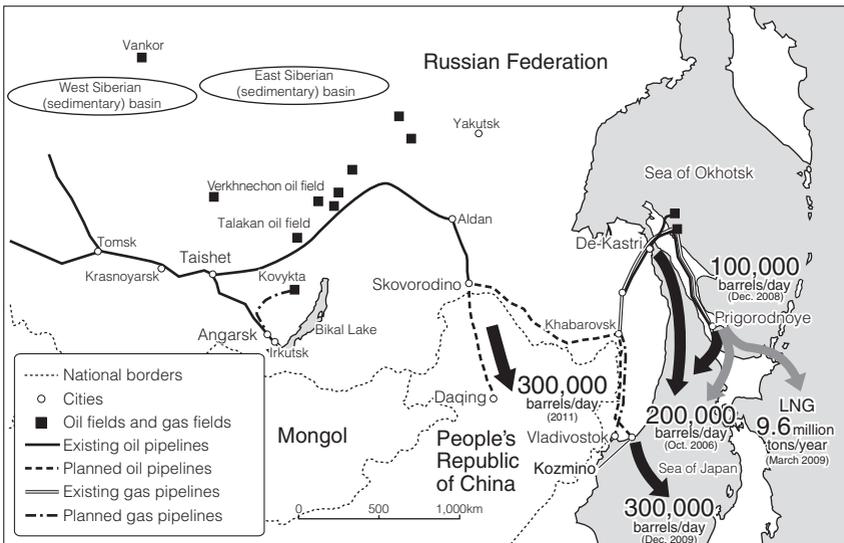
On November 21, 2008, President Medvedev released a paper on the website of the President of Russia entitled “Strengthening Dynamic and Equal Partnership in the Asia-Pacific Region.” As this paper indicates, Russia views active participation in the economic activity of the Asia-Pacific region, including the development of Siberia and the Russian Far East, as a means of forging a stronger foundation for sustained growth in the Russian economy. Also, in August 2009, Moscow approved release of a paper entitled “The Energy Strategy of Russia until 2030,” which designates Eastern Siberia and the Russian Far East as two of the nation’s leading areas for strategic resources while describing these regions as sources of supply for future exports to Asian-Pacific markets. Finally, the Summit of the Asia-Pacific Economic Cooperation (APEC), which will convene in Vladivostok in 2012, is precisely intended to demonstrate that Russia is advancing economically into the region—making the event, in Moscow’s eyes, one as important as the Olympic Winter Games in Sochi in 2014.

In 2009, Russia demonstrated concretely how it intends to participate in the energy markets of East Asia. In February, it commenced exports of liquefied natural gas (LNG) from its Sakhalin II project, which develops oil and natural gas. Then in April, it reached an intergovernmental accord with Beijing on cooperation in the oil sector, resulting in the start of construction on a branch pipeline to China from the Eastern Siberia-Pacific Ocean (ESPO) oil pipeline. The branch pipeline had been a long-standing issue between the two nations. This was followed in July by the commencement of construction of a gas pipeline to transport natural gas produced in Sakhalin to Vladivostok via Khabarovsk, and in October by an agreement between Moscow and Beijing on an intergovernmental framework relating to the supply of natural gas. In December construction of the oil export terminal in Kozmino, on the outskirts of the port of Nakhodka on the Pacific coast, was completed, enabling Russia for the first time to begin loading crude oil supplied via the ESPO pipeline for shipment abroad. Meanwhile, the development of Sakhalin in the Russian Far East has proceeded relatively smoothly because of the ability of project developers to construct loading ports close to its

oil and gas fields. This allows them to use LNG carriers and tankers as the main modes of transportation, which provides them with flexibility in selecting export markets. With global LNG markets projected to grow, Moscow has identified the Sakhalin II project in particular as major source of supply which will contribute to Russia attaining a leading position in the market.

On the other hand, the development of Eastern Siberia has been retarded by the region's great distance from consuming regions and by the need for enormous pipelines, which adds the risk of pipeline construction to that of oil and gas field development. Final negotiations on pipeline construction and on supply agreements have thus been stalled. Pipelines deliver a fixed capacity of oil to specifically defined export markets, and, once they are built, they cannot be used for other purposes. Projects that require pipelines are also exposed to post-construction problems, such as price negotiations for contracts that come up for renewal. Consequently, for ESPO, negotiations on price and other conditions continued for up to ten years following the adoption of the original concept, and for more than four years following the decision to commence construction in 2004, while for the natural gas pipeline, negotiations had not reached a settlement two years after the

Figure 6.5. Energy development in Siberia and the far eastern region and energy exports to Japan



Source: Prepared from material provided by Japan Oil, Gas and Metals National Corporation (JOGMEC)

signing of an export agreement in 2006.

The financial and economic crisis has also affected Russia's ability to enter the East Asian energy market. The state-owned Joint Stock Company Oil Company Rosneft, the principle contractor for ESPO, and Transneft, the state-owned pipeline monopoly, both intended to fund pipeline construction, oil field development, and entry into the East Asian energy markets entirely through internal capital. As a result of a calamitous deterioration in their financial positions, however, this became impossible. Both then opted to suspend the extension of the pipeline to the Pacific coast and to place priority on developing the Eastern Siberian oil fields. This paved the way to an accord with China under which the branch pipeline from ESPO would be built through Chinese financing and the Russian side would agree to a long-term supply contract for crude oil exports to China. In February 2009, Igor Sechin, deputy prime minister of Russia and chairman of Rosneft, visited China and provisionally signed a loan agreement for 25 billion dollars and an agreement to export crude oil to China for twenty years. Construction on the branch pipeline began at the end of April, with the goal for completion set at the end 2010.

The primary contractor on the gas project is Gazprom, the Russian gas monopoly. Regarding the agreed-upon framework between the two governments to supply natural gas to China, Gazprom's aim is to develop a unified system of production, transportation and supply in the Eastern Siberia and Far East regions. Although an agreement was not reached at the time of President Hu Jintao's visit to Moscow in June 2009, negotiations continued on a number of occasions thereafter between Gazprom and the China National Petroleum Corporation (CNPC), resulting in an agreement on the inter-government framework by the time of Prime Minister Putin's visit to China in October. Deputy Prime Minister Sechin, who accompanied Prime Minister Putin on that visit, is preparing for a formal signing of the accord by June 2010; as part of this preparation, he signed an additional agreement which calls for gas to begin to be supplied by 2014 or 2015. According to the framework agreement that had been signed by Gazprom and CNPC at the time, Gazprom's plans were to provide China with 70 billion cubic meters of natural gas per year, both through the newly constructed pipeline and in the form of LNG. This 70 billion cubic meter amount is significant in scale, when considered in light of projections that China's demand for natural gas will rise to above 200 billion cubic meters per year by 2030. However, from the perspective

of energy security and price competition, China is pursuing a policy of diversifying its sources of gas, including through expanding domestic production, which suggests that Beijing will avoid an excess dependence on Russia.

As the foregoing indicates, Russia is seeking to increase its production of resources while ensuring the stability of its export markets and is thus aiming to penetrate the energy markets of East Asia, including China. In this attempt to strengthen its energy relationship with China, we believe that Moscow is intent on acquiring both an export market and a source of financing, which are prerequisites for the now urgent task of developing its oil and gas fields; and that it is seeking to stabilize government revenue, which it will need for the diversification of its economic structure. We foresee Russia's embrace of China, Japan and other nations of East Asia as markets for its exports growing even stronger as the APEC Summit of 2012 approaches.

(3) Prime Minister Putin's Visit to Japan and Cooperation on Resources between Japan and Russia

Japan-Russia relations today are in a "politically frigid, economically warm" situation. While the dispute over the Northern Territories has prevented the two nations from progressing beyond a certain point politically, their relations in the economic and energy spheres are being strengthened. In 2009, both nations made major strides toward cooperation in the area of natural resources. In March, exports of LNG to Japan from the Sakhalin 2 project commenced, complementing the exports of crude oil that had previously begun. Analysts estimate that shipments from Russia now account for around 7.2 percent of Japan's total annual imports of LNG, while the corresponding figure for crude oil is roughly 4 percent. President Medvedev, speaking in Sakhalin at the plant opening ceremony for the LNG facility in February, said that "this project will strengthen Russia's position as a global supplier of natural resources." Japan, which views the situation from the standpoint of energy security and the need to diversify its sources of supply, looks favorably upon imports of fossil fuels from Russia and is likely to raise the percentage of energy imports that are sourced from Russia in the future. This was suggested by Tokyo's response to an invitation by President Medvedev for a Japan-Russia summit in Sakhalin on February 18, 2009, which was set up through an invitation to then Prime Minister Taro Aso to attend the LNG plant opening ceremony. There is also considerable interest in Korea and other countries in

importing fossil fuels from Russia, which supports our view that the potential demand for Russian produced resources in East Asia is high.

Despite expectations in some quarters, no progress was made on the dispute over the Northern Territories, either during Prime Minister Putin's visit to Japan in May or at the G8 Summit in July. On the contrary, Russia's stance toward Japan hardened politically at around this time. In its revision of the "Special Measures Law to Promote the Resolution of the Northern Territories Issue," the Diet stipulated that the four northern islands were "an integral part of Japan." Objecting strongly to this language, Russia halted the receipt of humanitarian supplies from Japan in July, and in August, Sergei Mironov, chairman of the upper house, visited Shikotan Island, where he stressed that the island was Russian territory.

On the other hand, Japanese investment in Russia is increasing rapidly. Trade volumes between the two nations have expanded for five consecutive years and in 2008 recorded an all-time high, exceeding even levels reached during the Soviet era. But the cooperation between Japan and Russia on the energy front is not limited to the importation of fossil fuels. On his visit to Japan in May, Prime Minister Putin signed the Japan-Russian Nuclear Agreement, which has set both nations on a course of bilateral cooperation in the peaceful uses of nuclear power. The accord, which enables Japan and Russia to cooperate in the construction of nuclear power plants and in uranium enrichment, signifies the building of a mutually complementary relationship, one based on Russia's advanced capabilities in nuclear fuel enrichment and Japan's formidable technologies in the construction of nuclear power plants. Both sides are now set to review specific projects through which cooperation can take place. The Russian side is represented in this review by the State Atomic Energy Corporation Rosatom, a huge nuclear power enterprise that operates in both military and civilian spheres, and the Japanese side by Toshiba Corporation, which has its sights set on developing a global atomic energy business. For Russia, the nurturing of nuclear power into a new strategic industry is a step toward diversification of its industrial structure. This makes it amenable to the idea of entering into atomic energy accords with Japan. International cooperation in the peaceful use of nuclear power is also progressing between the United States and Russia, who view such cooperation as a means of contributing to nuclear nonproliferation internationally. The conclusion of the Japan-Russian Nuclear Agreement has an importance that transcends cooperation on natural resources. For by deepening mutual dependence in the area of atomic

Russia's View of the Increasing Importance of the Arctic

In September 2008, the Security Council of the Russian Federation approved a document entitled "Arctic Policy through 2020," which it released on its website in March 2009. In addition to designating the Arctic as a "paramount base of strategic resources," the document also reveals Moscow's intentions to establish a special military unit called the "Arctic Force" to defend and secure the region. As these actions indicate, Russia is beginning to attach strategic importance to the Arctic, a decision ascribable to intensifying competition for resources in the region and to the opening up of future shipping routes through the Arctic Ocean as a result of the retreat of year-round sea ice caused by global warming.

In addition to mineral resources such as gold, silver, zinc, tin, nickel, and diamonds, the Arctic seabed contains roughly one quarter of the world's undiscovered reserves of oil and gas, which have lain untouched. Conflict has thus arisen among neighboring nations over which countries have legal claim to these resources. Russia currently has sovereignty over approximately 60 percent of the continental shelves in the Arctic Ocean and is now seeking to extend this territory by establishing the claim that Siberia's continental shelf continues to the North Pole. In August 2007, at the North Pole, Russian scientists in a submersible dove to a depth of 4,200 meters and planted a Russian flag on the ocean floor. These moves by Russia to expand its territory have provoked political confrontation with Canada, Norway, and Denmark, which has sovereignty over Greenland.

With respect to navigation routes through the Arctic Ocean, navigable periods in the past were limited to roughly two months in the summertime. Today, however, because of the rapid shrinkage in the area covered by sea ice, it is widely assumed that year-round navigation will become possible in the future. By taking a northern route, the distance that ships will have to travel between Europe and East Asia would be reduced to two thirds of the length of routes linking the two regions via the Suez Canal. Moreover, because the piracy problem does not exist in the north, some are predicting that a "revolution in maritime shipping" will occur in the future, which transforms the way cargo is carried around the world.

Since July 2008, Moscow has increased its military presence in the Arctic Ocean by having the navy commence full-time patrols. In the future it intends to station a joint, multi-branch unit composed largely of members from the navy and Russian border guards in the Arctic region. This focus by Russia militarily on the Arctic could have implications for the future make up of the navy and the border guard. In addition, because the navigation route through the Arctic Ocean would link the Arctic and the Far East, two strategically important regions in Moscow's eyes, this raises the possibility that Moscow will begin integrating the Arctic and the Far East in its strategic outlook. In *National Security Strategy through to 2020*, Russia identifies the continental shelf in Barents Sea and other parts of the Arctic region as being of long-term interest from the standpoint of international politics. Also in *Security Strategy*, it juxtaposes the Arctic and the Far East as regions where border security needs to be strengthened. In the Far East region, Russia's border guards have been tightening control over the nation's borders for a number of years now. In 2006, a Japanese fishing vessel was fired upon and a fisherman killed, while in February 2009, a Chinese fishing boat operating in the sea off of Nakhodka was attacked and sunk.

energy, both nations are able to strengthen their relationship at a structural level.

At a meeting between the leaders of Japan-Russia at the L'Aquila G8 Summit in July, Tokyo and Moscow agreed to the launch of a "trilateral meeting" in which experts from Japan, the United States and Russia would engage in a Track II discussion on security issues in the Asia-Pacific region, which, both sides felt, would contribute to the formulation of government policy. According to press reports, the first of these meetings will take place in the spring of 2010 in Washington DC, where participants will discuss energy security in East Asia and other issues. Traditionally, the great majority of discussions on Japan-Russia relations have adopted only a bilateral perspective. Debating security issues in the Asia-Pacific region in a multilateral forum that includes the United States could lead to a new appreciation of the significance of Japan-Russia relations. If the three nations are able to perceive the strategic importance of Japan-Russia relations to security concerns in the Asia-Pacific region, the possibility of progress in Japan-Russia relations, including on the Northern Territories dispute, could still exist. Even after the change in governments in Tokyo, the momentum in Japan for stronger Japan-Russia relations remains intact. On September 17, President Medvedev became the first foreign leader to consult by phone with Prime Minister Yukio Hatoyama, following his ascension to the prime ministership. Consecutive Japan-Russia summits then followed, at the UN General Assembly in New York on September 23 and at the APEC summit in Singapore on November 15. At the end of November, Sergey Naryshkin, chief of the presidential administration, visited Japan. The Japanese foreign minister, Katsuya Okada, then visited Russia at the end of December. As this indicates, Tokyo and Moscow made it a point to have an exchange of high-ranking officials take place over a short period of time.

3. The Formulation of a New Military Strategy and Efforts by the Russian Military to Enhance its Capabilities

(1) Developments Surrounding the Formulation of a New Version of *Military Doctrine*

Following the release of *National Security Strategy*, Moscow had planned to complete a new version of *Military Doctrine* by the end of 2009, but the process of revision has been significantly delayed. It is likely that threat perceptions in the updated *Military Doctrine* will, as in *National Security Strategy*, emphasize

responses to threats from the west that arise out of the eastward expansion of NATO and to destabilizing factors in the Caucasus, Central Asia and other sections along Russia's southern border, such as were witnessed in the Georgian conflict of August 2008.

Furthermore, we believe that the provisions dealing with the role of nuclear capabilities in Russia's security will become an important element of *Military Doctrine*. In an interview published in the October 14 edition of *Izvestia*, Nikolay Patrushev, Secretary of the Security Council, referred to this problem in relation to the content of the new *Military Doctrine*, saying that whether in a large-scale war or regional or local conflicts, Russia could employ nuclear weapons to repel aggression against it and its allies by forces using devastating conventional weapons. The stipulations for such use, Patrushev said, will be modified in the new version of *Military Doctrine*. In concrete terms, Patrushev has indicated that Russia will not rule out the possibility of preemptively using nuclear weapons against a critical threat to the national security of Russia and its allies, and that the stipulations for such use will become an important element of the new version of *Military Doctrine*. So far, *Military Doctrine* provides that Russia retains the right to use nuclear weapons not only in response to a nuclear attack against it and its allies but also to counterattack in a large-scale war against aggressors using conventional weapons. The remark by Secretary Patrushev about the possibility of the preemptive use of nuclear weapons in the updated version of *Military Doctrine*, however, could signify an even harsher turn in Russia's threat perceptions.

(2) Gradual Progress in Military Innovation

On October 14, 2008, Minister of Defence Anatoliy Serdyukov unveiled a military reform plan for the period through 2012. The plan mandates sweeping changes, ranging from major reductions in the number of troops and military units to organizational reforms, including those for the Ministry of Defence and the General Staff, and improvements to military educational and training systems. Notably, the plan takes steps to establish permanent readiness capabilities across the entire military by eliminating divisions and regiments, principally in the ground forces and airborne troops, and adopting the brigade as the fundamental organizational unit for those forces. As these actions indicate, the goal of Moscow's current reform is to transform the military by 2012 into a highly mobile force, manned by highly professional soldiers, who are armed with more advanced

equipment. This is pretty much captured by the term the Ministry of Defence uses to express the nature of these reforms: “the new look of the Russian military.”

A deadline of December 1, 2009 was set for completion of the various organizational tasks that have arisen out of this realignment of military units. These include changing the location of unit deployments, transporting large quantities of material, equipment and ammunition, and carrying out measures relating to organization and authorized strength of units. Reform of the ground forces entailed a massive reduction in unit numbers from 1,890 to 172. But, according to Vladimir Boldyrev, commander in chief of ground forces, a considerable number of divisions had been abolished by the end of September 2009 and around eighty brigades had been organized in their place. With respect to the air forces, the reform plan would establish the following by 2012: space defense brigades, air bases, air defense missile regiments, radio engineering and electronic warfare regiments, and air defense missile brigades. The plan for the air forces also calls for reducing the number of officers by roughly 50,000 and for decreasing the number of units from 340 to 180. For the navy, the number of units will be roughly halved, from 240 to 123. The reform of the Baltic Fleet became a major issue in 2009, as the plan set out to eliminate all units of the fleet except for permanent readiness units by the end of 2009. The number of naval officers, too, was reduced; by August, their ranks had been cut by 40 percent compared to the number at the beginning of 2009. In the strategic missile forces, the reform plan reduced the number of divisions from 12 to 9, and by 2016 will reorganize these forces into 4 units with the silo-based version of the intercontinental ballistic missile (ICBM) and 5 units with the mobile version of the ICBM. The strategic missile forces possess roughly 500 ICBMs, including the RS-12M (the “Topol”) and around fifty RS-12M2 (the “Topol-M”) missiles but has plans to introduce a new generation of missiles, including the RS-24. These plans indicate the Russian leadership’s continued embrace of strategic nuclear capabilities as an important option. The reform of the airborne units is also an important issue. Defence Minister Serdyukov has expressed the view that

establishing a new rapid reaction force is unnecessary, preferring instead the approach by which airborne troops are strengthened and airborne brigades deployed in every military district, where they can take on emergency duties and carry out missions in contingencies. What Serdyukov is saying is that the currently existing four air assault divisions (one division composed of two regiments) could be reorganized into eight brigades, which would significantly strengthen air mobile troops. Although the airborne brigades that are set up in each military district would belong organizationally to the airborne forces, they would be under the command of the district commander on their missions. This reorganization dovetails with the general direction of military reform, which is toward the creation of a professional military at permanent readiness.

According to Defence Minister Serdyukov, the lesson of the Georgian conflict of August 2008 was that airborne battalions demonstrated outstanding mobile capabilities. The reform plan, accordingly, emphasizes reorganization into units whose size makes them easily transportable even in regions that pose considerable difficulties. With respect to enhancing troop capabilities, Serdyukov announced in May 2009 that the initial program to recruit contract service personnel had come to an end. In July, President Medvedev inspected the South Federal District, during which his focus is widely thought to have been national defense and security issues. This is because his itinerary included a visit to a unit attached to the 7th Airborne Assault Division and to the Black Sea Fleet, and because the entourage on the trip included Defence Minister Serdyukov and Nikolay Makarov, chief of the General Staff. Furthermore, one of the objectives of the inspection was to examine the results of the operational and strategic exercise “Kavkaz (Caucasus) 2009”, which took place just before his visit. In his meetings during the visit with on-site command staffs, President Medvedev remarked that basic activities of reform aimed at creating “the new look of the Russian military” would come to an end by December 1, 2009, and that the government would then work on supplying the military with the most up-to-date equipment. Under this program, Medvedev said, the goal would be to increase the ratio of equipment modernization in the armed forces to 80 percent. President Medvedev then touched on the vital importance of holding regular exercises and training activities as a means of strengthening collaboration among different organizations within the military. In March 2009, at a meeting of the military command staff held at the Ministry of Defence, which was attended by President Medvedev, Defence

Minister Serdyukov readily admitted that the ratio of equipment modernization in the Russian military was only 10 percent and that 90 percent of its equipment was obsolete. Therefore, if combat capabilities have to be enhanced in connection with the creation of permanent readiness among all military units, then, obviously, Moscow also has to increase the equipment modernization ratio. President Medvedev's remarks reflected this kind of awareness of the issue. According to Vladimir Popovkin, deputy minister of defense in charge of armament, defense procurement is currently being undertaken in accordance with the "State Defense Procurement Program for 2009–2011," which was formulated at the end of 2008 based on the "State Weapons Program for 2007–2015." Based on lessons gleaned from the Georgian conflict, the military faces immediate equipment modernization needs in the following areas: land attack and reconnaissance weapons; air attack and reconnaissance weapons; radio engineering and electronic warfare weapons; and communications weapons. In 2009, the military had plans to add around fifty new aircraft to its forces, including the MiG-29, Su-27SM, and Su-30MK2, and around fifty new helicopters, including the Ka-52, Mi-28N, Mi-24M, and Mi8MTV5. Shipments of the Iskander-M short-range mobile theater ballistic missile system to the ground forces have begun, with plans to complement this later on with the Pantsir-S air defense missile system. Plans are to supply the strategic missile forces with more than ten Topol-M ICBMs to strengthen strategic nuclear capabilities, which the Russian leadership considers to be a pillar of national defense. The navy, on the other hand, is proceeding with plans to introduce a new generation of *Borey*-class ballistic missile submarines (SSBN), which are equipped with Bulava submarine-launched ballistic missiles (SLBM), to replace its three current *Typhoon*-class strategic submarines. In March 2009, mooring tests on the first *Borey*-class SSBN, the *Yuriy Dolgorukiy*, were begun. The remaining two submarines in this class, the *Alexander Nevskiy* and the *Vladimir Monomakh*, are currently under construction. Ultimately, eight *Borey*-class submarines in all will be built.

(3) Stepped Up Military Exercises in the West and Southwest

As the reorganization of its units into brigades continues, the military is staging large scale exercises to test the results of this change and to develop proposals for further reforms. Most notable in this regard was the strategic exercise "Osen (Autumn) 2009," which rehearsed a military operation in the Caucasus and also

trained participants to repel a hypothetical expansion of NATO. Under Osen 2009, the military has already conducted three major operational and strategic exercises. The first was Kavkaz 2009, which took place in the Northern Caucasus Military District between June 29 and July 6. Under the command of Chief of the General Staff Makarov, this was a major exercise that mobilized roughly the following numbers of troops and weapons: 8,500 troops, 200 tanks, 450 armored personnel carriers, 250 pieces of artillery, and 30 Su-25 fighters, along with Mi-24 and Mi-8 helicopters. The principal objective of this exercise was to evaluate whether a brigade system would function effectively against terrorism. The Black Sea Fleet and the Caspian Sea Fleet, along with a unit attached to the Novorossiysk naval base, also participated, and successfully tested the ability of the armed forces to counter terrorism and piracy in the Black Sea and Caspian Sea regions. During the Georgian conflict of 2008, ships from the Black Sea Fleet played an important role by landing thousands of troops on the Abkhaz coast and attacking Georgian coastal guard vessels. Based on this experience, the fleet, since 2009, has been placed under the command of Northern Caucasus Military District for military operations in the southern and southwestern regions of the country. Considering that Moscow had always kept the Black Sea Fleet under the jurisdiction of the naval command, this action represents a major change. Integrating the ground forces with the Black Sea Fleet during military campaigns in the Black Sea region was also one of the important aims of the exercise. On the other hand, just weeks before Kavkaz 2009—between the end of May and early June—NATO conducted a peacekeeping training exercise inside Georgian territory that involved 1,000 troops. Thus, by staging Kavkaz 2009, Moscow could also have been aiming to restrain the increasing amount of NATO activity in the Caucasus region.

Next, between September 8 and 29, Russia and Belarus conducted “Zapad (West) 2009,” a joint operational and strategic exercise inside Belarus. Simultaneously Russia staged “Ladoga 2009,” a single nation exercise in the Leningrad Military District. Commanded jointly by Belarusian Defence Minister Leonid Maltsev and Chief of the General Staff Makarov, Zapad 2009 adopted a scenario in which Russia and Belarus jointly repel aggression by an imagined enemy. The exercise was large in scope, involving a total mobilization from both nations of approximately 12,500 troops, roughly 100 aircraft, and an estimated 4,000 weapons, including tanks, armored personnel carriers, and surface-to-air missile systems. Among the units participating from Russia were those assigned

to the Volga-Ural Military District and the Moscow Military District, whose rapid reaction capabilities and precision guided strike capabilities were tested. Ladoga 2009 was commanded by Commander-in-Chief of Ground Forces Boldyrev. This large-scale exercise mobilized units not only from the Leningrad Military District but also those from the Volga-Ural Military District, airborne forces, the Northern Fleet, and the air forces, as well as units from the north-western regional command of armed forces of the Ministry of Internal Affairs and the north-western regional center of the Emergency Ministry. According to Commander-in-Chief Boldyrev, the primary objective of Lagoda 2009 was to test the potential of the brigade system to carry out sophisticated present-day military operations and to evaluate the results of the three-level structure of command built around “military districts, operational commands, and brigades.” At the same time, the exercise had as an important goal strengthening integration among units from the military and from the Ministry of Internal Affairs during the execution of ordinary operations and in addressing conflict. Commenting on the simultaneous staging of Zapad 2009 and Ladoga 2009, General Boldyrev stated that a potential enemy could unleash attacks across a wider area and that for both exercises one very important task was to strengthen operational integration in two contiguous strategic directions, the west and northwest.

These large-scale exercises were not limited to the series of exercises to the south and southwest that constituted Osen 2009. An exercise also took place in the far eastern region. Between the 22nd and 26th of July, Russia held the antiterrorism joint exercise “Peace Mission 2009” with China in the Shenyang Military District in Northeastern China, in which a combined 3,000 troops, 300 ground force weapons, and 45 aircraft were mobilized. This exercise adopted as its scenario a situation in which both militaries would jointly take action to repel terrorism that threatened Russia and China, the region, and the world. Under the scenario, action would be based on decisions by the top leadership of both nations and on a UN Security Council Resolution. Participating from Russia were one airborne assault company and one motorized rifle battalion from the 83rd Airborne Assault Brigade of its Far Eastern Military District; an officer from that district joined the command and staff section of the exercise. The air forces contributed a total of twenty two aircraft: two IL-76 transport aircraft; five Su-24M bombers; five Su-25 bombers; five Su-27SM fighters; and five Mi8MTB transportation helicopters. Through this exercise, the Russian military reportedly proved its ability to carry out precision

drops of airborne troops from the Mi-8MTB helicopter and to successfully attack all targets through the use of precision guided weapons. While the military leadership in Russia and China points out the importance of continuing such joint exercises, either bilaterally or multilaterally within the framework of the SCO, observers point out that the latest exercise was greatly reduced in scale and time when compared to “Peace Mission 2007,” its predecessor exercise held two years earlier. It is clear from a review of all of Russia’s military exercises held in 2009 that, for Russia, the priority has to be placed on training to respond to threats in its western and southwestern regions.

(4) Strengthening External Military Cooperation

Within the Commonwealth of Independent States (CIS), Russia is pursuing a strategy of expanding its influence by developing closer alliances with member nations and strengthening military cooperation within the region. In 2009, Russia’s actions with respect to the latter were in marked evidence. In September, Russia entered into defense agreements with Abkhazia and South Ossetia, to which it unilaterally recognized independence following the Georgian conflict. These agreements allow Russia to station 1,700 troops in each territory for forty-nine years (with agreements renewed every five years). However, Georgia is strongly opposed to these measures and they have become potential flashpoints for a new conflict.

Moscow’s attempts to strengthen military cooperation within CSTO will also be subject to scrutiny. At the CSTO Council of Heads of State in June 2009, a document was signed to implement the February 2009 decision regarding the “CSTO rapid reaction force” and the activities of that force. The rapid reaction force that is being created by the CSTO will be capable of repelling any threat from the outside. Composed of ten battalions, it will be financed equally by all CSTO member nations. Russia’s plans for the force include an 8,000-troop deployment near the border with the Baltic states, which are members of NATO, and a deployment of between 8,000 and 15,000 troops to southern Central Asia. For Russia, troop deployments in the Baltic region would put significant pressure on the West, while its military presence in southern Central Asia would enhance its leverage there while at the same time provide a barrier against the threat of an increasingly unstable Afghanistan.

However, the positions of the various member states regarding the rapid reaction

force are not necessarily in accord. Involved in its own trade disputes with Russia, and quietly seeking to strike a balance between the EU and Russia in its diplomacy, Belarus is circumspect about Russian-led military integration. President Alexander Lukashenko not only did not attend the CSTO Summit in June but also refused to sign an agreement on a rapid reaction force at the informal summit of CSTO leaders held in Bishkek, Kyrgyzstan at the end of July. Likewise, Uzbekistan has maintained a consistently cautious stance toward the rapid reaction force, which it sees providing Russia with a way potentially to increase its troop presence in Central Asia. Because of these separate agendas among CSTO member nations, Russia may not be able to strengthen a rapid reaction force in the way that it is envisaging. Furthermore, in August, President Medvedev sent a bill to the State Duma that would revise provisions in the Law on Defense relating to Russian military intervention abroad. The amendment enables Russia to send its military abroad in protection of its citizens and soldiers. This revision addresses deficiencies in the law that relate to foreign military intervention, which were exposed during the Georgian conflict. Some view this as an opportunity for the Russian military to become more active in other nations. Concerns among CIS nations about such a possibility are rising.

(5) Seeking Wider Marketing Channels for Weapons Exports; Issues Facing the Defense Industry

Amid emerging signs of some thawing in US-Russia relations, Russia's expanding weapons exports to countries that are antagonistic toward the United States has become a potential obstacle to better relations. At the US-Russia Summit held in New York in September 2009, the United States pressed Russia to cease arms exports to Iran, Syria, and Venezuela. Russia is seeking to expand marketing channels for its arms exports and considers regions such as the Middle East and Latin America to be particularly promising for new development. According to some, Russia has been generally successful in making inroads into these markets. But the Russian economy has also been seriously impacted by the financial crisis that has beset the world since the autumn of 2008. Whereas defense expenditures and defense procurement budgets in Russia had steadily risen before the crisis, there is now concern in the defense industry about whether such growth can be sustained hereafter. The current economic crisis has had its harshest impact on defense contractors who have staked their survival on, and are competing in, the

international arms market. Facing intense competition for sales, Russian munitions suppliers are endeavoring to survive by capturing and expanding marketing channels across a broad spectrum of this market.

Also making this survival strategy necessary is the fact that China and India, Russia's largest arms markets over the past fifteen years, now seem unlikely to grow in the future. More specifically, China is gradually increasing its ability to manufacture the weapons it needs on its own, while India has now opened its market to virtually every weapons exporting country in the world, having recognized that forcing exporters to compete is economically advantageous. There is also the issue of the transfer to India of the *Kiev*-class aircraft carrier, *Admiral Gorshkov*, which is seriously behind schedule because of retrofitting delays in Russia. The resulting dissatisfaction in India, we believe, is also contributing to its desire to diversify its sources of procurement.

In February 2009, Iranian Defense Minister Mostafa Najjar visited Russia and reopened discussions on Russia's exports of arms to Iran, including exports of the S-300 surface-to-air missile system. Iran also has an interest in licensed or joint production of the A-140 and A-148 aircraft. Russia signed an agreement in 2005 to export the S-300 to Iran. The United States, however, concerned about the strengthening of Iran's air defense capabilities, requested that Russia suspend delivery of the system. Russia agreed to a postponement until the US-Russia Summit in September 2009. Within Russia, however, there has been a backlash, in which opponents have been arguing that the US-Russian agreement does not extend to prohibitions against military technical cooperation. With respect to Syria, Russia has agreed to export fifty Pantsir-S1 surface-to-air missiles for \$730 million. Around thirty of these missiles have already been delivered. Russia and Syria have also entered into an export agreement on MiG-29 M fighters (10–20). In 2009, both countries also held discussions on the export of BUK-M2E surface-to-air missiles. With respect to arms transactions with Venezuela, both nations agreed on the occasion of President Hugo Chavez visit to Russia in September that Russia would provide Venezuela with \$2 billion in financing for its purchase of Russian-made weapons. According to Deputy Prime Minister Igor Sechin, who represents Russia on the Bilateral Inter-governmental Committee between Russia and Venezuela, Russia is now evaluating the possibility of supplying tanks to the Venezuelan army.

Apart from these transactions, progress is being made in arms transactions with

Table 6.1. Major weapons and defense industry transactions by Russia in 2009

Purchasing nation	Details of transaction
Brazil	Ongoing contract negotiations on 12 Mi-35M attack helicopters
China	Ongoing contract negotiations on roughly 50 Su-33 fighters
India	Ongoing contract negotiations for the overhaul of 98 Su-30MKI fighters; ongoing contract negotiation on 2 <i>Krivak III</i> -class guided missile frigates
Indonesia	Delivery of 3 Su-30MK2 fighters (which completes delivery of 10 aircraft under contract signed in 2007)
Iran	Ongoing contract negotiations for delivery of S-300PMU2 surface-to-air missiles (numbers unclear; contract signed in 2005; delivery postponed when United States and Russia reached agreement to hold a summit in September 2009)
Malaysia	Delivery of 6 Su-30MKM fighters (which completes delivery of 18 aircraft under contract signed in 2003)
Saudi Arabia	Ongoing contract negotiations on 150 attack helicopters, including the Mi-17, the Mi-35, and the Mi171B; the T-90S tank (numbers unclear); and 250 BMP-3 infantry fighting vehicles. Total value of contract, \$2 billion
Syria	Contract for delivery of 50 Pantsir-S1 surface-to-air missiles (valued at \$730 million; 30 missiles already delivered); ongoing contract negotiations on BUK-M2E surface-to-air missiles (numbers unclear); and contract for delivery of 10–20 MiG-29M fighters
Venezuela	Agreement to provide \$2 billion in financing for the procurement of Russian-made arms
Vietnam	Contract for delivery of 8 Su-30MK2 fighters (valued at \$500 million); ongoing contract negotiations on 6 <i>Kilo</i> -class diesel submarines
Yemen	Contract for delivery of T-72 and T-80 tanks (numbers unclear) and for delivery of MiG-29 fighters (numbers unclear). Total value of contract: over \$1 billion

Source: Prepared from a variety of sources

Saudi Arabia. Traditionally, Saudi Arabia has purchased nearly all of its weapons from the United States, but recently has begun to show an interest in Russia as a source. According to press reports, both countries are on the verge of closing an arms agreement worth approximately \$2 billion. Under this agreement, Russia will export 150 helicopters, including the Mi-17 and the Mi-35, the T-90S tank, and 250 BMP-3 infantry fighting vehicles. The weapons markets of countries such as Saudi Arabia have been virtually monopolized by Western nations, particularly the United States. For Russia's munitions industry, penetrating these markets will be an important strategy for survival and it is likely that their efforts to expand marketing channels in such markets will intensify hereafter.

