

## Chapter 5

# Russia

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The Start of the Fourth Putin Administration

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The fourth Vladimir Putin administration started in May 2018. President Putin announced his basic policies in the fields of society and economy along with diplomacy and national security, and over the course of 2018, he developed the framework for his administration's future operations. With regard to international relations as the foundation of Russia's long-term development, the basic policies indicated that the country will explore ways to rebuild strategic balance with the United States under the Trump administration mainly in terms of nuclear forces, given the structure of confrontation with the West. On the other hand, Russia continued negotiations over particular issues with major European countries under bilateral or multilateral frameworks and attempted to involve major European countries into the formation of an international order of its favor. On the East Asia front, Russia worked closely with China, which it considers a strategic partner, to explore the formation of a new order through the meetings of the Shanghai Cooperation Organisation (SCO) and discussions over the Korean Peninsula issues. With Japan, Russia is attempting to develop relations focused on building mutual trust between leaders, despite differences in positions.

In the field of society and economy, the Putin administration announced an ambitious concept to achieve a breakthrough utilizing latent technological prowess in order to achieve further growth while maintaining socioeconomic stability. A government action plan was established up to 2024 to actualize this concept, which developed a new executive structure, including a mechanism where the Deputy Prime Ministers are in charge of multiple national projects. Meanwhile, from the perspective of maintaining stability, prudent fiscal and monetary policies were deployed, and policies with a focus on balance were implemented, including those seeking to stabilize oil prices through coordinated efforts with the Organization of the Petroleum Exporting Countries (OPEC). Among these, the government demonstrated it would push ahead with domestic reforms including passing the pension reform act, overcoming public opposition.

In terms of military aspects, the Putin administration is steadily moving ahead with the development of military forces capable of dealing with various situations predicted for the future. Russia's threat perception has been heightened on the European front, as Russia reinforced its military posture, including the return of divisions in both the Western and Southern Military Districts. At Vostok 2018, a military exercise held in the Eastern Military District in September, the country's combat readiness were confirmed not only in the Far East, but also in the Arctic.

Russia is moving to modernize its military equipment under the Russian State Armament Program (SAP) for 2018-2027, and discussions over the direction of military reforms are becoming more active. Based on the recognition that the threat of Islamic extremism in Central Asia remains serious, Russia is stepping up counter-terrorism military cooperation through the Collective Security Treaty Organization (CSTO) and SCO. Russia's reinforcement of military technology cooperation with Southeast Asian countries is linked with the country's aim to increase arms exports.

## 1. The Fourth Putin Administration and Future Policy Guidelines

### (1) President Putin's Re-election and Expectations for the Administration

On March 18, 2018, Russia held its presidential election for the 6-year term until 2024. President Putin was re-elected by receiving 76.69% of the vote.<sup>1</sup> This marked a major increase over the 63.60% he received in the previous presidential election held in March 2012. The next candidate received 11.77% of the vote, which was below the 17.18% in the previous election. This indicates President Putin's overwhelming victory. In addition, the voter turnout rate was 67.54%, which exceeded 65.34% from the previous election when there were many critical votes cast against President Putin's re-election. This shows that the Russian people were not apathetic toward the election. Rather, the approval rating calculated by multiplying voter turnout by share of votes received, increased more than 10 percentage points to 51.8% from 41.6% in the previous election. This suggests that a majority of the Russian people wanted President Putin to stay on the job.

As to the reasons why the Russian people approve of President Putin, according to a public opinion poll conducted in July 2018 by Levada Center, a non-governmental research organization, people cited his decisive decision making, forward thinking, and stance of protecting national interests.<sup>2</sup> The timing of this poll was immediately after the announcement of the tax revision focused on an increase in the value added tax (VAT) (to be discussed below), and the pension reform bill centered on an increase in the eligible age for receiving

pension benefits, which was a time when President Putin's approval rating collapsed from 80% to 67%. When considering this, it can be said that more than half of the Russian people expect President Putin to push ahead with necessary measures giving priority to national interests.

## **(2) Building of Medium- to Long-term Policy Guideline Framework**

President Putin built a medium- to long-term framework for future policy guidelines throughout 2018. The starting point of this was the Presidential Address to the Federal Assembly of March 1 (hereinafter, "March Presidential Address")<sup>3</sup> and the Presidential Executive Order on National Goals and Strategic Objectives of the Russian Federation through to 2024 released immediately after the presidential inauguration ceremony on May 7 (hereinafter, "May Presidential Executive Order")<sup>4</sup>.

Based on the May Presidential Executive Order, on September 27, the government approved the "Forecast of the Socioeconomic Development of the Russian Federation to 2024" (hereinafter, "Socioeconomic Development Forecast") and the "Key Guidelines for the Government to 2024" (hereinafter, "Key Guidelines for the Government"), and announced both on October 1, 2018.<sup>5</sup> Running parallel to this, the federal budget was formulated for the period from 2019 to 2021, and the Federal Law on the Federal Budget was passed on November 29 (Federal Law No. 459 dated November 29, 2018; hereinafter, "2019-2021 3-year Federal Budget"). This finalized preparations for the fourth Putin Administration's operations.<sup>6</sup>

What was mentioned in the March Presidential Address that marked the beginning of these efforts? The presidential address is normally presented to the Russian Federal Assembly in early December, but because it was given immediately prior to the presidential election this time, it tends to be viewed as a rhetorical election promise for winning the support of the Russian people. However, the March Presidential Address given by President Putin, whose reelection was certain, presented the nation's objectives and strategic goals based on the conventional meaning of the presidential address as the top strategic plan stipulated in the Federal Law on Strategic Planning in the Russian Federation (Federal Law No. 172 of June 28, 2014; hereinafter, "2014 Strategic Planning Law").<sup>7</sup>

### **(3) Future Policy Guidelines**

The roughly two-hour March Presidential Address can be broken down into two parts; one about the field of society and economy and the other about the field of diplomacy and national security. The objectives of the field of society and economy indicated in the first half of the March Presidential Address are as follows. Russia was able to “overcome challenges” and “finally achieve social and economic stability.” However, “sustainability is the foundation of development but not its guarantee.” In order to improve people’s lives and achieve prosperity of the nation, Russia’s latent economic and national defense potential must be fully utilized, and toward this end, “We must achieve a decisive breakthrough in this area.” On the other hand, compared to the world’s tendency for progress in science and technology to usher in breakthroughs, Russia currently depends on the technology of other countries and has become a second class country despite possessing excellent technological strengths itself that it does not fully harness. And the Address concludes as follows. “Technological lag and dependence translate into reduced security and economic opportunities of the country and, ultimately, the loss of its sovereignty. This is the way things stand now.” This is a serious problem, and now is the time for Russia to push ahead with difficult policies for achieving stability. The above represents President Putin’s basic awareness of the issues.

The strategic goals presented based on this awareness are: (1) Increase gross domestic product (GDP) 50% by the middle of the 2020s; (2) Increase average life expectancy to more than 80 years alongside Japan, France and Germany by the end of the 2020s; (3) Achieve modern living environment providing homes, ICT infrastructure including satellite communications and medical services to all of Russia, in both urban and rural areas; (4) Develop safe transportation infrastructure across all of Russia; and (5) Improve education level, spread digital technology across all of Russia, and improve overall science and technology through tie-ups between companies and research institutions including universities, among others.

The financial resources necessary for achieving the strategic goals are to originate from the positive cycle of economic growth which increases government revenue, and the following four detailed and ambitious goals were established related to economic structural reforms and increased competition for promoting this economic growth: (1) Increase labor productivity of key industries such

as manufacturing, construction, transport, agriculture and trade by at least 5% per year, and reach the same level as developed countries by the end of 2020s; (2) Expand investment mainly to upgrade and improve technologies of all industrial equipment and update manufacturing industry equipment to 25% of GDP; (3) Increase small- and medium-sized enterprises (SMEs) contribution rate to industry-specific GDP to 40% by the mid-2020s and increase jobs at SMEs from 19 million currently to 25 million; and (4) Double the non-resource non-energy export value to 250 billion US dollars over the next six years. The policy framework for the field of society and economy based on this plan under the May Presidential Executive Order will be discussed in Section 3.

The second half of the March Presidential Address covered issues in the field of diplomacy and national security. President Putin's awareness of the issues can be summarized as follows. The United States, recognizing that the post-Soviet Russia was too weak to maintain its national defense capabilities, withdrew from the Anti-Ballistic Missile (ABM) Treaty and created its own missile defense system, unilaterally disrupting the strategic stability. Russia had called for the United States to hold bilateral dialogue to restore the strategic balance, but the United States refused it. As a result, Russia developed the latest weapons to neutralize the unilateral actions of the United States. On top of this, the address asserted the need for negotiations to restore a strategic stability by actually disclosing cutting edge military technology and demonstrating Russia is prepared to use nuclear weapons. In addition, it states that Russia aims to form a new international order by enhancing strategic partnerships with China and India, while working together with international institutions and regional organizations. What types of diplomatic and national security policies did Russia implement in 2018?

## 2. Diplomatic Policy Aimed at Forming a New International Order

### **(1) Diplomacy with the United States for Restoring Strategic Stability**

Regarding relations with the United States, Russia in early 2017 expected that the Trump administration would lead the United States toward a more flexible stance with Russia. In actuality, however, the United States viewed Russia strictly over

suspicious of Russia's interference in the 2016 US presidential election, and from around the end of 2017 Russia faced the harsh stance of the Trump administration.

In the National Security Strategy (NSS) released in December 2017, the Trump administration criticized Russia as a revisionist power attempting to harm the security and prosperity of the United States. The National Defense Strategy (NDS) released by the US Department of Defense in January 2018 showed that long-term strategic competition with China and Russia was a top priority for the US Department of Defense, which would increase spending toward this end. Furthermore, the Nuclear Posture Review (NPR) released by the US Department of Defense in early February indicated the recognition that Russia could resort to nuclear first use in limited regional conflicts, and stated that the US Department of Defense would increase its options for low-yield nuclear weapons.

Following the publication of the NPR, Russia's Ministry of Foreign Affairs released a comment saying that the United States, not Russia, was attempting to lower the threshold for use of nuclear weapons, and it criticized the NPR as reflecting the Russophobia sentiment of the United States.<sup>8</sup> Similar exchanges were made between the United States and Russia during the session focused on nuclear issues at the Munich Security Conference on February 17.

The March Presidential Address discussed above was made during a time of increasing intensity of disputes over nuclear weapons between the United States and Russia. The second half of the presidential address criticized the United States actions as destroying the strategic stability with nuclear power, and as Russia's force to counteract such United States military force, President Putin took the unprecedented step of publicizing video of Russia's development of cutting edge weapons systems and saying "it's not a bluff."

Such strained relations between the United States and Russia were further exacerbated by the attempted assassination of a former Russian spy in the United Kingdom in March 2018 (see Commentary Section). The US-Russia summit meeting took place in Helsinki on July 16 in the midst of these strained relations. Both leaders had met together during international conferences in 2017, but the Helsinki summit meeting was the first prepared for bilateral talks. There had been observations that there would be moves on major issues at this summit meeting. In particular, regarding economic sanctions on Russia implemented over Russia's annexation of Crimea, there had been concerns within the United States that President Trump would recognize the Crimean Peninsula as Russian territory or mention lifting the sanctions.

In the midst of these concerns, President Trump attended the North Atlantic Treaty Organization (NATO) summit held in Brussels on July 11 and 12 immediately prior to the Helsinki summit meeting. During the meeting, the awareness was shared that Russia's provocative actions were causing a fluid state in Europe's security environment, and improving NATO's readiness was included in the leaders' summit declaration.<sup>9</sup> The declaration contained the shared intention of NATO members to implement the target agreed upon at the NATO Defense Ministers' meeting in June of securing additional 30 major naval combatants, 30 heavy or medium manoeuvre battalions, and 30 kinetic air squadrons, with enabling forces, at 30 days' readiness or less in a contingency. This represented confirmation once again of NATO's solidarity.<sup>10</sup>

The details of the Helsinki summit meeting cannot be confirmed directly, but according to the press conference after the meeting, there was no mention from President Trump of lifting sanctions on Russia that had stirred up concerns. In addition, regarding suspicions of Russia's interference in the 2016 US presidential election, during the press conference President Trump stated verbatim the view of the Russian side from President Putin, while casting doubt on the details of the announcement by the US investigating authority, causing a major stir,<sup>11</sup> but it is said there were no further discussions between the leaders. Meanwhile, cited as a matter agreed upon by both leaders, both countries would strive to control nuclear armaments. This agreement was not announced as a joint statement document, but attention now shifted to future negotiations between the United States and Russia.

However, the situation over negotiations for arms control between the United States and Russia was severe. On October 20, President Trump announced the United States would withdraw from the Intermediate-Range Nuclear Forces (INF) Treaty. The INF Treaty was signed between the United States and Soviet Union in 1987 to eliminate ground-based missiles with a range between 500 km and 5,500 km. It took effect in 1988, but the United States has pointed out since 2014 that Russia is developing and

possessing missiles in violation of the INF Treaty.

On October 22 immediately after the United States announced its withdrawal from the INF Treaty, US National Security Advisor John Bolton visited Moscow, where over the course of the next day he met with not only Secretary of the Security Council Nikolai Patrushev, but also Foreign Minister Sergei Lavrov, Defense Minister Sergei Shoigu, along with Chairman of the Accounts Chamber Alexey Kudrin and President Putin, too. During their meeting, President Putin said that he wanted to speak with President Trump about important issues. On October 28, Foreign Minister Lavrov proposed negotiations on a new agreement for guaranteeing a comprehensive strategic stability.

Dialogue between the United States and Russia, however, did not necessarily go smoothly. At the meeting held in November commemorating the 100th anniversary of the end of World War I held in Paris, the leaders of both countries only exchanged simple pleasantries. On November 25, Russian border forces seized Ukrainian vessels in the Black Sea close to the Kerch Strait, causing growing voices of criticism of Russia from Ukraine, the United States and Europe. President Trump, after hesitating, cancelled his meeting with President Putin scheduled during the Group of 20 (G20) summit in Buenos Aires at the end of the month.<sup>12</sup> Despite this, President Putin stated in his New Year's greetings to President Trump that he desired dialogue on strategic stability.<sup>13</sup>

A general overview of US-Russia relations indicates that in 2018 in the process of both the United States and Russia increasing their confrontational stance, issues were narrowed to strategic stability with a focus on nuclear weapons, and both countries explored opportunities for negotiations to resolve this issue. It has been pointed out that competition in an environment unlike the Cold War could bring about unforeseen crises,<sup>14</sup> and the impacts of measures taken by both countries have on international security will be in the spotlight.

## **(2) Diplomacy in Europe Aimed at a Russia-favored Framework**

Russia has continued talks over particular issues with major European countries using bilateral or multilateral frameworks. On May 18 immediately after his inauguration, President Putin invited Germany's Chancellor Angela Merkel to Sochi, Russia. During the talks, the leaders spoke about expanding economic cooperation between Russia and Germany, which is Russia's second largest trade partner next to China, as well as the issue of the US withdrawal from the Joint

## Commentary

### Attempted Assassination of Former Russian Spy (Skripal Incident)

On March 4, 2018, Sergei Skripal and his daughter Yulia suddenly took ill in Salisbury, England and fell into a prolonged coma. Sergei Skripal was a former spy for Russia's Main Intelligence Directorate of the General Staff of the Armed Forces (GRU). The United Kingdom authorities announced their view that Russia attempted to assassinate Sergei Skripal in the United Kingdom using a nerve agent called Novichok. UK Prime Minister Theresa May issued an ultimatum to Russia demanding an explanation, and when no response was forthcoming, the United Kingdom expelled Russian diplomats suspected of engaging in espionage activities in the United Kingdom. Furthermore, many other countries, mainly European countries and the United States expelled Russian diplomats suspected of spying. This was joined by Hungary, which has been taking a flexible stance toward Russia. In response, Russia retaliated by expelling from Russia the same number of diplomats from the countries that expelled Russian diplomats. In addition, the G7 Foreign Ministers' joint statement released on April 17, too, criticized Russia saying the above incident was possibly due to the use of poison by Russia. Furthermore, in August, after the US-Russian summit meeting in July, the United States levied new sanctions against Russia over the Skripal Incident. In this manner, the Skripal Incident became a factor for Europe and North America to take a harsh stance collectively against Russia, causing relations to sour further.

Comprehensive Plan of Action (JCPOA) over Iran's nuclear development, along with international issues including in Syria and Ukraine. The meeting confirmed the importance of pursuing problem-solving using dialogue through various frameworks Russia participates in.<sup>15</sup>

Next, President Putin invited France's President Emmanuel Macron, along with Japan's Prime Minister Shinzo Abe, China's Vice President Wang Qishan and Managing Director of the International Monetary Fund Christine Lagarde, as special guests to attend the Saint Petersburg International Economic Forum (SPIEF) at the end of May. Furthermore, on May 24 bilateral talks between France and Russia were held, where an agreement was reached on promoting economic cooperation. Discussions also involved the issue of the US withdrawal from JCPOA along with international issues including in Syria and Ukraine.

On June 5, President Putin visited Vienna, Austria, as his first trip abroad after being inaugurated as president. There, he met with President Alexander Van der Bellen and Chancellor Sebastian Kurz. This visit marked the 50th anniversary of natural gas exports from the Soviet Union to Austria, and an agreement was

reached on expanding economic cooperation mainly in the field of energy. The Austrian side stated it would follow the EU policy on Russian economic sanctions as the Presidency of the Council of the EU from July 1, but stated its expectations that Russia would play an important role as a major power in resolving international issues including in Syria and Ukraine.<sup>16</sup> Later, in August President Putin visited Austria and Germany, where he met with Chancellor Kurz and Chancellor Merkel in succession. During his talks with Chancellor Merkel, the policy of resolving international issues through dialogue was reaffirmed.<sup>17</sup>

Of particular note here is the four-country summit meeting involving France, Germany, Russia and Turkey held in Istanbul, Turkey on October 27 concerning the situation in Syria. During this meeting, an agreement was reached to expand international cooperation for normalizing Syria by establishing a dialogue framework involving each actor inside Syria along with ushering in necessary political reforms within the Syrian government, and a joint statement was issued.<sup>18</sup> Concerning the Syria issue, Russia had acted independently of Europe and North America by cooperating with Iran and Turkey to explore Russian-led solutions, but this meeting added France and Germany to the fold.

There are two ways to interpret this type of European diplomacy by Russia. The first interpretation is that Russia will use diplomacy for dividing the United States and Europe in order to combat “opposition from the United States and its allies, who are seeking to retain their dominance in world affairs” and “the policy of containing Russia that they are implementing” (Clause 12 of the Russian National Security Strategy of December 2015 as the current top strategy document; hereinafter, “2015NSS”).<sup>19</sup> The second interpretation is that the polycentric world being formed will not bring about new stability in the international order, but rather lead to “an increase in global and regional instability” (Clause 13), based on President Putin’s world view.<sup>20</sup> In other words, the existing approach of using blocs such as NATO and the EU for resolving international issues is no longer effective (Clause 16), encapsulating the belief that Russia needs to take the diplomatic initiative in forming frameworks to tackle individual issues. These two interpretations mutually complement one another. With regard to the Syria issue above, it can be understood that the four-country summit meeting worked to some extent to separate major European countries from the United States and directly involve them in a Russian-led multilateral framework.

### **(3) Diplomacy toward Involvement in Formation of New Order in East Asia**

On June 8, President Putin met with China's President Xi Jinping in Beijing. During the talks, President Putin became the first to receive China's Order of Friendship. This followed Russia presenting Xi Jinping with the Order of St. Andrew the Apostle in 2017, contributing to friendly relations between the two countries. Next, President Putin took part in the SCO summit meeting held in Qingdao, Shandong Province. This was the first summit meeting since India and Pakistan became official members. Many observer countries also attended. During the talks, an agreement was reached, and joint declaration adopted on counter-terrorism cooperation, resolving the Korean Peninsula issue through dialogue, compliance with the JCPOA and anti-protectionism, etc.<sup>21</sup>

On the sideline of this summit meeting, President Putin met individually with Uzbekistan's President Shavkat Mirziyoyev, Tajikistan's President Emomali Rahmon, Iran's President Hassan Rowhani, and Mongolia's President Battulga Khaltmaa. President Putin indicated Russia would establish and deepen relations with differing partners than Europe and North America and it would be able to voice statements related to the response to multilateral cooperation on international issues even if Europe and North America were absent.

As for the Korean Peninsula issue, Russia claims that its efforts with China calling for dialogue since 2017 contributed to the fact that Chairman Kim Jong-un shifted to a path of dialogue from early 2018 and held summit meetings with South Korea, China and the United States. Russia has not necessarily played a role of mediator or made advances in Russia-North Korea relations, but it began creating the foundation for high-level dialogue with Foreign Minister Lavrov's visit to North Korea in May 2018. At the same time, Russia kept pace with China, claiming the sanctions on North Korea should be eased because progress is being made in finding a resolution to the Korean Peninsula issues through dialogue. Based on the somewhat reduced threat of North Korea's nuclear and missiles programs, Russia called for the cancellation of missile defense system development by the United States and its allies. Russia's actions involved in international issues with China as a partner are consistent with the policy of 2015NSS and the March Presidential Address.

As for relations with Japan, there are many issues where the two sides have differing stances, including Russia's critical view of Japan's plan to introduce

Aegis Ashore. Russia is also conducting military actions in the Four Northern Islands, which is unacceptable for Japan based on its stance demanding the return of these islands as its sovereign territory. In June, a shooting exercise using new anti-ship missile systems reportedly introduced in 2016 was held on Kunashiri and Etorofu Islands. In August, it was reported that Russian Su-35 fighters were deployed to an airfield on Etorofu Island on a trial basis.<sup>22</sup> Meanwhile, the military exercise called Vostok 2018 held in Russia's Far East in September did not involve the Four Northern Islands, unlike the one held in the same region in 2014. Furthermore, since the bilateral agreement in December 2016, the joint economic activities on the Four Northern Islands are to be realized in a way not to violate the legal position of both sides, and working dialogues continue for their implementation.

The points at issue in Japan-Russia relations became a high-level diplomatic issue at the Eastern Economic Forum held in Vladivostok between September 11 and 13. Although North Korean Chairman Kim Jong-un did not attend as proposed by the Russian side, President Putin held talks with Prime Minister Abe, President Xi Jinping, and with South Korean Prime Minister Lee Nak-yeon. At the plenary meeting of the Eastern Economic Forum on September 12 attended by President Putin, the summit-level representatives of Japan, China and South Korea, and Mongolia's President Battulga Khaltmaa, President Putin proposed a method of first concluding a Japan-Russia Peace Treaty without any preconditions, and later continuing discussions of bilateral matters of concern. This differed from Japan's stance of concluding a peace treaty including the resolution of the territorial issue. In contrast, President Putin only briefly mentioned the issue of missile defense in passing, and did not strongly criticize Japan or the Japan-US Alliance.<sup>23</sup>

The true motive of President Putin's policy toward Japan remains unknown, but, considering that the Four Northern Islands were excluded from Vostok 2018 exercise held at the same time, it is believed that President Putin made consideration so as to avoid definitively deteriorating relations with Japan. On October 18, President Putin referenced the example of China where the international border issue was resolved through ongoing talks after the conclusion of a treaty following increased mutual trust, stating there would be no end in sight as long as Japan remained fixated on its conventional stance about a peace treaty.<sup>24</sup> This can be interpreted as either President Putin's critique of Japan's

stance, or his expression about the difficulty of diplomacy with Japan.

Thereafter, the Japan-Russia summit meeting held in Singapore on November 14 confirmed progress in initiatives aimed at achieving joint economic activities on the Four Northern Islands and cooperation concerning humanitarian measures for former island residents, and stated the intention to speed up the peace treaty negotiations based on the Japan-Soviet Union Joint Declaration of 1956.<sup>25</sup> At the summit meeting in Buenos Aires on December 1, peace treaty negotiations began by enhancing the dialogue mechanism involving foreign ministers and deputy foreign ministers.<sup>26</sup>

As seen from Russia, Japan is an ally of the United States located in a position to block Russia's advances into the Pacific Ocean and the Sea of Okhotsk, and it is a country with sensitive bilateral Northern Territories issues while at the same time occupying a position as an attractive source of funding and advanced technologies for Russia's development. In contrast, Russia does not heavily rely on Japan as an export market as it does on Germany in Europe and China in Asia, neither does Japan rely on Russia economically. Regarding relations with Japan, which occupies a singular position for Russia, President Putin appears to be attempting to cautiously develop relations based on trust between leaders, because matters of consideration are complex. Japan emphasizes summit diplomacy while understanding Russia's position, despite firmly maintaining the principles of international order such as opposing unilateral changes in the status quo.

In this manner, Russia and Japan are deepening trust between the two countries' leaders, and advancing cooperation and dialogue in the field of

national security. At the beginning of July 2018, Russian vessels visited Maizuru to conduct joint Search and Rescue Exercises. At the end of the same month, Defense Minister Itsunori Onodera traveled to Moscow, where he met individually with his counterpart Defense Minister Shoigu and attended the Japan-Russia Foreign and Defense Ministerial Consultation ("2+2"). On October 4 in Tokyo, Secretary of



A Russian Navy Ka-27 helicopter landing on JMSDF destroyer Ikazuchi as part of anti-piracy exercises in the Gulf of Aden on November 10, 2018 (SDF Maritime Staff Office)

the Security Council Nikolai Patrushev held talks with Shotaro Yachi, Secretary General of the National Security Secretariat and National Security Advisor to the Cabinet. On October 8, Chief of Staff, Joint Staff Katsutoshi Kawano met with Defense Minister Shoigu and Chief of the General Staff of the Armed Forces of Russia Valery Gerasimov in Moscow. On November 10, the Japan Maritime Self Defense Force, which was operating in the Gulf of Aden for anti-piracy operations, and Russian Navy held a joint exercise.

### 3. Domestic Policy Aimed at Steady Development of Foundation for Social and Economic Growth

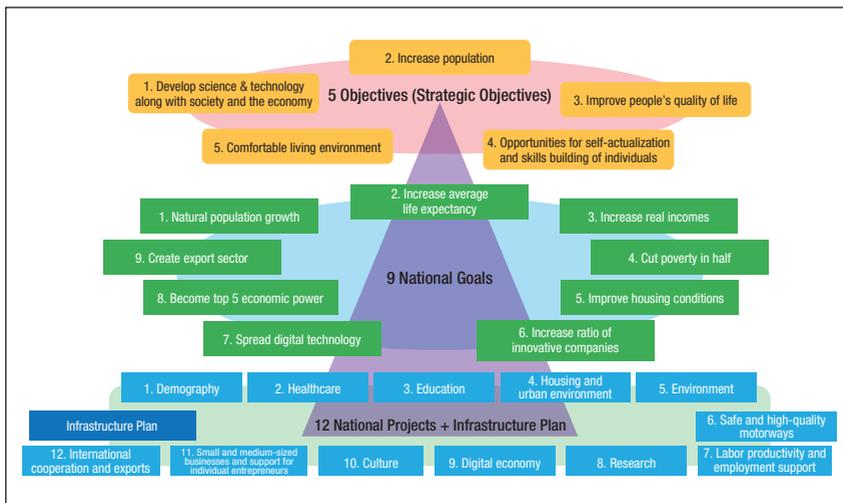
#### (1) Future Policy Framework Indicated in the May Presidential Executive Order

The May Presidential Executive Order summarizes and once again systematically presents the strategic objectives presented in the March Presidential Address, the national goals that the government must achieve to fulfill these objectives, and issues faced in realizing these national goals (Figure 5.1).

The five strategic objectives outlined in the May Presidential Executive Order are: (1) Achieve breakthroughs in science and technology and socioeconomic development across the Russian Federation; (2) Increase the population; (3) Improve people's quality of life; (4) Establish a comfortable living environment; and (5) Provide conditions and opportunities for the self-actualization and skills development of individuals. The nine national goals the government must meet by 2024 in order to achieve the five strategic objectives are: sustainable natural population growth; increase life expectancy to 78 years (80 years by 2030); ensure sustainable growth of real wages, as well as the growth of pensions above inflation level; cut poverty in half; improve housing conditions for at least five million households annually; accelerate technological development and increase the number of organizations engaged in technological innovation to 50 percent of the total; speed up the introduction of digital technologies in the economy and the social sphere; take Russia into the top five largest economies, ensure economic growth rates exceeding international rates, while at the same time maintaining macroeconomic stability, including inflation under 4 percent; and support high-productivity export-oriented businesses in the basic sectors of

the economy, primarily, in manufacturing and the agro-industrial complex, based on modern technology and staffed with highly qualified employees.

Figure 5.1. Future policy framework



Source: Prepared by the author based on May Presidential Executive Order.

In addition, President Putin also ordered the government to establish the necessary mechanisms, along with the key guidelines for the government and social and economic forecast considering resources for achieving the nine national goals, as well as 12 national projects related to the national goals and a comprehensive infrastructure plan that modernizes and expands major infrastructure, all by October 1.

The nine national goals are each ambitious and rather difficult to achieve. The newly added goals of (1) become a top five country in science and (2) triple spending on development of the digital economy versus GDP compared to 2017 are believed to be particularly challenging.<sup>27</sup> Why did President Putin establish such high standards that appear unlikely to be attained?

In the March Presidential Address, President Putin stated a serious sense of crisis that the state could collapse if economic development fails to materialize, and he showed a simple logic where latent technological strengths will be harnessed to make a breakthrough in the current stagnant situation. In other

words, it is believed that President Putin aimed to have the executive branch of government devise new policies that break with precedents and fixed concepts by boldly establishing difficult-to-achieve targets according to conventional means as a way of drawing out latent potential. The 12 national projects and infrastructure plan laid out in the May Presidential Executive Order are designed so that the ministers in charge work in an active and mutually complementary fashion in which efforts to achieve these goals contribute to the goals of other projects. In this manner, President Putin's basic concept is to achieve a series of decisive breakthroughs by maximizing the ripple effect or synergistic effect of technology.

In achieving this concept, harnessing Russia's information communication technology—considered superior internationally—along with developing and utilizing human resources based on Russia's advanced level of education are viewed as effective means.<sup>28</sup> At the same time, rational allocation of the budget between programs based on strict financial discipline and supervision of execution is essential. As a result, the point of focus becomes the government structure that will execute these national projects.

## **(2) New Executive Branch**

Prime Minister Dmitry Medvedev, who was reappointed by President Putin, submitted the reorganization plan for government ministries and agencies and the cabinet registry to President Putin, and after his approval, the new leadership of the executive branch was launched on May 18. As part of the cabinet moves, Minister of Finance Anton Siluanov, who emphasizes fiscal discipline, was reappointed and promoted to First Deputy Prime Minister. In terms of the main economy related cabinet members, Minister of Economic Development Maxim Oreshkin, who is 35 years old and responsible for formulating the socioeconomic forecast along with bilateral and multilateral economic cooperation, Minister of Energy Alexander Novak, who is responsible for external energy policy including coordinating Russia's cooperation with OPEC, and Minister of Industry and Trade Denis Mantrov were each reappointed.

In terms of reorganization of the executive branch, the Ministry of Communications and Mass Media was renamed the Ministry of Digital Development, Communications and Mass Media from the standpoint of promoting policy for digital development,<sup>29</sup> one of the focal points of the May

Presidential Executive Order. Appointed as the first minister was 39-year-old Konstantin Noskov, a career economic bureaucrat. Appointed as the Deputy Prime Minister responsible for digital economic development policy including transport was Maxim Akimov, former First Deputy Chief of the Government Staff, who has a wealth of experience in regional administration and is a career economic bureaucrat.

In the field of science, another focal point, it was decided to split the Ministry of Education and Science into the Ministry of Education and the Ministry of Science and Higher Education, from the viewpoint of focusing on development of science and technology. The Ministry of Education is dedicated to secondary education and vocational education, while the Ministry of Science and Higher Education supervises the activities of research institutions and promotes development of science at the national level, along with playing a role to improve the functions of higher education institutions such as universities. Olga Vasilyeva was reappointed as Minister of Education, while 41-year-old Mikhail Kotyukov, former Head of the Federal Agency for Scientific Organizations, was appointed Minister of Science and Higher Education. The Federal Agency for Scientific Organizations established in 2013 for overseeing and coordinating with Russia's research institutions in an integrated manner was eliminated, with its functions transferred to the Ministry of Science and Higher Education.

Tatyana Golikova, former Chairperson of Russia's Accounts Chamber, was appointed Deputy Prime Minister responsible for Social Policy, Labour, Health and Pension Provision, including the field of education and science. Alexey Kudrin, who was an economic policy advisor to President Putin and Head of the Center for Strategic Research, was appointed as the new Chairman of the Accounts Chamber. Kudrin is expected to play a role in guiding the government's activities properly.<sup>30</sup> Although there was some other turnover in the cabinet, incumbents in major positions were reappointed including Minister of Foreign Affairs, Minister of Defense and Minister of the Interior (Table 5.1).

Alexander Kozlov, Governor of Amur Oblast, was newly appointed the Minister for the Development of the Russian Far East and Yury Trutnev, Deputy Prime Minister and Presidential Plenipotentiary Envoy to the Far Eastern Federal District was reappointed. Yury Borisov, former Deputy Minister of Defense, with a history of military service as an engineering officer, was appointed Deputy Prime Minister for Defense and Space Industry. He also was promoted

Table 5.1. Executive branch of the fourth Putin administration

Title (in order on the registry approved by the president)	Name	New appointment	Date of birth	Remarks
Prime Minister	Dmitry Medvedev		September 1965	
First Deputy Prime Minister and Finance Minister	Anton Siluanov	○	April 1963	<ul style="list-style-type: none"> <li>· Promoted from Minister of Finance (concurrent office)</li> <li>· Predecessor Igor Shuvalov took office as Chairman of the Bank for Development and Foreign Economic Affairs (VEB).</li> </ul>
Deputy Prime Minister	Tatyana Golikova	○	February 1966	<ul style="list-style-type: none"> <li>· Promoted from Accounts Chamber Chairperson</li> <li>· Predecessor Arkady Dvorkovich took office as co-chair of the Skolkovo Foundation council.</li> </ul>
Deputy Prime Minister Presidential Plenipotentiary Envoy to the Far Eastern Federal District	Yury Trutnev		March 1956	
Deputy Prime Minister	Olga Golodets		June 1962	
Deputy Prime Minister	Vitaly Mutko		December 1958	
Deputy Prime Minister	Dmitry Kozak		November 1958	
Deputy Prime Minister	Yury Borisov	○	December 1956	<ul style="list-style-type: none"> <li>· Promoted from Deputy Minister of Defense</li> <li>· Predecessor Dmitry Rogozin took office as General Director of Roscosmos State Corporation for Space Activities.</li> </ul>
Deputy Prime Minister	Alexey Gordeyev	○	February 1955	<ul style="list-style-type: none"> <li>· Promoted from Appointed Presidential Plenipotentiary Envoy to the Central Federal District.</li> </ul>
Deputy Prime Minister	Maxim Akimov	○	March 1970	<ul style="list-style-type: none"> <li>· Promoted from First Deputy Chief of the Government Staff</li> </ul>
Deputy Prime Minister Chief of the Government Staff	Konstantin Chuychenko	○	July 1965	<ul style="list-style-type: none"> <li>· Promoted from staff of Presidential Administration</li> <li>· Predecessor Sergei Prikhodko, former Deputy Prime Minister and Chief of the Government Staff remained in the government as the First Deputy Chief of the Government Staff.</li> </ul>
Minister of Interior	Vladimir Kolokoltsev		May 1961	
Minister of Civil Defense, Emergencies and Disaster Relief	Yevgeny Zinichev	○	August 1966	
Minister of Foreign Affairs	Sergei Lavrov		March 1950	
Minister of Defense	Sergei Shoigu		May 1955	
Minister of Justice	Alexander Konovalov		June 1968	
Minister of Health	Veronika Skvortsova		November 1960	
Minister of Culture	Vladimir Medinsky		July 1970	
Minister of Science and Higher Education	Mikhail Kotyukov	○	December 1976	Former Head of Federal Agency for Scientific Organizations
Minister of Natural Resources	Dmitry Kobylkin	○	July 1971	Former Governor of Yamalo-Nenets Autonomous Okrug
Minister of Industry and Trade	Denis Manturov		February 1969	
Minister of Education	Olga Vasileva		January 1960	
Minister for the Development of the Russian Far East	Alexander Kozlov	○	January 1981	Former Governor of Amur Oblast
Minister of North Caucasus Affairs	Sergei Chebotarev	○	October 1969	Former staff in the Presidential Executive Office
Minister of Agriculture	Dmitry Patrushev	○	October 1977	Former Chairman of the Board of the Russian Agricultural Bank

Title (in order on the registry approved by the president)	Name	New appointment	Date of birth	Remarks
Minister of Sport	Pavel Kolobkov		September 1969	
Minister of Construction, Housing and Utilities	Vladimir Yakushev	○	June 1968	Former Governor of Tyumen Oblast
Minister of Transport	Yevgeny Ditrkh	○	September 1973	Promoted from First Deputy Minister of Transport
Minister of Labour and Social Affairs	Maxim Topilin		April 1967	
Minister of Digital Development, Communications and Mass Media	Konstantin Noskov	○	September 1978	Former Head of the Federal Analytical Center
Minister of Economic Development	Maxim Oreshkin		July 1982	
Minister of Energy	Alexander Novak		August 1971	

*Source:* Prepared by the author based on various documents.

to Deputy Chairman of the Military-Industrial Commission, following his predecessor Deputy Prime Minister Dmitry Rogozin. Rogozin was appointed General Director of Roscosmos State Corporation for Space Activities, where he will support digital economic development and national defense industry policy from the industrial side.

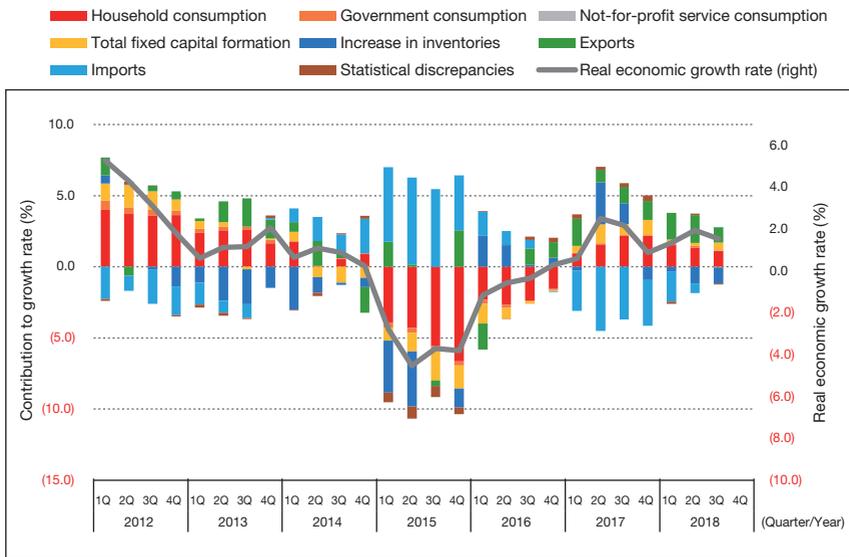
### **(3) Prudent, Yet Bold Policies**

The policies expounded by President Putin require as a prerequisite that social and economic stability be maintained. Therefore, the government had to establish the key guidelines while prudently implementing macroeconomic policies. The macroeconomy at the time, as indicated in Figure 5.2, was recovering from 2017. However, the actual situation showed that personal consumption growth was moderate compared to the past, and there were even indications of a slowdown after the start of 2018. Investment, too, began to stall on future uncertainty over the global economy.

Meanwhile, the first half of 2018 saw strong results from energy exports on the back of rising crude oil prices (Figure 5.3). Price gains were mainly attributed to growing energy demand following the moderate recovery in the global economy and output cuts from January 2017 based on the coordinated output cut agreement between OPEC and non-OPEC countries of November 2016.

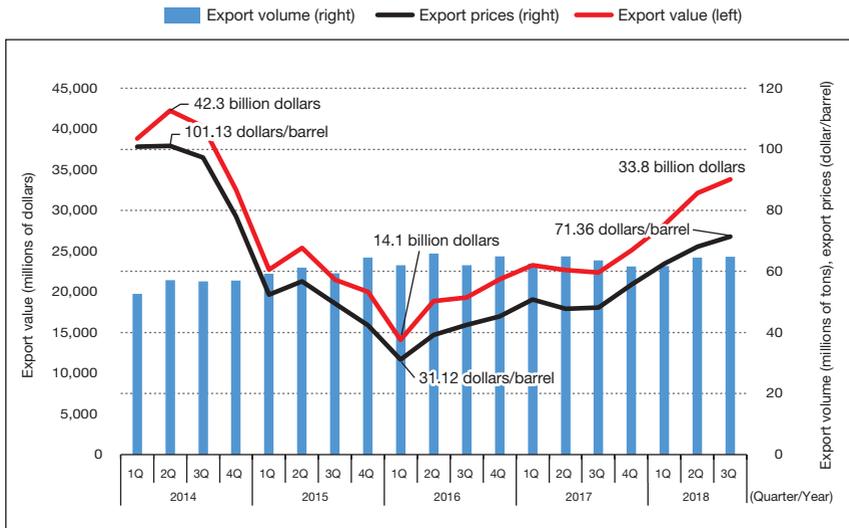
In the first half of 2018, crude oil supply contracted beyond the initial output cut quota due to political uncertainty in countries including Libya and Venezuela,<sup>31</sup> furthermore, in early May the Trump administration stated its intent to withdraw

Figure 5.2. Contribution to GDP growth rate by element



Source: Prepared by the author based on documents from the Russian Federal State Statistics Service.

Figure 5.3. Crude oil exports



Source: Prepared by the author based on documents from the Central Bank of Russia.

from JCPOA, which sent crude oil prices sharply higher.<sup>32</sup> Amid soaring prices with the recovery in the global economy still weak, there was concern about the risks of a sudden slowdown in the global economy. In this situation, it is believed that Russia was more incentivized to improve the long-term revenue stability and predictability by maintaining appropriate prices that did not inhibit global economic growth rather than to prioritize short-term gains from spiking prices.

Through the Joint Ministerial Monitoring Committee (JMMC), a temporary framework for coordination between OPEC and non-OPEC, Russia worked with Saudi Arabia, the largest OPEC producer, in an effort to rationalize output cut levels. At the same time, Russia worked to maintain the cooperative system through friendly relations with Iran, which is hostile toward Saudi Arabia. At the OPEC meeting on June 22, an agreement was reached to adhere to the output cut quotas and the possibility of increasing output to stabilize prices. While Russia could not largely influence crude oil prices alone, this means that it was able to achieve a level of influence over crude oil prices by leveraging JMMC and its relationship with Iran. Russia's influence carries with it an important meaning in terms of Russian energy companies' investment plans.

On the other hand, the Central Bank of Russia and the Ministry of Finance worked together to determine policy rates while monitoring impacts on investment activity and to curb the inflation rate, striving to maintain and slightly increase real incomes including wages and pensions, in order to support personal consumption in the domestic market. For example, following the decision to increase the VAT in September 2018, they responded in anticipation of rising inflation by increasing the policy rate to 7.5%, which had been lowered in stages to 7.25%.

Meanwhile, securing the necessary financial resources was a major challenge. President Putin, through his dialogue with the public on television and radio on June 7, indicated the country estimated it required at least an additional eight trillion rubles over the next six years, and called for understanding of the people toward policy that includes tax hikes. On June 14, the government decided on three new measures: (1) increase the VAT from 18% to 20% in January 2019; (2) establish a fund for infrastructure development to procure 3.5 trillion rubles over six years; and (3) increase in stages the age at which men can receive pension benefits from 60 to 65 by the year 2028 and for women from 55 to 63 by the year 2034. Immediately after this, the approval rating of President Putin and

the government fell sharply.

During a television address on August 29, President Putin, while explaining that immediate pension reform is unavoidable, presented a revised plan considering citizens' life planning, to change the women's pension start age from 55 to 60, instead of 63, and to provide women with more than one child with more pension benefits. Based on this, the government formulated a revised pension reform act on September 6. President Putin requested the Federal Assembly to debate the revised bill and at the same time appointed Deputy Prime Minister Golikova as the special presidential representative for the pension issue to deal with the Federal Assembly. The revised bill was approved by the Federal Assembly and on October 3 President Putin signed it into law.<sup>33</sup> However, despite the television address, the approval rating of President Putin and the government did not improve, and the ruling party United Russia faced a tough battle in the regional elections on September 9.

This example shows President Putin's determination to realize swift and bold domestic reforms needed for socioeconomic development. In other words, now, when he has solidified his administration's base after landslide victories in the 2016 State Duma (the lower house of the Russian Federal Assembly) elections and 2018 presidential election, is the time to push ahead with necessary domestic reforms, even though they may be unpopular with the people, and if necessary, President Putin will take command of reforms. On the other hand, looking at the results of the regional election of September, ahead of the State Duma election planned for the second half of 2021, President Putin will likely be forced to take some form of action. At that time, in order to both maintain the reforms and approval of the people, the possibility cannot be denied that he will take a hardline stance externally such as the one prior to the 2016 State Duma elections.

#### **(4) Key Guidelines for the Government to 2024 and Positioning of National Defense Industry**

On October 1, the government announced its socioeconomic forecast and key guidelines for the government. The socioeconomic forecast says that the growth rate of the global economy will slow to around 3% and crude oil prices will stabilize under 60 dollars from over 70 dollars in 2018. As for the Russian economy, the GDP growth rate will slow from 1.8% in 2018 to 1.3% in 2019 partly due to the impacts of the VAT hike and inflation will tick higher

momentarily, but this will rise to 2% following the success of national projects in 2020 and beyond. The forecast portrays a basic scenario where the GDP growth rate will trend around 3% thereafter.<sup>34</sup>

The key guidelines for the government presented the basic administrative policy for national projects used as a basis for this basic scenario. The novelty of the key guidelines for the government can be found in the establishment of seven interim development targets as nodes for the purpose of attaining the national goals, and that deputy prime ministers are placed in charge of securing organic collaboration mutually among individual national projects related to these interim goals (Table 5.2).<sup>35</sup>

With the awareness that the national defense industry has a foundation of cutting edge production and technology, Russia intends to spin off this foundation in order to develop the society and economy overall. The 2015NSS clearly states that advanced technical prowess from the national defense sector will be made a driving force behind advanced technology development for society and economy as a whole. President Putin, too, in September 2016 designated the target of increasing the production percentage of civilian items and dual use items from 16% in 2015 to 50% by 2025, as a way to encourage the national defense industry to manufacture civilian items and dual use items.<sup>36</sup>

This policy is reflected in the key guidelines for the government, too, which specify that the national defense industry is not suitable for being governed by market competition principles. It also points out that inactivity in military-civil fusion is a problem, and that the government will take active measures to promote high-tech industry including defense industry and innovation activities, and support the innovative development of the national defense industry for developing and producing high-tech dual use items that are competitive. In doing so, it calls for consideration in being able to address contraction in equipment procurement volume in 2020 and beyond. This policy in support of the national defense industry is included in the policy group on interim technological development targets. The people responsible is Deputy Prime Minister Borisov, along with Deputy Prime Minister Akimov and Deputy Prime Minister Dmitry Kozak.

The three-year federal budget for 2019 to 2021 prepared following this contains major increases in economic spending and education spending, but curtails increases in national defense spending and social policy spending. In

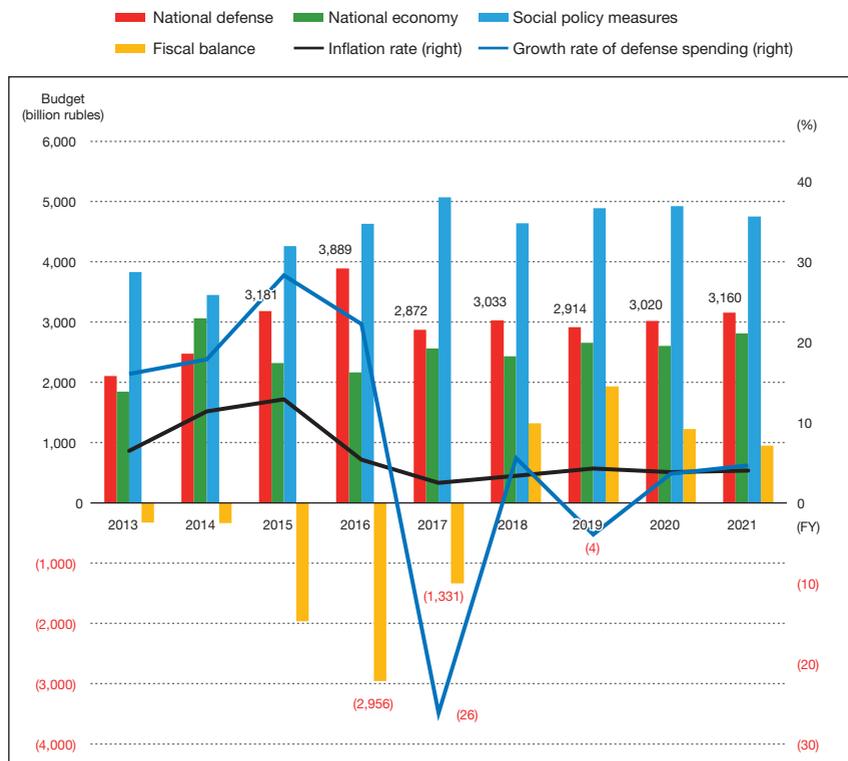
Table 5.2. Interim goals and executive branch accountability

National development goals (interim goals)		1	2	3	4	5	6	7	
		Sustainable and natural population growth	Increase real incomes Maintain pension levels	Improve housing conditions	Speed up technological development	Quickly introduce digital technology	Economic growth	Create high productivity export sector	
Person in charge	First Deputy Prime Minister Siluanov						○	○	
	Deputy Prime Minister Golikova	○	○						
	Deputy Prime Minister Kozak				○			○	
	Deputy Prime Minister Borisov				○				
	Deputy Prime Minister Golodets	○							
	Deputy Prime Minister Gordeyev							○	
	Deputy Prime Minister Mutko			○					
Deputy Prime Minister Akimov				○	○				
Designated by May Presidential Executive Order	National projects	1. Demography	○	○					
		2. Healthcare	○				○		
		3. Education	○	○		○	○	○	
		4. Housing and urban environment	○		○				
		5. Environment	○						
		6. Safe and high-quality motorways						○	
		7. Labour productivity and employment support	○	○		○		○	○
		8. Research				○	○	○	○
		9. Digital economy		○		○	○	○	
		10. Culture					○		
		11. Small and medium-sized businesses and support for individual entrepreneurs		○		○		○	○
		12. International cooperation and exports						○	○
Infrastructure Plan							○		

Source: Prepared by the author based on the Key Guidelines for the Government.

addition, the budget contains total outlays of 13.032 trillion rubles over six years as the budget for the 12 national projects and a comprehensive infrastructure plan presented in the May Presidential Executive Order. By reorganizing existing programs, the net increase over six years will be held to 8 trillion rubles.

Figure 5.4. Three-year federal budget (main spending)



Sources: Compiled from information obtained from the Russian Ministry of Finance and the State Duma.

## 4. Military Reforms with an Eye toward Combating Threats and Future Warfare

### (1) Reinforcement of Military Posture in European Strategic Direction

Russian leadership's threat perception on the European front has become severe, and steps are being taken to reinforce military posture in the Western Military District and Southern Military District. In June 2018, Defense Minister Shoigu indicated his belief that NATO's moves to reinforce military posture in former Eastern Europe, the Baltic, and Black Sea regions is a factor behind current instability in Europe's security situation.<sup>37</sup> Deputy Defense Minister Alexander Fomin pointed out that compared to 2012 the number of NATO units deployed along the border with Russia has tripled and the number of troops has grown from 10,000 to 40,000. Given this threat perception, Russia is exploring military posture based on the scenario of combating large-scale conflict. For example, according to Commander-in-Chief of the Russian Ground Forces Oleg Salyukov, brigades will be consolidated, reorganized and integrated into seven divisions that will mainly be deployed in the Western Military District and Southern Military District. Salyukov's explanation suggests Russia wants to use divisions to increase the strike capabilities and bombardment capabilities of units enabling response to fighting challenges on a broader front. At the same time, maintaining brigades with high mobility, ground forces will be organized with a balance of divisions and brigades based on both traditional threats and new threats.<sup>38</sup>

In terms of military infrastructure development, too, a policy of prioritizing the region along Russia's western border is seen. At the end of July 2018, the National Defense Management Center reviewed equipment procurement in the first half of 2018 and the status of military infrastructure development. According to Deputy Defense Minister Timur Ivanov, infrastructure construction and development is important from the standpoint of stationing troops and maintaining equipment, and particular attention is being paid to the Western Strategic Direction and Southwestern Strategic Direction.<sup>39</sup> Specifically, in the first half of 2018 alone, more than 480 military facilities were built. These included not only military facilities in Smolensk Oblast, Belgorod Oblast, Kaliningrad Oblast in the Western Military District, and in Rostov Oblast and the city of Sevastopol in the Southern Military District, but also the Seventh Army base in Abkhazia and the

Fourth Army Base in South Ossetia, considered Russia's forward deployment bases in Kavkaz (Caucasus).<sup>40</sup>

Reinforcement of military posture involves not only reorganization of units and development of military infrastructure, but is expressed in the form of military exercises, too. From August 1 to 15, 2018, NATO conducted Noble Partner 2018, the fourth iteration of a multilateral military exercise in Georgia. The purpose of this exercise is to improve collaboration between the Georgian Armed Forces and partners including the United States along with securing security and stability in the Black Sea region,<sup>41</sup> and it provoked a response from Russia. Following the exercise, Deputy Defense Minister Fomin commented that all of Russia's joint exercises with partners such as the Commonwealth of Independent States (CIS), CSTO and SCO are in response to NATO's moves, and purely defensive in nature. Russia's Ministry of Defense in September announced a plan to step up military exercises in the Southern Military District neighboring Georgia.<sup>42</sup> This plan clearly was made based on NATO's exercises in August. Furthermore, the Russian Armed Forces conducted a large-scale joint exercise involving the Navy and the Aerospace Forces in the Mediterranean from September 1 to 8. This exercise was carried out under the control of Commander-in-Chief of the Russian Navy Vladimir Korolyov, who was visiting Syria in conjunction with this, had the purpose of improving the coordination proficiency of both forces against attacks from the air and sea.<sup>43</sup> This was the largest joint military exercise since the Soviet Union era, and it is seen as in response to the growing activity of NATO's military moves in areas around Russia. The aircraft of the navy air wing stationed at Khmeimim Air Base in Syria also took part in the exercise. It is believed another aim was to leave an impression of Russia's reinforced military presence in the Mediterranean region.

## **(2) Military Posture and Large-scale Exercise Vostok 2018 in the Eastern Military District**

Reinforcement of military posture in the Eastern Military District is also a priority issue. In May 2018, First Deputy Defense Minister Ruslan Tsalikov, Deputy Defense Minister Dmitry Bulgakov, and Deputy Defense Minister Ivanov toured military infrastructure in the Eastern Military District. The three not only toured military facilities in Khabarovsk, Vladivostok, and Ussuriisk, including those of the 70th Independent Motorized Rifle Brigade, but also

inspected the construction of military facilities on Kunashiri and Etorofu Islands, and ordered construction to be completed by November 2018.<sup>44</sup> During a meeting of the Ministry of Defense at the end of May 2018, the issue of reinforcing units in the Eastern Military District was examined. According to Defense Minister Shoigu, discussions took place on creating the 127th Motorized Rifle Division under the Fifth Army in Ussuriisk. The Ministry of Defense supplied more than 1,600 pieces of modern equipment to units in the Eastern Military District in 2018, and indicated the estimate that the percentage of modern equipment owned by the units in this military district is 53%.<sup>45</sup>

Efforts are also being made to improve air defense and coastal defense capabilities on the Kamchatka Peninsula. In July 2018, firing exercises were held using the S-400 surface-to-air missile system deployed there. In September, firing exercises were held using the Bastion coastal defense missile system deployed in the Kamchatka Independent Coastal Missile Artillery Brigade.<sup>46</sup> Equipment for the Pacific Fleet continues to be updated. By 2019, two new corvettes equipped with Kalibr cruise missiles will enter service, and with regards to submarines, too, by 2022, six diesel-electric submarines (Project 636.3) plan to be introduced.<sup>47</sup>

From September 11 to 17, 2018, the Russian Armed Forces held the large-scale military exercise called Vostok 2018 in the Eastern Military District. Army General Valery Gerasimov, Chief of the General Staff, explained that the exercise followed the normal plan of annual rotations between the four military districts.<sup>48</sup> However, his emphasis that the exercise was the largest since Zapad 81 during the Soviet era in 1981 called attention. The Zapad exercise from thirty seven years earlier was conducted based on the scenario of military intervention by the Forces of the Warsaw Treaty Organization mainly led by the Soviet Union against the Polish crisis. Consequently, even though the location of the exercise in 2018 was the Eastern Military District, the main scenario of the exercise could be seen as countering conflict on the European front.

Vostok 2018 took place at the five combined-arms training grounds in the Eastern Military District including Tsugol training range, along with training areas of four air units and air-defense units, and also included the Bering Sea and the Sea of Okhotsk, making it quite expansive. Participating units covered a wide range including Eastern Military District units, Central Military District units, Pacific Fleet and Northern Fleet units, Airborne units, and long-range and transport aircraft units from the Aerospace Forces. Around 300,000 troops

were mobilized and more than 1,000 pieces of equipment were used including aircraft, helicopters, and unmanned aerial vehicles, along with up to 36,000 vehicles including tanks, armored personnel carriers and other vehicles, as well as up to 80 vessels.<sup>49</sup> Furthermore, this time the Chinese People's Liberation Army (PLA) (around 3,200 troops and around 900 pieces of equipment from) and units from the Mongolian Armed Forces participated. This marked the first joint exercise with foreign militaries held with the Russian Armed Forces at the Tsugol training range.<sup>50</sup> The main purpose of Vostok 2018, according to explanations by the Defense Minister Shoigu and Chief of the General Staff Gerasimov, was to evaluate the true readiness posture of joint forces, and to validate the effectiveness of modern equipment including that used in military operations in Syria.<sup>51</sup>

The exercise was held in two stages. The first stage involved preparations for actual military operations, and the second stage involved actual operations. During the second stage, tasks to verify issues included operations such as large-scale aerial ground attacks, cruise missile attacks, defensive operations, offensive operations, and raid operations. Additionally, in the Sea of Okhotsk and the Northwest Pacific Ocean, tasks included air-to-air combat, attacks on ship groups and amphibious landing, and coastal defense at sea. The most actively reported exercise was the exercise at Tsugol training range where three joint units of the Eastern Military District along with the Chinese PLA and Mongolian Armed Forces units faced off against two armies from the Central Military District.<sup>52</sup>

Vostok 2018 received attention for several reasons other than its size. First, despite it being an exercise conducted in the Eastern Military District, there were aspects acknowledged as being conscious of NATO. Not only the comparison to Zapad 81 during the Soviet era, exercises at Tsugol training range in particular had the scenario of two large-scale forces colliding, in which units of the Eastern Military District fought against units of the Central Military District.<sup>53</sup> Compared to Zapad 2017 held in 2017, the size of Vostok 2018 was much larger, but in the Western Military District, there are severe constraints placed on large-scale exercises due to the OSCE Vienna Document 2011 on Confidence- and Security-Building Measures, which is why it is believed that the Eastern Military District was utilized.

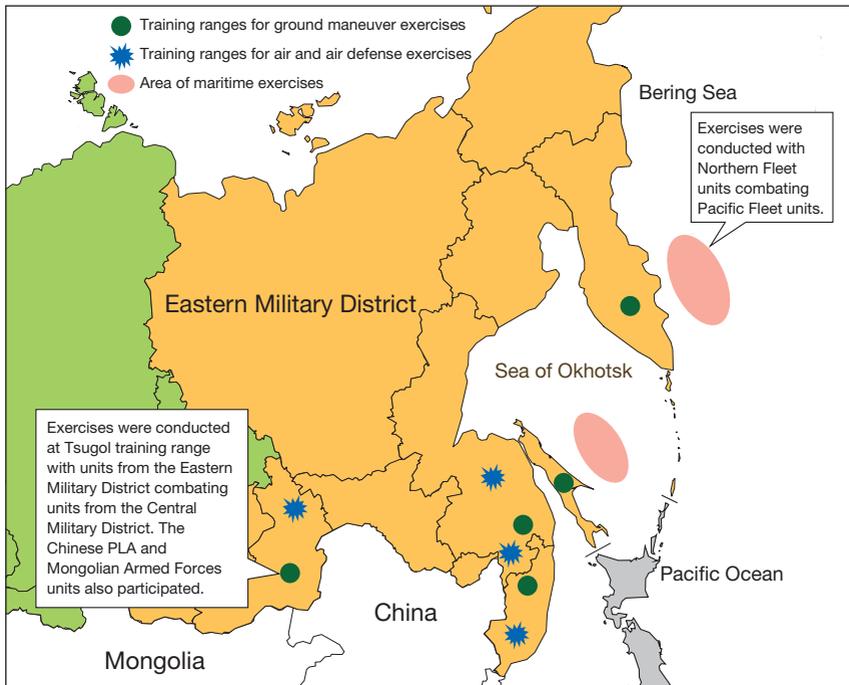
Second is the fact that the main components of this Russian exercise involved joint exercises with China. It has been pointed out that aspects of previous Vostok exercises were conscious of China's military emergence. With relations with the

West deteriorating, having China participate in the exercise is believed to fulfill the Russian intent of appealing that China and Russia can strengthen strategic alliance at any time. On the other hand, it is believed that gathering large numbers of Russian forces at Tsugol training range near the China-Russia border served as an effective show of military force to China.

Third is the point that the Defense Minister Shoigu and other Russian military leaders emphasized about learning from military operations in Syria through the exercises. The main tasks of Vostok 2018 were improving comprehensive operation capabilities, such as long-range precision guided attacks, long-range transport capabilities and logistics capabilities. This will garner attention as the future direction of Russian military reforms.

Fourth, as part of Vostok 2018, the trend emerged of more active military activities in the Arctic. To take part in this exercise, vessels of the Northern Fleet

Figure 5.5. Vostok 2018 exercises in the Eastern Military District



Source: Compiled by the author based on documents released by Russia's Ministry of Defense.

traveled around 6,400 km via the Arctic Ocean, traversing the waters from the Chukchi Sea to the Bering Sea. Furthermore, marine units of the Northern Fleet and Arctic Motorized Rifle Brigade held coastal landing training on the Chukchi Peninsula.

### **(3) Progress in Equipment Upgrades and Discussions concerning Military Reforms**

At the end of January 2018, President Putin revealed that the Russian State Armament Program for 2018-2027 (hereinafter, “New SAP”) was established at the end of 2017. The New SAP maintains roughly the same total budget as the previous SAP called the Russian State Armament Program for 2011 to 2020 (hereinafter, “Previous SAP”) at approximately 19 trillion rubles, but contains changes in priority matters for equipment procurement. In other words, the allocation for the navy which was high under the Previous SAP was reduced, and it favors the modernization of ground forces and airborne forces as well as strategic nuclear forces.<sup>54</sup> Emphasis on ground forces and airborne forces, given the crisis in the Ukraine and more active nature of NATO, is based on the awareness that ground forces and airborne forces will play an important role in future warfare. Emphasis on strategic nuclear forces includes all ballistic missile submarines (SSBN), long-range bombers, long-range cruise missiles, and land-based intercontinental ballistic missiles (ICBM).

Russia is currently learning lessons from military operations in Syria and it is attempting to reflect these in military reforms and equipment procurement. The General Staff of the Armed Forces of the Russian Federation not only trained units through military operations in Syria, but also experimented with new cutting-edge weapon systems, etc., to experiment and test approaches to modern war. The impacts on the Russian Armed Forces from military operations in Syria can be summarized as follows. First, the emphasis on high tech weapons in the New SAP, second the acquisition of operational experience in an unknown environment, and third emphasis on further development of long-range attack capability of conventional weapons including cruise missiles. At the end of January 2018, President Putin attended a meeting at the National Defense Management Center reviewing military operations in Syria,<sup>55</sup> and the following points were reported. This was the first actual theatre where Russia used ground-based and sea-based long-range precision guided weapons and strategic bombers.

In particular, the Kalibr cruise missile and the Kh-101 long-range precision guided missile posted excellent results. The Su-33 ship-borne fighter and tactical fighters including MiG-29k along with unmanned aerial vehicles were operated. The anti-air missile system S-400 and Pantsir missile system secured supremacy in the air jointly with fighter aircraft, and naval vessels carried out attacks on terrorist bases.

To what extent are the Russian Armed Forces moving ahead with equipment procurement and upgrades under Defense Minister Shoigu? In February 2018, a meeting was held at the Ministry of Defense examining state defense procurement during 2017. According to Defense Minister Shoigu, 98.5% of state defense procurement in 2017 was fulfilled, and around 3,500 pieces of modern equipment were introduced across all branches of the Russian military.<sup>56</sup> As a result, the percentage of modern equipment owned by the Russian Armed Forces increased from around 16% in 2012 when Defense Minister Shoigu was appointed to 59.5% at the end of 2017. In Defense Minister Shoigu's report at the expanded meeting of the Defense Ministry Board held in December 2018, equipment upgrades in 2018 went according to plan, and as a result, this number increased further to 61.5% at the end of 2018. When viewed by each branch of the military and strategic nuclear forces, the figure at the end of 2018 was 48.3% for the Ground Forces, 62.3% for the Navy, 74% for the Aerospace Forces, and 82% for strategic nuclear forces. This indicates that progress is indeed being made with procurement of the latest equipment by the Aerospace Forces and strategic nuclear forces (Table 5.3).

#### **(4) Expanding Counter-Terrorism Military Cooperation and Arms Exports Aiming to Increase**

Russia has been consistently increasing its military cooperation for counter-terrorism. Russia is stepping up military cooperation within the frameworks of the SCO and CSTO in order to combat growing extremism and terrorism particularly in Central Asian countries neighboring Afghanistan.

The SCO conducted a joint exercise called Peace Mission 2018 from August 22 to 29 at the Chebarkul training range in Chelyabinsk Oblast, Russia, part of Russia's Central Military District. A total of eight countries participated including Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan, India, Pakistan, and Uzbekistan (as an observer), with around 3,000 soldiers and more than 500

Table 5.3. Status of equipment upgrades by service and branch  
(as of December 18, 2018)

Service & branch	Share of modern equipment	Major equipment upgrades
Ground Forces	48.3%	Upgraded with approximately 2,200 pieces of modern equipment and completed equipment upgrades for 10 units. Completed introduction of tactical missile system Iskander M for one brigade, surface-to-air missile systems S-300V4 and Buk-M3 for two brigades.
Navy	62.3%	Introduced 14 combat ships, 11 supply ships, and 4 coastal missile systems Bal and Bastion, in addition to bringing in 15 aircraft and helicopters to air units.
Aerospace Forces	74.0%	Completed equipment upgrades for 4 aviation regiments, 2 aviation battalions and 5 surface-to-air missile regiments. Introduced 126 aircraft (Su-34, Su-35S, Ka-52, etc.) and over 100 air defense batteries (S-400, etc.).
Strategic Missile Forces	82.0%	Introduced 100 new units of missile systems including the new ICBM RS-24 Yars. Replaced existing system with Yars for one division, with a replacement for one army corps in progress. Development of the new heavy silo-based ICBM RS-28 Sarmat is underway, with a tentative schedule of replacing existing equipment in 2021.
Airborne Forces	63.7%	Introduced over 300 pieces of new main equipment including armored fighting vehicles and self-propelled artilleries and over 11,000 pieces of equipment for airborne descent. Organized new units including one Airborne Command Brigade, one Airborne Assault Regiment, two Electronic Warfare Companies, and two Unmanned Aerial Vehicles Companies.

Source: Compiled by the author based on the report by *Krasnaia Zvezda* on December 19, 2018.

pieces of equipment taking part. This was the first exercise involving India and Pakistan since the membership of the SCO was expanded. The main purpose of the exercise was combating international terrorism and extremism. It was conducted following the situation where terrorists have dispersed to a wide area including Central Asia following the collapse of the Islamic State of Iraq and the Levant (ISIL).<sup>57</sup> The exercise was also held following the call to reinforce counter-terrorism cooperation among members at the SCO Defense Ministers' meeting held in Beijing in April 2018.<sup>58</sup>

The CSTO is now coordinating a series of exercises since the joint exercise held in 2017. These are held as part of the large-scale operation and strategy exercise called Indestructible Brotherhood, which includes the “mutual collaboration”

joint exercise of the Collective Operational Reaction Forces, “unbreakable brotherhood” joint exercise of the Collection Peacekeeping Forces, “border” joint exercise of the Collective Rapid Reaction Forces, and “search” joint exercise of the Reconnaissance and Surveillance Forces. The purpose was to reinforce collaboration between the militaries of CSTO members needed to respond to conflicts in a diverse range of theatres. Indestructible Brotherhood 2017 took place from October to November 2017 and at training ranges in the four countries of Russia, Armenia, Kazakhstan and Tajikistan. Indestructible Brotherhood 2018 was also held at training ranges in the four countries of Russia, Kazakhstan, Kyrgyzstan and Tajikistan. According to Colonel General Anatoly Sidorov, Chief of the CSTO Joint Staff, the 2018 exercise was held in three stages. The first stage was prevention of military disputes, the second and third stages was improving the Collective Forces of the CSTO’s ability to deal with resolving military disputes and peace creation operations.<sup>59</sup> Furthermore, in October 2018, the Collective Air Forces of the CSTO mainly responsible for air lifts held joint exercise Air Bridge 2018 in Sverdlovsk Oblast, in Russia’s Central Military District.<sup>60</sup>

In terms of military cooperation under the CIS framework, progress has been made in an improved Joint Air Defense System and enhanced cooperation on the intelligence front. As for improving the Joint Air Defense System, in August 2018, the meeting of the Joint Air Defense Coordination Committee of the CIS Defense Ministers’ Council was held in Minsk (chaired by the Commander-in-Chief of the Russian Aerospace Forces), which discussed problems of military technology cooperation in air defense with Armenia, Belarus, and Uzbekistan.<sup>61</sup> In terms of enhanced cooperation on intelligence, in April 2018, the first meeting of CIS Information Security Coordination Committee was held in Moscow. The meeting was attended by Russia, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. Participants agreed to further enhance cooperation after examining the direction of cooperation up to 2022 of intelligence and security institutions of each CIS military.<sup>62</sup>

Russia’s military cooperation emphasizes military technology cooperation that leads to increased arms exports. In January 2018, Defense Minister Shoigu visited the three Southeast Asian countries of Myanmar, Vietnam and Laos, where he held discussions with the ministers of defense of each country on the current situation and future aspirations of bilateral military cooperation and

military technology cooperation.<sup>63</sup> At these meetings held based on the outcomes of Russia’s latest weapons in military operations in Syria, strong interest was shown particularly in Russia’s anti-air missile systems such as the Pantsir, S-300 and S-400.<sup>64</sup>

Russia is looking to building relations with South Asian countries other than India. In July 2018, Russia’s Ministry of Defense revealed it is moving ahead with preparations to conclude a military cooperation treaty with Sri Lanka that includes cooperation in a broad range of fields.<sup>65</sup> Furthermore, in August 2018, Deputy Defense Minister Fomin visited Pakistan to attend the Russia-Pakistan Military Advisory Committee on Defense and Security, and he discussed bilateral military cooperation with Pakistan’s leadership along with issues posed by military technology cooperation.<sup>66</sup>

Table 5.4. Russia’s main arms exports developments in 2018

Counterparty	Details
India	Contract for S-400 surface-to-air missile system (valued at approx. 5.5 billion USD) Contract for 48 Mi-17-V5 helicopters (valued at approx. 1.1 billion USD) Contract for 4 frigates (Project 11356M) (2 will be made in Russia and exports; while the other 2 will be made in India under a licensing agreement)
Indonesia	Contract for 11 Su-35 fighters
The Philippines	Commenced negotiations on provision of 3 Kilo-class submarines
Myanmar	Reached agreement on contract for 6 Su-30 fighters
Algeria	Negotiations continue on purchase of 14 new MiG-29M/M2 fighters (valued at 700 to 800 million USD)
Egypt	Negotiations continue on purchase of Ka-52 naval helicopters
Iraq	Began transfer of BMP-3 armored fighting vehicles
Kuwait	Negotiations continue on purchase of 146 T-90MS/MSK tanks
Syria	Decision reached to provide 49 batteries of the S-300PMU surface-to-air missile systems

Source: Compiled by the author based on various media reports.

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