

Chapter 6

Russia

With the stabilization of his political power base in the second year of his presidency, Vladimir Putin has eagerly set about tackling a wide range of internal, external, defense, and security-related issues.

With the emergence of the Bush administration, Putin continues to attempt to check the U.S. move toward pre-eminence as the only superpower in a unipolar world order while revealing a more flexible side by engaging in negotiations with the United States over the missile defense issue. The September 11 terrorist attacks in the United States have brought Russia ever closer to the United States. Russia, which had been issuing warnings about the need to deal with the threats of international terrorism posed by Islamic extremists, is riding the occasion and moving to strengthen international cooperation against terrorism. Russian leaders, it appears, want to seize the opportunity as a springboard to improve Russia's relations with the United States and Europe.

On the military front, Putin revamped the leadership at the Defense Ministry and the military, including appointing a civilian, Sergei Ivanov, as defense minister. He also made clear his posture to proceed radically with military reform, an initiative not seen since the administration of Boris Yeltsin. Putin has also revealed his intention to strengthen the defense industry by economically bolstering it, reflecting the booming fiscal conditions. Russia's steadily rising arms exports to Asia, however, are increasingly viewed as a factor that has a negative impact on the regional security environment.

1. Putin's Political Foothold Becomes Firmer

With the stabilization of his political power base in the second year of his presidency, President Vladimir Putin finds himself with a favorable environment to tackle various policy issues. Two factors have helped Putin to solidify his political ground.

First, his popular support remains high with approval ratings constantly above 70 percent. The country's economic recovery has helped send the popularity rating to high levels. The Russian economy posted GDP growth of 8.3 percent in 2000, on the boom in the export of natural resources. Industrial production also rose by a robust 8.9 percent. The recovery trend remains on a solid track for 2001 and estimates suggest GDP growth of 6 percent for the year. Tightening the enforcement of tax collection has proven effective and the government saw tax revenue for 2000 double from that for 1999, dramatically improving the state of government finance. The fiscal balance tipped into the black in 2000. The improving fiscal conditions have resolved such problems as the delay in salary payments to public servants and public pension payments, and have even raised those payments, helping bring greater stability to society and raise public morale.

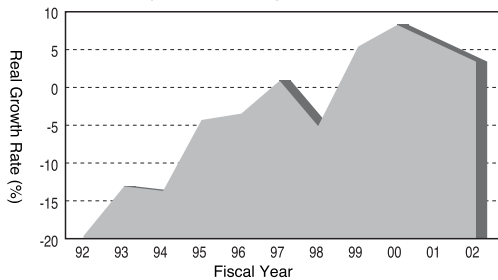
The second factor is the more stable relationship between the president and the lower chamber of the Federal Assembly (which has 450 members). The 2001 spring session, from January 12 to June 20, saw 158 bills passed, including some leading bills relating to the economy. This reflects the eagerness of the Putin administration to tackle economic reform. However, the generally more cooperative Congress is also behind the smooth legislative deliberations. Furthermore, in December 2001, the political block "Unity," a pro-government party with 84 seats in the lower house, the State Duma, and the centrist political block "Fatherland-All Russia," with 45 members, merged to create "Unity and Fatherland." Clear support from the centrists has made Putin's job of handling the assembly much easier.

Amid the solidifying of his political foundation, Putin appointed

close civilian aides to the posts of defense minister and minister of internal affairs. He named Sergei Ivanov, secretary of the Security Council, who had played a pivotal role in drafting plans for military reform, as defense minister, a crucial position to

promote military reform as one of the leading defense and security issues. Putin appointed Boris Gryzlov, representative of the political block Unity, as minister of internal affairs, a post vital to implementing domestic policy priorities. This appointment was intended to restore domestic order. The administration then set about reforming the Ministry of Internal Affairs, to equip it to effectively control crime, corruption and terrorism. These appointments may be a sign that Putin is committed to tackling pending issues without delay.

Figure 6-1. Russia's Real Growth Rate (1992-2002)



Source: IMF *World Economic Outlook*, December 2001 and October 2001.
 Note: Figures for 2001 and 2002 are estimates.

2. Pursuing Pragmatism and Strategic Stability

(1) Goals of Putin's Foreign Policy

As he enters the second year of his presidency, securing economic benefits and strategic stability have become Putin's two foreign policy objectives. These two foreign policy goals have been emphasized on such occasions as his speech at the Ministry of Foreign Affairs on January 26, 2001, and his annual message to the Federal Assembly delivered April 3.

Putin pointed out that the country's economic conditions rest largely on Russia's diplomatic ability and that it was crucial to create an international environment that permitted Russia to concentrate its energy and resources on tackling domestic issues, namely, economic reform.

It is imperative, he argued, that Russia strengthen its cooperative ties with other countries surrounding Russia on security and economy-related issues. He identified three specific objectives: (1) Efforts must be made to promote integration within the Commonwealth of Independent States (CIS); (2) Russia must reinforce cooperative relations with European countries. Behind this perception is the need to normalize relations with the North Atlantic Treaty Organization (NATO) while continuing to oppose its eastward expansion; and (3) Russia needs to promote its participation in cooperative mechanisms in the Asia-Pacific region and to expand friendship and cooperation with leading Asian countries.

Putin has also stressed the importance of securing strategic stability. Specifically, this concerns how Russia will respond to the missile defense plan that the Bush administration is pursuing and the U.S. move to pull out of the Treaty on the Limitation of Anti-Ballistic Missile Systems (ABM Treaty) signed in 1972. In his January 26 speech, Putin said his dialogue with the Bush administration may become a forward-looking one and that he harbored hopes for the outcome of the negotiations. Russia had hoped that the United States would place considerable value on its negotiations with Russia over the ABM Treaty, since a Republican administration would, it assumed, value global strategic issues more than a Democratic administration. At the Russia - U.S. summit during the G-8 Genoa Summit in July 2001, the two countries agreed to a framework of negotiations where they would simultaneously discuss two issues: revision of the ABM Treaty and the reduction of strategic weapons. Based on this accord, negotiations were held at a working level. However, the U.S. intention to withdraw from the ABM Treaty was so firm that conclusion of the negotiations by way of treaty revision appeared increasingly difficult.

(2) The September 11 Terrorist Attacks and Russia

The terrorist attacks in the United States on September 11, verified a long-held claim of the Russian government: the threat of interna-

tional terrorists is graver than the threat of ballistic missiles from “rogue states.” What prompted the Russian government to take a cooperative posture regarding the U.S. military campaign in Afghanistan was its desire to destroy the Taliban by the hand of the United States. The Taliban is thought to be behind the work of extremists in Chechnya. Russia figured that an early conclusion of the Chechen conflict would help it stabilize domestic affairs.

On the foreign relations front, cooperation with the United States and European countries on efforts to counter international terrorism is a major plus for Russia. The Russian leadership is aiming to rapidly improve its relations with the United States and Europe with anti-terrorism cooperation as the catalyst. It is also harboring hope that by making the United States aware of the significance of international cooperation on the antiterrorism front, it may help counterbalance any orientation on the part of the United States toward unilateralist behavior. During the Russia-U.S. summit in November 2001, the leaders of both countries confirmed their commitment to cooperation against international terrorism.

Russia may also embrace hope that a shift in U.S. interests to anti-terrorism measures may lower the perceived significance of the missile defense (MD) program within U.S. security policy as a whole. At the November summit, however, while Russia may have rejoiced in Bush’s decision that the United States would cut down on its strategic weaponry, it failed to elicit a U.S. affirmation that it would not withdraw from the ABM Treaty. In December, the Bush administration announced unilaterally that it was pulling out of the treaty.

However, it is noticeable that this announcement did not bring about strong opposition from Russia. It appears that Russia had not perceived America’s MD system as in any way compromising the Russian power of nuclear *détente*. One might argue that Russia has opted to elicit further concessions from the United States on strategic arms reduction in lieu of trying to keep the United States in the ABM Treaty. It is conceivable that prior to announcing its withdrawal, the United

Table 6-1. Major Recent Terrorist Incidents in Russia

Date	Location	Incident
Mar. 1999	Vladikavkaz	Bombing in a market. 50 killed, over 100 injured.
Apr. 1999	Moscow	Federal Security Service bombing. Two injured.
	Moscow	Intourists Hotel bombing. 11 injured.
Aug. 1999	Moscow	Central Moscow shopping center bombing. One killed, dozens injured.
Sept. 1999	Volgodonsk	Apartment building bombing. 70 killed.
	Moscow	Apartment building bombing. 50 killed, over 200 injured.
	Moscow	Apartment building bombing. 118 killed.
	Moscow	Apartment building bombing. 60 killed, 150 injured.
July 2000	Chechnya	Bombings by Chechen militants. 33 killed.
	Vladikavkaz	Bombing in a market. Six killed, 16 injured.
Aug. 2000	Moscow	Pushkin Market bombing. 10 killed, over 90 injured.
Sept. 2000	Ryazan	Bombing in a market. Three killed, seven injured.
Oct. 2000	Chechnya	Cafe bombing. 10 Russian soldiers killed.
	Stavropol	Series of bombings — Pyatigorsk Train Station, City Hall and a market
Dec. 2000	Chechnya	Cafe bombing. 20 killed, over 20 injured.
	Stavropol	Two simultaneous bombings. Four killed, over 20 injured.
Feb. 2001	Moscow	Belorusskaya metro station bombing. Nine injured.
Mar. 2001	Karachayevo-Cherkesya	Three car bomb blasts. 24 killed, 143 injured.
Apr. 2001	Chechnya	Police department bombing. Six killed, five injured.

Source: Tamara Makarenko, "The changing faces of terrorism within the Russian Federation," *Jane's Intelligence Review*, July 2001, p.17.

States gave in by promising to draw up a written agreement to further trim strategic arms by way of the Strategic Arms Reduction Treaty (START) III. It is no exaggeration to say that the U.S. announcement of a withdrawal from the ABM Treaty was a collaboration between "team Bush" and "team Putin." Thus, the U.S. withdrawal from the ABM Treaty will not alter the tide of cooperation between Russia and the United States.

Russia may also sustain hope that if Russia-NATO relations improve through cooperation on terrorism with European countries, NATO may

give up or suspend its second eastward expansion, which Russia opposes. The two sides agreed to strengthen antiterrorism cooperation when Putin visited NATO headquarters in early October 2001. In Russia, people took the visit positively with hope rising that the chilled Russia-NATO relationship would improve. During the Russia-U.S. summit in November, President Bush remarked that he supported NATO holding a new framework of talks with Russia. However, at that stage, the United States did not produce the kind of statement on NATO's eastward expansion that Russia might have been expecting.

Some believe that if Russia's relations with the United States and European countries improve, Russia's foreign policy might become too centered upon its relations with the West. However, it is difficult to conceive that Russia will not pay enough attention to China and other East Asian countries. This is because the Russian leadership realizes that the significance of East Asia for Russian foreign policy is actually increasing. In a speech January 26, 2001, Putin stated, "For a country like Russia with the geopolitical condition as it is, the reality is that national interests lie in so many areas." This points to the fact that Russia cannot lean overly toward the West or toward the East and that the country must solidly address all issues across Asia.

(3) Russia's Policy Toward Asia

It is imperative for Russia to establish a stable relationship with China and North Korea, countries with which it shares land borders. This also applies for Japan, with which it shares maritime boundaries. A stable international environment could allow Russia to concentrate on domestic issues. Strengthening economic ties with East Asian countries, especially Japan, is crucial for the Russian economy, and particularly for the economic development of Siberia and the Russian Far East. It is the key to the future revival of the Russian economy.

Asia also stands as a major importer of Russian-made military weapons, a leading export item for Russia. The world is divided into three major markets for weaponry; they are, in order of size, the Middle

East and North Africa (about 33 percent of the world market), Asia-Pacific (30 percent) and Europe (25 percent). While the European market is dominated by the United States, countries like China, India and Iran, and other countries in the Middle East and Asia purchase a considerable amount of Russian-made weapons, many of them drawing on the military logistical ties they had established with the former Soviet Union. Thus, Russia regards East Asian countries as an important market for its arms exports.

Russia considers its East Asian foreign policy as significant from the point of view of enhancing its standing vis-à-vis the United States. Therefore, Russia is implementing active diplomacy in East Asia. For example, while being mindful of its negotiations with the United States over such matters as the ABM Treaty and missile defense, Russia has frequently engaged in consultations with China over these issues. On North Korea, Russia has attempted to weaken the position of the United States on missile defense by demonstrating its ability to check moves by North Korea to develop a missile system, a development that the United States has used as a ground for building the MD system. It could be argued that the joint declaration signed during Putin's visit to South Korea in February 2001, which mentioned the observance of the ABM Treaty, contained similar intention on the part of Russia. The expansion of strategic partnerships is also an attempt by Russia to boost its standing in relation to the United States. Following the establishment of strategic partnerships with China and India, Putin signed one with Vietnam during his visit there from February to March 2001.

(4) Beginning of a New Relationship with China

On July 16, 2001, the heads of Russia and China met in Moscow to sign the China-Russian Treaty of Friendship, Good-Neighborliness and Cooperation. This takes over from the cooperative relationship between the two countries that was established during the previous administration in Russia. The new treaty does not provide for collective defense in case of external aggression or a mutual framework for

military assistance in times of war stipulated in the China-Soviet Treaty of Friendship, Union and Mutual Assistance, which expired in 1980. It can thus be described as a treaty with greatly reduced military overtones that provides for mutual cooperation between the two countries.

The characteristics of the treaty can be summed up in the following three points. First, it provides for confidence building, strengthening of military cooperation and military-technological cooperation (Article 7). If confidence is built up in border regions and arms imports from Russia help the modernization of China's military machinery – that is, if China's naval power is fortified – the overall military threat of China in Asia may intensify. For Russia, however, the benefit might be that as China becomes more dependent on Russia for arms imports, it will be able to integrate China into its system of weaponry, and will be able to more easily gauge China's overall military strength.

Second, the treaty aims to take a cooperative stance in relation to the United States. It calls for a joint effort toward global strategic balance and stability, and the observation of a basic accord that ensures maintenance of strategic stability (Article 12). Specifically, this can be interpreted as attempting to check the U.S. plans for MD and its move to withdraw from the ABM Treaty. The joint statement concluded in Moscow along with the treaty referred specifically to the joint declaration on the ABM Treaty signed during Putin's visit to China in July 2000, supplementing the more abstract nature of the treaty. However, the treaty provisions and the joint statement appear to more strongly reflect the intention of China.

Third, the treaty stipulates the need to broaden the scope of cooperation into a variety of areas such as trade, science and technology, energy, transportation, finance, aerospace and information technology, and not just in military technology as is specified in the treaty (Article 16). From its stance to enhance the pragmatic aspect of its relations with China, Russia is aiming to expand its relations in a variety of economic areas whereas its cooperation had tended to be concentrated on the military arena in the past. China wishes to secure

supplies of energy from Russia to meet its domestic demand for energy, which is expected to accelerate in the future. The Moscow Joint Statement lists as specific cooperation areas, oil, natural gas, nuclear energy, the development of plants and equipment for electricity and other energy, the joint production of private airplanes and ships, and space development for peaceful purposes.

Signing the China-Russian Treaty of Friendship, Good-Neighborliness and Cooperation (July 16, 2001, Moscow) (China News Service-Kyodo)

Less than two months after President Jiang Zemin's visit to Russia, Premier Zhu Rongji followed up with a visit from September 7 to 9. It was aimed at making up for the lack of specific consultations on economic cooperation from the summit. Indeed, on September 8, a contract was signed for China to purchase five Russian-made state-of-the-art Tu-204-120 civilian aircraft. The Russia-China relationship is clearly becoming closer, but the likelihood of this strategic partnership developing into a military alliance is small. Not only does the new treaty between the two countries not contain provisions for military assistance, but the parties have also stressed that it is not directed at any third-party nation.

Defense Minister Ivanov stated during a news conference July 25, 2001, that Russia has not adopted any joint military strategic plans with China nor will there ever be a plan drawn up with any specific country in mind. The critical tone with regard to the United States that is evident in the new treaty and the Moscow Joint Statement should not be overemphasized, however. Several hurdles stand in the way to a full-blown partnership between Russia and China.

First, there is a tradition of mutual distrust between the two countries. Technically speaking, military confidence building measures were

needed because of the distrust they harbor toward one another. Russia, and especially the population in the Far East region, entertains a strong sense of threat from China. Some quarters within the Russian military share a similar perception of threat from China. Some believe that exports to China of the latest military weapons should be handled with considerable care. These include Su-37 fighters, AWACS, the S-400 surface-to-air missile system, and the *Oscar-II*-class cruise missile submarine.

Second, Russia and China consider their relationship with the United States more important than their mutual relations. In fact, both countries see significance in strengthening mutual relations to the extent that it strengthens their negotiating power with the United States. Trade between China and Russia is relatively insignificant. Particularly for China, Russia occupies a minor place as a trading partner; however, the economic relationship with the United States is considerably more important for the two countries.

The third issue is that the United States has withdrawn from the ABM Treaty and embarked on the creation of a missile defense system. It must be disquieting for China that Russia appears to be permissive of this move. China takes a more hard-line attitude toward the missile defense issue than Russia, and it is possible that a rift could develop between the Chinese and Russian positions over this matter.

(5) Seeking Stability on the Korean Peninsula

Russia's basic objective in its policy toward the Korean Peninsula is to promote peaceful coexistence between the two Koreas and to prevent the destabilization of the Korean Peninsula. Any crisis in the peninsula could jolt the stability of North East Asia and thwart Russia's participation in cooperative frameworks in the Asia-Pacific region, as well as forcing its focus away from domestic issues. Russia believes *inter alia* that assisting economically distressed North Korea and helping sustain its regime would contribute to the stabilization of the peninsula, which would also allow Russia to restore a level of influence

over the region. Some within the Russian defense industry hope to resume exports to North Korea.

In late April 2001, Minister of the People's Armed Forces Kim Il Chol visited Russia and signed an agreement with Defense Minister Ivanov on a framework for military cooperation and assistance in military technology. It is presumed that the two countries later entered into discussions on the details of what weapons Russia would provide to North Korea. Working this out paved the way for Chairman of the National Defense Commission Kim Jong Il's visit to Russia from late July to mid-August.

North Korea asked for the replacement of the dated former Soviet-supplied weapons with MiG-29 fighters and T-90 tanks. Given Russia's relations with South Korea, it would probably want to avoid supplying arms that might help North Korea improve its power projection capability and provide at most tanks and other land-based weapons. Russia accepted Kim Jong Il's visit with the understanding that it would provide a certain degree of arms and economic assistance while obtaining word that North Korea will freeze missile development, a concession Russia needed to fortify its negotiating position vis-à-vis the United States over the missile defense issue.

On August 4, Chairman Kim met with Putin and the pair signed the joint declaration of the Russia-North Korea summit in Moscow. It stated that North Korea's missile plan is of a peaceful character and that it will not be a threat to any nation that respects North Korea's sovereignty. It also discussed the importance of the ABM Treaty but it did not contain any critical reference to the United States, such as the need to reinforce the treaty or opposition to the U.S. MD plan, as was the case in the July 2000 joint declaration of the Russia-North Korea summit in Pyongyang. It is conceivable that Russia, mindful of its negotiations with the United States on the missile defense issue soon after, shunned any expression that might have provoked the United States.

From the fact that Kim Jong Il visited a tank plant in Omsk as well as St. Petersburg, one of the centers of the Russian defense industry,

and also from the fact that Chief of General Staff Kim Yong Chun accompanied Kim Jong Il, one can imagine that arms supplies to North Korea became the topic of the summit. However, Ilya Klebanov, deputy prime minister with responsibility for the defense industry issue, stated that no specific discussions on arms sales or any progress on the matter was seen.

Chairman Kim Jong Il inspects a rocket manufacturing company (August 5, 2001, Moscow) (TASS-Kyodo)

Given the low ability of North Korea to pay and the outstanding balance of \$3.8 billion of debt to Russia, hurdles remain to further development of economic relations between the two countries, including arms transfers.

Meanwhile, in regards to relations with South Korea, Russia secured specific economic benefits. Putin's February 2001 visit to South Korea can be interpreted as a way to counterbalance his visit to North Korea the year before. In Seoul, Putin agreed on a new \$ 700 million arms export deal.

(6) Stagnant Japan-Russia Relations

Compared to its relationship with China and the Koreas, no outstanding developments have recently taken place vis-à-vis Japan. This is due to the perception that as a U.S. ally, Japan is fully behind the United States with regards to the missile defense issue. For example, in the July 20, 2001, issue of *Krasnaya Zvezda*, a Defense Ministry newspaper, an editorial strongly criticized Japan's participation in the U.S. Theater Missile Defense (TMD) plan. It states that Japan's involvement in the TMD plan lends a hand to U.S. hegemony and will

trigger a global arms race. It went on to say that in furthering the TMD plan, Japan would launch into a series of unconstitutional moves such as acts of collective self-defense, arms export and the use of space for military purposes.

The Japan-Russia Summit (October 21, 2001, Shanghai)

Needless to say, Russia does not view Japan only from a military perspective. Aleksandr Losyukov, vice minister of foreign affairs in charge of Asia-Pacific policy, has referred to the expansion of trade and economic relations as an important issue between Japan and Russia. The Russian leadership remains of the view that investment of a significant scale is of the essence for the development of Siberia and the Far East region. The reality, however, is that the Northern Territories issue stands in the way of negotiations for the conclusion of a peace treaty and the prospect for the expansion of the economic relationship remains weak. At the Japan-Russia summit in Irkutsk on March 25, 2001, the two governments only confirmed their intention to soon set concrete directions for the conclusion of the peace treaty. Russian permission to South Korean fisheries boats to fish for mackerel pikes in the exclusive economic zone around the four northern islands has aggravated the stagnant Japan-Russia relations. It is surmised that Russia believes Japan-Russia negotiations including the demarcation of the border line, may drag out over a long period of time; therefore, little economic benefit may be derived from its relationship with Japan in the near future.

3. Launch of Military Reform

(1) Appointment of a Civilian Defense Minister

In a meeting with military leaders January 18, 2001, Putin said that

the year 2000 was an important year for military reform. He said that 2001 would be the year to put decisions into practice. In this meeting, Putin, while candidly recognizing that there had been very little progress made in military reform, expressed his strong resolve to go ahead with such reform. Military reform is progressing toward his goal of “creating a military that is effective, lean and without waste.”

The appointments announced March 18, 2001, strongly reflect Putin’s resolve for reform. On the appointment of Sergei Ivanov, a civilian, Putin indicated that Ivanov is suitable for the job because he was pivotal in drafting the plan for military reform as secretary of the Security Council. Previously, former Defense Minister Igor Sergeev, who is from the Strategic Missile Force, and Anatoly Kvashnin, chief of the General Staff from the ground forces, clashed over the direction of the reform. It is surmised that this experience inclined Putin to choose a civilian for the defense minister post to carry out a reform that does not favor any part of the military. Ivanov said, “In military reform, all must be well-balanced.” To this effect, he remarked that while nuclear weaponry is indispensable for national defense, it is wrong to marginalize conventional and, especially, land forces. Greater activity and threat from Islamic extremists in Chechnya and Central Asia, much less visible 10 years ago, are thought to be behind this perception.

(2) Adoption of the Military Reform Plan and Start of Organizational Reform

On January 25, 2001, The Plan on the Construction and Development of the Military from 2001 to 2005 was adopted by the Security Council. The plan incorporates decisions made at three meetings of the Security Council on military reform issues held in August, September and November 2000. Putin signed a presidential decree on reform of the military organization March 24. The primary goals set forth in the plan were to reorganize the military’s organs, structure and staff into a system that is compatible with Russia’s financial and

economic capabilities, and create a military with high mobility and combat capability that can effectively respond to current and future threats to the country. More specifically, the plan included the following four goals.

First was to reorganize the Russian military into a system of three military branches: ground, air and naval forces. Along with that, the independent strategic missile force was reorganized into the Strategic Missile Force and the Space Force. The future vision for these two forces is not stated in the presidential decree. These two units are positioned as independent military departments that do not belong to any military branch and the reason is perhaps that Putin, wary of the opposition of the strategic missile force, decided not to integrate it into another military branch. Looking forward, however, the plan may be aimed as a step to incorporate the unit into the air force in the future. Anatoly Kornukov, commander in chief of the air force, has consistently stated that the Strategic Missile Force is most appropriately integrated into the air force.

Second was to revive the General Headquarters of the Ground Forces by December 1, 2001. The General Headquarters was abolished in April 1997 as part of the organizational reform to enhance the power. It was in fact weakened in authority and integrated into the General Bureau of the Ground Forces. Through this reorganization, the power of command that belonged to the General Headquarters was transferred to the General Staff. The idea to re-establish the General Headquarters came when it was perceived necessary to establish a unified command to implement concrete reform of the ground forces. Ivanov remarked that re-establishment of general headquarters was necessary to solidly carry out mounting agendas for the ground forces reform such as the creation of the permanent rapid reaction force, qualitative improvement of recruitment, improvement and replacement of main equipment, qualitative enhancement of training in operations, combat and mobilization.

Third was to integrate the Military Districts of Volga and Ural into

the Volga-Ural Military District. This was based on the presidential decree dated July 27, 1998, on Rules on the Military Districts of the Russian Federation. The integration was completed September 1, 2001. The plan was a cost-cutting measure that did away with overlapping organizations and functions, and retired officers and soldiers. More importantly, the action is linked to the strengthening of the collective security regime of the CIS. Integration of the two military districts adjacent to Kazakhstan is aimed at reinforcing security cooperation with the Central Asian countries. At the summit of members of the CIS Collective Security Treaty held in Erevan, Armenia, in May 2001, it was decided to establish a rapid reaction force composed of military units from Russia, Kazakhstan, Kyrgyzstan and Tajikistan. Russia decided to simultaneously establish the Volga-Ural Military District and the rapid reaction force to be ready to cope with Islamic extremist groups in Central Asia.

Fourth was to reduce arms. It was decided to cut the number of personnel by 600,000, 470,000 from the military and 130,000 civilians from the "Power Ministries," including the Defense Ministry. Of this, the reduction in staff at the Defense Ministry was 365,000 members of the military and 120,000 civilians. Through these reductions, the Russian forces will have been trimmed to about 1 million by 2006. According to a Defense Ministry announcement in late August 2001, 25,000 people were cut and another reduction of 70,000 is due by the end of the year. These reports show that a reduction in force strength is steadily under way.

(3) Boosting Military Expenditure

Ivanov said that of Russia's national military budget, 70 percent goes to personnel expenses and 30 percent to improvement of combat training, development of new military equipment and other expenses for qualitative improvement, which are together considered as military expenditures. He stated that the goal is to bring this expense ratio to 5 to 5 by 2010. Stating that appropriate budget measures are crucial for

the implementation of the military reform and the improvement of the rapid reaction capability, Putin named Vice Minister of Finance Lyubov' Kudelina as vice minister of defense and chief of the Main Department of Finance and Economy of the Defense Ministry and in an appointment dated March 28, 2001.

The reason for the appointment was that Kudelina had handled the defense budget at the Ministry of Finance and was well versed in the matter. In the military budget proposal for 2002 drafted in August 2001, a major increase in the military expenditure is planned, enabled by the improving national fiscal conditions. In the budget for 2001, military expenditure was about 4.5 billion rubles. This will be expanded to 16 billion rubles according to the plan. Aleksey Kudrin, deputy prime minister and finance minister, has remarked that the budget increase for the military reflects the strong wishes of Putin and Ivanov to enhance military capability.

(4) Realistic Approach and Nostalgia for Superpower Status

President Putin recognizes that Russia no longer has the capability to increase military strength in competition with the United States. This leads him to set as a goal to organize a most compact and efficient military with strong combat capability that is commensurate with its economic resources. In other words, Russia may have set aside its futile aspiration to recover its place as a world superpower. Instead, it appears as though it wants to live on as a regional power.

Some point out that if Russia is to efficiently use its military budget with its current security and economic priorities in mind, it will have to scale back its forces stationed overseas. It is likely that Russia will post forces overseas with a greater emphasis on considerations such as alliances and geopolitical factors. Specifically, the highest priority will go to the CIS Collective Security Treaty and the Shanghai Cooperation Organization. In relation to the September 11 terrorist attacks, the strengthening of rapid reaction forces in Central Asia will probably be given utmost consideration because that region borders on

Afghanistan and has the greatest chance of destabilizing within the CIS. As Yury Baluevsky, first deputy chief of the General Staff and chief of the Main Department of Operation of the General Staff, pointed out, establishment of a rapid reaction force in the Volga-Ural Military District and the Northern Caucasus Military District, areas adjacent to Central Asia and North Caucasus, will be given priority.

While such a realistic approach gains momentum, the sense of nostalgia about the days of being a superpower lingers on. The Russian Army carried out a large-scale exercise under the hypothetical scenario of a nuclear war against the United States on February 13-16, 2001, which took place simultaneously in the west and Far East Russia. The exercise was conducted under the scenario that a military conflict had escalated into an exchange of nuclear missiles and is interpreted as sending a warning signal to the United States, which is proceeding with its MD plan, as well as to exhibit Russia's rapid nuclear response capabilities. In this exercise, strategic bombers such as the Tu-22M3, Tu-95MS and Tu-160 were mobilized. An RS-12M *Topol-M* (SS-25) intercontinental ballistic missile was launched from Pritsetsk missile base in northern Russia and hit Kula firing range in the Kamchatka Peninsula. According to one news report, this exercise even had in mind nuclear missile attacks on the U.S. military bases in Japan and South Korea. Reminiscent of the Cold War era, this military exercise underscores the fact that some in the Russian military do not wish to accept that Russia is no longer a global superpower.

(5) Naval Policy and the Pacific Fleet

In March 2000, Putin approved The Basic Policy of the Russian Federation in Naval Activities for the Period Through 2010. As primary objectives of Russia's naval policy, it listed protection and realization of Russian national interests in the world oceans, and maintenance of its position as a global sea power. To this end, it stated that Russia would deploy its fleet in the world oceans in times of peace. On July 27, 2001, Putin signed the Ocean Doctrine of the Russian

Federation for the Period Through 2020. The part concerning implementation of the naval activities in the Ocean Doctrine follows this line in basic naval policy and states the need for the Russian Navy to be active in the global seas to support its national interests. Creation of naval power based on the principles is set forth as a future goal, but its limited economic means may limit its objectives. To achieve these naval policy goals, Russia will need large warships, including *Kirov*-class battle cruisers and *Oscar*-class attack submarines, all of which will require a sizable budget. Even some Russian experts have been critical, claiming that to maintain these vessels designed only to attack aircraft carriers is not an economically rational choice.

Defense Minister Ivanov visited the Pacific Fleet from July 29 to 31, 2001, as part of his field study trip to military units deployed in the Far East region of Russia and made a number of remarks about their reform. Ivanov, in fact, is eager to reduce and consolidate naval bases at home and abroad based on an economic imperative. For example, during an interview with the *Krasnaya Zvezda* newspaper on July 26, 2001, Ivanov referred to the need to withdraw Russian naval troops from Vietnam's Camranh Bay base and the need to consolidate naval bases on the Russian Pacific coast: Vladivostok and Kamchatka. During his visit to the Pacific Fleet, Ivanov, although mindful of the military and strategic significance of that fleet, stated that major structural changes would occur from 2001 to 2005. More specifically, obsolete battleships and airplanes would be abolished and several units would be disbanded, Ivanov said, implying retrenchment and reorganization of the current organization, and further reduction of military vessels as part of the ongoing military reform.

Since the collapse of the Soviet Union, the Pacific Fleet has seen little new equipment for its main warships and has been retiring obsolete vessels. The number of warships is down about 40 percent compared to the late Soviet era. Giving due respect to economic considerations, senior defense officials will allocate more vessels to the Northern Fleet, which is endowed with better infrastructure. It is probable

that the Pacific Fleet will see its roles confined to the defense of the coastal sea and sustenance of Russia's maritime interests in the region. It appears that Ivanov believes that the fiscal condition is leading Russia to this realistic alternative. His statements during his visit to the General Headquarters of the Russian Navy in late May 2001 reflect this view: "Naval officers must not be oblivious to their activities in the oceans but for the least, we would like to see them appear more frequently in the coastal region. We must be realists."

4. Arms Exports Gain Momentum

(1) Arms Export System Strengthened

In the military doctrine adopted in April 2000, arms exports, which serve as a crucial element for international military cooperation and assistance in military technology, are a significant means for achieving national interests of a military and security nature. Under the Putin administration, arms exports are on a steady rise. In 2000, Russia exported arms worth about \$3.8 billion, up about 12 percent from \$3.4 billion in 1999. The number is estimated to rise to about \$4.4 billion in 2001, a growth of about 15 percent compared to the year before. It is said that the plan currently in progress calls for an annual arms export of \$5 billion by 2003.

Wide-ranging measures are being taken to strengthen overseas military arms sales. One measure called for action to strengthen the economic foundation of the defense industry. Putin issued a presidential decree dated December 29, 2000, that called for the complete payment of the government's outstanding bill of approximately 32.5 billion rubles to the weapon manufacturers by January 1, 2003. At the same time, Putin has implemented a string of organizational reforms throughout the government agencies, export companies and defense industry to promote greater overseas arms exports. For governmental reform, he carried out an organizational change that divided the planning section and the execution section at the Commission of Military-

Table 6-2. Recent Weapons Transfer from Russia to Asian countries

Buyer	Weapon Name	Quantity ^b	Year of Transfer ^c (of contract)
China	Su-27SK fighter	50	1992-1996
	Su-30MK multirole fighter	(more than 40)	(1999)
	<i>Kilo</i> -class submarine (type 877)	2	1995
	<i>Kilo</i> -class submarine (type 636)	2	1997-1998
	<i>Sovremenny</i> -class missile destroyer	2 (4)	2000 (1996)
	S-300 PMU (SA-10C) surface-to-air missile	4	1993-1997
	3M80E <i>Mosquito</i> (SS-N-22) antiship cruise missile	(34)	(1998)
	A50 aerial radar patrol system	(4)	(2000)
India	MiG-29 fighter	10	1995
	MiG-29K carrier-based fighter	(24)	(1999)
	Su-30MK multirole fighter	8 (40)	1997 (1996)
	<i>Kilo</i> -class submarine (type 877)	1 (2)	1997 (1997)
	<i>Kilo</i> -class submarine (type 636)	(2)	(1997)
	T-90 tank	(324)	(1999-2000)
	Large-scale aircraft-carrying cruiser <i>Admiral Gorshkov</i>	(1)	(2000)
	S-300V (SA-10G) surface-to-air missile	(24)	(1998)
South Korea ^a	BMP-3 infantry combat vehicle	10	1996
	T-80U tank	33	1997-1988
Vietnam	Su-27SK multirole fighter	12	1995-1997
Malaysia	MiG-29 fighter	18	1995

Sources: *Nezavisimaya Gazeta*, December 26, 1996, p.6; *Finansovye Izvestiya*, July 31, 1997, p.1; *Nezavisimaya Gazeta*, July 31, 1997, p.2; *Izvestiya*, August 6, 1997, p.3; *Izvestiya*, August 7, 1997, p.3; *Nezavisimaya Gazeta*, August 27, 1999, p.1; *The Military Balance*, 1998/1999, pp.150-152, 170-174; *U.N. Register of Conventional Arms*, 1992, 1993, 1994, 1995, 1996 and 1997; Stuart D. Goldman and Robert G. Sutter, *Russian-Chinese Cooperation: Prospects and Implications*, Congressional Research Service (CRS) Report for Congress, January 27, 1997, pp.6-7; Alexander A. Sergounin and Sergey V. Subbotin, "Sino-Russian Military-Technical Cooperation: a Russian View," in Ian Anthony, ed., *Russia and the Arms Trade*, (Stockholm: Stockholm International Peace Research Institute, 1998), pp.194-216; "India Boosts Armour Forces with T-90s Buy," *Jane's Defence Weekly*, December 23, 1998, p.6; "Naval Spirit Must Rise," *Jane's Defence Weekly*, May 5, 1999, p.32; "Russia Enters Asia-Pacific Lucrative Defence Market," *Asian Defence Journal*, No.5, 1997, pp.46-47; Bin Yu, *New Century, New Face, and China's "Putin Puzzle"*, Regional Overview: China-Russia, the Pacific Forum CSIS, July 2000 (from <http://www.csis.org/pacfor/cc/001Qchina-rus.html>); Ariel Cohen, *The Russia-China Friendship and Cooperation Treaty: A Strategic Shift in Eurasia?* The Heritage Foundation, July 18, 2001; John Helmer, "Implications of Russia-China deal," *The Russia Journal* (online), Issue No.31(124), August 10, 2001 (from <http://www.russiajournal.com/weekly/article.shtml?ad=5010>).

^a Weapons exports to South Korea were conducted to offset part of Russia's debt to South Korea.

^b In the "quantity" column, figures in parentheses show the quantity contracted. The figure that precedes the parenthesis shows the quantity that has been transferred already. For example, "8 (40)" indicates that 40 were contracted and of them, 8 have been handed over.

^c In the "year" column, figures in parentheses show the year of contract while the numbers preceding them indicate the actual year of transfer. For example, "2000 (1996)" indicate that the contract was signed in 1996 and the transfer was conducted in 2000.

Technical Cooperation. These divisions were reorganized into two organizations: The Commission of Arms Export, chaired by the prime minister, will draft basic policies on arms exports, and the Commission on Military-Technical Cooperation, chaired by the vice defense minister, will handle licensing and permission for arms exports. On the ex-

port industry front, the Rosvooruzhenie company and the Promexport company were merged to create the Rosoboronexport company in January 2001. Another arms export firm, Rossiiskie Tekhnologii, was integrated into this corporate body in April. This is a clear move toward strengthening and consolidating arms export activities.

On arms export reform, efforts are being made to enhance international competitiveness through the integration and reorganization of many corporations. This trend is prominent in the aerospace industry. The reform plan currently in progress calls for the integration of the existing 316 aircraft-related companies into six or seven companies, with companies manufacturing all aspects of airplanes due to be merged into two firms, the Tupolev-MiG-Kamov group and the Ilyushin-Sukhoi-Mil group.

(2) Arms Export Strategy for Asia

To expand arms exports, Putin is eager to broaden Russia's global client base. Asian countries are one big target. Those targeted Asian countries can be divided into four groups, in order of priority. The first group consists of traditional partner nations with which Russia wishes to maintain and even strengthen its arms trade. These include India, China and Vietnam. The second group are not conventional partners but they do purchase Russian-made arms and are countries to which Russia wishes to expand exports. Countries in this group are Malaysia and South Korea. The third concerns states that own weapons made in the Soviet era and with which Russia wishes to deepen ties over military technological cooperation, including upgrading obsolete weapons. Specifically, North Korea falls into this category. The fourth category concerns those with no record of purchasing Russian-made arms but which possess high economic capability and a large export market into which Russia could make inroads. Dealing with this group entails the concern of generating friction with other arms exporting countries, but a successful effort could bring untold economic benefits. Putin's call to Japan for cooperation in military tech-

nology brings Japan into this category.

In 2001, expanding arms trade with South Korea and Vietnam was on the Russian agenda. During Putin's visit to these countries from late February to March, 2001, agreement was reached with them on strengthening military technological cooperation. So far, no appreciable progress in Russia's military technological cooperation with North Korea has been observed. The fact that Russia considers this one of its major agendas, however, makes it worthwhile to watch this move in the future.