

Chapter 6

Russia— Tightening State Control

In a presidential election held in March 2004, President Vladimir Putin was reelected for a second term by an overwhelming majority. In contrast with his popularity among the Russian people, foreign criticism of his authoritarian rule is mounting. In response to recurring acts of terrorism by Chechen rebels, President Putin has resorted to political centralization by realigning the state power authorities, raising international concern that democratization is receding.

Since the three Baltic states that had been part of the former Soviet Union joined the North Atlantic Treaty Organization (NATO), the strategic environment on Russia's western front has deteriorated. To defend its southern flank, Russia has sought to strengthen its relations with the member countries of the Shanghai Cooperation Organization (SCO). Aware of the necessity to bolster economic ties with Asia in order to recover its national strength, Russia stepped up economic cooperation with China and South Korea, and finally settled long-standing border disputes with the former. Russia adopted the Pacific (or northern) route, proposed by Japan, for an oil pipeline to ship Angarsk crude from east Siberia to Nakhodka instead of the China-proposed southern route.

On the military front, there was a reshuffle of the top brass, including Army Gen. Anatoliy Kvashnin, who was relieved of his duty as chief of the General Staff. Further, defense organizations were realigned with a view to separating the functions of the General Staff and the Ministry of Defense. In addition to carrying out a new type of military exercise aimed at ensuring strategic mobility, President Putin sought to modernize military equipment and the defense industry—all directed toward achieving one of the goals of the state—the modernization of the armed forces.

1. Putin in the Second Term

(1) Putin's Reelection and Russia's "National Tasks"

In a presidential election held on March 14, 2004, incumbent President Vladimir Putin was reelected by an overwhelming majority of more than 70 percent, and his second term of office started on May 7. Under the existing constitution, the president cannot serve more than two consecutive terms. Therefore, barring a constitutional amendment, President Putin's term in office will end in 2008. Contributing to his reelection were popular support for his goal of "the revival of a strong nation" and the way he helped Russia ride out political turmoil and economic stagnation, which he inherited from his predecessor, Boris Yeltsin, and achieve political stability and economic growth.

But to stabilize the political situation, President Putin adopted high-handed methods—tightening control over the legislature, the executive branch, local governments, new financial cliques, and the mass media. For example, to remove the political influence of the new financial cliques, he had Mikhail Khodorkovskiy, CEO of the oil company Yukos, arrested in October 2003 on charges of embezzlement and tax evasion—a strong-arm tactic that came under severe foreign criticism. "Freedom of Speech," a talk show on the independent television network NTV that often voiced criticism of the Putin administration, had to be scrapped in July 2004 under pressure from the Kremlin. In September, during a school siege in Beslan, the capital of the Republic of North Osetiya-Alaniya, the government exercised control over the flow of information. As a result, news of the number of hostages held by rebels was manipulated and initially underreported. When *Izvestiya*, a national daily, criticized the government for the way it handled the incident, its editor-in-chief

Table 6.1. Results of the presidential election (March 2004)

Name of candidate	% of votes
Vladimir Putin (self-nominated, incumbent)	71.31
Nikolay Kharitonov (Communist Party)	13.69
Sergey Glazyev (self-nominated)	4.10
Irina Khakamada (self-nominated, liberal)	3.84
Oleg Malyshkin (Liberal-democratic Party)	2.02
Sergey Mironov (self-nominated, Russian Party of LIFE)	0.75
Opposed to all candidates	3.45

Source: Data from the Web site of the Central Election Commission of the Russian Federation.

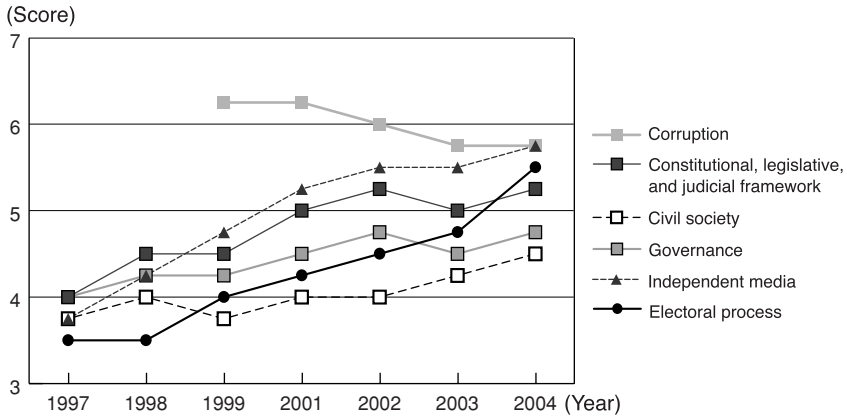
Note: Voter turnout was 64.32%.

was forced to resign. Through these and other measures the government has further tightened control over the press.

Doubts about the fairness of the election process were also raised. The Organization for Security and Co-operation in Europe (OSCE) sent monitoring missions to observe the State Duma (Lower House) elections in December 2003 and the presidential election in March 2004. According to their reports, although the elections were generally conducted to a technically high level by the Central Election Commission, the electoral process could hardly be described as fair and just and failed to meet the standards for democratic elections laid down by the OSCE. More specifically, their reports, among other things, said that the government hindered opposition parties from fielding candidates; that news media, under government control, covered election campaigns in ways unfavorable to opposition candidates; and that local governments urged voters to vote for ruling-party candidates.

Foreign criticism of the authoritarian tendencies of the Putin administration—the unfair and unjust election process, the pressure brought to bear on civil organizations critical of the administration, state control over the news media, and abuses of legal authority as in the arrest of Khodorkovskiy—was quite severe. For instance, Freedom House, a nonprofit, private research organization in the United States, has been investigating the progress that countries in the former Soviet Union, Central and Eastern Europe have made in democratization. According to its 2004 report, Russia ranked 21st out of 29 in the democracy score rankings, and was placed in the category of “semi-consolidated authoritarian regimes.” As shown in Figure 6.1 (see overleaf), the degree of democratization in Russia, as measured by Freedom House, has been deteriorating year after year, and Russia’s tilt toward authoritarianism has been growing more pronounced.

However, in contrast to foreign criticism of the Putin administration, the president’s domestic approval rating has remained at a high 70 percent or thereabouts, apart from a minor decline in the early months of his second term. In a book he authored, President Putin said that while democracy was the state’s final goal, given the immaturity of Russia’s civil society, democracy might have to be restrained to a certain degree in order to stabilize the country and strengthen its power. This approach is called “state-managed democracy” in Russia; and the fact that President Putin still enjoys a high approval rating suggests that a majority of the Russian people accept this line of thinking.

Figure 6.1. Changes in Russia's democracy score

Source: Data from Freedom House, *Nations in Transit 2004: Democratization in East Central Europe and Eurasia* (Lanham, MD: Rowman & Littlefield Publishers, 2004).

Note: The ratings are based on a scale of 1 to 7, with 1 representing the highest level and 7 the lowest level of democratic development. The survey covers the period from January 1 to December 31 of the previous year.

For example, according to a public opinion poll conducted by the Levada Analytical Center, a Russian polling organization, the Russian people place the most trust in the president (56 percent), followed by religious organizations (43 percent) and the Russian armed forces (30 percent). According to the findings of a survey conducted by the same center, the Russian people trust President Putin because: (a) he is energetic, decisive, and strong-willed; (b) he ensures the stability of the country; and (c) he can impose law and order. This suggests that a majority of the Russian people trust and support him for his strong leadership.

Reelected with widespread support, President Putin delivered on May 24 the annual presidential address to the Federal Assembly, in which he unveiled the policies for the second term. In that address, he divided the changes that had occurred since the collapse of the Soviet Union into three stages. The first stage, in the early 1990s, saw the nation engulfed in acute political and social conflicts following the collapse of the Soviet Union. The second stage involved clearing the “debris” that resulted from demolishing the old edifice. The third stage, which Russia has now reached, is one in which it can achieve more rapid development and resolve more ambitious national tasks. These ambitious national tasks, which are the same ones that President Putin first mentioned in 2003, are “to double the gross domestic product (GDP),” “to overcome (reduce) poverty,” and “to modernize the armed forces.”

The foundation for achieving these three national tasks is the development of the Russian economy, on which the Russian government has an optimistic outlook. In his annual address to the Federal Assembly, President Putin said that the economy grew at a rapid rate of 7.3 percent in 2003. On another occasion, he stated that Russia had settled a record amount of external debt in 2003, and that the foreign currency reserves of the Central Bank of Russia in the same year were at an all-time high. As the Russian government expected the economy to grow at a healthy 6 percent in 2004 and beyond, President Putin stated in the annual address that Russia could double its GDP by 2010. According to World Bank statistics, Russia's GDP in 2003 stood at \$433.4 billion, about one-tenth of that of Japan, and ranked 16th after the Netherlands and Brazil. In the address Putin also touched on problems facing the Russian economy. He said that "the poor condition and low density of the road network, oil pipelines, the gas-transport system and the infrastructure of the power industry put serious restrictions on the development of the Russian economy," and pointed out the necessity to expand the domestic energy transport network.

In his annual address, President Putin reported on the reduction of poverty, the second national task, saying that during the four years of his first term, real income had increased 1.5-fold, and that the number of Russians living below the subsistence level had decreased from about 45 million to about 30 million, or about one-fifth of the total population. At a cabinet meeting held on March 25, 2004, he unveiled a plan to halve the number of people living below the subsistence level and increase real income by about 40 percent by 2007. Moreover, President Putin added "increasing people's prosperity" to the three national tasks mentioned above.

(2) The Achilles Heel of the Putin Administration: Chechen Terrorism

At first glance, the second-term Putin administration might appear to have gotten off to a smooth start. However, casting a dark shadow is Chechen terrorism. In 2004, terrorist activities believed to involve Chechen rebels were unending. Chief among these were: a subway bombing in Moscow on February 6 that killed 39 people; a bomb attack on May 9 at a stadium in Grozny, the capital of the Republic of Chechnya, that killed Chechnya's pro-Russian president, Ahmad Kadyrov, during a ceremony to mark victory against Germany in the Second World War; and simultaneous attacks mounted on June 21 by about 200 Chechen rebels on law enforcement facilities in the Ingush

President Putin addresses Russian troops (December 2004). (Presidential Press Service of Russia)

Republic bordering on the Chechen Republic, killing 90 law enforcement personnel and citizens and injuring 93 more. Following the assassination of President Kadyrov, a presidential by-election was held in Chechnya on August 29. Just over a week earlier, on August 21, polling stations and police stations were attacked, leaving 36 people dead. On August 24, two passenger planes that departed from a Moscow airport for cities in the south of Russia simultaneously exploded in midair, killing 89 people. On August 31, two days after the presidential by-election, a suicide bombing occurred near a subway station in Moscow, killing 10 people and injuring 51.

On September 1, the worst terrorist attack in Russia's history took place at a school in Beslan, the capital of the Republic of North Osetiya-Alaniya, in which more than 300 people were killed. About 1,200 school children and adults who had gathered at the school's commencement ceremony were taken hostage by armed rebels and held for 52 hours under severe conditions. By the time the school was liberated, more than half had been killed or injured. As the North Osetiya-Alaniya Republic was a relatively calm area—Ossetians, who are friendly to Russians, account for a majority of the population, and most of the population is Christian—this grim event in a city of 35,000 people came as a terrible shock to the Russian people.

Shamil Basaev, a hard-line Chechen field commander, is believed to have masterminded the attack on the school, but as some Arabs were found among the rebel group that carried out the attack, the involvement of al-Qaida is suspected. In the past Chechen rebels conducted terrorist attacks as a means to achieve their political objective of independence from Russia. However, given the scale of the destruction and the despicable nature of recent attacks, as seen in Beslan, it appears that they are being carried out not to create bargaining chips in negotiations with the Russian government but for the sole purpose of inflicting a degree of damage to Russia.

The hard line taken by President Putin and supported by the majority of people in Russia reached an impasse following the terrorist attack in Beslan. First, in the absence of any sign of a solution to the Chechen question, the

Table 6.2. Major Chechen terrorist attacks aimed at civilians

Date	Death toll	Description of events
June 14–17, 1995	130	Occupied a city hospital in Stavropol'skiy Territory and detained more than 1,100 people.
Jan. 9–18, 1996	78	Attacked a hospital and residences in the Dagestan Republic.
Sept. 9 & 13, 1999	233	Bombed apartments in Moscow.
Oct. 23–26, 2002	129	Occupied a theater in Moscow and took more than 900 people hostage.
Dec. 27, 2002	72	Bombed the government headquarters building of the Chechen Republic.
Aug. 24, 2004	89	Simultaneously blew up in midair two passenger planes that took off from a Moscow airport.
Sept. 1–3, 2004	338	Occupied a school in the Republic of North Osetiya-Alaniya, and took about 1,200 people hostage.

Source: Data from *Kommersant*, September 6, 2004.

conflict is likely to be protracted. Since the September 11 terrorist attacks in the United States, President Putin has played up the ties between Chechen rebels and al-Qaida. Thanks to his characterization of the Chechen conflict as a war on terrorism, Russia's attack on Chechnya has come to be accepted by the Russian people and the international community as such. However, as the Chechen conflict came to be treated as a war on international terrorism instead of a struggle for Chechnya's separation and independence from Russia, hopes for political negotiations between President Putin, who refuses to negotiate with terrorists, and the Chechen rebels have been dashed.

Second, the more President Putin presses ahead with tough measures against the Chechen rebels, the more frequent the suicide bombings across Russia, leaving the eradication of terrorism nowhere in sight. By enacting a new constitution for the Chechen Republic clearly stating that "Chechnya is a constituent part of the Russian Federation," and by engineering the election of pro-Russian Ahmad Kadyrov as its president in October 2003, Putin tried to exclude separatists from the Chechen government. However, when President Kadyrov was assassinated in May 2004, President Putin had to arrange the election of another pro-Russian candidate, Alu Alkhanov, as president in a by-election held on August 29. However, as if to oppose this move, the bombing of the passenger planes and the school siege in Beslan occurred before and after the by-election.

According to a public opinion poll conducted by the Levada Analytical Center, more than 90 percent of the Russian people fear that terrorist attacks will be repeated in the near future, and more than 70 percent of them think that the Putin administration cannot protect the Russian people from a new wave of terrorism. Chechen terrorism has

Soldiers of a special forces unit stand guard in the grounds of the school occupied by Chechen rebels.
(Tass/Kyodo Photo)

thus become the administration's main Achilles heel, and one wrong step in dealing with it could immediately cost President Putin his popular support.

(3) Political Centralization and Realignment of State Power Authorities

President Putin promulgated a presidential decree overhauling the administrative system on March 9, 2004, with the aim of enhancing administrative effectiveness, establishing a vertical power structure with the president at the top, preventing bureaucratic corruption, and boosting the president's leadership. As a result, the number of federal ministries was trimmed by a third. Noteworthy in this shakeup was the expansion of the Federal Security Service (FSB), the core of the so-called power ministries (*siloviki*), where President Putin once served as director.

Since the collapse of the Soviet Union, there have been several realignments that have seen the Committee for State Security (KGB) broken up into the FSB (in charge of internal security), the Foreign Intelligence Service (SVR, engaged in overseas intelligence gathering), the Federal Border Service (FPS, which patrols Russia's borders), and the Federal Protective Service (FSO, charged with guarding key government officials). Subsequently, however, President Putin consolidated the FPS into the FSB in July 2003. In July 2004, he elevated the FSB to a *de facto* federal ministry by giving its director a cabinet rank, and issued a presidential decree to reorganize the FSB. This has prompted news media, domestic as well as foreign, to speculate that President Putin will eventually consolidate the SVR and the FSO into the FSB and further into a "Ministry of State Security," which will be similar to the KGB in terms of power.

Russia's Security Council, an advisory board to the president, has undergone the most sweeping overhaul since its inception in 1992. Until recently, the council had five permanent members (the prime minister, the secretary of the Security Council, the minister of foreign affairs, the minister of defense, and the director of the FSB). However, a presidential decree issued on April 24, 2004, doubled its permanent membership to 10. The expanded membership includes the minister of internal affairs, in charge of internal security, and the director of the SVR, the foreign intelligence chief. This might be seen as designed to deal more effectively with incidents, such as Chechen terrorism, that require government-wide, interagency responses by overcoming in particular the foreign-domestic divide among the agencies. The chairmen of both the Federation Council (Upper House) and the State Duma (Lower House), as well as the chief of the Presidential Administration, have also been appointed permanent members in a move presumably to facilitate decision-making for crisis management. At the same time, the Secretariat of the Security Council was reorganized to strengthen its ability to provide support for the president.

Measures taken to accelerate the concentration of power were also seen at the central and local government levels. Soon after taking office in 2000, President Putin consolidated 89 federal components into seven federal districts and appointed a presidential representative to each to oversee and control the activities of the local governments. In addition, he took measures empowering him to dismiss heads of local governments under certain conditions, thus tightening control over the regions. Amidst these developments, on September 13 (two weeks after the Beslan school siege), President Putin held an enlarged cabinet meeting to which heads of local governments and key government officials had been invited, and announced a set of policy measures designed to bolster the centralization of power. Their stated aim was to secure Russia's unity, strengthen the machinery of state, and build an effective law enforcement system. Under the new measures, the existing system of electing the heads of local governments by a popular vote is to be abolished and replaced by a presidential appointment system under which the president will nominate a candidate of his choosing for the governorship, subject to the approval of the local assembly. As for State Duma elections, the existing parallel system of a first-past-the-post voting system and a party-list proportional representation system will be consolidated into the latter.

Table 6.3. Members of the Security Council (as of October 10, 2004)

Chairman	Vladimir Putin, president of the Russian Federation
Permanent members (10 members)	Mikhail Fradkov, chairman of the government (prime minister)
	Igor' Ivanov, secretary of the Security Council
	Sergey Ivanov, minister of defense
	Sergey Lavrov, minister of foreign affairs
	Nikolay Patrushev, director of the FSB
	Sergey Lebedev, director of the SVR*
	Rashid Nurgaliyev, minister of internal affairs*
	Dmitriy Medvedev, chief of the Presidential Administration*
	Sergey Mironov, chairman of the Federation Council (Upper House)*
	Boris Gryzlov, chairman of the State Duma (Lower House)*
Nonpermanent members (13 members)	Yuriy Baluyevskiy, chief of the General Staff
	Sergey Shoygu, minister of civil defense, state emergency and elimination of the consequences of natural disasters
	Yuriy Chayka, minister of justice
	Aleksey Kudrin, minister of finance**
	Vladimir Ustinov, prosecutor general
	Yuriy Osipov, president of the Russian Academy of Sciences
	Georgiy Poltavchenko, presidential representative in the Central Federal District
	Il'ya Klebanov, presidential representative in the Northwestern Federal District
	Dmitriy Kozak, presidential representative in the Southern Federal District
	Sergey Kiriyyenko, presidential representative in the Volga Federal District
	Petr Latyshev, presidential representative in the Ural Federal District
	Anatoliy Kvashnin, presidential representative in the Siberian Federal District
	Konstantin Pulikovskiy, presidential representative in the Far Eastern Federal District

Sources: Data from President Decree No. 561 of April 24, 2004, and Presidential Decree No.1254 of September 29, 2004.

Note: * connotes permanent membership posts upgraded from nonpermanent ones, and ** connotes a newly added nonpermanent post. Both are based on Presidential Decree No.561 on April 24, 2004.

After the collapse of the Soviet Union, democratic systems have been instituted in Russia, with direct elections for the president, members of the State Duma, and local governors. However, as recent centralizing moves run counter to the path of democratization that Russia has been following, US President George W. Bush and leaders of other Western countries expressed

their strong concern. But as these measures were announced soon after the Beslan tragedy, few objections were voiced inside Russia, including from local governors or State Duma members.

2. Russia's Strategic Environment and East Asia Policy

(1) An Expanding NATO and Continuing US-Russia Cooperation

Russia's security concerns lie to its west, where it faces an expanding NATO, and its south, which is threatened by Islamic extremism and international terrorism. On March 29, 2004, seven countries—Bulgaria, Romania, Slovakia, Slovenia, and the three Baltic states—joined NATO, pushing its membership from 19 to 26. Since this is the first time that former Soviet republics have joined, Russia believes that the strategic environment on its western flank has deteriorated. Russia has not softened its opposition to NATO's eastward expansion, as seen when Russia's Minister of Foreign Affairs Sergey Lavrov expressed at a Russia-NATO Council meeting in June his concern over the buildup of NATO forces near the Russian border. The *Priority Tasks of the Development of the Armed Forces of the Russian Federation* (hereinafter referred to as "the *Priority Tasks*"), released by the Ministry of Defense in October 2003, says: "If NATO is preserved as a military alliance with its present-day offensive doctrine, this will require cardinal amendment of Russia's military planning and the principles of developing the Russian armed forces, including changes in the nuclear strategy of the country." This suggests that the Russian military's wariness of NATO has not been dispelled.

At an informal meeting of the Russia-NATO Council on October 14, 2004, Defense Minister Sergey Ivanov explained the reasons for Russia's opposition to NATO expansion. First, as the Baltic states, which share a border with Russia, have not concluded the Conventional Armed Forces in Europe Treaty, NATO forces can now deploy their troops to these states without being restrained by this treaty. Second, Kaliningrad Province, a Russian territory that lies between Poland and Lithuania and borders the Baltic Sea, is surrounded by member countries of NATO, and Lithuania and Latvia have shown an uncooperative attitude toward Russia by refusing to allow Russian troops to pass through their airspace en route to Kaliningrad Province. Third, some NATO members tacitly permit Chechen terrorists to stay in their countries, while terrorists from Turkey, a NATO member, are active in Chechnya.

Defense Minister Ivanov accused NATO members of using double standards in dealing with terrorism.

While refusing to soften its opposition to NATO's expansion, Russia realizes that it cannot check NATO's expansion single-handedly. Therefore, by actively cooperating with NATO, particularly in joint antiterrorism exercises, Russia hopes to see an end to anti-Russian elements in the military doctrine of NATO and the political declarations of NATO members.

There are certain differences between Russia and the United States on a number of issues—the expansion of NATO, the prolonged military presence of the United States in Central Asia, Russia's assistance to Iran in the development of its nuclear power plants, and the backtracking on democratization in Russia under the Putin administration. Yet at the same time, the two countries have been cooperating with each other steadily since the September 11 terrorist attacks in the United States, a fact that may be explained by the convergence of strategic interests, which has emerged for the following reasons.

First, Russia and the United States, countries that have experienced indiscriminate terrorist attacks on a scale few other countries have known, share the twin threats of Islamic extremism and international terrorism. Soon after the terrorist attack on the school in Beslan, Chief of the General Staff Yuriy Baluyevskiy said that preemptive strikes on terrorist bases in foreign countries would be effective in eliminating terrorism. Russia has also participated in the Proliferation Security Initiative proposed by the Bush administration. As such remarks and actions suggest, it is possible that the United States and Russia share a common view on actions to be taken to deal with international terrorism. As a matter of fact, the two countries conducted in May 2004 a joint exercise on the outskirts of Moscow for defending a third country within the framework of the United Nations (UN). In November, President Putin welcomed the reelection of President Bush and indicated his wish to strengthen an antiterrorism alliance with the Republican administration.

Second, in order to revive the Russian economy, it is strategically important for Russia to maintain stable cooperation with Western countries, the major importers of its oil and gas. That being the case, Russia wants to integrate its economy further into the world economy by joining the World Trade Organization (WTO) at an early date, and by chairing a Group of Eight (G8) summit meeting in St. Petersburg in 2006. Russia had withheld its ratification of the Kyoto Protocol to the United Nations Framework Convention on Climate

Change on the grounds that it would impede Russia's economic development. However, at a Russia-European Union (EU) summit meeting in May the EU signed a protocol promising to support Russia's membership of the WTO. Encouraged, President Putin signed a bill ratifying the Kyoto Protocol on November 14, with the result that it took effect in February 2005. Russia is thus trying to recover its national strength by stepping up efforts to cooperate with Western countries.

(2) Strengthening Relations with SCO Countries

As the strategic environment to its west deteriorated, Russia sought to strengthen relations with its southern neighbors, in particular SCO member states Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, and China.

On July 19, 2004, President Putin convened the Security Council. At that meeting, he expressed the view that the survival of the Commonwealth of Independent States (CIS) was at stake; pointed out that deepening the integration of the CIS was the top diplomatic priority; and proposed measures to strengthen the CIS. In his annual address to the Federal Assembly on May 26, 2004, President Putin outlined his plan to create an integrated economic sphere on the lines of the EU, one with Russia at its center and based on the Eurasian Economic Community, which had been launched by five countries (Russia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan). Furthermore, in late May, Russia joined the Central Asian Cooperation Organization, composed of Kazakhstan, Kyrgyzstan, Uzbekistan, and Tajikistan, with a view to strengthening its influence over the Central Asian countries.

On October 16, 2004, President Putin visited Tajikistan to sign an agreement to convert the camp of the 201st Motorized Rifle Division, stationed in Tajikistan, into a permanent military base. The conversion was designed to strengthen its capabilities to thwart terrorist activities by Islamic extremists and interdict drug trafficking from Afghanistan. He also attended the opening ceremony at the base the following day. In a speech delivered at the ceremony, President Putin indicated that Russia would strengthen its military presence in Tajikistan as it would contribute to the stability of the region as a whole. Russia has also made clear that it would reinforce Kant Air Base, established in Kyrgyzstan in October 2003 as Russia's first overseas military base since the collapse of the Soviet Union. In a press interview he gave after observing the "Rubezhi (Border) 2004" military exercise carried out in Kyrgyzstan early in

August 2004, Defense Minister Ivanov said the plan to reinforce Kant Air Base had already been approved by President Putin. According to press reports, Russia planned to increase the number of military aircraft deployed at the base from 10 to more than 20 and to establish a 650-man garrison there by the end of 2004. A factor prompting Russia to strengthen its military footing in Central Asia is its keen awareness of the protracted US military presence there.

President Putin (left) and President Hu Jintao (right) exchange signed documents at the Russia-China summit meeting (October 14, 2004). (Reuters/Kyodo Photo)

Russia made significant progress in its relations with China in 2004. Since 1996, the president of Russia and his Chinese counterpart have been exchanging visits on a regular basis. On October 14, 2004, President Putin paid an official visit to Beijing for the first time in two years, and met with President Hu Jintao at a summit meeting commemorating the 55th anniversary of the establishment of diplomatic ties between the two countries. At that meeting, the two leaders signed a number of documents including a Joint Declaration (Statement) and an Action Plan (Implementation Outline), and agreed to further strengthen their strategic cooperative partnership through such means as increasing Russia's energy exports to China.

At their summit meeting, the two leaders reached a basic agreement on the issue of finalizing the border demarcations between the two countries at two locations that had remained contentious since they started negotiations in 1989. President Putin said that after 40 years of negotiations, the border issue was finally resolved, and that a common border between China and Russia was now legally established in its entirety for the first time in their history. The details of the Additional (Complementary) Agreement they signed were not made public. According to *Kommersant Vlast*, a Russian weekly, the two leaders reached a basic agreement acknowledging China's control over Bol'shoy Island situated in the Argun River that runs between Zabaykal'sk in Russia's Chita Province and Manzhouli in China; all of Tarabarov Island situated in the Amur River

Figure 6.2. Russia-China border demarcation



Source: Data from *Kommersant Vlast*, November 1, 2004.

near Khabarovsk; and the western half of Bol'shoy Ussuriskiy Island. This accounts for a combined total area of 337 square kilometers. It is expected to take several years before work on the border demarcation is completed, including ratification of the agreements by the legislatures of both countries.

This represents a concession to China on Russia's part, the reasons for which may be summarized as follows. First, as northeastern China is far more densely populated than the Russian Far East, China poses a potential threat in the eyes of Russia—so much so that it is important for the sake of Russia's security to finally establish a border and maintain stable cooperative relations with China.

Russia-China Joint Declaration (Statement) (synopsis)

1. President Vladimir Putin of Russia and President Hu Jintao of China approve the Action Plan (Implementation Outline) for 2005–2008 for further development of Russia-China strategic cooperative partnership.
2. Russia opposes Taiwan's independence in any form and recognizes Tibet as an inseparable part of China, and China supports Russia's Chechen policy.
3. The two sides have reached an agreement settling a long-pending issue involving the two eastern sections of the Russia-China border and have established a 4,300 km-long border between China and Russia.
4. The two sides agreed to make efforts to deepen broad-ranging economic and trade cooperation including energy and realize the goal of US\$20 billion in bilateral trade by the end of 2004.
5. China resolutely supports Russia to accede to the WTO as soon as possible.
6. The two sides attach importance to the leading role the UN plays in resolving international disputes and acknowledge the necessity to reform the UN Security Council.
7. The two sides reaffirm that the terrorists and separatists of Chechnya and "East Turkistan" are part of international terrorism.
8. Development of the SCO as an important instrument to build a multipolar world is a priority of the foreign policy of both China and Russia.
9. The two sides deem that the Six-party Talks are an effective mechanism to realize the objective of a peaceful solution to the question of denuclearizing the Korean Peninsula.
10. The two sides will promote the creation of a comprehensive system for security and cooperation in the Asia-Pacific region.

Source: Data from the Web site of the Russian Ministry of Foreign Affairs.

Second, for more than 10 years now, people in Khabarovsk Territory have claimed Russia's ownership of these islands. However, thanks to the centralization of power pursued by President Putin, he has strengthened his authority to such an extent that he no longer needs to bother with the wishes of local assemblies and governments or Russian public opinion.

In the joint declaration referred to above, both China and Russia rated the agreement highly, saying that thanks to the final settlement of the border issue, relations between them have reached an unprecedented high level. However, unlike the joint declaration issued in 2000 with its strong political opposition US missile defense programs, the joint declaration of 2004 contained no words directly criticizing the United States, and the documents they signed at the summit meeting made no reference to cooperation in military technology between the two countries. Overall, the progress they have made in improving

their relations is not so much about political and military cooperation in dealing with the United States but about strengthening their pragmatic economic interests centering around energy supplies.

(3) Strengthening Economic Relations with East Asia

Following the final settlement of the border issue with China, the priority for Russian foreign policy in the Asia-Pacific region has shifted to strengthening its economic relations with countries there. At a meeting of heads of Russian diplomatic missions abroad held on July 12, 2004, President Putin remarked that deepening relations with the Asia-Pacific region, “the most dynamic center of world economic development,” should be closely tied to the recovery of the national strength of Russia as a whole and the economic development of Siberia and the Russian Far East in particular. In his annual address to the Federal Assembly, President Putin also said Russia would continue to develop political and economic dialogue with the United States and such major partners as China, India, and Japan. Early in December, President Putin visited India. He signed a Joint Declaration at a summit meeting with Indian Prime Minister Manmohan Singh vowing to strengthen relations with India, and expressed Russia’s support for the election of India as a permanent member of the UN Security Council.

As a vehicle for strengthening its economic ties with the Asia-Pacific region, Russia has in mind projects such as the linking of the Trans-Korean Railway with the Siberian Railway; the development of oil fields in east Siberia; and the construction of an oil pipeline to the Pacific coast.

Russia has been trying to strengthen its economic ties with South Korea to push ahead with the railway project, and certain improvements in the bilateral relationship were made in 2004. At a summit meeting between President Putin and President Roh Moo-hyun of South Korea held in Moscow on September 21, 2004, the two leaders agreed to cooperate closely in the fields of energy, natural resources, and space science and technology. They also agreed to elevate relations between the two countries from a “constructive and mutually complementary partnership” to a “comprehensive partnership based on mutual trust.” Among other things, their joint declaration touched on the promotion of a strategic dialogue on energy to help develop the oil and gas fields in the Russian Far East and Siberia; the cooperation in the areas of military and space technology; the reaffirmation of the denuclearization of the Korean Peninsula

and the settlement of North Korea's nuclear issue through the Six-party Talks; the prevention of proliferation of weapons of mass destruction and their delivery vehicles; and a joint fight against terrorism.

On the question of laying an oil pipeline from east Siberia, two competing routes had been proposed: a China route and a Pacific route. In this connection, President Putin in his annual address to the Federal Assembly said that as the interests of various oil companies were involved, a government decision on which plan should be given priority had been delayed. So as not to let the interests of individual companies interfere with government energy policy, President Putin is trying to tighten state control over the energy industry. For instance, he approved the merger plan of Gazprom (a government-affiliated natural gas developer) and Rosneft (a state-owned oil company) on September 14, 2004, placing them firmly under state supervision.

On December 31, 2004, the Russian government announced that it had formally decided to build the Pacific-route pipeline that will run from Tayshet in east Siberia to Nakhodka in the Far East. According to the announcement, the government has commissioned the oil company Transneft to plan and construct a Pacific route that will carry 80 million tons of oil a year, and has instructed the company and related government agencies to produce a feasibility study by May 1, 2005. It appears that Russia based its decision on several benefits to be gained from choosing the Pacific route: the Japanese side offered to make a huge investment in the project; the route would enable Russia to ship its oil by tankers from Nakhodka to Japan, South Korea, and west coast of the United States; and the proposed route runs through its own territory, not through China, lessening the chance of China interfering with Russian oil exports. If the huge investment promised by Japan for the construction of the Pacific route materializes, the economic ties between Japan and Russia would be strengthened significantly.

Although at the political level, relations between Japan and Russia have made little progress, a symposium to evaluate the historical significance of the Russo-Japanese War (1904–1905) was held on the centenary of its outbreak in 2004. In addition, a meeting of the Japan-Russia Eminent Persons' Council was held in April in Moscow with 14 experts on each side discussing the medium- and long-term outlook of the bilateral relationship from a broad perspective. Participants noted the steady implementation of the Japan-Russia Action Plan by the governments of both countries and the progress made in wide-ranging

areas of Japan-Russia relations. They also expressed the hope that the heads of both countries would display strong leadership and develop relations further, including a breakthrough in negotiations on a peace treaty.

President Putin met with Prime Minister Junichiro Koizumi in Chile on November 12 when they attended a summit meeting of the Asia-Pacific Economic Cooperation, but they failed to make any headway on the issue of the Northern Territories. There are two conflicting views as to what effect, if any, the centralization of power pursued by the Putin administration will have on Japan-Russia relations, which are weighed down by the Northern Territories issue. The positive view has it that if the settlement of the Russia-China border issue is any guide, further centralization of power would strengthen President Putin's hand, enabling him to take a decision on the issue of the Northern Territories without bothering about the wishes of the local governments and assemblies or domestic public opinion, thus giving him a freer hand in settling the territorial issue. The negative view, on the other hand, argues that as the ultimate goal of President Putin's centralization effort is to restore the nation's strength, he, like his predecessors during the Soviet era, may not be keen on returning the Northern Territories to Japan. The question of which of these views is right will have to await the further progress of President Putin's centralization drive and his visit to Japan scheduled for 2005.

3. The Modernization of the Russian Armed Forces

(1) Reshuffling Senior Leadership and Restructuring Headquarters Organizations

The year 2004 saw the Russian government take concrete steps toward addressing one of its major tasks—the modernization of the armed forces. On July 19, 2004, Army Gen. Kvashnin, who had served as chief of the General Staff for seven years since 1997, was discharged. He was replaced by First Deputy Chief of the General Staff Yuriy Baluyevskiy. Kvashnin, a veteran of the first Chechen conflict of 1994–1996 and a staunch advocate of a strong Russian ground force, had fallen out with his civilian boss, Defense Minister Sergey Ivanov, over the course of armed forces reform and the shift to a contract-based recruitment system. In addition to the shakeup in senior military personnel, the Russian government has also realigned its defense ministry headquarters organizations. Back on January 24, at a meeting held under the

auspices of the Academy of Military Sciences, Sergey Ivanov had said that the General Staff should be strengthened by clearly redefining the functions and duties of the upper tier of the military, suggesting the necessity for an organizational reform of Russia's armed forces.

Against this background, President Putin promulgated on August 16, 2004, a presidential decree amending the Provisions on the Ministry of Defense of the Russian Federation, under which a structural reform of the Ministry of Defense was carried out. According to Minister of Defense Ivanov, the General Staff was relieved of nonmilitary duties including managerial and administrative ones, and charged with reviewing measures to develop the armed forces and formulate a program to build the state's military organizations as a whole, including paramilitary organizations. Under the realignment program, the Main Operations Directorate and the Main Organization and Mobilization Directorate remain under the General Staff, but other directorates have been transferred to the Ministry of Defense. At the same time, other agencies—the Quartering and Construction Service, the Economic and Finance Service, and the Personnel and Education Service—were created within the Ministry of Defense, which has thus taken over nonmilitary administrative services. In addition, a Minister's Secretariat was established within the Ministry of Defense, making it possible to keep the defense minister informed of the progress of any aspect of the military buildup. The directorates of the Ministry of Defense, the General Staff, as well as the main staffs of the three services (Ground Force, Air Force and Navy) and three branches (Strategic Missile Force, Space Force and Airborne Force) all came together to form a Central Apparatus of the Ministry of Defense. It was decided to keep the number of personnel working at the newly formed Central Apparatus at 10,350, or 0.5 percent of the total manpower strength of Defense Ministry/Armed Forces of Russia. At the same time, the number of deputy defense ministers was reduced from ten to four: two first deputy ministers of defense (one post held concurrently by the chief of the General Staff) and two deputy defense ministers (held concurrently by the chief of rear services and the chief of armaments).

For the first time in Soviet and Russian history, the government has established a Central Apparatus in the Ministry of Defense and thereby brought all major central staff organizations under the defense minister's immediate direction. These moves all appear aimed at strengthening the authority of the defense minister over the Ministry of Defense and the Armed Forces of the Russian Federation as a whole. It may be said that the realignment has created

an environment that makes it much easier for Sergey Ivanov, the first civilian defense minister since the collapse of the Soviet Union, to carry out reforms of the armed forces.

On the other hand, a revised version of the National Security Concept, a state document that will serve as the basis of Russia's national security strategy, was originally supposed to have been published soon after President Putin's second term began. However, what with the realignment of defense organizations and the Beslan incident, the revision appears to have been delayed. According to Igor' Ivanov, secretary of the Security Council, preparation of the draft will be delayed until mid-2005. As he explained it, the revision will focus on how to deal with changes that have occurred in the security environment surrounding Russia, particularly with regard to international terrorism in the periods following the terrorist attacks on September 11, 2001.

(2) New Types of Military Exercise

The number and scale of military exercises conducted by the Russian armed forces have tended to increase, with military exercises of various types also taking place in 2004. The "Rubezhi (Border) 2004" antiterrorism exercise was carried out in Kazakhstan and Kyrgyzstan early in August. It involved the counterterrorism rapid deployment forces that had been formed within the framework of the Collective Security Treaty Organization (CSTO) and composed of units and personnel from six CIS member countries (Russia, Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan). It was aimed at dealing with threats posed by Islamic fundamentalism and international terrorism in Central Asia. The exercise was the first field exercise conducted since the Joint Staff of the CSTO started operation in January 2004.

Within Russia, also, new types of military exercise were carried out to test the validity and effectiveness of the *Priority Tasks* released in October 2003 for the purpose of mapping out the direction of modernization of the armed forces. To start with, Russia carried out a strategic command-post exercise for about a month from late January 2004 to test the combat readiness of the forces. Although the Northern Fleet failed in launching a ballistic missile during the exercise, the armed forces carried out reserve duty training, deployed ground force units from the Siberian and Privolga-Ural Military Districts to European Russia, launched intercontinental ballistic missiles and space rockets, and conducted missile defense training.

In June, a large-scale operational-strategic exercise code-named “Mobil’nost’ (Mobility) 2004” took place over a period of about three weeks. Participating in this exercise were about 5,500 troops drawn from the Pacific Fleet, the Northern Fleet, the Far East Military District, the Privolga-Ural Military District, the Air Force, and the Airborne Force, as well as paramilitary personnel from the Ministry of Internal Affairs and the FSB. The exercise tested the strategic mobility of the forces by airlifting about 800 troops and 110 vehicles attached to units of constant readiness to the Far East Military District in 50 transport aircraft. This was the first military exercise of its type— involving the rapid deployment of units based in European Russia to the Russian Far East—since the collapse of the Soviet Union. According to the *Priority Tasks*, strategic mobility has three components: (a) the ability to promptly redeploy forces to assigned areas concurrently with an emerging threat of aggression; (b) the ability to conduct warfare involving the selective pinpoint use of force in any theater of operation contiguous with Russia; and (c) continued deployment of permanent readiness groups of force. It is believed that the exercise tested these components on the ground.

According to the *Priority Tasks*, besides strategic mobility, Russia’s armed forces are supposed to ensure the combat flexibility. With that in mind, one can expect that the Russian armed forces will carry out military exercises with a view to achieving the following three objectives: (a) structural flexibility, enabling military units and formations of permanent readiness to carry out required combat action in any type of conflict; (b) military-technical flexibility, aimed at equipping the armed forces with weapons and materiel necessary for battlefield operations in a wide range of possible armed conflicts; and (c) optimization of the combat training system, to ensure that servicemen have adequate combat skills effective in any type of conflict, including internal ones.

(3) Modernization of Military Equipment and the Defense Industry

On the question of the modernization of the armed forces, one of the priority tasks, President Putin in his annual address to the Federal Assembly stated: “Undoubtedly, modernization of the army is a task of national importance. We need effective, well-equipped and modern armed forces for reliable protection of the country, so that we can easily solve internal socioeconomic tasks.” He went on to say that Russia will introduce state-of-the-art weapons systems to the strategic nuclear force and necessary weapons to other services and branches as well.

Figure 6.3. “Mobil’nost’ (Mobility) 2004” exercise

Source: Data from *Kommersant*, May 31, 2004.

According to the *Priority Tasks*, the share of advanced weapons and hardware in the armed forces' entire inventory of military equipment will be raised to 35 percent by 2010; the armed forces including paramilitary units will be totally rearmed and reequipped by 2020–2025; and the ratio of the expenditure on weapons and hardware to the nation's defense spending will be raised to 50–60 percent by 2025. According to *Military Thought*, a military theory journal published by the Ministry of Defense, the existing Federal Program of Military Equipment, which sets forth the military equipment policy for the years 2001–2010, will be replaced by the end of 2004 by a new federal program for the years 2006–2015 to reflect Russia's economic growth and the recent advance in military technology.

There were various signs indicating that Russia was seeking the national task of modernizing the armed forces by stepping up efforts to modernize its defense industry through the promotion of weapons export and an increase in state defense orders. According to the Russian weekly *Kommersant Vlast*, the dollar value of weapons exports by Russia, the world's second largest weapons exporter after the United States, has been on the rise since 1997 and increased to about \$5 billion in 2003, an all-time high for the Russian Federation. Military aircraft and related products accounted for about 70 percent of its weapons exports, and the largest buyers were China (Su-30MKK) and India (Su-30MKI). In January 2004, Russia signed an agreement with India to export an aircraft carrier *Admiral Gorshkov* and MiG-29K fighters to be deployed on board. Exports of navy-related equipment have thus increased along with other military hardware. The

Table 6.4. Total value of weapons exports of Russia

(In billions of \$)	
Year	Total value
2000	3.68
2001	3.70
2002	4.80
2003	5.00

Source: *Kommersant Vlast*, May 24, 2004.

Table 6.5. The value of state defense orders placed

(In billions of rubles)	
Year	Total value
2000	46
2001	57
2002	79
2003	111
2004	136

Source: *Kommersant Vlast*, May 24, 2004.

total value of weapons export contracts signed with Malaysia, Indonesia, and Vietnam in 2003 exceeded that of weapons export contracts signed with China and India, making Southeast Asian countries new major destinations for Russia's weapons. The likely explanation is that as Russia had already exported a considerable number of weapons to China and India, there was not much room left for additional purchases; and that when viewed from the standpoint of these Southeast Asian countries, low-cost and sturdy Russian-made weapons deliver good cost performance and may also be available through barter.

Helped by increases in government revenues on account of by growing exports of energy and weapons, the total state budget for FY2005 increased 2.7 times over FY2000 to \$101.1 billion, and defense spending has also been on the rise. At a meeting on August 13 with the minister of defense, the chief of the General Staff, the director of the FSB, the minister of finance, and the minister of internal affairs, President Putin indicated that he planned to increase defense- and security-related spending by about 40 percent. Items subject to an increase include defense orders (military equipment and the defense industry); allowances to military personnel to compensate for the loss of income caused by the abolition of special privileges such as free travel on railways and buses; expenditure for the switchover to the contract-based recruitment system in two divisions; counterterrorism expenditure; and expenditure for building border facilities.

As shown in Table 6.5, the value of defense orders earmarked in the budget of FY2004 has increased about three-fold over those for FY2000, and is expected to increase by about 50 percent to 70 billion rubles in FY2005. President Putin is thus trying to modernize Russia's defense industry by reorganizing it and tightening state control.