

Chapter 6

Russia: The Adoption of a New *Military Doctrine*

In Russia, politics under the historically peculiar tandem structure continued with no major upheavals. That said, however, people began to position themselves politically for the next presidential election in 2012, one which a growing number expected would result in Prime Minister Vladimir Putin reassuming the presidency. Under conditions of gradual economic recovery, Russia adopted an economic modernization program aimed at transition from the current model of heavy dependence of natural resources to a more sustainable growth model. Diplomatically as well, Russia actively sought to expand cooperation with the United States and Europe in the interest of economic modernization. Because of the importance it attaches to energy markets, Russia has been viewing the Asian region as an increasingly crucial area. However, it has taken a very contentious stance diplomatically toward Japan, as witnessed by the visit by President Dmitriy Medvedev to the Northern Territories, an action that no other Russian head of state, going back to leaders of the former Soviet Union, had ever taken before.

Militarily, Russia revised its *Military Doctrine* for the first time in ten years. It also made major changes to military strategy and carried out significant reforms, including creating four integrated strategic commands. Under a newly adopted state weapons program, Russia is likely to be spending huge sums on procurement, advancing a program of military innovation that emphasizes the updating of weapons systems. It also stepped up the pace of military maneuvers, holding the large-scale exercise known as “Vostok (East) 2010” in the Siberian and Far Eastern Military Districts. It is considering the acquisition of the *Mistral*-class helicopter amphibious assault craft from France, while also expanding its involvement in weapons exports and in international cooperation in military technology.

1. Issues and Challenges Facing the Tandem Structure

(1) Gearing up for the 2012 Presidential Election

Since the tandem structure’s inception in May 2008, President Medvedev and Prime Minister Putin have managed to keep the government on a steady keel despite such major challenges as the Georgian conflict and the global financial and economic crisis. While many aspects of decision making under the bifurcated system are unclear, Prime Minister Putin is widely thought to be personally in charge of strategic decisions, for which he forges a consensus among key members

of the cabinet at regular weekly meetings of the Security Council. To be sure, this picture is affected somewhat by President Medvedev's increasing ability to put his own stamp on things—through his communication with the public via videos and blogs, and through his work on reforming the Ministry of the Interior as part of an anticorruption campaign. None of the president's actions, however, has pitted him decisively against the prime minister on policy matters. According to the nongovernmental public opinion research organization, Levada Center, approval ratings for both men have trended more or less steadily at above 70 percent since the tandem structure came into being, with the prime minister consistently several points ahead of the president. These results confirm that the nation generally supports the tandem structure and that Putin's popularity remains robust.

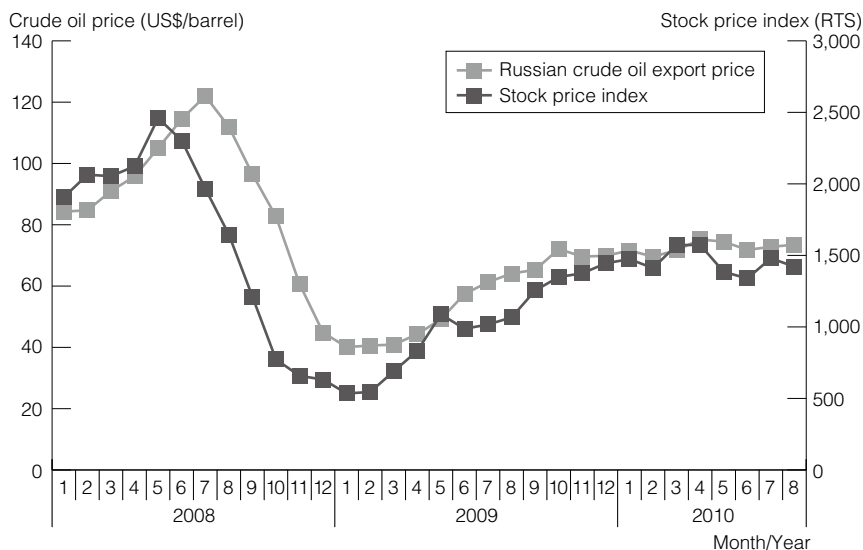
On the question of which of the two will run in the presidential election scheduled for March 2012, both have repeatedly stated that they will ultimately discuss the matter and decide. Observers believe that, in order to avoid splitting the politics of the country apart, the announcement of the candidate will be put off until just before the election. At this point, it seems unlikely that a third candidate will emerge. Meanwhile, however, both the president and the prime minister are gearing their words and actions toward the election, creating a political situation in which either would be prepared to run if he became the candidate. President Medvedev is making a point of keeping himself in the public eye in areas where the president has exclusive competence, such as diplomacy and national security. He has made himself visible by participating in summit meetings with foreign leaders, observing military exercises, and engaging in other presidential actions. Prime Minister Putin, on the other hand, has sought to underscore the image of an action-oriented prime minister by taking the media along as he pilots a plane to battle a forest fire, completes a 2,000-kilometer drive on a newly opened expressway in Siberia in a Russian-built car, and so on. Putin's performances are fueling growing expectations that he will reassume the presidency.

While no political clash between the president and the prime minister themselves has been observed, the upcoming presidential election and the December 2011 election for the State Duma, which will be the first skirmish of the political season, are causing those in the inner circles of power who support one or the other person to engage more overtly in political maneuvering. President Medvedev, for example, announced a policy of three-term limits for regional leaders, which forced the resignation of Shaimiev Mintimer, president of the

Republic of Tatarstan, and of Murtaza Rakhimov, president of the Republic of Bashkortostan, both of whom had reigned since the 1990s. At the end of September, Yury Luzhkov, mayor of Moscow, was dismissed by presidential decree before the completion of his term. The ostensible reason for these dismissals was that protracted rule by regional leaders would be detrimental to economic modernization and to efforts to rid the system of corruption. But because regional leaders have significant political influence in these two major elections, there are some who believe that supporters of the president have been seeking political advantage by eliminating senior regional leaders from the scene. Likewise, as will be discussed later, President Medvedev's visit to Kunashiri Island on November 1 can be viewed as an example of political theatrics by these same supporters to demonstrate the strength of his leadership.

(2) A Gradually Recovering Russian Economy and the Economic Modernization Program

After contracting sharply by 7.9 percent in 2009 because of the financial crisis, the Russian economy grew by a moderate 3.8 percent in 2010. The World Bank is forecasting expansion of 4.2 percent and 4.0 percent in 2011 and 2012, respectively. Personal consumption, industrial production and fixed capital investment have all recovered. The unemployment rate, too, has rebounded from the worst of the downturn. The recovery may be attributed to two factors: large-scale emergency fiscal and monetary policies, which were implemented immediately after the Lehman Shock in the autumn of 2008 and which continue to this day; and the recovery of international crude oil prices, which began rising again in the spring of 2009. In terms of economic measures, Russian authorities ensured adequate liquidity by injecting public funds into banks and by implementing a low interest rate policy; they maintained employment by paying subsidies and extending loans to business enterprises; and they supported consumption by lowering taxes and increasing pension payments. Then, as income from resource-related exports began climbing again in response to higher crude oil prices, domestic and international investors, who saw this as a bullish sign, returned to the market. Their investments, primarily in the resource-related sector, sparked an overall recovery of the Russian stock market. Yet one can argue that the economic recovery in 2010 was largely resource dependent because the government's massive emergency fiscal and monetary policies rested on oil and gas-related

Figure 6.1. Linkage between Russian crude oil export prices and stock prices

Source: Compiled from World Bank statistics.

revenues, which account for over 40 percent of its income, and on the reserve fund, which it finances through mandatory deposits of export-related earnings into the national treasury enforced on oil and gas companies.

A resource-dependent economy, however, is not only vulnerable to fluctuation risks associated with international crude oil prices; this dependency also inhibits sustained growth of the economy per se. In other words, the fact that stock prices move in conjunction with crude oil prices means that there is a dearth of attractive growth industries in Russia outside the resources sector. Consequently, even if reform of the international financial system progresses in the manner now being contemplated, and if the speculative flows of capital which touched off the recent financial crisis can be controlled, Russia would still have a structural problem because declining crude oil prices would cause an exit of capital from Russian markets and make it difficult for industry overall to raise the capital needed for growth. Moreover, from the standpoint of oil and gas companies, not only are they required to pay a portion of their resource-related income into the nation's reserve fund; during economic downturns, when tax revenues from other sectors

decline, they also become easy targets for tax increases, which robs them of the ability to invest sufficiently in the exploration and development required for their own growth.

Russia's own analysis of its economic situation in line with the above had been consistent from the blueprint for economic reform contained in *Russia's Development Strategy through to 2020*, announced by then President Putin in February 2008, to the program for economic modernization and technological development prescribed by President Medvedev in his presidential address to the Federal Assembly in November 2009. This awareness spurred a growing sentiment for reform through mid 2009. However, as signs of economic recovery began to appear in the second half of 2009, this motivation has diminished. Now exposed to the risk of waning interest in reform, the tandem structure faces the challenge of managing economic policy on two fronts: while implementing measures to bring about short-term economic recovery and stability, it must also carry out the reforms necessary for medium- and long-term growth. In concrete terms, this will mean having to convincingly showcase to domestic and international audiences restructuring projects that are potentially profitable and not a burden on the nation, while at the same time moving cautiously on reforms that entail pain.

The main thrust of the program announced by President Medvedev in his presidential address was that Russia would have to modernize economically by developing, producing, and commercializing innovative technologies. He designated five priority areas: (1) medical technology, medical equipment, and the pharmaceuticals industry; (2) energy efficiency, and transitioning to a rational resource consumption model; (3) nuclear energy; (4) space technology and telecommunications; and (5) strategic and information technology. The presidential address also advocated a foreign policy that would make these economic aims its primary focus. To state it differently, while interested in seeing capital and the latest technologies flowing in from abroad, the president is saying that Russia should engage in a realistic foreign policy because he understands that other countries, to further their own interests, will be seeking to improve relations with Russia. The president cited the following measures as a means of bringing such modernization about: (1) modernizing state-owned industries; (2) establishing a comfortable environment for world-class research and development; (3) changing laws and the public administration system; and (4) reforming the tax system.

In 2010, the government vigorously pursued a policy of developing a Russian-

version of Silicon Valley, which it has designated as the centerpiece of its efforts to improve the environment for research and development. In March 2010, President Medvedev chose Skolkovo, an area on the outskirts of Moscow, as the site for this project. Recognizing that success will depend critically not only on public sector involvement but also on participation by the private sector, the president appointed a private citizen to lead the project and worked on new legislation related to the opening of the Skolkovo Innovation Center to enable it to take advantage of private-sector know-how.

But even if the government prepares such a “container,” it will not be meaningful unless companies congregate there. To set the process of attracting companies to the center in motion, President Medvedev has turned to the Russian Corporation of Nanotechnologies (RUSNANO), a state-owned enterprise which houses the development, production and commercialization of technology under one roof. Currently, of the technologies in its portfolio, Russia is competitive internationally only in industrial-use software, aeronautics and space, nuclear power, and nanotechnology. Only the last has applications that span all five of the priority areas cited in the president’s modernization policy. The Russian government has invested an enormous amount into developing nanotechnology to date and plans to provide 318 billion rubles (approximately ¥850 billion) in financing to RUSNANO over the five-year period ending in 2015. President Medvedev took along executives from RUSNANO on his official visit to the United States in June, an indication that he is using nanotechnology to prime the pump for the flow of foreign capital into the country. In July, upon his return from the United States, he signed a federal law that made the formerly 100-percent state-owned RUSNANO a publicly traded corporation, which will enable it to strengthen its base of capital through investments from abroad. The new law is what attracted a visit to RUSNANO in October by a group of venture capitalists from Silicon Valley, led by then California Governor Arnold Schwarzenegger. The government also held a number of investment seminars for a broad range of investors from Russia and abroad and, during the president’s visit to the United States in June, engaged in discussions on ways to strengthen cooperation in innovative technologies. The government has also been working to strengthen its relationships with the EU. It proposed an “EU-Russia Partnership for Modernization” at the EU-Russia Summit in November 2009. This was followed by a formal launching of the concept at the summit in June 2010 and by the announcement of a concrete

timeline of tasks at the summit in December.

While aggressively advancing such high-profile policies, the Russian government has made careful preparations to implement policies for which it expects a backlash domestically. These deal with corruption, reorganizing state-owned enterprises, and strengthening the authority of the Federal Security Service (FSB). In April 2010, the president signed an executive order approving the National Strategy for Countering Corruption and a new draft of the National Anti-Corruption Plan for 2010–2011. Throughout 2010, the government also examined the issue of reorganizing state-owned enterprises and is now ready to move toward privatization, beginning in 2011. In doing so, it has determined that privatization would aim to achieve two objectives: first, withdrawal from businesses where private companies are more efficient than state-run enterprises, or divestiture of portions of the government's shares in such businesses as a means of reducing their burden on the government; second, as with RUSNANO, bolstering the capital of state-run enterprises through infusions of investment capital. With respect to the third issue, strengthening the authority of the FSB, in July the government got the legislative branch to approve amendments to the Law on the Federal Security Service and the Code of Administrative Offences, thus granting the FSB the right to issue official warnings to individuals regarding the inadmissibility of actions that may lead to a crime. These amendments are designed to deal with the increase in crime risk which the government foresees as a consequence of the rapidly spreading availability of broadband technology.

(3) Agreement on New START and its Assessment

On April 8, 2010, President Medvedev and President Obama met in Prague to sign the “Treaty between the United States of America and the Russian Federation on Measures for the Further Reduction and Limitation of Strategic Offensive Arms” (hereinafter, “New START”). New START is a follow-up to both the Strategic Arms Reduction Treaty (START I), signed on July 31, 1991, and the Treaty on Strategic Offensive Reductions (the Moscow Treaty), signed on May 24, 2002. From Russia's standpoint, there are three hallmarks of the new accord.

First, the treaty's preamble incorporates language on the interrelationship between strategic offensive arms and strategic defensive arms, which Russia had strongly pushed for inclusion. The incorporation of this language means that Russia prevailed upon the United States to acknowledge, at least to a certain extent,

the relationship between the deployment of missile defense systems and nuclear arms reduction. But it is unclear whether or not New START will place restrictions on US missile defense plans, on which the United States and Russia have different interpretations. Upon signing the new treaty, Russia released the “Statement of the Russian Federation Concerning Missile Defense,” in which it stipulated that the new treaty could only be viable “where there is no qualitative or quantitative build-up in the missile defense capabilities of the United States of America” and made it clear that it would withdraw from the treaty if such build-up “[gave] rise to a threat to the strategic nuclear force potential of the Russian Federation.”

Second, the treaty requires that, within seven years after its entry into force, the parties reduce the number of deployed ICBMs, SLBMs, and heavy bombers to less than 700; the number of nuclear warheads carried by deployed ICBMs, SLBMs, and heavy bombers to less than 1,550; and the number of deployed and non-deployed ICBM launchers, SLBM launchers, and heavy bombers to under 800. The treaty further provides that each party has the right to determine for itself the composition and structure of its strategic offensive arms, provided that this is within the limits set by the accord. In comparison to START I, where the aim was to reduce arsenals to 6,000 warheads and 1,600 delivery vehicles, this is a substantial reduction, which brings the ceiling for warheads down to one quarter of the START I level and for delivery vehicles to one half that level. However, the actual reduction in number of warheads is rather modest. Some even believe that, with respect to delivery vehicles, Russia could in fact end up with a larger number in its arsenal. In terms of counting rules, New START provides that, for ICBMs and SLBMs, warheads will be the actual number emplaced, while for heavy



Presidents Obama and Medvedev signing New START in Prague (April 8, 2010) (Photo by Russian Presidential Press and Information Office)

bombers each deployed bomber will be deemed to be carrying a single warhead. While Russia prevailed upon the United States to have limits placed on the number of delivery vehicles and launchers, as in previous treaties, and while New START makes the number of warheads on ballistic missiles subject to verification, the new rule ascribing one warhead to each heavy bomber will cause growing

discrepancies between reported and actual numbers.

The third hallmark of the new treaty is the streamlining of verification procedures. Each party will continue to have the right to conduct on-site inspections, but rather than having to confirm that a ballistic missile contains no more reentry vehicles than the number attributed to them, under New START inspectors will confirm the number of warheads actually mounted on deployed ICBMs or deployed SLBMs. The new treaty has abolished the distinction between ICBMs and road-mobile ICBMs and has eliminated the system of resident inspectors at manufacturing facilities for mobile ICBMs, which only exist in Russia. From Russia's standpoint, New START thus rectifies the unfairness of having to put up with unilateral demands from the United States for resident inspectors, something Russia had long made an issue. When START I expired on December 5, 2009, the US inspection team permanently stationed at a missile plant in Votkinsk in central Russia was forced to leave the country. On this point, the United States ended up being sensitive to Russia's concerns. The parties also agreed to exchange telemetric information (electronic signals transmitted during missile test flights that provide information on missile capabilities) on a parity basis, up to five times a year, with each country allowed to determine which tests it would provide this information on. Considering that only Russia is now developing new ICBMs and SLBMs and that it had concerns that the data that it would be providing unilaterally would be used by the United States in its missile defense systems, this component of the treaty is probably advantageous to Russia.

Examining the technical aspects of New START, it seems clear that the Obama administration, which is committed to advancing the process of nuclear disarmament, sought to address Russia's concerns. Certain members of the conservative wing of the Republican Party in the United States remain critical of the concessions made by the Obama administration to Russia, particularly its acknowledgement of the relationship between missile defense and nuclear disarmament. However, the US Senate ratified the new treaty at the end of 2010, which prompted Russia's own ratification process, and the treaty finally came into force on February 5, 2011.

The significance of the new treaty for Russia does not end at what it sets out to do. For not only will the signing of the treaty bring about greater quantitative parity in the strategic force capabilities of the two countries, it also gives Russia a relatively greater say in international society as the only country able to take

the United States to the negotiating table on nuclear disarmament. Russia views disarmament talks as a good way to restore equality in its bilateral relations with the United States, which it lost after the disintegration of the Soviet Union. So, for Russia, the significance of achieving this latest disarmament agreement was not inconsiderable.

At the same time, in terms of tactical nuclear weapons, which is the next issue on the table, Russia remains less than enthusiastic. As seen in its new *Military Doctrine*, which was approved in February 2010, Russia believes that the probability of large-scale war with NATO has declined, leading it to agree to certain reductions in strategic nuclear weapons with the United States. However, in the aftermath of its war with Georgia, Russia's concerns about threats to its security are shifting to local conflicts along its border, which underscores, in its eyes, the importance of tactical nuclear weapons. Russia, moreover, has not ruled out the first use of tactical weapons in border conflicts. As this suggests, while Russia commits itself to disarmament in strategic weapons with the United States, it appears to be going its own way with respect to tactical weapons, adopting a policy of increased reliance on such weapons. Moreover a significant gap in perceptions exists between the United States and Russia regarding the utility of nuclear weapons. After the Georgian conflict, Russia is strengthening its ability to deal with traditional threats, and from this perspective nuclear weapons have value. The United States, on the other hand, sees a greater need to deal with nontraditional threats such as international terrorism and is advocating nuclear disarmament under the banner of a "world without nuclear weapons." Additionally, because being a "major nuclear power" is one of the few factors that guarantees Russia's claim to major power status—and because it is the only thing that places it on a par in negotiations with the United States—it is likely that the country would stick to its position as a "major nuclear power." A number of other outstanding issues suggest that negotiations on tactical nuclear weapons will face extremely difficult obstacles: the issue of removing US tactical nuclear weapons in Europe, which are believed to be deployed in Germany, Italy, Belgium, the Netherlands, and Turkey; the disparity in conventional forces between NATO and Russia; adapting the Treaty on Conventional Armed Forces in Europe (CFE); and Russia's concerns about the growing nuclear capability of China.

2. New Directions in Russia's Foreign Policy

(1) Cooperating with the United States and Europe in the Interest of Economic Modernization

Since President Medvedev highlighted the importance of “diplomacy for modernization” in his presidential address of November 2009, he has been busily practicing it. He has begun, first of all, by working to improve relations with Russia's neighbors. For example, on April 10, 2010, when the government plane carrying the Polish president crashed in Russian territory, Russia took prompt and respectful action. Prime Minister Putin traveled to the disaster site and personally led the committee investigating the accident, remaining with the body of President Kachinsky until it was transported back to Poland. Despite many foreign dignitaries being unable to attend the event because of the volcanic eruption in Iceland, President Medvedev made an appearance at President Kachinsky's state funeral, a gesture that some believe altered the historically anti-Russian view of the Polish people.

Russia's cooperative stance has allowed it to resolve a number of pressing issues with countries along its borders. At the Russia-Ukraine summit on April 21, Russia agreed to lower prices on the natural gas that it supplies to Ukraine, in exchange for a twenty-five-year extension of basing rights for its Black Sea Fleet in that country. Russia also reached an agreement with Norway on the long-standing border disagreement between the two countries in the Barents Sea, breaking the impasse by agreeing to divide territory on the continental shelf under the disputed waters—an area equal to the size of Japan—in half. The backdrop to the settlement of this dispute is Russia's interest in the Arctic, where it wants to develop the region's resources by using advanced technologies from the United States and Europe while building cooperative relations with Arctic nations.

Russia's diplomatic sensitivity to the interests of the United States is also noteworthy. When political turmoil broke out in Kyrgyzstan last April, Russia quickly announced that it would provide financial support to the provisional government. But it danced carefully around the issue of the US military base in that country, which is a source of friction between it and the United States. Even at the summit of the four major newly emerging economies—Brazil, Russia, India and China (BRICs), which was launched in 2009 as a Russian initiative to counterbalance US domination of global affairs—the parties avoided the explicit

criticism of the United States seen a year earlier, when they had called for the creation of a more diversified international monetary system to oppose the dollar based currency system. Another case in point, this one symbolic of Russia's cooperative stance toward Europe and the United States, was the military parade held on May 9 in Red Square to commemorate Russia's victory over Germany in the Second World War. The parade had reverted to being a large-scale exhibition of weaponry in 2008, the year the tandem structure was launched, and since then the government has used it as a way of keeping the United States and Europe in check through a flexing of the nation's military might. In 2010, for the first time in the parade's history, however, approximately 200 soldiers from the United States, the United Kingdom, and France marched alongside Russian soldiers in a demonstration of the unity of the Allies during World War II.

President Medvedev has also been engaged in a busy round of utilitarian diplomacy. In addition to the joint statement on a Partnership for Modernization adopted at the Russia-EU Summit, which began at the end of May, a strategic partnership for innovation was proclaimed at the US-Russia Summit held in the latter part of June. In April, the president became the first Russian head of state to visit Argentina, where he participated in discussions on the construction of nuclear power plants, joint exploration of Antarctica, and the diversification of trade. At an international economic forum held in St. Petersburg in mid-June, Medvedev spoke to a large group of foreign visitors on the need for economic modernization in Russia.

This progress toward cooperative diplomacy in the interest of economic modernization can be seen not only in real world events; internal government documents, which set the direction of Russian diplomacy, also indicate that this is happening. In mid-May, *Newsweek Russia* published a document entitled "Program for the Effective Use of Foreign Policy in the Long-Term Development of the Russian Federation," which revealed that "diplomacy for modernization" has been proceeding under a clearly articulated policy. In his presidential address to the Federal Assembly in November 2009, President Medvedev had directed the Ministry of Foreign Affairs to work on a policy paper to this effect and it is widely believed that the *Newsweek* document is a letter written by Foreign Minister Lavrov to the president in response. It speaks of the diplomatic policy that will be necessary to promote economic modernization and discusses the building of a modernization alliance with Europe and the EU. It also talks about

the creation of technology-based partnerships with the United States and other countries, including Brazil, India, China, South Korea, and Singapore. Although Japan does not appear as a potential partner, the document prescribes continuing dialogue with Japan on a peace treaty and the need to expand cooperation in such areas as high technology, transportation, agriculture, pharmaceuticals, energy conservation, nuclear energy, aircraft manufacturing, and information technology. As it is highly unlikely in Russia for this kind of confidential document to be leaked to the foreign media, some speculate that the event may have been politically choreographed to drive home the message to other countries that Russia is pursuing a path of cooperative diplomacy.

Historically, Russian diplomacy with the United States and Europe has oscillated between cooperation and confrontation. Compared to when it was involved in its war with Georgia, Russia is now clearly on the vector of cooperation. As indicated in *Russia's Development Strategy through to 2020* (commonly referred to as "Putin's Plan") and in *National Security Strategy through to 2020 (of Russian Federation)*, Russia's strategy for national development through 2020 has always been largely about economics, with the specific goals of becoming one of the world's top five economies and, through a restoration of national power by means of economic development, occupying one of the poles in a multipolar world. However, the global financial and economic crisis has not only placed the goals of this national strategy at risk; it has also made Russia more acutely aware of the need to modernize a resource-dependent economy. While there is unlikely to be any major change in this basic course hereafter and while we expect Russia's policy of cooperation with Europe and the United States to continue for some time to come, there are three sets of factors that could affect this scenario.

The first is a possible change in US policy toward Russia. With the advent of the Obama administration, the influence of the United States has waned in areas of the former Soviet Union which Russia considers a part of its traditional sphere of influence. As a result, the confrontations between the United States and Russia over traditional security issues are beginning to diminish. Even so, the factors contributing to the hostility have not been totally eliminated. Firstly, the enlargement of the EU and NATO into parts of the former Soviet sphere, while temporarily halted, has not disappeared altogether as a future possibility. There are also lingering concerns on the Russian side about missile defense. Despite the pledges of cooperation shown in the Joint Statement of the Russia-NATO Summit

in late November, President Medvedev went on record in his presidential address soon thereafter saying that if there were no progress in cooperation on missile defense, Russia would expand and strengthen its military capabilities. Moreover, with the Republican Party gaining seats in the fall 2010 mid-term elections, and many Republican lawmakers dissatisfied with the Obama administration's policies toward Russia, including those on disarmament, there is now a possibility that the United States could return to the hard-line stance that characterized the Bush administration.

Second, Russia's foreign policy posture will be influenced by how things play out domestically as people gear up for both the 2012 presidential election and the election for the State Duma at the end of 2011. It has been commonplace in Russian political campaigns for candidates to play the strong leader card and to seek to attract votes by inciting patriotism and nationalism among voters. Even in presidential campaigns, candidates have resorted again and again to demonizing Europe and the United States while proclaiming the need for Russia to become a prosperous nation with a strong army. The cooperative course advocated by President Medvedev has elicited strong opposition from a group known as the *siloviki*, who are a political elite from the military, security services, and other "armed" agencies. For the president to be reelected, he will have to respect some of the demands of this enormous voting bloc. For example, some attribute Medvedev's harsh criticism of President Lukashenko of Belarus and his tough diplomatic stance toward Japan (see below), as an attempt to portray himself as a strong leader in the presidential campaign.

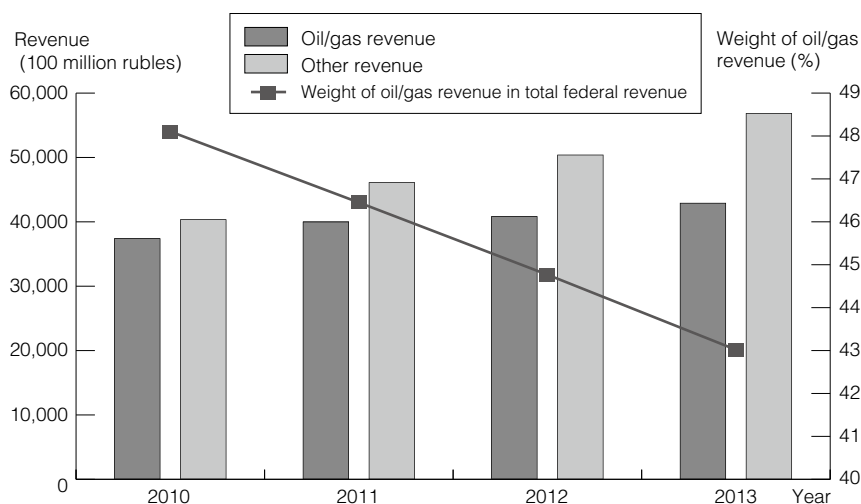
The third qualification is the moderate pace of recovery in the Russian economy. In the forthcoming presidential election, the Medvedev administration will have to make a case to the nation about the recovering economy, for which an important indicator will be the growth rate. Russia's economic growth rate is highly dependent on the international price of crude oil and since the financial and economic crisis, oil prices have been on the upswing. While the Russian economy grew by 3.8 percent in 2010, it will have to grow at a higher rate to achieve Prime Minister Putin's proclaimed target of becoming a top five global economic power. But as the economy recovers, the commitment of the administration toward economic modernization is diminishing, suggesting that cooperative diplomacy in the interest of modernization could dissipate like clouds and mist.

(2) Strategic Horse Trading in East Asian Energy Markets

The federal budget through 2013 that was approved in December 2010 is based on the assumption that the price of Russian crude oil on international markets would rise slightly from \$75 to \$79 a barrel but that growth in oil- and gas-related revenues would be sluggish, reflecting lagging economic recovery in Europe, Russia's primary market for energy exports. The budget also takes into account a forecast of no growth in energy demand over the short term in Europe because of this lagging recovery, which is being attributed to credit uncertainties in Europe in 2010 that have added to the problems of the global financial and economic crisis of 2008. At the same time, it estimates that revenues in sectors outside of oil and gas would increase.

Expenditures, on the other hand, are projected to increase as a result of higher social security-related costs and spending on the national economy. Consequently, fiscal deficits are projected to continue for a while. The government, however, is under pressure to restore fiscal discipline as a means of improving the investment environment and is trying to return the budget to balance by 2015. To reduce the size of the deficit, it also intends to tap into the reserve fund, but the outlook is for the fund to be quickly depleted. This approach to fiscal management is vulnerable

Figure 6.2. Forecast for federal revenues from 2011 to 2013



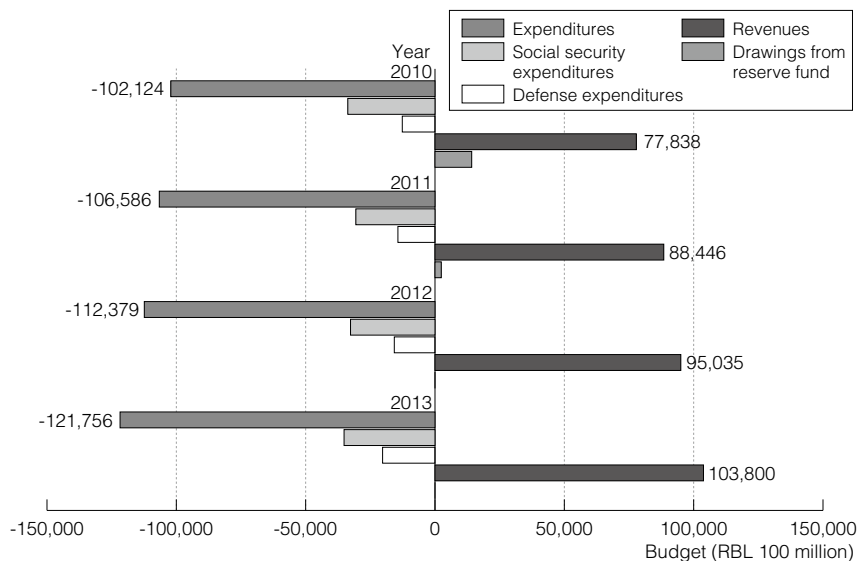
Source: Russian Ministry of Finance, *Basic Guidelines for the 2011 Federal Budget and for Federal Budget Planning for 2012-2013*.

to the risk of fluctuations in crude oil prices.

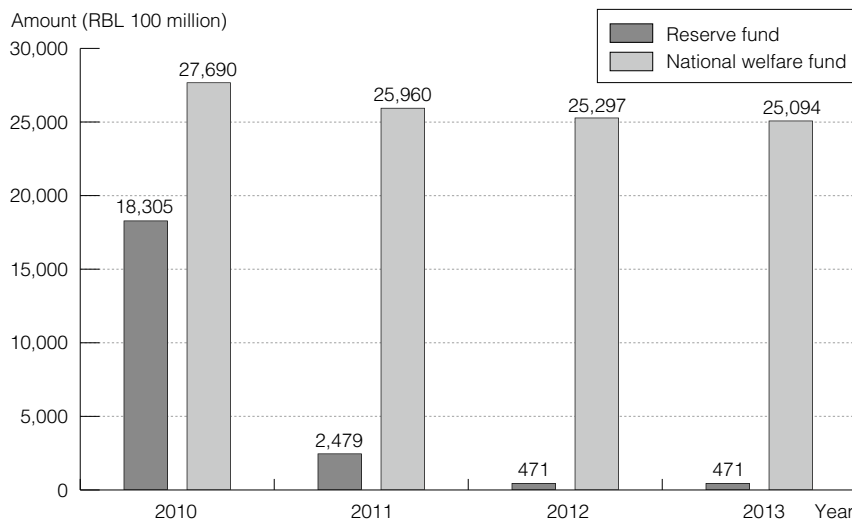
One reason that Russia has to manage its fiscal situation in this way is the structural problem of being dependent on energy exports to Europe. Today, some are pointing to a new problem relating to gas exports, the “Shale Gas Revolution” in the United States. Commercial production of this unconventional gas began in earnest in 2008. As prices for LNG declined in the face of softening demand, European countries began trying to renegotiate their long-term contracts for Russian pipeline gas. This has made it difficult for Russia to secure long-term fixed capital from its largest source of demand, Europe. The problem of shale gas is therefore that it opens the door to possible stagnation of exploration, development, and production of gas in Russia over the medium to long term.

The Russian government has responded to this new development by expanding its involvement in energy markets in the Asia-Pacific region, where it can also count on having access to the capital necessary for exploration, development and production. Russia began building an oil pipeline to China in 2009, completing the Russian section in August and the Chinese section in September of 2010. Prime Minister Putin participated in the opening ceremony for the Russian section, while President Medvedev attended a launch ceremony for the Chinese section with President Hu Jintao during his official visit to China in September, which was timed to coincide with the pipeline launch.

On his visit to China in September, President Medvedev was accompanied by Alexey Miller, chairman of the Management Committee of Gazprom, Russia’s natural gas monopoly, who met with Jiang Jiemin, chairman of PetroChemical Company Limited (CNPC), China’s state-run energy company. In furtherance of a framework agreement reached between the companies in October 2009, Miller and Jiang signed “The Extended Major Terms of Natural Gas Supply from Russia to China,” under which the parties stipulated the following: that they would enter into an export agreement by the middle of 2011, that shipments of natural gas would commence in 2015, and that 30 billion cubic meters of natural gas would be supplied over a 30-year period. Before President Medvedev’s visit to China, another ceremony took place, this one for the groundbreaking of an oil refinery in Tianjin, which will be jointly developed by Russia’s state-run oil company Rosneft and CNPC. The ceremony was attended by the chairman of the board of Rosneft, Igor Sechin, who also serves as Russia’s deputy prime minister. This refinery will have a capacity of 13 million tons of crude oil per year, with facilities capable of

Figure 6.3. Revenue and expenditure outlook

Source: Russian Ministry of Finance, *Federal Laws pertaining to the 2011 Federal Budget and to Federal Budget Planning for 2012-2013*.

Figure 6.4. Outlook for reserve fund balance

Source: Russian Ministry of Finance, *Basic Guidelines for the 2011 Federal Budget and for Federal Budget Planning for 2012-2013*.

refining more than 80 percent of that volume expected to be completed by 2015. In addition to the refinery, Rosneft and CNPC are considering the possibility of developing a sales network in China.

From a Chinese point of view, however, it seems clear that China has little incentive to enter into long-term fixed contracts with Russia at a time when access into the relatively inexpensive LNG market is becoming easier. Instead, the rational approach would be for China to boost the importation of gas through the Central Asia-China gas pipeline, which began operations in 2009, and to expand and improve facilities for the docking of LNG tankers. As history has shown, this would give it an advantage in price negotiations with Russia, forcing Russia to work on improving its negotiating tactics. More specifically, rather than rushing to negotiate prices under unfavorable conditions, Russia would closely watch recovery trends in European markets and negotiate prices only when the situation is favorable or when no one side has a negotiating advantage.

In fact the agreement in September pushed back the signing of an export contract from 2010, as originally envisioned in the 2009 framework agreement, to 2011. Because of this delay, the start of shipments was postponed from 2014 to 2015. When Prime Minister Wen Jiabao visited Russia in November, he and Prime Minister Putin signed an agreement to expand economic cooperation, including in the energy sector. However, they failed to make progress in negotiations on gas prices, and, as of December, the Altai Gas Pipeline Construction Project, which will be transporting gas through the western border of China and Russia, remains in limbo. In the meantime, Gazprom announced in November that it would be increasing production of LNG as part of a policy to diversify its export markets.

A related development was also seen domestically. The “Conference on the General Scheme for Gas Industry Development until 2030,” held in October, examined a number of domestic policy proposals, including tax reform to promote private sector investment in development and raising prices on domestically sold gas to ensure profits on those sales and to encourage energy conservation. This conference expressed in no uncertain terms the government’s resolve to do everything in its power to mitigate the nation’s energy problems through domestic policy, as it faces the uncertainty of the international energy situation and acknowledges the limits of what can be achieved in an energy relationship with China.

(3) An Intensifying Focus on East Asian Policy

In Russian foreign policy, the highest priority region is the geopolitically significant territory of the former Soviet Union. Next in importance is Europe, its largest trading partner, followed by the United States, with which it must deal on pressing issues of national security. The Asian region ranks next and, within Asia, Russia's principal focus is China and India, along with the Shanghai Cooperation Organisation (SCO). Only then does its attention turn to the Korean Peninsula or Japan. But while Asia has traditionally been regarded as of secondary importance in its foreign policy, Russia, as we discussed, now considers the East Asian energy market to be vital to its interests. With Russia now intent on playing an increasingly significant role in the economic activity of the Asia-Pacific region, it wants to move forward on the long overdue development of Siberia and the Russian Far East. Consequently, the Asian region is now an area of greater significance to Russia.

The cornerstone of Russia's East Asian policy is strategic cooperation with China, which it considers the most important nation in the region. But with its national power on the rise again and US unilateralism in decline, Russia has begun searching for its own brand of East Asian diplomacy. Although superficially China and Russia continue to play the part of two countries still enjoying a honeymoon, their relationship peaked in 2004 with the agreement to demarcate their borders and, in recent years, attempts to build closer ties have stalled. The strategic partnership between China and Russia has been constituted by a strategic component, aimed at keeping the United States in check, and a utilitarian component underpinned by weapons and energy trade. However, Russia's motivation to collaborate strategically with China is diminishing and its weapons exports to China have fallen off sharply. In relation to energy cooperation, Russia is more eager to strengthen its relationship with South Korea and Japan.

On September 26, 2010, President Medvedev arrived in China for a three-day official visit, where he held a summit meeting with President Hu Jintao, his fifth with the Chinese president in 2010, and signed a joint statement commemorating the sixty-fifth anniversary of the end of World War II. His visit began with a meeting with former Chinese and Russian soldiers in the city of Dalian, the scene of fierce fighting in the Russo-Japanese War. Based on the fact that Russia and China fought together against Japanese imperialism, the joint statement included a proclamation that both nations shared similar views on the history of World War

II and a condemnation of any attempts to distort that history. While criticizing the historical interpretation of former Eastern European countries and others, who view the Soviet Union and the Nazis as identical, the Medvedev administration has emphasized Russia's role as a liberator in the battle against Nazism and showcased Allied unity by inviting US, British, and French soldiers to its military parade in Red Square in May. Through the joint statement, a similar perspective on history was proclaimed in Asia and confirmed by China, a country with which Russia is building a strategic partnership. As the joint statement came out immediately after the collision between a Chinese fishing boat and a Japan Coast Guard vessel in the Senkaku Islands, it appeared that China sought Russia's support on issues such as its interpretation of history vis-à-vis Japan and on its territorial claims

Both strategically and for utilitarian purposes, China and Russia maintain a cooperative relationship. However, the realities are complex. In Russia, on the question of how China should be dealt with, public opinion is split between the view that Russia should explore ways of strengthening the relationship to keep the United States in check and the view that China is a potential enemy. By showing a tougher united front on the Japan factor, both China and Russia are seeking to stabilize this complex relationship. The adoption of a shared historical perspective on World War II by the two countries can thus be interpreted as a demonstration of the fragile nature of the bilateral relationship.

The waning of the China-Russia relationship can also be seen in the change in Russia's policy on the Korean Peninsula. When the South Korean warship *Cheonan* was sunk in late March, an international team of investigators, led by South Korea, announced that the sinking was caused by a torpedo attack by North Korea. Russia, fearing a heightening of tensions on the Korean Peninsula, sent a team of four military experts to South Korea at the end of May to conduct its own investigation. Russia's interest in getting to the bottom of the incident was unusual, but there was no announcement of the results of its investigation. On December 13, Foreign Minister Lavrov, in a meeting with visiting North Korean Foreign Minister Pak Ui Chun, criticized North Korea for its artillery bombardment of South Korea, its new facility for enriching uranium, and its violations of the UN Security Council resolution demanding that it cease the development of nuclear weapons and missiles. This was the first time that Russia had directly taken North Korea to task in public. Thereafter, in its role as a permanent member of the UN

Security Council, Russia requested an emergency meeting of the council to defuse tensions between the two Koreas.

According to Russia's Ministry of Foreign Affairs, Russia's basic policy on North Korea aims for the denuclearization and stabilization of the Korean Peninsula. To be sure, Russia does not consider North Korea's nuclear capabilities to be a direct threat to its national security because it understands that those weapons are not targeted at Russia. Rather, the dissemination of nuclear weapons and other WMDs, and terrorism involving the use of such weapons, are a major threat, not only for the United States but also for Russia, and it is here that the interests of both nations coincide with respect to a denuclearized Korean Peninsula. In terms of stabilization, it is essential from Russia's standpoint that East Asia as a whole, including the Korean Peninsula, remains stable so that it can proceed on the linking of the Trans-Siberian Railway and the Trans-Korean Railway and can continue its energy exports to the region. For Russia, the status quo of two Koreas existing side by side is the preferred situation. Geopolitically, North Korea functions as a buffer for Russia and China, and Russia does not want to see the US military in Korea facing it across a contiguous border, which would be the case if the Korean Peninsula were unified under South Korea's leadership in the future.

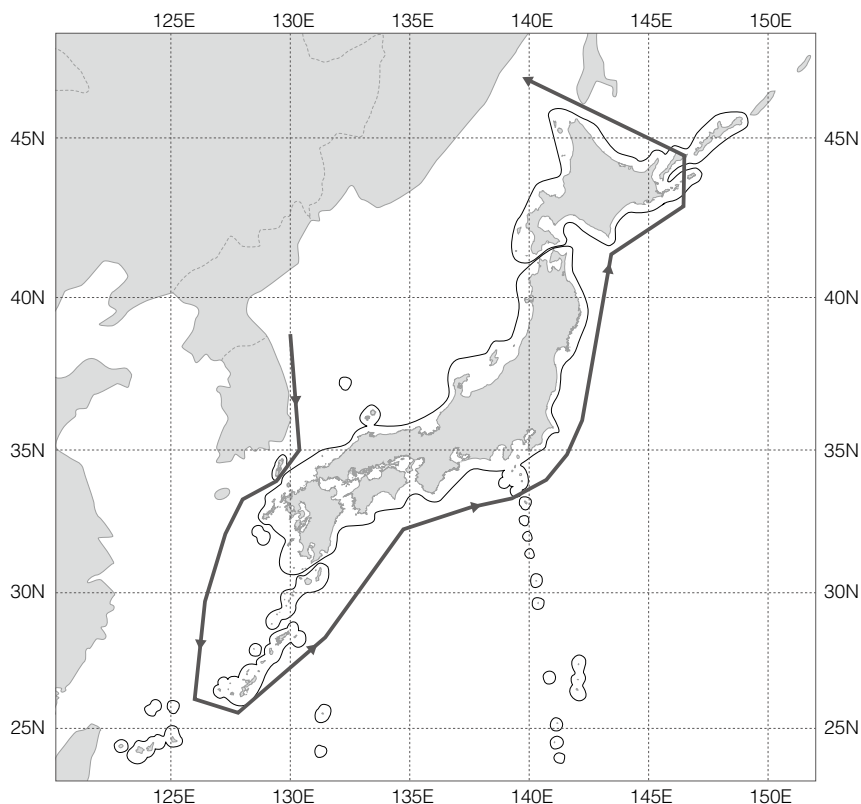
Not only in Europe but also in Asia, Russia has repeatedly urged the creation of multilateral frameworks, citing the importance of such arrangements as the Six-Party Talks and the SCO. According to Russian experts in national security, the reason for this lies in Russia wanting to avoid a situation in which international issues in Asia are treated solely as the province of countries such as the United States, which wield extraordinary influence. At the ASEAN Foreign Ministers Meeting in July, an agreement was reached to permit the formal participation of the United States and Russia in the East Asia Summit (EAS), beginning in 2011. Secretary of State Hillary Clinton and Foreign Minister Lavrov were invited as special guests to the EAS held in Hanoi on October 30. Currently, the EAS comprises sixteen nations, including the ten ASEAN member states, Japan, China, South Korea, and India. The addition of the United States and Russia will enlarge membership to eighteen. With the Asia-Pacific Economic Cooperation (APEC) meeting scheduled to be held in Vladivostok in 2012, Russia's engagement in East Asia is likely to become more intensive through those multilateral frameworks.

(4) An Increasingly Hard-line Stance toward Japan

With respect to Japan-Russia relations, Russia's stance on the Northern Territories and other issues has grown increasingly belligerent. In its new *Military Doctrine*, Russia characterizes territorial claims from other nations as "militarily dangerous." Japan is in fact the only country that is currently claiming territory from Russia. As discussed below, Russia conducted a large-scale military exercise called "Vostok 2010" in the Russian Far East from late June to early July, which included a drill on Etorofu Island, one of the islands that are claimed by Japan, involving approximately 1,500 troops. Japan's foreign minister at the time, Katsuya Okada, denounced this action as extremely regrettable and issued a protest to the Foreign Ministry of Russia.

Incidents of Russian aircraft flying close to Japanese airspace became more frequent at around the time of this exercise, causing increased scrambling by the Japan Air Self-Defense Force. Activity by Russian warships also intensified in waters near Japan. In fiscal 2009, the JASDF scrambled its planes a total of 299 times. The nationality of the aircraft prompting those scramblings (including assumptions which remain unconfirmed) broke down as follows: Russian, 66 percent; Chinese, 13 percent; Taiwanese, 8 percent; and North Korean, 3 percent. In recent years, there has been a surge in long-range flights by Russian planes, which have skirted Japanese air space in peculiar routes over the Japan Sea and toward Okinawa and the Satsunan Islands. Surveillance activity by Russian aircraft has also expanded to southern Kyushu and Okinawa. For example, on October 16, 2009, a Tu-142 patrol aircraft flying over the Japan Sea became the first Russian plane in seven years to carry out a strategic bomber patrol over the Tsushima Strait, while on January 28, 2010, a Tu-95 bomber heading toward Okinawa became the first Russian plane to fly between Yonaguni Island and Taiwan. On November 12, the day before the opening of the APEC Summit in Yokohama, two Tu-95s made strategic bomber patrols that took them nearly completely around the circumference of Japan (see Figure 6.5). Finally, in early December, two Russian patrol planes made incursions into the airspace above the US-Japan Joint Exercise being held in the Japan Sea off the Noto Peninsula, forcing suspension of the exercises.

On his return from an official visit to China in late September, President Medvedev attempted to visit the Northern Territories but bad weather forced him to cancel. He declared at the time that he would return in the near future. Despite

Figure 6.5. Route of Russian aircraft on November 12, 2010

Source: Compiled from Japanese Ministry of Defense resources.

strong protests from Japan, Medvedev went through with his plans, traveling via Sakhalin to Kunashiri Island (a part of the Northern Territories) on November 1. In the process he became the first supreme leader of Russia to set foot in the Northern Territories. No leader of Russia, going back to the days of the Soviet Union, had ever done so. Medvedev was returning from Vietnam, where he attended the ASEAN-Russian Federation Summit. Despite only a half-day stay on the island, he inspected a geothermal power plant, airport and harbor facilities, a seafood processing plant, and a kindergarten as part of a mission to monitor the progress of the *Federal Program for Social-economic Development of Kurile Islands for 2007–2015*. In the Northern Territories, construction is also proceeding

on military infrastructure for the border police and the army and on religious facilities for the Russian Orthodox Church. By making more and more of these projects a de facto reality, Russia is accelerating the process of entrenching itself as the effective controller of the Northern Territories. Foreign Minister Lavrov is now intimating that the president could also visit Shikotan Island and the Habomai Islands. If these trips materialize, it could give rise to a situation in which Russia rejects the Japan-Soviet Joint Declaration of 1956, in which the Soviet Union agreed to hand over those islands to Japan after the signing of a peace treaty.

There are domestic factors behind this hostility toward Japan, which are compelling President Medvedev to project a strong leader image before the presidential election in 2012. Although Russian political discourse in the days before a presidential election has turned to demonizing the United States and Europe to fan nationalistic fervor in the past, Russia today is charting a course of cooperation with the foregoing, which limits its targets of hard-line actions to countries such as Japan. Moreover, since he assumed office, President Medvedev has been working to correct distortions in interpretations of the history of World War II, which almost compels him to deal harshly with Japan because the territorial dispute over the Northern Territories is rooted in that war. On top of that, a situation is emerging in which Russia, in the interest of sharing a common perspective on history with China, may be falling in line with China at a time when the latter is adopting an increasingly tough stance toward Japan over the Senkaku Islands. For these reasons, it is likely that Russia's hard-line stance toward Japan will continue until at least the arrival of the new administration in 2012. On the other hand, if the domestic political situation in Russia changes, its stance toward Japan could change. It is therefore necessary to pay close attention to the internal political situation in Russia, not just to observe "Japan-Russia relations" in isolation.

It can also be argued that Russia's rather hard-line position vis-à-vis Japan

reflects a slighting of Japan in its foreign policy. The basic tenet of Russia's policy toward Japan has been "the separation of politics and economics," which involves making gestures of progress on the territorial issue while trying to get Japan to cooperate economically and in resource-related ventures. But this dynamic is changing drastically as Japan's status in the eyes of the Russian diplomatic establishment declines. Whether in speeches by the president or in diplomatic documents, there are dramatically fewer, if any, references to Japan. In President Medvedev's address to the federal assembly at the end of November 2010, Japan is mentioned less than Germany, France, China, Brazil, South Korea, and Singapore, which shows that Russia views South Korea to be more important than Japan in its East Asian diplomacy.

One reason for this slighting of Japan is that Russian interest in Japan is waning. The lack of stability in the Japanese political situation, which has led to five changes in prime minister in three years, and more opportunities in rapidly growing countries such as China, have caused interest in economic cooperation with Japan to decline. While Russia has designated the United States and countries in Europe as potential partners in its diplomacy for modernization, Japan is not regarded as a similar partner in that regard. Moreover, in the context of Russia's relations with Asia, there has been a notable increase in Russian efforts to strengthen its relationships with China in the strategic realm and with South Korea and Southeast Asia in practical cooperation. For example, Russia has established an agreement with South Korea to cooperate in space technology, specifically in the launching of a rocket, and is involved in a combined civilian-military deal with Vietnam under which it will build nuclear power plants there and sell the country submarines.

3. Preparation and Adoption of a New *Military Doctrine* and Innovation in the Russian Military

(1) Adoption of the New *Military Doctrine*

In February 2010, Russia released its new *Military Doctrine*, which has the following five characteristics.

The first is the doctrine's distinction between the concepts of "military threats" and "military dangers." Threats are defined as situations where there is a high realistic possibility of a military clash. Under certain conditions, "dangers"

change into “threats.” While stating that the possibility of major wars against Russia has declined, the doctrine expresses concerns about rising military dangers, the major ones of which are: (1) the growth of military infrastructure near Russia’s borders as a result of NATO expansion; (2) the deployment of military forces by foreign nations to regions bordering Russia or its allies; (3) the construction and deployment of missile defense systems; and (4) territorial claims against Russia or its allies. On the other hand, the doctrine identifies major threats as: (1) a sudden and rapid deterioration in relations between nations; (2) interference with the activities of the Russian military; (3) provocative displays of military power in areas bordering Russia or its allies; (4) stepped-up activity by the military within individual countries. Based on this analysis, therefore, NATO expansion is seen as a source of military danger, but not as a military threat.

The second, as we mentioned above, is the importance that the doctrine attaches to nuclear capability in national security. Under the new doctrine, Russia indicates that its policy will be to maintain adequate levels of nuclear deterrent while continuing to reserve the right to the first use of nuclear weapons. The doctrine, in other words, stipulates that Russia maintains the right to use nuclear weapons: (1) in response to their use or the use of other weapons of mass destruction against Russia and/or its allies; and (2) when the survival of the nation is threatened by aggressors using conventional weapons.

The third is the importance that the doctrine attaches to military cooperation with nations of the former Soviet Union and its focus on strengthening security cooperation through such frameworks as the Collective Security Treaty Organization (CSTO), the Commonwealth of Independent States (CIS), and the SCO. Russia has made it clear that it will respond to any attack against Belarus, with which it has formed a Union State, or against other CSTO members, by taking countermeasures as an ally of these states. The doctrine also states that Russia is prepared to participate in the CSTO rapid reaction force and in peace-keeping activities.

The fourth hallmark of the new doctrine is its robust sanctioning of military deployments outside of Russia. The Law on Defense was amended in November 2009 to allow Russian troops to be sent abroad to safeguard Russian interests, to protect Russian citizens in foreign countries, and to participate in international peace-keeping activities. These changes are reflected in the new doctrine and indicate Russia’s intentions to clear away obstacles to ready engagement in

military action in neighboring regions of vital importance to its national security.

The fifth is its policy of strengthening the defense industry, which has two aims: to provide the Russian military with the most advanced armaments available; and to enable Russia to capture its share of the global weapons market. Toward this end, the doctrine cites the need to maintain state control over strategically important defense contractors, to stimulate ample technological innovation and investment in order to strengthen the technological and manufacturing foundations of these companies, and to cooperate with other countries in the development and production of armaments.

(2) An Increasing Focus on Weapons Upgrades in Military Innovation

The Russian military continues to make progress on innovation. In addition to organizational reform, intense efforts are underway to provide the military with the latest in weapons and equipment. In June 2010, Minister of Defense Anatoliy Serdyukov and Chief of the General Staff Nikolay Makarov appeared before the Defense and Security Committee of the Upper House of the Federal Assembly to report on the current status of and future outlook for military reform. Their testimony touched on the following major points: that Russia was in the process of reducing the number of military bases from approximately 8,000 to 184; that military units numbering 26,000 at the beginning of 2007 had been pared to 6,000 units and that, in the near future, this number would be reduced further to 2,500 units. Ten air bases would be newly built to replace facilities currently in use by Air Force and Navy air units, with eight of the new bases to be allotted to the Air Force and two to the Navy. Plans were also underway to reorganize the Air Force's 245 airfields into 27 integrated airports, which, in addition to fighters and bombers, will be capable of handling transport and passenger aircraft. The plan is to locate these facilities around the country to further aviation efficiency. The Black Sea Fleet would be experiencing a reduction in personnel from its current level of 24,000, but fleet modernization will continue. Contract service soldiers have expanded to roughly 150,000, with plans calling for the number to grow to between 200,000 and 250,000 hereafter.

In July 2010, Chief of the General Staff Makarov announced that President Medvedev had signed a presidential decree for the establishment of four Joint Strategic Commands and revealed the details of this plan. According to Makarov,

Figure 6.6. The four newly established military districts and strategic commands



Source: Compiled from the Russian Ministry of Defense website.

the current six military districts and four fleets would be reorganized into four military districts (western, southern, central, and eastern), with a joint strategic command established in each. In terms of how the military districts and these joint commands would relate, Makarov has said that, in wartime and during military exercises, the military districts would take on the functions of the joint strategic commands. The four newly established military districts comprise the following: (1) Western Military District (headquarters, St. Petersburg): encompassing the Moscow Military District, Leningrad Military District, the Baltic Fleet, and the Northern Fleet; (2) Southern Military District (headquarters, Rostov-on-Don): the Northern Caucasus Military District, the Black Sea Fleet, and the Caspian Sea Fleet; (3) Central Military District (headquarters, Ekaterinburg): a part of the Siberian Military District and the Volga-Ural Military District; and (4) Eastern Military District (headquarters, Khabarovsk): the Far Eastern Military District, a part of the Siberian Military District, and the Pacific Fleet.

With the exception of the strategic missile forces, all units of the services and branches placed within the four new districts will be under the command of the district commander. During wartime, moreover, the new district commanders will

have authority over the armed forces of the Ministry of Internal Affairs, units of the Emergency Ministry, and other paramilitary groups stationed in their jurisdictions. Strategic missile forces are considered the exception, with strategic nuclear forces placed under the control of the General Staff. By giving district commanders substantial authority, the relationship between these commanders and the General Command of each service will be transformed, but, according to Makarov, the role of the latter will continue to be important. This is because the task of procuring arms and equipment for the units of the respective services and of preparing them for battle can only be accomplished by experts who are aware of the actual conditions on the ground for these units—i.e., members of the General Command. The reorganization plan also presents concrete proposals for strengthening military units, the first of which calls for the creation of joint units and troops of the three branches and the stationing of one of these in Chita. This plan was put into effect in August 2010. Another calls for the addition of six new motorized infantry brigades to the ground forces. In September 2010, President Medvedev issued a Presidential Decree on “the military-administrative division of the Russian Federation,” which launched the process of reorganization beginning with the Western Military District. Under the decree, effective September 1, the former Moscow Military District and former Leningrad Military District were integrated into the Western Military District, which together with the remaining four districts gave Russia a five-district structure. The reorganization of the remaining districts was completed by December 1, so this became the effective date for the transition to the new four-military-district system. The completion of this process gave Russia a three-level command structure of military district (joint strategic command), operational command, and brigade.

Along with progress in organizational reform, the Russian military is engaged on many fronts in updating and modernizing its arms and equipment. At the armed forces’ command staffs committee meeting in March 2010, President Medvedev stated that a new “State Weapons Program for 2011–2020” would be developed and adopted by the end of 2010 to ensure that the armed forces could be 70 percent equipped with the most advanced armaments by 2020. Under this new weapons plan, the armed forces would replace between 9 and 11 percent of its arms and equipment each year. At the same committee meeting, it was revealed that a “Target Plan for the Defense Industry for 2011–2020” would also be formulated and put into effect. In a meeting in May to evaluate the military

budget, President Medvedev announced that Russia would spend 13 trillion rubles (\$420 billion) on weapons procurement over the 10-year period between 2011 and 2020. The Ministry of Defense expressed its dissatisfaction with this figure and said that the president's proposed expenditures would allow for the modernization of only the strategic missile forces, the Air Force, and the air defense forces—and that a total of 36 trillion rubles (\$1,161 billion) would be required to modernize the ground forces and the Navy as well. The dispute over the amount to be spent was resolved in September, when the Ministry of Defense and the Ministry of Finance agreed to increase the figure by 46 percent to 19 trillion rubles (\$613 billion). In part, a new long-term procurement plan was necessary because current procurement targets are not being met. According to a report by the Board of Audit, in 2009 contracts were being carried out as specified on only 42 percent of defense procurement items while only 64 percent of the weapons that were supposed to be procured were actually being supplied.

Moreover, as a response to the Board of Audit's report that criticized the military for inefficiencies in its procurement spending, the Ministry of Defense is beginning to take steps to rectify the problem. In June 2010, President Medvedev relieved First Deputy Minister of Defense Alexander Kolmakov of his duties and promoted in his place Chief of Armaments Vladimir Popovkin because the former was viewed as lukewarm on reform. Given authority over all issues relating to the new State Weapons Program, First Deputy Minister Popovkin has identified four areas of priority under the new program: (1) strengthening strategic deterrent, including strategic nuclear forces, missile defense, and air and space defense capabilities; (2) strengthening precision guided weapons; (3) promoting the development of computerized systems for controlling units and troops; and (4) creating greater mobility for troops and weapons in strategic directions, using primarily airborne transportation units. Next is the issue of integrating the armaments section and the logistics section. This reform is currently under the direction of Deputy Minister of Defense and Chief of Logistics Dmitriy Bulgakov, who will also be overseeing the armaments section. According to Chief of the General Staff Makarov, this organizational integration will enable the military to provide the weapons needed at the unit level in a precise and efficient way.

(3) Stepped-up Military Exercises and the Direction of External Military Cooperation

In 2010 the Russian military conducted training exercises that were designed to test the new military districts and joint strategic commands and also to advance cooperation with countries designated as priority partners for military cooperation under the new *Military Doctrine*. First, there was “Vostok (East) 2010,” a large-scale operational and strategic exercise directed by Chief of the General Staff Makarov, which was held between June 29 and July 8 in the Siberian and Far Eastern Military Districts. Vostok 2010 was aimed at ensuring security and protecting the national interest from a hypothetical enemy at the border of the Russian Far East. More than 20,000 troops and 5,000 weapons were mobilized for the exercise, which was conducted simultaneously at eighteen training areas in the two districts. The exercise also sought to test the impact that reform was having in achieving the new look of the Russian military, verifying the transition to a three-level command structure and the reconfiguration of units into brigades of permanent readiness—all in the vast open spaces of Siberia and the Russian Far East, where infrastructure is inadequate and natural and climatic conditions pose difficult challenges. Vostok 2010 also examined the mobile capabilities of the military as a whole. While refueling in the air, twenty-six Su-24M bombers and Su-34 fighter bombers flew approximately 8,000 kilometers from European Russia and successfully bombed their objectives in the two districts. In addition, the missile cruiser *Moscow* from the Black Sea Fleet and the nuclear guided missile cruiser *Peter the Great* from the Northern Fleet sailed to the Russian Far East and conducted exercises on the ocean with ships from the Pacific Fleet. Through this exercise, the need to supply high-tech equipment to command headquarters and to train personnel capable of using it emerged as an issue requiring attention over the short term.

Although Makarov maintains that Vostok 2010 did not assume any specific nation as its hypothetical enemy and that it was primarily



Russian army tank unit participating in the operational and strategic exercise “Vostok 2010” (Photo by Russian Federation Ministry of Defence)

concerned about dealing with low-intensity conflicts involving terrorist groups or separatist movements, the scale of the exercise and the inclusion of bombing at the border by bombers are prompting speculation that China was the hypothetical enemy. The exercise also included tactical maneuvers on Etorofu Island on July 4–6, for which approximately 1,500 troops and 200 weapons were mobilized. Because the new *Military Doctrine* defines a demand on Russia for territory as a military danger, these maneuvers were clearly intended to keep Japan in check on the territorial issue. Makarov also described Vostok 2010 as an exercise designed to test the newly established Eastern Military District and the Eastern Joint Strategic Command.

Joint exercises aimed at strengthening antiterrorist capabilities within the framework of CSTO and SCO have also become a regular occurrence. On April 20–24, the CSTO rapid reaction force's joint command and staff exercise "Rubezh (Border) 2010" took place in Tajikistan, with units from Russia, Kazakhstan, Kyrgyzstan, and Tajikistan participating. On October 25–28, the CSTO reactive operation force's joint operation and tactical exercise "Vzaimodeystvie (Mutual Action) 2010" was held in the Chelyabinsk region of the Central Military District. For this exercise, approximately 1,700 soldiers, principally airborne troops from Russia, were deployed, along with 30 aircraft, and over 300 weapons. Units from Kazakhstan, Kyrgyzstan, Tajikistan, and Armenia also participated. The formation of the reactive operation force was confirmed by this exercise. In the course of examining a variety of concerns, a decision was made in this exercise to organize the command center around Russian airborne units and to select as its commanding officer the commanding officer of a Russian airborne unit. It was agreed further that commanding officers from CSTO countries would participate in the exercise as vice commanders. In relation to the SCO, the antiterrorism joint exercise "Peace Mission 2010" took place in Kazakhstan on September 9–25, involving approximately 3,000 troops from Russia, Kyrgyzstan, Tajikistan, Uzbekistan, and China. From Russia, more than 1,000 troops from the Central Military District's 21st Mechanized Infantry Brigade participated, using around 130 tanks and armored fighting vehicles, 100 military vehicles, and 10 airplanes and helicopters.

Despite these exercises, Russia is achieving less than what it hopes to in terms of strengthening military cooperation within the framework of the CSTO or the SCO. First of all, CSTO is primarily geared toward responding collectively to threats from outside the organization and was not meant in most instances to deal

with internal threats. For countries in Central Asia, the latter rather than the former are the more serious issue, and the inability of the CSTO to deal adequately with it bespeaks its limitations. During the political chaos in Kyrgyzstan that followed its change of governments in April 2010, the CSTO was unable to generate an effective response. To deal with this situation, the CSTO held an informal Council of Heads of State in Yerevan, Armenia, in August 2010, where the leaders discussed ways of building an effective mechanism for dealing with crises within member states and charged the secretariat with the task of developing a concrete proposal by the next meeting. However, both Kazakhstan and Uzbekistan have not backed off from their cautious stance on intervention in the domestic issues of other member nations. These reservations stem from a fear that such interventions could someday be occurring in their own countries. For Russia, gaining the support of these two nations will be necessary for strengthening military cooperation within the CSTO in this regard.

Secondly, neither China nor the Central Asian nations necessarily share Russia's view of the importance of the SCO as a framework for military cooperation. More than military cooperation, China values economic cooperation with the resource-rich countries of Central Asia. The latter, meanwhile, are seeking to extricate themselves from a dependence solely on Russia for their military needs by cooperating militarily with NATO countries. In August 2010, Kazakhstan held a joint exercise known as "Steppe Eagle 2010," in which the United States and the United Kingdom participated. According to Saken Zhasuzakov, commander in chief of the Kazakhstan Ground Forces, the exercise sought to verify coordination between the Kazakhstan military and NATO forces in preparation for the scheduled deployment of Kazakh troops to Afghanistan hereafter. The United States proposed a grant of \$10 million to Kyrgyzstan to help construct a counter-terrorism training center for Kyrgyz servicemen in Osh, where ethnic violence broke out in June. The Otunbayeva administration accepted this grant. The United States is also proposing to build a similar facility in Tajikistan.

On the other hand, Russia is exploring ways of maintaining and strengthening its sphere of military influence through bilateral military cooperation with neighboring countries. These activities are particularly pronounced in the Caucasus region, where it is deepening ties with Abkhazia and South Ossetia, the two breakaway republics of Georgia. In August 2010, Commander-in-Chief of the Air Force Alexander Zelin announced that Russia had already deployed an S-300

surface-to-air missile system to protect both countries and also the Russian troops on the ground there, an indication of this strengthened military cooperation. Also in August, President Medvedev, who was in Armenia for the CSTO informal Council of Heads of State, held a summit meeting with Armenian President Serzh Sargsyan and signed a series of treaties and agreements relating to the expansion and development of cooperation in the military sphere. Included among these agreements was a revision of the treaty relating to the stationing of Russian troops in Armenia, which was extended from its original limit of twenty-five years to forty-nine years, enabling Russia to maintain a presence there until 2044. For Russia, this was an enormously important outcome for the protection of its interests in the Caucasus region.

(4) Expanding Weapons Exports and the Strengthening of Technical and Military Cooperation with Other Countries

Russia's weapons exports continue to expand, rising in 2009 to approximately \$9 billion. For 2010 Russia set a goal of selling \$9.5 billion worth of weapons overseas and by the first half of 2010 exports had already reached \$5.3 billion. The bulk of weapons exports to date has gone to India and China, but with both countries shifting to the independent development and production of weapons, Russia can no longer count on significant increases there and is faced with the need to develop new markets. Accordingly, it is aiming to expand exports to Southeast Asia, South America, and the Middle East and Africa and it is gradually seeing efforts in these regions pay off. In Southeast Asia, it has been conducting weapons transactions with Vietnam, Indonesia, and Myanmar. In relation to Vietnam, Russia signed an agreement in 2009 to sell it eight Su-30MK2 fighters for \$500 million. It began the transfer in 2010 and expected to complete deliveries by the end of the year. In September 2010, it completed the transfer of six Su-30MK2 fighters to Indonesia. This was in addition to the ten planes that had already been delivered in 2009. Possible new deals include one for the sale of twenty MiG-29 fighters to Myanmar for \$570 million, for which negotiations are underway. In South America, Russia has moved closer to a weapons deal with Venezuela. In April 2010, when Prime Minister Putin visited Venezuela, the press reported that the countries had agreed on a new export contract valued at \$5 billion. In the Middle East, Russian approaches toward Syria and Jordan have intensified. It has begun negotiations with Syria for the sale of Yakhont cruise missiles, in a deal worth approximately

\$300 million, which is in addition to its ongoing negotiations for a BUK-M2E surface-to-air missile system. With respect to Jordan, Russia is set to begin negotiations for the updating of the country's Soviet-era surface-to-air missile system. In Africa, Russia was expected to sign a contract worth \$2 billion by the end of 2010 to sell Libya Su-35 fighters, Ka-52 attack helicopters, and S-300PMU2 surface-to-air missiles, among other equipment.

As Russia's exports to a variety of other countries increase, its weapons exports to India and China have begun to decline in relative terms. Its relationship with India is shifting from a simple buyer-and-seller relationship to a partnership for joint research and development of weapons. Of particular note is its move toward the joint development of a fifth-generation fighter with India. When India considered updating its current fourth-generation plane, it announced a policy of joint development based on either the F-22 or the F-35 from the United States or on Russia's successful T-50 prototype. While India's interests lie in nurturing its own aviation industry and basic technological capabilities, Russia's lie in completing development of the T-50 efficiently and also in establishing the ability to mass-produce the fighter at the earliest possible date. Basically the interests of both parties overlapped. Negotiations on the project, which began in 2009, are showing signs of progress. For example, on Prime Minister Putin's trip to India in March 2010, an agreement was reached for India to purchase additional fourth-generation fighters. Then, in December, during President Medvedev's visit to India, an agreement was signed by the two countries to jointly develop the design for a new plane based on the T-50. China is also expanding its own weapons production and this is becoming a source of friction with Russia. In May 2010, Russia temporarily blocked the signing of a contract to export 100 RD-93 jet engines to China because of opposition from an executive of the Russian aircraft manufacturer of Sukhoi and MiG fighters, who claimed that the transfer of the engines to China would promote the development of Chinese fighters at the expense of severe competition for Russian-made aircraft in the market. Although the MiG-29 offers better performance than Chinese-developed FC-1 fighter, the latter is priced at a third the price of the former, leading opponents of the deal to conclude that the MiG-29 would face a disadvantage. As this illustrates, Russia has grown increasingly cautious in recent days about exporting weapons to China.

Russia's approach to areas where it lags technologically is to obtain knowledge efficiently through technology transfer from other countries, rather than to develop

it on its own. Currently the issue of Russia's purchase of *Mistral*-class helicopter amphibious assault craft from France has become the focal point of military and technical cooperation between Russia and NATO nations. The Russian Navy's three *Ivan Rogov*-class landing craft, built during the Soviet era, seriously lag the rest of the world technologically and this is the situation that Russia hopes to rectify through the Mistral deal. In March, at a joint press conference held in France with President Sarkozy, President Medvedev expressed hopes that a successful conclusion of the Russia's first major purchase of advanced weaponry from a NATO country would foster greater trust between Russia and NATO and open the door to purchases of other weapons from NATO countries. Visiting France in June, Prime Minister Putin spoke of Russia's aims by saying that the Mistral purchase would only have meaning if the technology transferred through the deal contributed to the modernization of Russia's defense industry. Negotiations for Russia's purchase of the Mistral focused on how many of the four ships would be acquired and on how many would be manufactured under license in Russia. From the standpoint of technology transfer, Russia argued for license production of as many ships as possible. In December, the two countries agreed on the establishment of a French-Russian consortium for construction of the Mistral, under which two of the four ships would be built in France and the remaining two in Russia. The success of the Mistral deal, as Russian leaders had hoped, has led to a flurry of new negotiations with foreign manufacturers on technology transfer through licensed production. Included among these negotiations are talks on the manufacture of the ray image sensor for the T-90 tank from France and of the unmanned reconnaissance craft from Israel.

The problem of Russia's transfer of the S-300PMU2 surface-to-air missile system to Iran was finally resolved in September, when President Medvedev issued a decree banning the sale. While this decision was intended to adhere to UN sanctions against Iran, it also alleviated the apprehensions of NATO nations and of Israel, who are suspicious about Iran. Russia's desire to promote military and technological cooperation with these countries probably can also be seen as a contributing factor behind the decision.

Table 6.1. Major developments in Russia's weapons exports in 2010

Export destinations	Details
China	Temporary suspension of negotiations on contract for sale of 100 RD-93 jet engines.
India	Agreement on joint development and production of Su-T50 fifth-generation fighters.
Indonesia	Delivery of 6 Su-30MK2 fighters (completed in 2009; 10 additional fighters sold)
Iran	Decision to cancel S-300PMU2 surface-to-air missile systems (quantity unknown; contracted in 2005, with delivery postponed following the September 2009 US-Russia summit)
Myanmar	Currently negotiating a contract for sale of 20 MiG-29 fighters (totaling US\$570 million)
Libya	US\$2 billion contract for sale of various equipment, including Su-35 fighters, Ka-52 attack helicopters, and S-300PMU2 surface-to-air missile systems (quantities and other details unknown)
Syria	Currently negotiating a contract for sale of BUK-M2E surface-to-air missile systems (quantity unknown), and a contract for 10 to 20 MiG-29M fighters. Also initiated negotiations on contract for sale of Yakhont cruise missiles (totaling US\$300 million).
Venezuela	Agreement on a new weapons export contract (US\$5 billion; details unknown)
Vietnam	Completed delivery of 8 Su-30MK2 fighters (contracted in 2009, totaling US\$500 million). Currently negotiating a contract for delivery of 6 <i>Kilo</i> -class submarines.
Jordan	Initiated negotiations on upgrading of Jordan's existing Soviet-made surface-to-air missile systems (details unknown).

Source: Compiled from various resources.

