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# CSIS FILES



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## On Russia as a Forever Hot Subject

As the crisis in the West-Russia relation mounts, as the US President even contemplates the remote possibility of Russian attacks on Europe, as Vladimir Putin threatens with the renunciation of the reciprocal nuclear non-targeting policy, a lot of scrutiny is needed in the Western world on the issues of political, economic, military and diplomatic developments in the world's largest country. Too many profane or simplistic assertions flood the mass-media, usually based on conspiracy theory or on old-fashioned geopolitical approaches. Too many non-specialists crowd the media-market with their unfounded opinions and the great facts are overlooked or too easily simplified. The following Russia File is an attempt of the CSIS to use the available information on important media channels or specialized publications to draw a realistic portrait of Russia in 2007. We hope to provide the reader with clear information and analysis on the matter and to suggest a few ideas about the evolution of the Slavic colossus. We view Russia as a great power, but still a weak state, at least from an economic and military point of view. We view Russia as a non-democratic state and possibly a dangerous adversary for the democratic and liberal West. Therefore, our File is more than a report; it can be interpreted as a political guide on Russia and its intentions.

CSIS Director  
ANDREI MIROIU

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### **Abstract**

*The evolution of Russian politics is ever more uncertain. The Russian economy is considered to be an example of short-term solid recovery – largely based on high prices for energy commodities – in the aftermath of a deep-running political and economic crisis. The Russian population is rapidly dropping and undergoing an aging process. As for the military sector, the current debate tends to emphasize the role of the nuclear factor in the evolution of the Russian military power. These are all trends that at first sight characterize Russia as a systemic power. However, Russia is a truly interesting combination of weakness and power, vulnerability and strength. Under these circumstances it becomes all the more important that we underline the less visible or less-known aspects of the Russian power because they are those that make the difference when the international status of the Russian Federation is debated. The Russia Dossier aims to provide all these important information, in a coherent and comprehensive manner, by describing current trends in Russian politics, economy, population and military and analyzing their short-term consequences.*

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Photo Source: [globalsecurity.org](http://globalsecurity.org)

# RUSSIAN POLITICS

Russian politics is an extremely interesting phenomenon the development of which is both unpredictable and ever-more surprising. Some international analysts have even depicted it as being completely unique. Russian analysts and state officials usually characterize the evolution of the Russian political scene as a completely unique and special phenomenon. **Russia's quest for an independent and powerful voice in international politics determined its political elite to search for certain particularities to distance itself from the West.** Surely, in 1991 the Russian Federation adopted a democratic regime. However, since 1991, and particularly after 1999, when president Vladimir Putin came to power, Russian democracy become increasingly particular – a “**sovereign democracy**” as Russian officials like to call it. But in order to better understand the current political situation in Russia, as well as the way in which it could develop in the short-term, it is necessary that we analyze it in a differentiated manner.

## RUSSIAN INSTITUTIONAL SYSTEM

The institutional system of the Russian Federation, as established in the 1993 Constitution, is composed of:

### I. The federal institutional system:

1. **The President**  
<http://www.departments.bucknell.edu/russian/const/ch4.html>
2. **The Federal Assembly – is the supreme representative and legislative body of the Russian Federation.** It consists of two chambers:
  - a) **The Federation Council**
  - b) **The House of Representatives (State Duma)**  
<http://www.departments.bucknell.edu/russian/const/ch5.html>
3. **The Government of the Russian Federation**  
<http://www.departments.bucknell.edu/russian/const/ch6.html>
4. **The Federal Judiciary System**
  - a) **The Constitutional Court**
  - b) **The Supreme Court**
  - c) **The Supreme Arbitration Court**
  - d) **Prosecutor General**  
<http://www.departments.bucknell.edu/russian/const/ch7.html>
5. **The Security Council of the Russian Federation**

### I. Local self-government – in republics, regions and territories

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<http://www.departments.bucknell.edu/russian/const/ch1.html> - articolul 12  
and  
<http://www.departments.bucknell.edu/russian/const/ch8.html>

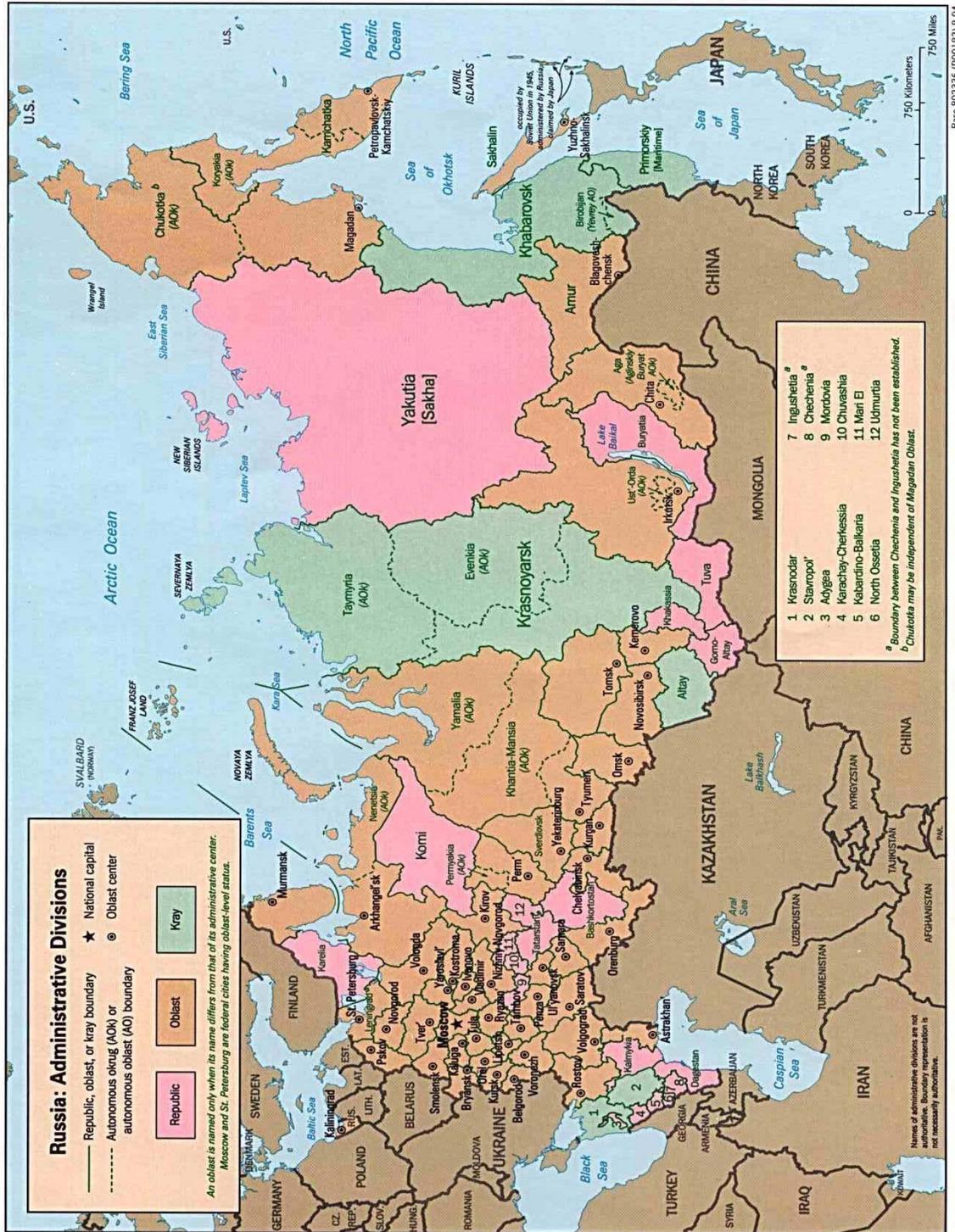


Photo Source: globalsecurity.org

The balance of forces between the main two components of the Russian institutional system is established within the articles of the constitution regarding the separation of federal and local jurisdictions. Thus, the federal jurisdiction engulfs the following powers (chapter 1, article 71 of the Russian Constitution):

- a) the adoption and amendment of the Constitution and federal laws and supervision over compliance with them;
  - b) the federal structure and territory of the Russian Federation;
  - c) regulation and protection of the rights and liberties of the human being and citizen; citizenship of the Russian Federation; regulation and protection of the rights of national minorities;
  - d) establishment of the system of federal bodies of legislative, executive and judiciary power, procedure for the organization and activities thereof; formation of federal bodies of state power;
  - e) federal and state property and management thereof;
  - f) determining the basic principles of federal policy and federal programs in the field of state structure, the economy, the environment, and the social, cultural and national development of the Russian Federation;
  - g) establishment of the legal framework for a single market; financial, monetary, credit and customs regulation, emission of money and guidelines for price policy; federal economic services, including federal banks;
  - h) the federal budget; federal taxes and levies; federal funds of regional development;
  - i) federal power grids, nuclear energy, fissionable materials; federal transport, railways, information and communications; space activities;
  - j) foreign policy and international relations of the Russian Federation, international treaties of the Russian questions of war and peace;
  - k) foreign trade relations of the Russian Federation;
  - l) defense and security; defense production; determining procedures for the sale and purchase of arms, ammunition, military hardware and other equipment; production of fissionable materials, toxic substances, narcotics and procedure for the use thereof;
  - m) defining the status and protection of the state border, territorial waters, the air space, the exclusive economic zone and the continental shelf of the Russian Federation;
  - n) law courts; Prosecutor's Office; criminal, criminal-procedural and criminal-executive legislation; amnesty and pardon; civil, civil-procedural and arbitration-procedural legislation; legal regulation of intellectual property;
  - o) federal conflict of laws;
  - p) meteorological service; standards, models, the metric system and time measurement; geodesy and cartography; names of geographical objects; official statistics and accounting;
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- q) state decorations and honorary titles of the Russian Federation;
- r) federal state service.

However, these powers have been largely expanded during the last years of president Putin's presidency. Thus, the federal powers were enlarged to incorporate the designation by the president of the Russian Federation of all leaders within the federal subunits, the appointment of mayors and so on. Joint jurisdiction was rather limited and cut down because many powers that were featured on the joint jurisdiction list were simply just monopolized by the federal level of government. Hence, issues such as the possession, use and management of the land, mineral resources, water and other natural resources were ascribed to the federal level as a part of the centralization and re-nationalization of the strategic energy sector of the Russian economy; taxation was another sector that is currently controlled by the federal level of the government, as well as the sector concerning the coordination of the international and external economic relations of the subjects of the Russian Federation, compliance with the international treaties of the Russian Federation. These are just a few of the examples of joint jurisdiction that were switched to the federal level of government within the last 4-5 years. **At present, the institutional system of the Russian Federation is increasingly characterized by a lack of balance between the federal level and self-government. This trend was set off by the Kremlin's anti-terrorist measures and it is likely to be maintained throughout the next 12-24 months at least.**

### DEMOCRACY IN RUSSIA: CURRENT TRENDS

"The Russian Federation is a democratic federal rule-of-law state with a republican form of government" – stipulates art. 1 of the Russian Constitution. Furthermore, the Russian Federation is a social state aiming to create the necessary conditions that ensure a dignified life and free development of man, and where human rights and freedoms are the supreme value and are guaranteed by the state. In Russia, according to the 1993 Constitution, state power is exercised on the basis on the separation of the legislative, executive and judiciary branches which are completely independent in the exercise of their attributions, thus impairing a potential tyranny of power. State representatives are elected and changed peacefully by means of free, competitive and democratic elections, in which political pluralism is guaranteed by the state, and which are based on the principles of accountability of government officials to the citizenry, governmental transparency and freedom of assembly and expression. The media is free and all forms of censorship are prohibited. The Russian Federation develops a free market economy which depends upon the rule of law, private property rights and an independent judicial system – which are all guaranteed by the state. All of these provisions are featured in the 1993 Russian Constitution which is still in force nowadays. Moreover, these are the standard characteristics of modern democratic regimes.

Still, during the short history of democracy in Russia, which was established in 1991, after the coup that brought about the dissolution of the USSR, there have become obvious a series of trends that would suggest a rolling back of democracy in the Russian

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Federation in favor of a more authoritarian regime. At present the Russian Federation is indeed a strange combination of weakness, vulnerability, assertiveness, etc. **The rolling back of democracy and the ever-more dominant authoritarian trends led to what is called a “managed democracy” in Russia – a mixture between democracy and authoritarianism, a system the evolution of which is uncertain and unsettling.** Russia is no longer an ideology-led state like it was the case during the Cold War. However, the return to authoritarianism is dangerous, especially under the current economic rather than ideological auspices of the Russian regime. This makes it very difficult to predict what will happen in the aftermath of the 2008 presidential elections. Given that the Russian regime is so centered on the persona of the president rather than the presidential institution, it is a far guess to say what Putin’s successor will be like: will he be more opened to democracy, or increasingly more authoritarian? **The rolling back of democracy has deep-running effects because it hinders the implementation of truly important economic priorities, because it helps sustain inefficient institutions that suffer from a major lack of transparency and accountability and because it ultimately produces political and social unrest. Russian democracy risks at this point of turning into highly repressive state, with a very uneven and unpredictable development.** During the last decade, Russia achieved an impressive degree of integration with the international regimes and organizations; however, this process of transition, both domestic and external is far from having reached its end and above all else this process is not irreversible, nor is it a mere matter of status and prestige. The increasingly authoritarian trends in Russia are worrying for several reasons, but one of the most important of these is that authoritarianism will not strengthen or stabilize Russia, because it will produce weak institutions that are unable to shape Russia’s future, either politically and economically, or otherwise. These current trends are visible in several important directions in Russian politics:

### *A. CENTRALIZATION OF POWER AND THE PARTY SYSTEM*

**The Russian party system is underdeveloped and subsumed to individual power relations.** During the 1990s there was a relatively stable number of parties, because a rather permissive law allowed for their existence in great numbers. But the new 2005 law introduced a series of regulations which favor mergers between smaller political factions or the latter’s being swallowed by much larger political formations. Parties must number at least 50000 members from at least two-thirds of the federal subunits. Moreover, they are subjected to extreme control measures by the government in terms of funding and donations. This clearly determines that big parties with a federal reach have the upper hand against smaller, regional parties and monopolize the Russian political scene. In the last two legislative elections between 4-6 parties, mostly trans-regional parties, managed to reach the electoral threshold and be awarded seats in the Duma. As for regional parties, their presence even in the regional legislatures is currently being severely limited by the presence of bigger more powerful parties. In other words, these regional parties are completely marginalized in Russian politics. Moreover, they are being eliminated altogether since the new electoral law also forbids electoral alliances and blocs. These

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measures introduced by the new electoral laws are supposed to consolidate the Russian party system, by reducing the number of parties – a measure that is not only anti-political pluralism, but ultimately deeply undemocratic.

During the last two parliamentary campaigns, **the Kremlin adopted a clearly anti-pluralist strategy of creating puppet-parties with the goal of preempting the formation of authentically independent political movements and siphoning votes from the political opposition. National political cohesion is high because the most important parties are in fact supporting pro-Kremlin parties or parties that had been artificially created by the Kremlin to draw votes from other opposition parties – although there continues to be a considerable number of extremist parties** such as the Communist Party, the All-Union Communist Parties (Bolsheviks), The Party for a Holy Russia, People’s National Party, Worker’s National Party, Russian Maoist Party, and many others. Most of these extremist parties are minor parties or regional parties and consequently, they are less present on the political scene which leads to a higher degree of national political cohesion. At present, the most influential parties in Russia are:

- United Russia – which officially supports president Putin and controls roughly three quarters of the legislatures in the Russian Federation;
- The Liberal Democratic Party of Russia;
- Motherland;
- Union of Right Forces;
- Yabloko;
- The Communist Party;

**Parliamentary elections** were held on December 7, 2003 to fill the 450 seats of the State Duma, the lower house of the Federal Assembly. The electoral law in force at that time required that 225 seats be filled by MPs elected in single-member districts, and 225 be elected by party lists. More than 1900 candidates ran in the single-member districts and 23 parties presented their lists in the elections. Turnout was rather low, with only 56% of the voters having cast their ballots, a big difference in comparison to the turnout in the presidential elections in 2000 when nearly 75% of the population voted – in some regions, the turnout even reached 90% or beyond, a reminder of the old Soviet era. The pro-presidential party, United Russia won 120 list seats and 104 district seats, totaling

Party/Bloc	% Party List Vote	List Seats	District Seats	Total Seats
United Russia	37.57	120	104	224
Communist	12.61	40	12	52
Motherland	9.02	29	7	36
Liberal Democratic	11.45	36	0	36
Other Parties	24.65	0	32	32
Independents	—	—	67	67
Total	100*	225	225**	450

Source: Central Electoral Commission, December 19, 2003.

\*4.7% voted “against all.”

\*\*New races were held in 3 districts in March 2004. so seats do not total to 225.

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224 seats in the Duma. They were followed by a loose margin by the Communist Party (52 seats), Motherland (36 seats), the Liberal Democratic Party (36 seats) and other parties winning the remaining 99 seats (see the table below). All parties that entered the elections were required to obtain a minimum electoral threshold of 5% in order to be awarded seats in the Duma. Still, the main opposition parties, the Union of Right Forces party bloc and Yabloko Party failed to meet the electoral threshold and did not get into the Duma. Representatives with OSCE and PACE declared that the legislative elections in 2003 were even less democratic than the previous ones in 1999. The state controlled media openly favored United Russia and Motherland and negatively portrayed other opposition parties. This raised questions about how clear or blurry the distinction line between the state and the party system had become in Russia.

However, in the aftermath of these elections over 90% of the independently elected MPs switched to United Russia, thus conflating the latter to over 300 MPs – that is more than 2/3 of the Duma, sufficient to pass any desired or favorable piece of legislation. The United Russia faction occupied the Speaker position, and appointed no less than six of the nine deputy chairmen and all of the 28 chairmen of the Duma committees. In this way, the United Russia, massively supported – if it was any more necessary – by kindred faction Motherland, completely controlled the agenda-setting of the main legislative and representative body of the Russian Federation. This abusive control of the legislative by the Kremlin sparked fears across the world since pro-Putin parties now controlled the Duma which could have passed constitutional amendments without being forced to win the approval of other political factions as well. In the last four years alone, the Duma passed no less than 312 (as of March 1, 2007) presidential legislative initiatives – a total of 100% that is. This certainly signals the fact that the Kremlin rules in the Russian Federation with wide and arbitrary latitude and that political dialogue is virtually inexistent, whereas political pluralism is but a mirage, given that the main opposition parties were practically excluded from the decision-making process altogether. Examples of Kremlin-sponsored legislation that required a 2/3s majority to pass are the change of federal boundaries, the changes of federal subunits and their merging, bills converting social entitlements to monetary payments, election law, and so on.

**Presidential elections** were held on May 6, 2000 and Vladimir Putin was declared the winner, with a total of over 70% of valid votes in the very first round of elections. At the time, the elections were conducted in accordance with the 1995 elections law, introduced by the Yeltsin administration, establishing the main provisions for presidential elections. If the elections in 2000 were somewhat politically biased by the fact that former Russian president Boris Yeltsin had appointed Vladimir Putin as his successor, the March 14, 2004 elections were truly not democratic. According to OSCE observers, opposition party leaders were discredited before the vote, while others were simply just convinced to decline to run against Vladimir Putin. For example, the Communist Party leader declined to run against Putin in the 2004 presidential election. The party nominated a less known member, State Duma deputy Nikolay Kharitonov to run instead. Similarly, Liberal Democratic Party leader, Vladimir Zhirinovskiy, declined to run against Putin, so his party nominated Oleg Malyshev. The Party of Life – which had been created in 2002 by the pro-Putin coalition to siphon votes from the Communist Party – nominated Sergey Mironov, the Speaker of the Federation Council, but he supported Putin and openly criticized and discredited other candidates. The Union of the Right

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Forces party bloc refused to support Irina Khakamada who similarly to Sergey Glazyev of Motherland ran without their parties' support. Moreover, state-owned or controlled media failed to treat the candidates equally and clearly favored Vladimir Putin and negatively presented the rest of his opponents. Furthermore, political debate was virtually non-existent since president Putin refused to engage in public debates with any of his opponents. The deadlines for propaganda actions before the elections were broken, with the Central Electoral Commission itself ordering a national-wide "get out and vote" campaign which featured Putin's pictures and campaign slogans. Ultimately, even the vote count was problematic in several districts and is unreliable, according to OSCE sources. In the aftermath of the vote on March 14, the votes indicated Putin's re-election from the first round with a total of 71.31% of the votes (see the table on the right).

Candidate	% of Vote*
V. Putin	71.31
N. Kharitonov	13.69
S. Glazyev	4.1
I. Khakamada	3.84
O. Malyshkin	2.02
S. Mironov	0.75
Against All	3.45

**Source:** Russian Central Electoral Commission.  
\*69.5 million votes were cast.

**Regional elections** were even more problematic. For example, in 2005 two major elections took place: for the Moscow City Duma and the breakaway region of Chechnya. On November 27, 2005 legislative elections were held in Chechnya, which were greatly affected by the Kremlin's Chechenization policy and president Putin's plan to pacify and control the region. Pro-Putin United Russia won a majority of 33 seats of the 58 available in the 2-house regional legislature, surpassing 7 other enlisted parties and over 350 candidates that ran in single-member constituencies. This was seen as a sign that constitutional and federal order were being restored in the secessionist region. However, OSCE observers raised accusations that administrative local resources were heavily employed to support United Russia against other parties and candidates. Furthermore, in December 2005 legislative elections were held for the Moscow City Duma, where the United Russia won 50% of the party list vote and all 15 single-member constituencies, thus seizing a majority of 28 out of a total of 35 seats. In the elections, eight parties ran, but they were legally bound to win 10% of the votes in order to be awarded seats in the City Duma. Consequently, six out of the total eight parties were eliminated from the Moscow City Duma – including the main opposition parties Yabloko, the Party of Life and the Liberal Democratic Party – because they did not reach the electoral threshold. The only other party that was awarded seats in the City Duma was the Communist Party which won four seats. These elections do not represent single cases. Rather, this is fastly becoming a nation-wide trend in Russian politics. In 2005-2006 several regional legislative elections took place and they were all won by a loose margin by the United Russia. At present, the United Russia holds a majority in 79 of the total 84 federal subunits.

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Distribution of seats by federal subject. ■ United Russia ■ People's Party ■ Communist Party ■ Rodina ■ Yabloko ■ Party of Rebirth/Party of Life ■ Union of Right Forces ■ Agrarian Party ■ Great Russia ■ New Deal ■ Business Development Party ■ Self-nominations ■ Seat not filled

This further brings us to the fact that **2007 is an elections year since Duma elections shall be held on December 2, 2007**. These are the first legislative elections to be conducted in accordance with the new 2005 elections law. Given the large governmental control over the federal subunits as well as their administrative and media resources, **it is to be expected that United Russia and other pro-Kremlin parties will consolidate their hold on power and will once again win a clear legislative majority in the Duma, thus maintaining if not strengthening control over the legialstive process in the Russian Federation.**

All of these measures where clearly explained to be a part of Kremlin's domestic crackdown on terrorism and an attempt to strengthen the state against secessionist, rebellious and terrorist elements. The policy of stability further allowed president Putin, who came to power in the aftermath of a deep-running political and economic crisis in Russia, to consolidate its power in Russia and slowly transform it into an increasingly authoritarian state. For instance, as a part of the stabilization policy and the crackdown on terrorism, president Putin introduced to the legislative in September 2004, in the aftermath of the tragedy in Beslan, a new draft law granting him the authority to appoint regional leaders – later confirmed by regional legislatures – under the pretext that the federal system needed to work as an integrated, single organism with a clear structure of subordination. The measure was described as necessary to facilitate anti-terrorism efforts by permitting the central, federal authorities to prevent the extremist and terrorist infection of regions and republics of the Russian Federation. Since United Russia was the dominant party in a majority of the regions and republics making up the Russian Federation, there was no trouble in confirming the presidential appointees. This law truly

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redesigned the sharing of jurisdiction between the federal level and local self-government. But it did not end there. Further, president Putin introduced another draft law, itself passed by the Duma too, which modifies not only articles 12 and 130 on self-government in the Russian Constitution, but also the 1995 law on self-government, which moves to allow the president to appoint mayors. With this kind of power centralized into president Putin's hands, not only is political power already personified in Russia, but it also permits a series of abuses. For example, the Putin administration has been advocating the merging of small units of the Russian Federation in order to make them more manageable and more efficient from both an economic and an administrative point of view. Since 1999, when president Putin came to power, the number of federal subunits was reduced from 89 to 84. The most recent merger was between the Kamchatka Region and the Koryak Autonomous Area in October 2005 and was signed into a law in July 2006, after it had been approved by public referenda. The United Russia pro-Kremlin party is currently controlling the majority of seats in the legislatures of over three quarters of the federal subunits. Thus, the mergers between the federal units are quickly and easily endorsed within regional legislatures which are controlled by United Russia. For this reason we should expect other mergers to follow in the near future.

### ***B. PERSONIFICATION OF POWER***

In 2005, president Putin introduces another important draft law requiring that the State Duma be elected solely on party lists, provided that the parties represent a minimum of 60% of the Russian citizens. The bill was voted and entered force in 2005. The 2005 electoral legislation makes it more difficult for parties to form, prohibits electoral blocs and outlaws electoral monitoring by independent domestic groups. Also, the 2005 electoral law grants the Kremlin near-exclusive authority over the flow of funds during the electoral campaigns. Controlling party-funding during electoral campaign allows the Kremlin to limit the opposition's access into the state institutional system and the decision-making process itself. The Kremlin claimed that the provisions of the new elections law would strengthen democracy and the party system in Russia by reducing the number of parliamentary parties. Moreover, other significant changes were imposed upon the electoral law – for instance, **the electoral threshold was raised to 7%, forcing smaller political factions to merge or be swallowed by larger parties because they otherwise risked to be completely marginalized and eliminated from the Russian political scene.** The number of political parties dropped from a couple of hundreds nation-wide in mid-1990s, to just under 30 in 2006. In the 2003 legislative elections only 4 parties met the 7% electoral threshold, all of which were loyal to the Kremlin and president Putin. Under these circumstances, the Duma stands to be completely monopolized by pro-Kremlin political factions. **This has been a significant political trend in Russia over the last 4-5 years that is likely to deepen on the short-term: erosion of political pluralism together with the more arbitrary and unregulated exercise of state power.**

In addition, with the help of the pro-Kremlin legislative, **president Putin managed during his second term to modify the law establishing the composition of the Federation Council, which currently consists of presidential appointees, governors**

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**who are selected by president Putin himself.** This measure, too, was presented as part of the anti-terrorist campaign in an effort to stop terrorist and secessionist leaders from gaining power and penetrating the state institutional system of the Russian Federation – thus endangering both national security and territorial integrity. **The mass media is currently either owned or controlled by the state, thus considerably limiting the freedom of expression.** For instance, during the 2004 elections opposition leaders were generally portrayed negatively within 75% of their televised apparations, whereas President Putin was dominantly portrayed positively as Russia’s saviour. Furthermore, the TV channels that refused to submit to political orders were simply closed down or were taken over by the state. Journalists that expressed doubt concerning Kremlin’s or president Putin’s policies or even criticized them were either imprisoned or simply assassinated. Since 2004 over 136 journalists were killed in Russia – a number that roughly equals that of a true war zone. The print media continues to enjoy some kind of freedom, mostly because it is the least bit influential in the Russian Federation. However, the broadcast media, which is indeed the primary information source for the majority of Russian citizens, is largely controlled by the Kremlin, thus limiting political debate and competition. **Censorship, generally forbidden by the Constitution, is more the rule than the exception in Russia.** The assassinations of several well-known anti-Kremlin journalists like Anna Politovskaja have also become regular events on the Russian mass-media scene. **As for the independence of the judiciary and legal systems these are deeply affected by generalized bureaucratic corruption and are politically biased.** For instance, in 2006, Russia occupied the 102<sup>nd</sup> place in “judiciary independence”, the 106<sup>th</sup> place in “favoritism in the decisions of government officials” and the 108<sup>th</sup> place in “protection of property rights” in the World Economic Forum’s charts, while Transparency International named Russia to be the state with the greatest negative change in terms of corruption, lack of institutional transparency and governmental accountability in the world.

### ***C. THE 2008 PRESIDENTIAL ELECTIONS – DEMOCRATIC HOPE OR AUTHORITARIAN HELL? –***

The new elections law is significant because it also brings a series of changes to the 1995 electoral law regulating presidential elections. This is particularly important given that **Russian presidential elections are set for March 9, 2008.** So far, there are a number of political leaders who are presumed or have already announced their intentions of running in the presidential race in 2008. President Putin still monopolizes the polls ranking as much as 66% or 72% (different results are posted by different social research institutions) in trust. Only 12-13% of the Russian population think Putin should renounce power in 2008, whereas a similar percentage consider either president Putin or his successor should emphasize more democratic measures in Russia. This, together with other authoritarian trends in Russia, led to fears building up that president Putin will push to modify the Constitution to allow his to remain in power. Despite the fact that president Putin has repeatedly denied he has any similar intentions, fear continue to worry international analysts and Western political leaders. However, president Putin officially announced during a large press conference in February 2007, and then

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reiterated it during his State of the Union Address in April 2007, that he will not modify the Constitution and that he will step down at the end of his second legal term. Also, he announced that he will not designate an official successor, and will let free democratic elections run their course, although he announced his intention of supporting a Kremlin-favourite candidate after the beginning of the electoral campaign. The most likely two candidates favoured by president Putin are former Defense Minister Sergey Ivanov – who was promoted at the beginning of 2007 to First Deputy Prime Minister – and First Deputy Prime Minister and member of the Gazprom board Dmitry Medvedev. However, it remains unclear at this point who of the two potential candidates will indeed be supported by president Putin. Most analysts seem to indicate Ivanov as the favourite due to his special and close relation with president Putin. Beyond the two Kremlin favorites, there are also other candidates who are likely to join the presidential race. The first is the leader of the Communist Party, Gennady Zyuganov, who is most likely to run in the presidential race. The second is the leader of one of the main opposition parties, Yabloko Party, namely Grigory Yavlinsky. Other potential candidates include former Deputy Prime Minister Boris Nemtsov, world chess champion Garry Kasparov, former MP and current leader of the Popular Democratic Union, Mikhail Kasyanov, the vice-chairman of the State Duma, Vladimir Zhirinovskiy, former Speaker of the State Duma Gennady Seleznyov and other less known Russian political figures. **Given the degree of control the Kremlin currently exercises over funds allocation during electoral campaigns as well as other administrative resources, it is quite likely that the pro-Kremlin candidates will be favoured.** Although the presidential elections are still far away, it is safe to say central political support will prove decisive in the result of the elections – as was the case in regional and federal elections so far since 2000. Moreover, there are several other variables which cannot be taken into account at this point, but neither can they be completely discarded. For example, it is quite likely that the Kremlin will launch a negative campaign in the media against opposition leaders like Kasparov, Yavlinsky and others. They could even be charged of different crimes in order to prevent them from entering the race altogether. **This type of hold on power is likely to produce a Kremlin leader that neither enjoys Putin's popularity and public support, nor his political power. This translates into major problems from the Russian political system which stands to crumble if the power transfer is not done properly and extremely carefully.** Not only could this leave the political federal power weakened, but could also bring an internally and externally illegitimate leader that will sooner or later be contested and possibly even be the subject of more extensive political unrest.

### ***D. LIMITATION OF CIVIL SOCIETY AND MEDIA FREEDOM***

Also with the help of the Kremlin-controlled legislative, **president Putin managed to pass a new NGO law in December 2005 (entered into force in April 2006), which places additional restrictions on both foreign NGOs operating in Russia as well as on foreign funding for domestic NGOs.** Moreover, **the new law introduces several additional requirements for the registration of new NGOs and introduces a series of very restrictive control measures by the government. This severely endangers the existence of an independent and active free civil society that could oppose and**

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**criticize authoritarian governmental measures.** During president Putin's second term in particular, the influence over and participation of the NGOs in governmental institutions has been severely limited. During his 2004 State of the Union Address before the Federal Assembly, President Putin emphasized that foreign NGOs operating in Russia or domestic, but foreign-financed NGOs "serve dubious groups and commercial interests" rather than militate for the Russia and its citizens' truly severe problems. There seems to be a perception in Moscow that foreign NGOs really helped bring about the "colored revolutions" throughout the former Soviet space. The same opinion was again reiterated in the State of the Union Address on April 26, 2007, when the president stressed that NGOs in Russia are working against rather than for Russian interests and for this reason they have become enemies of the state. However, **the need to safe face determined Moscow to create a distinct public institution, the Public Chamber, composed of NGOs that are required to discuss draft laws and oversee government performance – apparently as a means to preserve the influence and role of the civil society and boost the influence of public opinion.** But the members of the Public Chamber are all politically biased since one-third of the Chamber's 126 members are selected by president Putin, while the rest are hand-picked by the NGOs president Putin picked in the first place. The first selection of the NGOs for the Public Chamber took place in 2006; in the aftermath of this first round of selection over a dozen public oversight commissions were appointed, all headed by Putin's supporters. These commissions hold meetings that, ironically, are closed to the media on issues such as public monitoring of law enforcement and military structure, tolerance, freedom of conscience, freedom of media, etc.

### ***G. CENTRALIZATION OF THE STRATEGIC ECONOMIC SECTORS***

But these authoritarian trends are not present on the Russian political scene alone. The economic sector too is deeply affected by these authoritarian trends. **The Putin administration made a priority out of economic stability and growth.** However, this **materialized in the restoration of state control over strategic sectors of the economy: arms industry and energy industry included.** As the **Khodorkovsky affairs and the sell of Yukos, Russia's largest oil and gas privately-owned company,** showed the Kremlin is determined to steer the way of Russia's economic growth and determine its economic directions and development. But the nationalization process brought about a series of negative side effects such as the fact that political competition and political power began to stray away from their normal institutional context and be centered on individuals competing for economic benefits. For example, two of the most important economic sectors in Russia today are the energy sector and the arms industry sector – both completely controlled by the Kremlin.

The energy sector is currently expanding, but at a much slower pace than needed because the Kremlin introduced a series of restrictions on FDI in this sector which badly needs these funds to increase production quotas so as to maintain a positive balance sheet and still be able to cover the growing domestic consumption quotas. At present, the energy sector was expanded to include nuclear energy as well. So far Russian economic

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growth was mainly driven by energy exports revenues. But **Russian economy is in bad need of diversification otherwise it will definitely encounter huge problems** since obstacles in its development are already being risen both from the inside as well as the outside (energy disputes are just one of the forms this external opposition takes). Moreover, Russia's economic growth will most likely slow down if FDI does not flow into the Russian economy and transform it from a raw-materials supplier into a true G8 state. At this point it is rather doubtful if Russian truly deserves its place alongside the other G7 states.

As for the arms industry, the reformation of this sector, which in its hey day numbered several hundred million workers, is likely to be politically painful. So instead of reforming the sector as it should have done, **the Russian Federation** turned into an income gold mine and **adopted a strategy towards becoming the world's largest arms supplier. In 2006 alone Russia got over \$6.1 billion out of arms sales.** This was not necessarily a decision the Kremlin consciously made. Rather, it was the result of a necessity in the aftermath of the dissolution of the USSR, when arms producers – especially conventional arms producers – needed to survive in the most literal sense of the word. So they abandoned the domestic market, where funds were limited and reoriented towards the external, thriving market. Nowadays Russia is the second largest arms supplier in the world. Unlike the conventional arms producers, nuclear facilities continued to be tighed down to the Russian state and they only produced for the domestic market. But recently, the Kremlin adopted a different strategy which aims to enlarge Russia's share in the nuclear technology market as well. While the Kremlin repetedly denied that it was willing to sell nuclear weapons technology, it did announce it was pursuing a larger share of the civil nuclear technology market.

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### RUSSIAN MILITARY ALLIANCES

Russian national security is at the center of Russian politics and vital interests. **While the emphasis is currently placed on internal balancing against perceived threats, Russian decision-makers are also stressing the need for a comprehensive network of alliances and strategic partnerships.** This strategy materialized in the Russian effort put into the emergence of the **Collective Security Treaty Organization (CSTO)** – the central alliance in which Russia participates.

The 2006 draft Military Doctrine names the CSTO to be an equal to NATO – and even goes as far as proposing a division of the system into “spheres of responsibility” between the two alliances. The CSTO was first created in 1992 when Armenia, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan, signed on May 15 the Collective Security Treaty within the framework of the Commonwealth of Independent States (CIS). Later on, in October 2002, the treaty was renewed and renamed into the Collective Security Treaty Organization (CSTO); its current members are Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Russia and Uzbekistan, of which Russia plays a leading role, being the greatest contributor to the CSTO military effectiveness. The CSTO is usually considered in Moscow to be the “core” of the former Soviet space and even of the CIS and has come to be one of the instruments based on which Russia is consolidating its regional influence. However, the alliance is weak and disjoint. Despite some joint military exercises in 2005, the activity and military performance of the alliance is rather low. For instance, throughout 2006 the CSTO worked to establish closer ties with Afghanistan and establish a regional air defense system – presumably to bolster security role in Central Asia. These projects are still in the making. **This leaves Russia with very little military utility drawn from participating in this alliance which serves more like a political, rather than military security-enhancing instrument.** For example, the CSTO proved a useful instrument for Moscow in its attempt to limit or even deny American access (basing and the use of national airspace) into Central Asia.

**The SCO is an intergovernmental organization, not a military alliance per se.** It was established in June 2001 after the Shanghai Five welcomes Uzbekistan in their midst. At present, the SCO is composed of China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. In addition to full-time members, there are also four observer states: Mongolia (2004), Pakistan (2005), India (2005) and Iran (2005). Despite having held summits on issues concerning military security, terrorism and proliferation, and having held joint military exercises, **the SCO is not planned to be transformed into a military alliance** – according to former Defense Minister Sergey Ivanov. Still, the organization will continue to enjoy a central part in Russian foreign policy, since it is designed as a counter to NATO, because it allows Russia to develop closer military ties with some of its most powerful neighbors – China and India – with which Russia would like to be allied, and to strengthen Russian control and leverage on the other important members. The SCO played an important part in Russia’s access denial into Central Asia policy towards the US. The treaty establishing the SCO clearly prohibits member states from hosting troops of another state (non-member state that is) or alliance on its territory. This shortly led to the evacuation of several US military bases in Central Asia, where Russia still maintains a limited forward military presence through several military, mostly

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air-bases. Moreover, in order to consolidate its own influence in the organization, Russia pushed for refusal in 2004 to grant the US an observer status within the SCO. **The SCO itself, for this reason is more of a political instrument rather than an effective or efficient military instrument.**

These considerations leave us with the conclusion that Russia has no real and useful allies that it can count upon in a time of need. This pushes Russia into a growing need to ensure capabilities for internal balancing since alliances prove either too difficult or too costly to arrange at this point.

### RUSSIAN PARTICIPATION IN INTERNATIONAL ORGANIZATIONS

Russian participation in international institutions and organizations is considerably wide. In fact, it is quite remarkable the speed as well as the degree of integration in international forums and frameworks that Russia achieved in the last decade and a half. At present, the Russian Federation is a member of over 70 international organizations and institutions. However, Russia is a member of APEC, BIS, BSEC, CBSS, CE, CIS, EAPC, EBRD, ECE, ESCAP, G8, IAEA, IBRD, ICAO, ICRM, IDA, IFC, IFRCs, IHO, ILO, IMF, IMO, Inmarsat, Intelsat, Interpol, IOC, ISO, ITU, MINURSO, MONUC, NACC, NSG, OPCW, OSCE, PCA, PFP, SCO, UN, UPU, WCO, EFTU, WIPO, WHO, WMO, WToO, Zangger Committee. However, by far the most important in Russian foreign policy are: the UNSC, where Russia is a permanent member with a veto right; the G8, the forum of the most industrialized states in the world, which is seen by Russia as incredibly important to its international status as well as its potential economic (particularly industrial) development in the short-term – Russian political elite is quite sensitive to the membership in the G8 and might even make political concessions to uphold it; the OSCE, which was one of the main instrument of Russia's foreign policy in the 1990s and the early 2000s – nowadays the Kremlin sees the OSCE as a last minute escape or solution or as a forum which is trying to hinder Russian development; the CIS, which continues to be seen as a potentially important political instrument; the IAEA, which is of great importance to Russia due to the Kremlin's interests in non-proliferation efforts; and the IMF which is still a source of considerable aid to the Russian Federation, despite the latter having reduced its dependency on foreign financial aid – a positive sign of economic development. Russia is also an applicant to the WTO, hoping to join the organization no later than 2007-2008. At present, Russia is the largest market outside the WTO, the membership in which has come to be considered as a great opportunity for expanding markets in Moscow. Also, Russia enjoys an observer status in the following organizations: LAIA, OAS, OIC, IOM, CERN and NAM.

Besides these organizations of which Russia is a member or an observer, Russia entertains a large number of partnerships, starting with NATO's PfP (since 1994) as well as in NATO-Russia Council (since 1997). While cooperation in the NRC is deemed crucial, especially in such issues as theater missile defense, anti-terrorist measures and non-proliferation, the strategic partnership has recently entered a period of turbulence. During the last NRC meeting on April 19, caused by the need to debate the US "third site" in Eastern Europe, the participants failed to reach a consensus on the existence of a

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threat posed by the US ABM system to the Russian nuclear arsenal, international independence or national security. Russia also signed a cooperation and partnership agreement with the EU in 1999 and renewed it in 2002. However, this relation too is experiencing a period of great difficulties. The last EU-Russia Summit held on April 23-24 failed to bring any major breakthroughs in the issues that form the basis of a massive disagreement between the two parties. Other important partnerships of Russia are that with China, India, etc.

### RUSSIAN FOREIGN POLICY AND INTERNATIONAL COMMITMENTS

Russian foreign policy has become more clearly defined especially during president Putin's second term. Not only is it characterized by greater ambition, but it is also increasingly assertive and proactive. In an attempt to craft a grand strategy, Russian foreign policy still lacks coordination, overall coherent and strategic thinking. There is no long-term strategy in Russian foreign policy which quite frankly is rather disjoint. The short-term approach dominates the political scene. This is obvious in several recent Russian decisions of which the energy wars, the food imports disputes, the ABM system dispute are just a few examples. **Moscow reacts** to these events by employing resources and instruments bases on a "case by case" basis, not based on a long-term strategy. Its attitude is reactionary and aggressive, but its actions often fail to rise to the aggressiveness of the threats. Russian foreign policy is currently determined by a series of factors which could well be classified in two distinct categories:

- a) On the one hand, **Russian foreign policy is a product of the domestic political elite and the domestic political dialogue**; in this respect, Russian foreign policy is likely to be increasingly affected by current political trends in Russia. We stand on the verge of the end of president Putin's second term. Upon the presidential elections of March 200 depends a great deal regarding Russia's future foreign policy. It is rather uncertain what Russia's future foreign policy will be at this point. However, should the Kremlin-favorite candidate win the elections – as he stands a great chance to do – we will probably not witness a spectacular or radical change in Russian foreign policy trends or topics in the short-term. At present, Russian vital interests, as depicted in the Foreign Policy Concept of the Russian Federation, approved by president Putin on June 28, 2000 (and reiterated both in the National Security Concept of the Russian Federation in 2000 and its Military Doctrine):
  - *To ensure reliable security of the country, to preserve and strengthen its sovereignty and territorial integrity, to achieve firm and prestigious positions in the world community, most fully consistent with the interests of the Russian Federation as a great power, as one of the most influential centers of the modern world, and which are necessary for the growth of its political, economic, intellectual and spiritual potential;*
  - *To influence general world processes with the aim of forming a stable, just and democratic world order;*
  - *To create favorable external conditions for steady development of Russia, for improving its economy;*

- *To form a good-neighbor belt along the perimeter of Russia's borders, to promote elimination of the existing and prevent the emergence of potential hotbeds of tension and conflicts in regions adjacent to the Russian Federation;*
- *To seek concord and coinciding interests with foreign countries and interstate associations in the process of resolving the tasks that are determined by the national priorities of Russia, and on this basis, to build a system of partnership and allied relations that improve the conditions and parameters of international cooperation;*
- *To uphold in every possible way the rights and interests of Russian citizens and fellow countrymen abroad;*
- *To promote a positive perception of the Russian Federation in the world;*

Current domestic trends seem to indicate two major foreign policy directions in the Russian Federation:

1. **Economic interests seem to dominate present Russian thinking in foreign policy.** Economic growth is considered to be the main vehicle that could propel Russia back into the great powers club. Consequently, **economic development is a priority for Moscow.** If czarist Russia was mainly worried about Eurasian geopolitics, and if imperial Soviet Union was interested in spreading a global ideology backed by great military power, **post-imperial Russia is rather inner-focused and is concerned with its own development and security. Economic interests seem to dominate geopolitics to a certain degree;** this becomes important in two major circumstances: when it affects or it interferes with Russian economic interests; and when Russian national security and territorial integrity is being threatened. This leads us to the necessary explanation of what Russian national security truly means.
  2. **Security interests are focused on preserving Russian national integrity and national stability.** This translates into eliminating and countering all domestic secessionist movements, as well as international intervention in these security problems; preventing the emergence of regional or local wars (that could potentially attack international military intervention in the region) near Russia's borders, etc. **In this respect, the "near abroad" is vital to Russian national security** which identifies as most important the preservation of a belt of buffer states – former soviet republics – that could give Russia not only the chance to be warned ahead of time in case of a potential enemy attack on its borders, but also the possibility to **maintain an independent stance in world politics as well as a great power status.** Moreover, this buffer states belt is meant to keep a separation line between Russia and other systemic polls of power – NATO, the EU, China, etc. The need to surround itself with friendly regimes in this buffer belt comes from a fear of containment in Russian politics – which has a long history and originates in a historical fear of encirclement. From this point of view, current Russian foreign policy is directed by two main vectors: building dominance in the former Soviet space and constraining Western influence and presence in the region.
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- b) On the other hand, **Russian foreign policy is likely to be greatly influenced by the evolution of the international system as a whole – as it transforms from a unipolar into a bi- or possibly multipolar one.** The National Security Concept in 2000 indicated plainly that the international environment was in a profound dynamic transformation, a very uncertain –and thus potentially dangerous – transformation. The 2006 draft Military Doctrine – recently approved and signed by president Putin on January 23, 2007 – is much more clear in this respect and identifies the end of the transition period in the international system by proclaiming the dawn of a multipolar system – with five great powers: the US, the EU, Russia, China and India. Hence, from this point of view, the evolution of Russian foreign policy in the near future will depend on the relations the Russian Federation establishes with these systemic, equal systemic powers.

**Sino-Russian relations are taking an increasingly cooperative path.** In early 2007 Chinese president Hu Jintao visited Moscow and signed several economic cooperation and trade agreements, as well as important security cooperation joint declaration. Trade between the two countries reached an all-time high in 2006 and is expected to rise by nearly 30% in 2007 alone. In the security field, Sino-Russian relations are also marked by increased cooperation, with the Chinese market representing an ever-growing market for Russian arms producers. The Kremlin is putting its hopes into transforming the Russian-Chinese partnership into a military alliance.

**Russian-Indian relations have also taken a turn for the better with India being Russia's biggest weaponry client and one of its closest security partners.** In early 2007, president Putin undertook a 5-day official visit to India to sign a series of trade agreements and attempt to sell the new Russian fighters MIG-35 to their Indian counterparts. As it turns out, India ended up buying not just the fighters, but also a series of air-defense systems and tanks from the Russians. Russian-Indian relations seem to be more important in the security field, with trade taking a back seat to security. However, it must be said that the Kremlin's attempts to build stable strategic partnerships with both China and India are rather ineffective. Of the three, Russia is the militarily and economically weakest actor, but claims a leading role; moreover, these partnerships are greatly limited by the fact that both India and China give greater importance to their cooperation and relations with the US than they do with Russia. Moreover, Russia is a member of the Six Party Talks on the issue of North Korean nuclear disarmament, together with China, and an active actor in the relation between India and Iran.

**Russian-EU relations on the contrary have taken a turn for the worse, with massive disagreements arising between the two in matters such as energy security, the Energy Charter, trade quotas and other proxy issues connected with new EU member states from Central and Eastern Europe, etc.** Although European politics continues to be hesitant towards Russia, there is an obvious distancing in bilateral relations. However, the evolution of Russian-EU relations was not even. First of all, the distancing in the bilateral relations between Russia and the EU made room for strengthening of bilateral relations between other European states and the Russian Federation. Germany and France, but Italy as well, enjoy much stronger and reliable relations with Russia and advocate a more flexible and relaxed

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European common standing towards Russia. During his recent visits to Berlin and Rome, where he met with his counterparts, president Putin managed to consolidate the basis of these strengthened relations. This comes in direct contradiction with the tougher, more aggressive stance of former communist states, now members of the EU, which seem more inclined towards a confrontational policy towards Russia, pushing for energy independence from Russia and moderate competition between the EU and Russia. The recent crises of 2006 and 2007 between Russia and Estonia, Latvia, Poland, etc are a part of this new emerging trend within the EU as well as EU-Russian relations. Second, Russia seems to back away from its “Europe first” policy in terms of security, while the need to build Europe’s dependence on Russian oil and gas is ever-growing. This is a strong instrument in current Russian foreign policy and the Kremlin intends to play it right to become the bridge between the West and the East (Asia and possibly even Islam).

**Russian-American relations have certainly diversified since the Cold War era and are less dependent on arms control and disarmament issues. Economic, political, technological and environmental issues seem to dominate bilateral relations between the two states.** Washington is currently pursuing an engagement policy with Russia, based on the belief that the more integrated in the international economic framework Russia becomes, and the more successful economic reforms are in Russia the less the latter will depend on its military to solve its international problems. However, **this policy seems to be moving slowly, but steadily towards a selective engagement – moderate competition policy** towards the Russian Federation. This is obvious in many of the recent US and Russian bilateral interactions: on the one hand, the US announced its support for Moscow in its bid for accession into the WTO, it pursues increased cooperation with Russian in the matters of international terrorism and non-proliferation efforts; on the other hand, Washington continued to push for NATO eastward enlargement further into the former Soviet space and closer to the Russian borders, it deploys an ABM system in Eastern Europe – which infringes or could get to do so at some point later on – upon Russia’s ability to use its nuclear deterrent, it pursues closer cooperation with India, it strengthens military alliance with Japan, and it seeks to establish solid forward military presence in the Southern Caucasus and Central Asia. Russian-American relations, as well as Russian-EU relations are greatly affected by the current authoritarian trends in Russian politics and they seem to undermine the common, value basis of their close cooperation.

Since the beginning of 2007 Russian-American relations have entered a significantly more tense period which has been dubbed the worst since the Cold War era, due to a lack of agreement on issues as diverse as the US’s “third site” in Europe, Iran’s nuclear program, North Korea’s nuclear disarmament, energy security, ratification of the CFE Treaty, etc. Since October 2006, Russian and American presidents have met a total of 5 times; still this did not result in increasingly less tense relations. In mid-June 2007, on the occasion of the G8 Summit held in Germany, Russian president Vladimir Putin proposed that Russia and the US jointly use the Gabala radio station in Azerbaijan which is on lease to Russian army for missile defense; as for interceptor missiles, these could be placed on naval platforms (such as the Aegis BMD system). However, US Secretary of State Condoleezza Rice signaled

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the US was not interested in the Russian proposal. Two weeks later, on July 1-2, 2007, on the occasion of the US-Russia Summit in Kennebunkport, Maine, the Russian president made a strong comeback with a second strategic proposal – the US and Russia should develop an information-exchange system to be managed through the NATO-Russia Council, with Moscow and a Brussels Headquarters (as envisaged in a Clinton-Yeltsin treaty signed in the late 1990s); moreover, the US and Russia should jointly use the Gabala radio station or a newly built, state of the art radio station in Southwestern Russia instead of building new infrastructure in the Czech Republic and Poland. This way, Russia would not need to deploy new arms in the Kaliningrad enclave or target European and American sites as a countermeasure to the American threat. But Washington, though quite praiseful of the Russian seriousness and strategic involvement, insists upon finding a place in these plans for Poland and the Czech Republic. At this point, negotiations are ongoing, but there are few chances that a mutually satisfactory understanding will be reached in the next few months. On July 18, 2007, Polish president Lech Kaczynski announced that the US and Poland had agreed on a location for the American base hosting the interceptor missiles, but that it will only be revealed in the days to come, after issues such as the exact size of the base as well as the manning level are agreed upon. This roughly equaled an indirect dismissal by Washington of the second Russian strategic proposal.

The situation became all the more tense on July 14, 2007, when in a retaliatory move president Putin decreed that the implementation of the CFE Treaty's provisions (as well as all of the subsequent treaties) shall be suspended over a period of 150 days during which Moscow remains open to dialogue and negotiations and expects that NATO states ratify the convened 1999 text of the CFE Treaty (though Russia considers the former to be completely outdated and that strategically does not faithfully reflect the current balance of forces in Europe). Russia's next move from this point of view will largely depend upon the response of NATO member states, as well as on the course of US-Russian negotiations over the missile defense sight in Eastern Europe. Though Russia's present move does not equal a formal withdrawal from the CFE Treaty, it is highly probable the Russian Federation does eventually draw from it. The intentions behind the recent suspension of the treaty's implementation is both to force Washington's hand in the matter of missile defense as well as to prompt the renegotiation of the military world order in Europe in the context of the emerging multipolar international system of which Russia perceives itself as being a crucial poll. Moreover, in Kennebunkport, US and Russia agreed to launch the next session of negotiations over an arms control treaty that would reduce the two states' strategic arsenals well beyond the limits set by the START II and SORT Treaties (1700-2200 active warheads each). This is a promising and encouraging result, though a limited one since the two sides have not even met these formerly imposed thresholds just yet and are far from doing so, too.

**Of great interest in relation to the overall systemic context of Russia's foreign policy is its relation with its "near abroad" where two major topics dominate:** first is that friendly regimes be maintained in this buffer belt; this is why the "colored revolutions" presented a real threat to Russia. Second is that several, preferably overlapping mechanisms be created to maintain a close relation with these states as a means of keeping other powers out. The CIS, the OSCE were such mechanisms, but

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they both seem to show signs of inefficiency. Military alliances were another important tool – the CSTO and the SCO were instruments Moscow used to slowly push the US out of Central Asia or severely limit their forward military presence in the region, for instance. However, since 2005 there seems to be a secondary, but important trend in Russian policy towards its “near abroad” proved by the recent “energy wars” with Ukraine, Belarus, Georgia, etc. Some international analysts argued that these pressures exercised by Moscow upon some of its closest former allies are a proof of Russia’s new aggressive neo-imperial policy. However, it is more likely that Russia simply just chose to favor economic interests over geopolitical interests alone. Russian actions were certainly pressures on Ukrainian, Belarusian and Georgian governments, but they were caused by a need in Moscow to draw as many revenues from the energy sector as possible. This seemed odds in a Cold War era logic or even in a 1990s logic of bilateral relations in the former Soviet space, but not in a capitalist logic where financial interests come first. While some of the former Soviet republics felt threatened by the recent Russian attitude towards their bilateral relations and were convinced to switch sides and seek NATO membership, like Georgia or Azerbaijan, others like Armenia, Moldavia and Belarus on the contrary emphasized the need for closer ties with Moscow. Ukraine, which is one of the pivot states in the former Soviet space is currently engaged in a domestic power crisis – in which Russian involvement was nearly nonexistent – upon the results of which depends its future foreign policy. Of great importance in this region is also the matter of the frozen conflicts of Transdniester, Nagorno-Karabakh, Abkhazia and South Ossetia. Transdniester and Abkhazia are closely observed by Russian peacekeepers, whereas in the matter of the other two Russian influence remains considerable. International analysts claim Russia entertains these secessionist movements in the former soviet space as a leverage instrument in its desperate attempt to maintain dominance in the region.

**Russian foreign policy is also interested in the Middle East, where it is striving to maintain a minimal influence and presence, especially through cooperation deals on several important aspects** – energy and arms being just two of the dominant ones. The Iranian-Russian close relation put Russia at the center of the effort to solve the international crisis created around the Iranian nuclear program – believed to be intended for weapons construction. In April 2007, Rosneft announced that construction on Bushehr was suspended indefinitely because the Iranian part had not met its financial obligations on time. Moreover, Moscow also announced it was suspending the delivery of 100 tons of nuclear fuel that it had promised to send to Iran. These decisions represented instruments of pressure in the Iranian-Russian relation in which Russia sent Tehran a clear message that its help and cooperation were invaluable to Iran at a moment when US might be preparing to launch a military operation against Iran. On the other hand, the Russian-Iranian bilateral relation is also strained by a series of borderline disagreements in terms of territorial waters and continental shelf in the Caspian Sea – a heritage of the Soviet Union dissolution period. **Important is also the Russian-Turkish relation which seems to slip into a more competitive dimension in the last three years, especially in South Caucasus and partially in Central Asia.** What seems to unite the two at present is a common need and desire to keep the Black Sea relatively closed to NATO as well as American

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ships in general, in an attempt to preserve their regional status. Furthermore, Russia is a co-sponsor of the Middle East peace process.

**Also, in the systemic context a series of borderline issues with Japan, Norway, and until recently even some of the Baltic states, create important foreign policy topics in Russia.** While the Russian Federation just signed the last of the border-demarcation treaties with Latvia in April 2007 (after it had previously signed similar ones with Estonia and Lithuania as well) and with China in 2001, the state of the border disputes with Japan is somewhat stable, in the sense that negotiations on this issue have been launched in the 2006-2007, but no final decision has been reached so far. In the case of Japan for instance, the dispute focuses on the Kuril Islands – they present a great importance to Moscow because they are in the immediate vicinity of the Sakhalin Islands where Russia is developing a huge energy project at present. Still, the territorial dispute stops Russia from signing a formal peace treaty with Japan even half a century after World War II. Other territorial disputes, in the case of the Caspian Sea boundaries were partially resolved in 2003 between Russia, Azerbaijan and Kazakhstan, whereas in the case of Iran and Turkmenistan no decision has been reached thus far. As for the Barents Sea boundaries, the dispute still exists with neighboring Norway and no compromise seems in the cards for the near future.

This analysis uses information from: *Washington Post, IHT, The Times, The Moscow Times, the Kommersant, RIA Novosti, Itar-Tass, Regnum, Interfax, AP, AFP, Reuters, Wikipedia, Brookings Institute, Center for Contemporary Conflict, CFR, Chatham House, ICG, ISS-EU, The Carnegie Moscow Center, RAND, SIPRI, Jamestown Foundation, Stratfor, CATO Institute, the Heritage Foundations, CSIS, The Military Balance 2001-2007, CRS Reports, Central Asia-Caucasus Security, globalsecurity.org, warfare.ru, Russian Foreign Affairs Ministry, Russian Defense Ministry, Russian Presidency.*

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# RUSSIAN FEDERATION'S ECONOMY

## RUSSIAN GDP

When one takes into account the evolution of Russia's GDP, we find that it is steadily increasing after the economy resurged in the aftermath of the 1998 crisis. The evolution of the GDP, as we see in the table, describes a steady rise after the 1998 Asian crisis which had a very powerful impact on the ruble.

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Gross domestic product	95,9	96,4	101,4	94,7	106,4	110,0	105,1	104,7	107,3	107,2	106,4	106,7

In gross terms, Russia's GDP rose at a steady rate of about 6.5% annually, if one looks at the various forms the GDP is calculated – we have taken into account

Year	2001	2002	2003	2004	2005
GDP (PPP)	306603	345471	431487	590364	763720

three variations of the GDP i.e. the nominal value, the per capita value and the GDP (PPP) – GDP in relation to Purchasing Power Parity. The nominal values shown below, according to World Bank estimates mark the steady rise of the GDP over the last years, a trend which highlights the previous data. On a global perspective, the value of Russia's GDP places the country as the world's 14<sup>th</sup> economy, according to both IMF and World Bank estimates. The GDP (PPP) value however, places Russia as the world 10<sup>th</sup> economy (according both to IMF estimates - 1,576,226 millions of international USD - the 2005 value of the dollar, and the WB - 1,559,934 millions of international dollars), whereas the CIA factbook considers Russia to be the 9<sup>th</sup> economy in the world – with an estimate of 1,723,000 million international dollars. The per capita value however – according to 2006 IMF estimates – places Russia only as the 58<sup>th</sup> country, with a 6,856 USD GDP per capita; the fact that Russia occupies the 58<sup>th</sup> (IMF) or the 59<sup>th</sup> (CIA Factbook) place in the world concerning the GDP (PPP) is a relevant indicator of the general welfare and the gap between the world's most industrialized and developed economies and Russia's own economy.

Although it is the most thorough macroeconomic measurement, there are serious limitations which undermine the thesis that the steady and quite spectacular growth of the

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GDP shows Russia's economic prowess. First of all, if one takes into consideration the intellectual origin of the GDP, **one has to notice a serious inconsistency. The GDP relies heavily on government spending.** Therefore, the GDP describes a somewhat overvalued image of the Russian economy, since consumption is the mainstay of the indicator. According to IMF data, in the 2001-2005 interval private and government spending varies from 61.6 to 68.1 of the GDP. **There is no significant trend as to a decrease of internal consumption. Moreover, the government spending is quite stable.** The image of the booming Russian economy is tempered by the share the welfare indicators play in the forming of the GDP.

Secondly, there are a series of factors which might affect not only the accuracy of the picture these data present, but also the scale of development the Russian economy has undergone. First of all, **the inflation rate has been steadily, albeit in a slowing tempo increasing, which might explain another part of the soaring Russian GDP.** Secondly, there are a great deal of factors the GDP does not account for, such as the commercial black market and the employment black market (which, according to IMF and the Federal Statistics Service

Year	2003	2004	2005	2006	2007
<b>Annual rates of inflation (% growth)</b>	13.68	10.88	12.69	10.40	9.50

has risen at the end of 2005 to the level it had reached in the first quarter of 2004 – 1.4 of the active working force). **The unemployment rate (7.6%) is another artificial inflator or deflator of the GDP. Its high proportion signifies that the state has to fund social-security measures.** At the same time, the black market approach may suggest that there are sums of money not taken into consideration in the calculation of the GDP.

The GDP takes into account the forced spending of the government. The financial decisions taken by the political establishment reflect heavily in the GDP. Accordingly, Russia has had to spend seriously on social security mechanisms in order to pull out of the crisis. The GDP does not take into account the quality of the consumption materials. For example, we have no way of knowing whether the most common items bought by private actors are replaced at a slower or faster rate than in other economies (a problem which emphasizes the key factor of goods quality and working efficiency). Even when taking into account the PPP, one cannot analyze the characteristics of market offer (although the prices may be the same, the quality and variety of goods offered to the purchaser may vary). **The structure of consumption expenditure is also relevant, as Russians seem to spend most of their income on food** (as opposed to the roughly 5% of American consumer expenditure represented by food consumption).

Year	2003	2004	2005	2006	2007
<b>Consumer expenditure on food (USUSD million)</b>	80,938.6	98,905.0	119,010.3	123,259.9	127,800.4
<b>Consumer expenditure (USUSD million)</b>	220,833.33	270,794.50	322,934.08	332,806.78	343,512.79

Last, but not least, **the GDP does not measure the sustainability of growth – the GDP has a limited use in terms of middle or long term predictions of the economy's evolution.** At the same time, the problems the Russian economy is currently facing are

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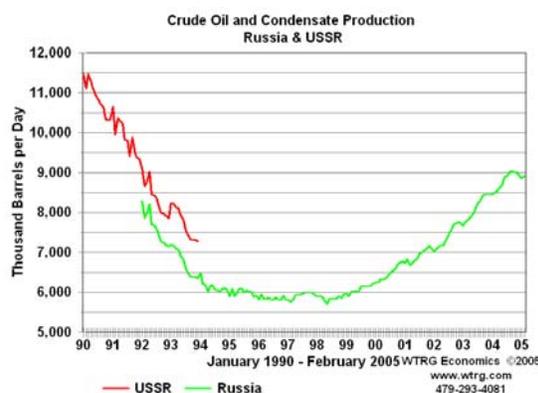
revealed if one takes into account that whereas in 1992 the GDP of the USSR represented roughly 9% of the global estimates, the current Russian GDP represents solely 3.4% of the global figures.

**BALANCE OF PAYMENTS AND TRADE BALANCE**

**Russia’s balance of payments is positive. If one takes into account that Russian exports are steadily rising, one might see Russia’s position as a global economic actor is strengthening.** Not only does Russia exhibit a positive balance of payment, but **its trade balance exhibits the same positive traits as the balance of payments.** Russian trade activities have increased at a steady rate. The positive developments of these indicators are all based on the export activities of Russian economic agents, which have managed to raise the amount of goods sold on international markets.

	1999	2000	2001	2002	2003	2004	2005 Est.
Current Account	24.6	46.8	33.9	29.1	35.4	58.6	83.6
Trade Balance	36.0	60.2	48.1	46.3	59.9	85.8	118.3
Exports	75.6	105.0	101.9	107.3	135.9	183.2	243.6
Non-energy	44.6	52.2	49.7	51.1	62.2	83.0	94.7
Energy	30.9	52.8	52.2	56.2	73.7	100.2	148.9

**However, if one takes into consideration the structure of both the trade balance and the balance of payments, one has to notice that energy commodities are the most valuable item Russia exports.** Whereas non-energy commodities have increased basically twofold in terms of money acquired by Russian agents, energy exports are 481% more valuable than they were back in 1999. Russian energy exports represent 51.3% up to 67.6% (in the last quarter of 2006) of the positive trade balance. Taking into account that Russian energetic exports have been affected by the fall of the USSR, the present data indicate a more than spectacular result.



**The prospects of the economy are, on the other hand, not that optimistic. The present-day figures indicate that the Russian balance of payments and the Russian trade balance are kept positive solely by the energy commodities the country exports.** It would be misleading to think that the increase in industrial output solely counts for the increase in energy revenues exhibit by Russia. It is true that production levels have risen (Russia is the foremost NOPEC actor, the second oil exporter in the world – 6.4 millions of barrels exported everyday and 9.44 millions produced daily - and the first gas supplier on the international market). However, after the break-up of the Soviet Union, Russia has lost almost all of its refining capabilities – an element that

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reflects in the low income generated by the energetic industry in the first post-communist years. Moreover, the production levels haven't yet reached the quotas attained in the late 1990s. The rise in export incomes is heavily influenced by the global variation of oil prices. Thus, market variations determined by international factors account for most of the Russian positive trade balance and balance of payments. In fact Russia has utilized the international market as a mean of selling its resources. Over the 2001-2005 intervals, Russian prices were lower than international established ones.

Even if Russia takes its role seriously, there are only a handful of examples of states that have managed to achieve good results when starting from a mono-industrial or mono-agricultural basis. Playing the energy card may be a profitable solution, but only on short term. The sustainability of growth in the case of mono-based economies is further reduced when one takes into account the fact that the price-card may turn against those who took profit from it (and oil is definitely a commodity whose evolution is subject to serious ups and downs). In light of these facts, the fact that Russian production levels and Russian refining capacities are smaller than those of the USSR may prove key factors in the future development of the Russian economy. Also, **the present trends in Russian economy and the failure to allow more FDI to flow into its economy may prove key factors too. At present, Russian economy badly needs to diversify not only with respect to its main sectors, but also in terms of its technological base.**

### PRODUCTION AND INVESTMENTS

**One positive aspect of Russian trade activities is that the country is emerging out of the small regional post-communist markets onto global economic arenas.** Accordingly, we find that **the major economic partners of Russia are outside the CIS, both when it comes to import and export activities.** The share of economic transactions outside the CIS space is tenfold bigger than inside the Community, the main partners in terms of export being Netherlands, Germany and Italy, and Germany, Ukraine

(In percent of 2002 level)

Total Industry	108.9	117.9	122.7
Mining and extraction of natural materials	108.7	116.1	117.6
Mining and quarrying of energy producing materials	110.3	118.8	120.9
Mining and quarrying, except of energy producing materials	102.5	111.2	107.7
Manufacturing	110.3	121.9	128.8
Food products, including beverages and tobacco	106.9	111.6	116.5
Textiles and textiles products	101.2	97.2	95.7
Leather, leather products and footwear	111.5	110.8	107.8
Wood and wood products	109.7	119.2	124.6
Pulp, paper and paper products; publishing and printi	107.8	113.3	114.5
Coke and refined petroleum products	102.2	104.7	110.3
Chemicals and chemical products	105.4	112.4	115.3
Rubber and plastic products	105.5	119.7	126.3
Other non-metallic mineral products	107.3	116.3	120.4
Basic metals and fabricated metal products	107.2	111.4	117.7
Machines and equipment	119.0	144.1	144.0
Electrical and optical equipment	143.2	192.6	232.5
Transport equipment	114.0	127.1	134.7
Other manufacturing	110.9	122.5	123.4
Electricity, gas and water production and supply	103.3	104.6	105.9

and China in terms of import. However, looking into the detailed accounts of the trade balance, we see both the strong points of the economic system and the weak aspects that affect the economy. **First of all, when it comes to goods and raw materials, the trade balance is fairly positive. Russian imports do not surpass the exports and the need of raw materials for the industrial branches of the economy is fairly inconsistent – partly because these take a back seat to the energy sector.**

However, the image is reverted when it comes to services. Russian services imports are steadily rising (the prices of externally purchased services amounted to 45,268 million USD). The fact that the Russian economy, although showing signs of serious improvement is incapable of developing the tertiary sector (i.e. the services) is the sign of an underdeveloped economic system, that is still based on agricultural and heavy-industrial output. Accordingly, the rise in industrial output in recent years is not at all impressive (if one is to take into account the larger, though unreliable pre-1992 data). Industrial output in 2005 was 22.7% larger compared to the one in 2002, according to official and IMF estimates. The growth is not that spectacular when one takes into account the fact that the rise in industrial output was only 37.4% larger than the 1994 figures. In terms of short-term or middle-term trend, no serious patterns can be identified. **Although a positive trend in terms of growing industrial output is clear, its impact or the autonomy of the industrial branch in regard to the energetic complex are still doubtful.**

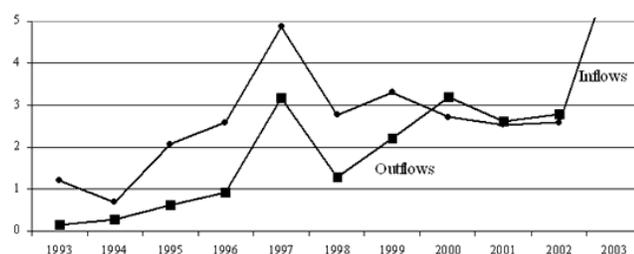
## FOREIGN DIRECT INVESTMENT

**The foreign direct investments have had a somewhat spectacular rise in recent years, although no clear trend can be established by analyzing the figures provided**

	1999	2000	2001	2002	2003	2004	2005
Direct investment	1,102	-463	216	-72	-1,769	1,662	13,519
Abroad	-2,208	-3,177	-2,533	-3,533	-9,727	-13,782	-15,386
In Russia	3,309	2,714	2,748	3,461	7,958	15,444	28,905

**by official institutions (Rostat) and the IMF.** The data indicate that both foreign and external investment levels have risen spectacularly over the last years, amounting to an outstanding total 10,752 millions of US dollars at the end of 2006. A serious problem is represented by the fact that although the energy industry amounts to about 60% of the GDP and export income, **only 19% of the FDI have the energy industry as a destination (telecommunications and light industry being the most important destinations).** The main reason for this paradox is the fact that Russian economy is unable to supply consumers with common goods and services (as other figures also point this). Also, another important reason is the fact that

Figure 1. FDI flows of the Russian Federation, 1993-2003  
(billions of dollars)



Source: UNCTAD

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## RUSSIA REPORT

energy sector having been declared a strategic economic sector for the Russian federation and having come under the direct and complete control of the state, the access of FDI into this sector is limited if not completely obstructed. Instead, the Kremlin offers another manner in which domestic capital could be captured and directed towards this sector by state-guaranteed investment mechanisms. There are nevertheless problems indicated by a series of other data. For example, Russia's external debt has been constantly rising (both short and long term liabilities), despite the levels of FDI being somewhat erratic. At the same time, the internal debt has been constantly rising accordingly, reaching a staggering amount of 33,945 million USD.

### CURRENT ECONOMIC TRENDS

**The main problem Russia has to confront is paradoxically its dependence on energy resources.** The latest economic growth was almost entirely based on oil and gas exports, which were favored by the strategy of selling the resources under the international standard price and the rising price of oil itself. Nevertheless, production quotas are low (when compared to pre-1992 values), and no serious efforts have been made in direction of increasing the refining capacity. The increase in government funds has allowed Russia to strengthen its economy, but without serious infrastructural investments in the energy sector, playing the energy card depends mostly on the international price of this commodity. At this pace, Russia risks of becoming a raw-material supplier economy to world markets.

The FDI, although it helped give a boost to the economy is by no means a certainty. With an unstable and uncertain political future for the Russian democracy, with an increasingly corrupt government and bureaucracy and a politically-biased legal and judiciary system, FDI is unlikely to pour into Russia for much longer. Its variation over time and its destination is not conclusive, because they tend to satisfy only basic consumption needs. Moreover, the massive imports of services indicate that the diversity of the aggregate commodity offer is still under the standards of Russia's foremost competitors.

**From a general perspective, one key issue is the involvement of the state in the economy.** While recent state decisions have proven popular and have managed to boost the economy, one must not forget the fact that Russia's prior poor economic performance was also the result of state involvement in the economy. In spite of having impressive natural resources, Russia faces important problems in utilizing them. Most are placed outside important infrastructural networks, being distant from important ports (in spite of having many ports, most of them are operable only a few months every year, because of rugged climate). Many natural resources sites have to be developed first, but are not because of the massive costs these tasks require. Therefore, exports are costly and the only solution seems to be heavy investments in infrastructure which Russia, despite the growing GDP, cannot afford yet. In his last State of the Union Address in April 2007, president Putin emphasized the need for Russia to consolidate its power generation sector of the industry, by building an additional 26 NPPs as well as the need for massive state investment in infrastructure – roads in particular.

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The main problem Russia will face both in 2008 and in the short term is its economy's increasing vulnerability. The booming economy is the result of the increasing international oil prices and of the increase in production quota. In the event of a steep fall of international prices and with the increasing amount of internal consumption of fuel, Russia's prospects have to take into account these factors. Solutions remain however at hand. Investments in infrastructure can ease natural resources exports as easily as investments in refining and production capabilities can expand Russia's industrial base. Nevertheless, **Russia's economic vulnerability is caused by focusing extremely on energy exports. Expanding the industrial base is a prerequisite for an economy that can absorb international shocks better than it did in 1998 and build a truly sustainable economic basis.**

This analysis uses information from: *CIA, BBC, CNN, The Economist, World Bank, Washington Post, IHT, The Times, The Moscow Times, the Kommersant, RIA Novosti, Itar-Tass, Regnum, Interfax, AP, AFP, Reuters, Wikipedia, IMF, World Economic Forum, etc.*

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## **RUSSIA'S POPULATION**

**Russia** is the largest country in the world and **has the world's eighth-largest population of about 142,893,540 (July 2006 est.) and a density of 8.3/km<sup>2</sup>**. This marks a descendant trend in population in the last decade when Russia was considered as having the world's 6<sup>th</sup> largest population. At present, Russia's population represents 2.15% of the world's population. In October 2005, the federal statistics agency reported that Russia's population has subsided by more than half a million people. The cause of this drop is the high death rate because of abortion, smoking, drug abuse and alcoholism, pollution and environmental degradation and the ever-decreasing birth rate. Within a year, for every 1000 Russians, there are 16 deaths and approximately 10 births; thus every year there is a population decline of about 750 000-800 000 individuals. It is estimated that there are twice as many abortions as births because the birth of a first child pushes many families into poverty. Over 20% of Russia's population lives below the poverty line, despite increasing governmental spending on social protection measures. The largest number of abortions is registered within the youngest cohorts. Although there are significant efforts to propagate a proper sexual education and reduce the aggregate number of abortions, the data shows that not many women use effective methods of contraception. There are great discrepancies between regions in Russia regarding the rate of abortions.

The North Caucasus is an example of a low rate of abortions, due to the fact that Islam population is concentrated in these areas. Another reason why Russia scores such a high death rate is the uprising of the number of people suffering from infectious diseases. Russia is one of the countries with the highest rates of HIV infection and the number of infected persons arrived at almost 1 million people in 2005 – and it is still rising, especially in the youngest cohorts. Infant mortality rate is a very serious problem, mainly in far off areas. Pneumonia in those less developed regions, for example North Caucasus, East and West Siberia, the Far East, is a dangerous risk for infants, because they don't have the necessary equipment or medication to treat these diseases. Russia is again in top taking the second place in the highest suicide rate in the world, with 38.7 suicides per 100,000 people. Unemployment and poverty (17.8%) has an important contribution to population decline as well. Simultaneously, life expectancy decreased: 60 years for male and 70 years for females. However, the country's population is sustained by the large number of immigrants from abroad. Russia is the second country in the world by the number of immigrants, many from the former Soviet Union. 200 000 legal immigrants enter the country every year, and the illegal immigrants are estimated at 1.5 million, helping Russia keep the population number at a relatively stable level. But the increasing number of immigrants aroused nationalist sentiments. Georgians, Armenians, Azerbaijanis or Ukrainians are coming in large numbers, something that is seen not very well by many citizens. Russia seems to be an attractive country, given the fact that there

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are so many immigrants, in contrast with the country's migration rate of 1.03 migrants/1,000 population. From this point of view, the current situation and number of Islamic populations in Russia is increasingly problematic, especially in the light of the massive domestic anti-terrorist campaign.

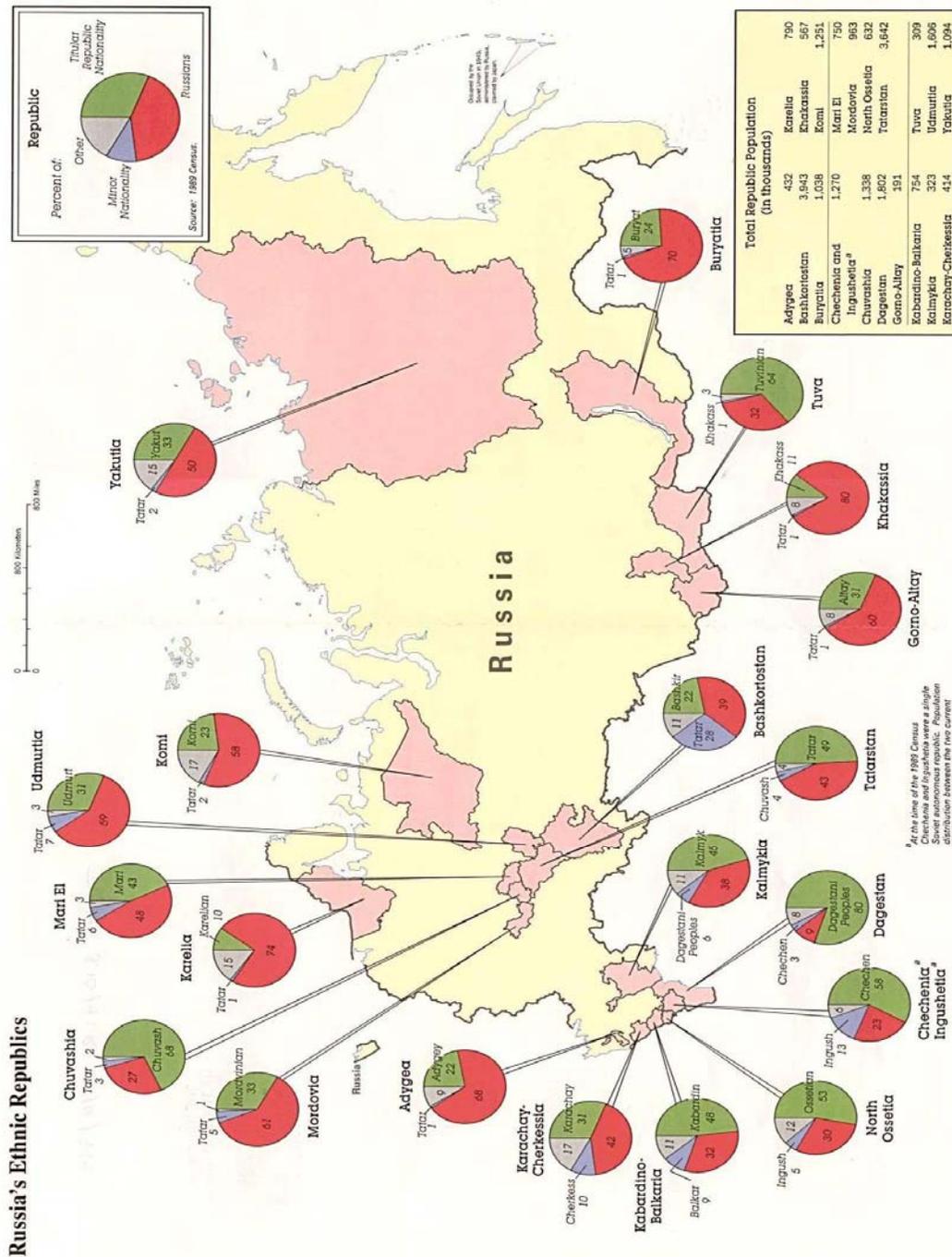
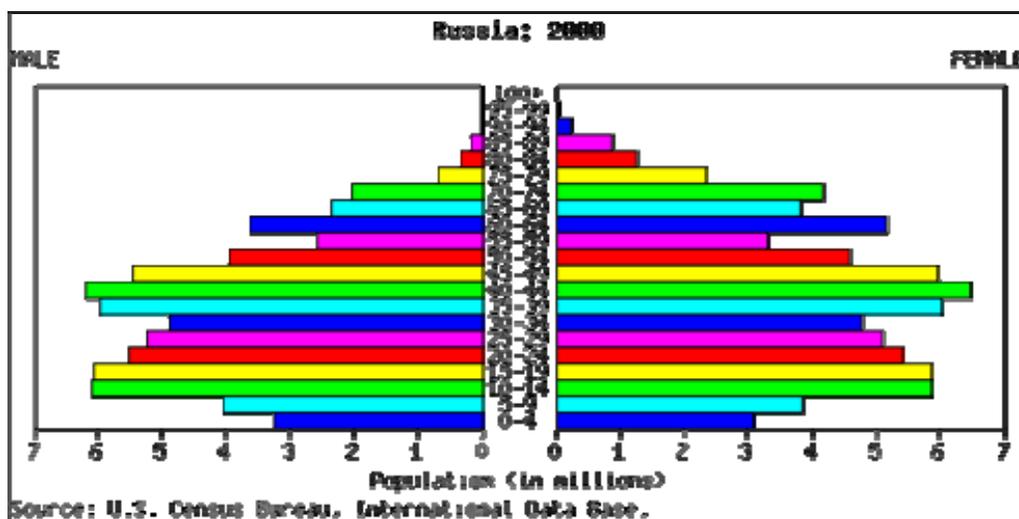


Photo source: usaid.com

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The table below shows the age pyramid in Russia's population according to the 2000 population census. By analyzing the data carefully we discover a great cause of concern with significant consequences in both military and economic aspects of life. On the one hand, the Russian population is not only declining, it is also aging rapidly. This puts incredible strains on the healthcare system – already in a poor state – as well as the economy. A great danger of Russia's economy is the “brain drain”. As the government was unwilling to index fixed wages according to inflation, education and science incomes has dropped below level of subsistence, affecting the education quality in schools, universities and research institutions. Still, almost 100% of population is literate. Private schools are rare, 97% of children receive the 9 year compulsory education or complete 11 year. There is a great request on science and technology education in urban areas: medical, mathematical, scientific, space and aviation research.



Moreover, the smaller cohorts of the post-imperial period offer insufficient people from which the Russian military could recruit its officers. By 2015 Russia will have to recruit about a half of the number of annual recruit it does now. This will lead to a considerable reduction in its ground forces, seen as vital to securing the 17 million km territory. Needless to say, this presents Moscow with an extremely difficult problem.

This analysis used information from: *CIA Factbook, BBC, The Economist, World Bank, Wikipedia, the Heritage Foundations, Russian Presidency and the following websites:*

<http://www.russianembassy.org/>

<http://www.state.gov/r/pa/ei/bgn/3183.htm> <http://www.britannica.com/eb/article-9109504/Russia>

<http://www.census.gov/ipc/prod/ib96-2.pdf>

# RUSSIAN FEDERATION'S MILITARY

## DEFENSE EXPENDITURE

There are two problems when trying to estimate the Russian defense expenditure. The first is the temptation to compare the relative strength of Russia's defense instrument to that of the Soviet Union. Since evaluations to the size of military funding during the Cold War years are only an estimate, a rough approximation, official data are an indicator, but not a reliable source. Constantly, US officials emphasized that real figures were probably at least twofold those claimed by the Soviet establishment. Therefore, one of the two terms of the comparative analysis is somewhat flawed. Secondly, there are serious indications that the lack of transparency has been maintained. Consequently, Western authorities maintained a skeptical attitude towards official Russian defense figures. Many sources, including IMF or American official reports clearly state that many of the figures they provide are only estimates. At the same time, on numerous occasions official Russian figures have been classified – and military related issues fall very often into the category of national secrets. The three key aspects we have taken into consideration in regard to Russian defense expenditure are the absolute amount of funding dedicated to the military and security instrument, its proportion of the GDP and the detailed use of the defense budget.

One of the main problems in estimating both the defense expenditure and its share of the GDP is the fact that besides official figures there are numerous allocations which almost double the amount of money spent in this field by the Russian Federation. There are a lot of financial destinations which are clearly defense-related.

### Evolution Timeline

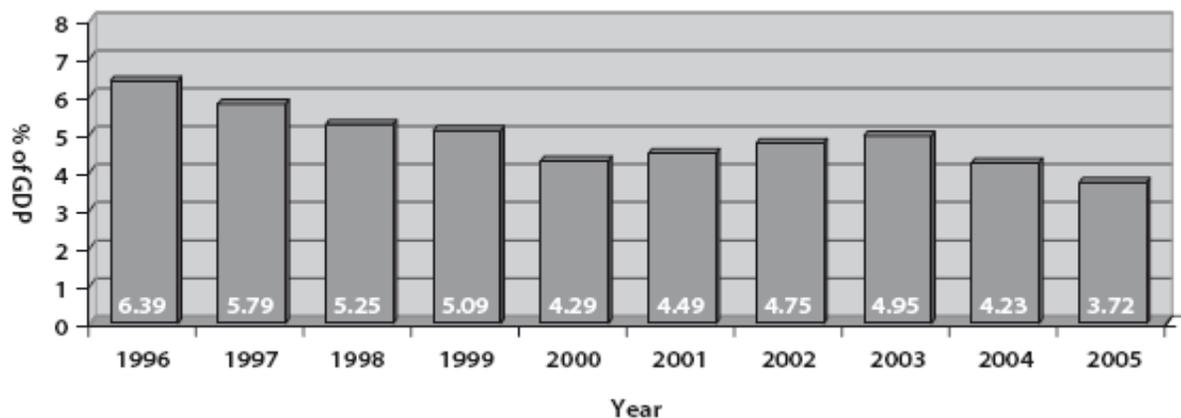
- **1996** – The budget ratified by the State Duma totaled \$19 billion US. 16% of this amount was dedicated to military acquisitions, whereas 7.3% was designed to fund research and development (R&D). In 1995, 10.2% of the budget was allocated to military R&D and 21.2% to acquisitions. By comparison, the US defense budget at the same time totaled 249 billion \$.
- **1997** – According to various sources, Russia's defense expenditures totaled \$24.1 billion, \$41.7 or even \$65 billion. The funding is however unimpressive compared to the 1987 budget, estimated at \$257 billion. This signals that the Russian military underwent a two-pronged crisis. On the one hand, the living standards and the personal incentives military personnel gained from serving in the military had a steep fall. As Yeltsin clearly stated, military reform, R&D, arms procurement had to wait, in front of what political leaders at the time considered the real priorities – economic development, that is.

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- **1998** – The budget is at its lowest, \$7 billion, mainly as a result of the Asian financial crisis which heavily affects the Russian economy. This budget was a great cause of concern for Western states which began to worry about the maintenance and storage of the former Soviet nuclear arsenal that had been downsized throughout the 1990s but remained somewhat huge at that time.
- **1999** – The total defense budget of the Russian Federation was estimated at \$30 billion. However, it is reported that only 71% of the funds allocated to the defense sector were utilized. To this day, it remains highly unclear how the defense budget could have more than tripled during just one year considering that 1998-1999 was the first year of economic growth in the Russian Federation as well as the fact that 1999 was the year of a deep economic crisis that profoundly affected Russia. This was the year that saw the onset of the Second Chechen War, a year when the defense budget required a substantial boost.
- **2000** – As a result of reform decisions promoted by the military and political leadership, which resulted in an important reduction of troops (nearly 500,000 military personnel), the total spending of the defense budget was \$7.3 billion, but there are serious indications that more money were spent on defense-related issues.
- **2001** – The International Institute for Strategic Studies estimates in The Military Balance 2000-2001 that defense spending amounts to \$56 billion.
- **2002** – Deciding on a boost of defense spending, the budget amounts to \$9.89 billion.
- **2003** – According to official statements, the budget is estimated to be in between \$12 billion and \$13.2 billion.
- **2005** – The budget rises to \$18.3 billion.
- In absolute terms, the **2006** military budget allotted to the Russian military was estimated at \$24.3 billion. The total defense expenditure however, totaled approximately \$32 billion. The defense budget was considerably increased by approximately 22% at president Putin's proposal. The president also requested that an increase of approximately 20% be made in the arms procurement sector.
- The figures for **2007** show an increase in both categories. The defense budget totals \$28.31 billion, whereas the defense expenditure rises to more than \$41.93 billion. In 2008 president Putin has already announced an 18% increase in the national defense budget, which is expected to reach at least \$35 billion. This is to



be one of the highest peace-time national defense budget's increases in Russian history after the fall of the Soviet Union in 1991 – despite the fact that between 2000-2007 the Russian defense budget increased by approximately 350%. The defense budget is expected to rise by 2010 to approximately \$46.2 billion, according to the defense funding three-year plan approved by president Putin in 2006 (the 2008-2010 defense budget plan estimates total defense expenses to reach \$125 billion).

When looking at the variations exhibited by the military expenses in the last ten years, one can clearly see the strong influence the economic performance has had on the defense-related spending. Certainly, the amounts allocated in this field have seen their ups and downs, but it is highly probable that these expenses will rise in the following years, unless some serious economic incidents will affect Russia's financial stability. The main reasons behind the rise in the defense-related expenses in the following years are the developments in the Russian economy and the increasing international ambitions of Russia's political elite. Both suggest that the need of a credible deterrent exists and will continue to persist in the years to come. Still, this great fluctuation in the share of the GDP or the federal budget represented by the total defense-related expenditure suggests stagnation in significant military modernization projects in the Russian Army. Moreover, according to the Military Balance 2007 there are already signs that the modernization and professionalisation of the Russian Army is slowing down in the last couple of years, although this is a trend that has been quite steady throughout the 1990s if we are to consider the figures alone. Defense expenditure since 1991 shows great imbalance with years that are over-stretched financially in the military sector and years when the budget is not even entirely used. This is a signal that the Russians are pursuing reforms in the army and that their modernization process is done by fits and starts and not as a stable and constant process. Needless to say, this greatly reduces its utility. With the current trends, it is unlikely that in the years to come there will be a significant qualitative or even quantitative boost in the Russian armed forces.

In relation to the GDP, the defense expenditure's evolution is somewhat inconclusive. First of all, the GDP has been steadily increasing since 1998 – benefiting from the boost in the Russian economy in the aftermath of the Asian crisis, when energy exports placed the country as a significant actor in this field. Revenues from oil and gas exports helped put the reform and restructuring of the Russian armed forces back on track. However, the quotas of the GDP represented by the defense-related expenses seem to be diminishing. In absolute terms, the funds allocated in the defense-related field are rising. Therefore, no dominant trend can be identified by looking at the data alone. Suffice to say that, in recent years, there is a positive trend that affects the GDP and the defense expenditure. In 2006 the military budget represented only 2.58% of the GDP, whereas total defense-related expenses mounted to 4.07%. In 2007, the defense budget represents 2.9% of the GDP, whereas the total defense expenditure captures 4.29%. The increase may not seem relevant from a statistical point of view, as the differences are under a 1% threshold.

The picture gains significance however if one takes into account the share of the federal budget represented by both the military and defense expenditures. Hence, the total amount allocated in the defense field in 2006 represented 24.65% of the federal budget, whereas the 2007 estimated value is of 22.27% of the national budget. By comparison, the official American budget represents only 4% of the federal budget for 2007. This

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## RUSSIA REPORT

means that Russian leadership places great emphasis on the development of their military forces and that the reform of the military sector is central to Moscow's strategy. Whether the military is seen as a deterrent or as a leverage instrument in international politics, it remains a powerful instrument for the Kremlin. It is clear that Moscow believes it can continue to base its policies on energy exports and can manage the economy by using the profit it gains in the defense field. When compared to Russia's greatest competitors, both in military and in economic terms – except China, which follows a similar trend, but places more emphasis on economy – one can see that the financial exercise is unbalanced. Most Western Powers allot 4-5% of their total budget to the military, supplying what they consider key fields with the lion's share – education, housing, social protection, etc. The fact that Russia invests more in its military than in education and healthcare, for example, proves to be a key indicator of the Kremlin's short term priorities.

In terms of next year's military spending, the main variable in question is Russia's GDP. Taking into consideration that Russia has made some investments in expanding its energy fuels production and has invested in transit energy development, it is likely that the GDP (PPP) will rise. The quota of the military spending will increase by an estimated 18%, but, since governmental incomes are expected to rise too, the absolute value of the funds allocated in the defense-related field is likely to increase as well.

According to "The Military Balance 2007", the main destinations for the Russia's defense budget are personnel (15 billion rubles in 2006, 17.9 billion rubles in 2007), procurement (9.5 billion rubles in 2006, an estimated 12 billion rubles in 2007) and maintenance (6.9 billion rubles in 2006 to 7.3 billion rubles in 2007). Most important defense-related expenditures are considered to be state security spending (which increased from 9.1 to 11.2 billion rubles in 2007) and military pensions (which have also risen from 13 to 14.6 billion rubles). However, it must be noted that whereas China also includes military pensions in the national budget, in the US financial system, the military pensions are funded outside the federal budget. In terms of military-related expenditure, the differences in the methods of financing the military instrument indicate not only that the Russian leadership is incapable of assuring the necessary funds for its defense, but that also some defense-related items are left unsolved. The military pensions once again are a relevant example, as their quota, albeit rising in recent years is effectively an incentive for the military personnel. Russian military expenses are executed solely by budgetary means, whereas American spending, such as the wars in Iraq and Afghanistan are funded by extra budgetary means. Kremlin's high reliance on the budget and on the constant rise of the GDP provides no safety mechanisms in case the economy – more precisely said state owned economy and state-taxing – suffers strong crises, as it was the case in the past. In the event of an economic crisis or an unexpected rise in terms of military spending – an armed conflict, for example – the Kremlin will be faced with a lose-lose situation: either Russia will be incapable of dealing with the crisis that affects the army, or Moscow will reassign funds from other fields that are already underfunded in comparison with the military to salvage the situation in the Russian army. Moreover, the standard of living in the Russian Army shows very little signs to have improved in the last five or seven years. Quite to the contrary, it remains one of the lowest in the world, with huge differences between Russians and Chinese, Americans or British. Several domestic NGOs, amongst which the most prominent is the Soldiers' Mothers, have raised a series of serious complaints regarding training, treatment and living standards of

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Russian recruits. Considering that the Russian Federation spends so much money on personnel whose standard of living is so low, it goes to show that resources are not at all allocated responsibly in the Russian military.

### **HUMAN RESOURCES IN THE MILITARY FIELD**

The total active Russian armed forces amount to 1,027,000 personnel. So far, a large part of these soldiers – roughly 70% in 2006 – have been recruited by means of conscription, with the rest representing the volunteers. A serious debate has been taking place in connection with the possibility of replacing the conscription system with an all-volunteer professionalized army. Talks about this structural reform of the Russian Army have begun since 2002, but cuts in the military budget – specifically in the personnel areas or in the arms procurement field – led to a continuous postponement of this reform. Lately there seems to be a slowing down in the pace of the implementation of this crucial structural reform. At present, no serious cutbacks in the number of Russian conscripts can be perceived, and the reduction of military personnel seems rather unlikely in the years to come given the current strategic situation of the Russian Federation.

This does not mean that the switch to the professional army is not going to happen at all, but that it is likely to be postponed for several years. Officials in Kremlin as well as the General Staff of the Russian Army argue that a country with as big a territory and as long a border as the Russian Federation needs a large ground army. Switching to the completely professionalized army over night would leave the army with a serious problem: the lack of much needed personnel. It is unlikely that 300,000 volunteers – the necessary number of recruits – present themselves for recruitment every year. In 2006 there were barely 67,000 volunteers that entered the Russian armed forces. While other states did not have problems when switching to the completely professionalized army, the Russian Army is a particular case in itself due to the fact that there is a lack of overall balance between its main branches. The Ground Forces are the ones that need the largest number of recruits annually. At the same time, they are the ones that receive the smaller number of volunteers every year. If Russia was to switch to a completely professionalized army in 2008 – which is highly unlikely at this point – it would certainly face a lack of balance in its armed forces (which would be deepened by the high ratio of troops to tail). Thus, vulnerability would rise especially in one of the weakest sectors of the Russian Army – the conventional forces.

Officials have deemed 2008 as the terminus point of the conscription system. Some, being more reserved, hoped that at least 70% of the armed forces will become professionals by 2008. However, it becomes doubtful whether Russia truly can afford to completely abandon the conscription system for at least a decade ahead. There are still serious problems in terms of arms procurement and the pace of the reforms seems to be winding down. An official announcement has been made that starting 2008 the service term will be reduced from the current 2 years service to only one year, which is seen as the first step to professionalization. However, there is another hugely important aspect to take into consideration: demography. Official figures show that the dramatic reduction of the Russian population will force Moscow to accept fewer recruits in the Army every year – about half the current numbers as a matter of fact – by 2015. All this having been

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said, it becomes obvious that Russia cannot completely renounce the conscription system just yet.

In terms of offensive or defensive military capability, the move will probably result in a short-term up to mid-term decline of Russian capabilities. First, the new raw recruits will not leave the army as well trained as their 2-years military service counterparts. Secondly, though the shortening of the military training program may result in an increase in the number of recruits – dodging the draft is a serious problem in the Russian military – the funds made available will not suffice to expand the professional or contract-hired core of the Russian army.

The problems the system has to face are not new to the Russian leadership. On the one hand, following the 1998 crisis, the military profession has lost many of its incentives, the living standard of the officer corps decaying profoundly. Serious measures have been undertaken in recent years in order to improve this particular aspect; for instance, Sergei Ivanov announced in 2006 a rise in salaries and the building of state-lent apartments for professional military. If the officer corps seems to be affected in a positive way by the developments in this field, the problem is more complex when it comes to ordinary soldiers.

Again, the problems the military system faces are not new. While more units have achieved a professional status, being thus counted amongst those on permanent active service, the mainstay of the army still consists in all armed forces of recruits serving their time in the military. The most important problems are the constant dodging of the draft – a problem that the military has had to deal with since the 1960s – the quality of the raw recruits, the constant population decrease, the incapability of drafting the planned contingents and many others. If the level of the armed forces is to remain constant, serious steps have to be taken both in improving the conscription system and reforming the military structures, since the serious problems that have to be dealt with have a structural underlying cause and are not lone incidents.

Thus, the situation of army personnel is one of the main problems the current and future Russian military leadership has to face. The key aspects of the problem are:

- 1) The drafting numbers are decreasing because both of demographic decrease and draft dodging;
- 2) The quality of troops is decaying because the lack of officers and equipment;
- 3) There are still few incentives that may determine people to remain or to join the Army.

### THE STRUCTURE OF THE RUSSIAN MILITARY

As we have mentioned before, the Russian armed forces consist of 1,027,000 soldiers. Of these, 395,000 serve in the Army, 142,000 in the navy, 160,000 in the Air Forces, 80,000 in the Strategic Deterrent Forces, 250,000 in the Command and Support Department. A further 418,000 are counted as Paramilitary troops. Of these, the troop-tail ratio continues to be quite high, but it has been considerably lowered throughout the last seven years. The drafting age is 18 years; the membership in the reserve forces extends to 50 years of age. The active reserve consists of about 20,000,000 people.

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The main administrative body of the Russian military is the Ministry of Defense. According to some analyses, recent years have been marked by the development of the executive privileges in the ministry. Historically, the authority over the armed forces belonged to the General Staff, the role of which has been reduced in recent years to one of pure strategic planning. The branches of the military are the Ground Forces, the Navy and the Air Force. There are also three independent arms of service – a heritage of the Soviet military organization system. The three arms of service consist of the Strategic Missile Troops, the Military Space Forces and the Airborne Troops. The Troops of Air Defense have been subordinated to the Air Force since 1998.

The Ground Forces are organized into six military districts – Moscow, Leningrad, North Caucasian, Privolzhsk-Ural, Siberian and Far Eastern. The ground forces are divided into:

1. Motorized Rifle Troops – by far, the most numerous; they are considered to be the core of the ground forces battle formations; there are presently 19 motorized rifle divisions in the Ground Forces and 7 divisions in the Navy.
2. The Tank Troops – the main impact and thrusting force in the Ground Forces; there are currently 3 tank divisions.
3. The rocket and artillery forces – the main fire-power corps of the Ground Forces; these include 5-6 static artillery divisions and 3 field artillery divisions.
4. The Air-Defense Troops – which have the role of providing operational protection to the Ground Troops; they consist mainly of surface-to-air-manning troops.

In terms of equipment, there are still serious problems in modernizing the military forces. Since Soviet times, the military leaders have not placed great emphasis on renewing military equipment, relying solely on numbers and old equipment. At present, although the rate of replacement of military material has risen, analysts are skeptical of the capability of the Russian Ground Forces to completely renew its arsenal. Due to budgetary restrictions, during the 1990s and the early 2000s, equipment procurement and replacement were slowed down. Over-reliance on Soviet era equipment is at present a major vulnerability to Russian military apparatus.

The underlying causes of the problems the Ground Forces have to deal with are the continuous under-funding of the R&D departments and the Soviet-inherited strategy of deploying equipment. The military has been incapable to develop new warfare technologies, because of a serious lack of funding, although this is not the only cause. The modernization of the Russian Army has been limited due to lack of funds and time to modernization of old platforms, systems and equipment, the main expedient being to play upon improving present equipment – a move which in time has resulted in creating a gap in terms of military technology between Russia and its main competitors – the US, China. Secondly, Soviet strategy has been not to deploy new armament in what Russian planning considered vulnerable fields – areas that cover the most of European Russia and the China-bordered regions. In time, this has resulted in the equipping the Ground Forces with numerous different types of armament, which are to play nevertheless the same tactical role. This is true not only of tanks or armored vehicles, but also of artillery.

The Russian Navy was seriously affected by the budgetary cuts in the military budget during the 1990s, in the aftermath of the USSR's downfall. Ever since the Soviet era, the emphasis on blue water navy was materialized in the emphasis on submarines – nuclear,

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in particular. Many of the problems the Russia Navy had to face were derived from funds restrictions – the lack of fuel or the rate of new ships being launched, for example. At the same time, Russia had to close most of its international bases; only the Crimean bases in Ukraine continue to be lent, with a deal having been struck between Moscow and Kiev in March 2007 that allows Russia to retain the use of the bases up to 2017. One of the flaws in Russian strategy was again the emphasis on quantity, rather than quality. Consequently, many decaying or obsolete ships have been decommissioned in recent years, a phenomenon which would have happened in spite of the USSR's break-up. In terms of ship commissioning, the Soviet strategy of placing heavy emphasis on the role of submarines has been retained. There are three classes of submarines currently under construction: the Lada, the Graney and the Borey. The problem though is that Russians build too many submarine classes at once, but while some of these submarines are being built, some “breakthroughs” in technology are made and then these classes all have to be redesigned to fit in the new technologies. So much so that the Russian Navy managed to get its central piece – the submarine – in shatters through the 1990s, building several of each class, then modernizing the class and building several others. For instance, the Borey class alone, the largest nuclear-propelled and nuclearly-armed submarine to enter the Russian Navy in 2008 was redesigned to fit new technology at least twice since 1995 when its construction began: first in 1996-1997 and the second time in 2003-2004. These gaps in the building process affect not only the speed of ship commissioning, but the size of the budget allocated for their construction. So far, assuming there are no more technical problems with the Yury Dolgoruky, or the other two that are under construction as we speak, the Borey class's construction exceeded its initial budget by more than double the amount.

In terms of surface ships, Russia announced the building of two aircraft carriers, due to enter service by 2017, and has already launched the Steregushchy-class corvettes. In terms of organization, the Russian Navy is divided into four fleets and one flotilla:

1. The Northern Fleet, in the Murmansk area; it is the main fleet of the Navy.
2. The Pacific Ocean Fleet, based in Vladivostok and Petropavlovsk.
3. The Black Sea Fleet, based in Crimea, where it will remain until 2017 as the Russian Army General Staff estimates.
4. The Baltic Fleet, based in Kronstadt and Baltyisk.
5. The Caspian Flotilla based in Astrakhan.

There are huge differences in terms of equipment among these structural and administrative divisions of the Russian Navy, with the Northern Fleet being the strongest at present. However, the newest platforms and systems, especially surface ships, are currently going to the Black Sea Fleet and the Caspian Flotilla, mostly because of resource pockets Moscow feels it has to defend in the area from other rivals such as the British, the Europeans or the Arabs. However, starting in 2008, deep blue Navy platforms such as nuclear submarines and aircraft carriers will enter service. These will most likely be divided between the Northern Fleet, which remains a strong deterrent against NATO and the Pacific Ocean Fleet, which has been considerably reduced of late, and must be rebuilt as a credible deterrent against the US, China, Japan and potentially other regional rivals.

In terms of equipment, the Air Force has also been affected by the fall of the USSR. Although it gained a considerable amount of material after taking over the Troops

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of Air Defense in 1998, its numbers have been dwindling and it has suffered from the general constraint of lacking the necessary fuel (even nowadays Russian pilots fly only 40 hrs a year, whereas their American counterparts amass 210 flying hrs). Moreover, the Air Defense assets consisted mostly of helicopters. Although serious plans have been undertaken in order to bring forward a fifth generation of jets and multi-role fighters in the “Future Air Complex for Tactical Air Forces” program, which is scheduled for completion in 2015, the Air Force is currently suffering from low numbers, unsatisfactory performance and maintenance. Maintenance is in fact a generalized problem throughout the Russian Military. Analysts estimated that the lifespan of current Russian military equipment is one third reduced by inadequate maintenance levels. At the same time, in the case of the Air Force, the number of flying jets has been constantly falling, many obsolete models still being kept in use. However, Russia is currently investing both in air defense systems as well as in new generations of strategic bombers fighters which are due to enter service with the Russian Army throughout the next 5-10 years.

The Strategic Rocket Forces of the Russian Federation are the Army’s branch that controls the country’s ICBM’s. In terms of numbers, it is currently the largest force of its kind in the world, operating 506 launchers, capable of delivering 2360 nuclear warheads. It is organized in 3 missile armies, comprising 13 divisions. Since 1997, two thirds of the forces are on constant combat readiness. The limited funds also affected the Strategic Rocket Forces, but the Government made sure that adequate maintenance measures are taken and that replacements are regular – to some extent do to increased pressure for Western powers during the 1990s, but also due to considerable financial help in this respect.

The Military Space Forces are responsible for performing early warning missions in regard to possible missile attacks of the country, performing missile defense tasks and creating, deploying and maintaining the operability of Russian military space facilities.

The Russian Airborne Troops are considered to be both the most mobile forces of the Army and the most capable force, in terms of troop drills and capability. They are primarily airborne forces. In the late 80’s and the early 90’s it consisted of seven divisions, but their numbers have been currently reduced to 4 divisions: the 7<sup>th</sup> Airborne Division located at Novorossiysk, the 76<sup>th</sup> Air Assault Division with the HQ at Pskov, the 98<sup>th</sup> Airborne Division located in the Ivanovo region and the 106<sup>th</sup> Airborne Division with the HQ at Tula. There is also an additional brigade, the 31<sup>st</sup> Airborne Brigade in Ulyanovsk, part of the Russian Airborne Troops which is also on active duty at present.

Alongside these branches there is also the Russian Naval Infantry. Considered to be made up of elite troops, its role is to spearhead assaults, leading the way for the Ground Forces. The unit numbers 12000 troops, which are allotted to the naval Fleets. Consequently, the Pacific Ocean Fleet comprises one naval infantry division, whereas the Northern and the Baltic Fleets alongside the Caspian Flotilla have each one naval infantry brigade. The Black Sea Fleet is allocated one naval infantry regiment.

On conventional grounds, the Russian army is ill equipped, understaffed, underfunded and underpaid. It is capable of managing conflicts with medium and minor powers, but when it comes to superpowers, the current status is not a reason for optimism. The main tactical problem that affects the army is that of antiquate equipment. The example of the Navy is relevant, as the same situation is encountered in the other forces. In terms of interoperability, there are two problems that the navy has to deal with are the general

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strategy the fleet is required to play and the equipping strategy. Firstly, unlike its American counterpart, whose primary role is that of assuring the control of the sea, the Russian Navy's primary designation is that of realizing an effective sea-denial operation, or creating very credible premises for a second nuclear strike – thus the emphasis the Kremlin puts on submarines. The problem is that while the US has developed serious offensive and anti-submarine capabilities, the same cannot be said about Russian defensive or offensive capabilities. The freezing of important funding has resulted in creating a serious technological gap between Russia and its closest competitors, the US and China, which cannot be overcome in the short term. Both sea-denial and second strike capabilities are expensive strategic directions that require adequate funding and capabilities. Secondly, the Russian navy has an almost chaotic building program, a problem which also has its origins in the Soviet era. Due to generous funding, the Kremlin started many programs of ship-building. Once the plans for a new class of ships were realized, they were quickly put into force. While still building the fourth or the fifth ship of the designated class, another plan for another class was approved and thus a new building series began. Because the Soviets placed heavy emphasis on quantity, and due to financial restrictions, the Navy maintained many antiquate ships that were long overdue in active service. These factors ensured that nowadays Russia has a large navy, but it comprises many ships of different classes, with very different characteristics, thus lowering interoperability levels. While some ships are comparable to American or Chinese counterparts, the major part of the Russian Navy isn't. The same situation occurs in the Ground and Air Forces as well.

### CURRENT MILITARY OPERATIONS

Taking into consideration the size of the Russian Army, the numbers of troops deployed abroad or taking part in international operations is relatively small. In fact, it consists of troops assisting in the reconstruction of Lebanon – 300 Russian troops from an engineer construction battalion. There are also some helicopter support troops in Sudan, as part of a UN mission in the region and the 15<sup>th</sup> Independent Peacekeeping Brigade in Georgia, consisting roughly of 1,500 soldiers, which officially supports peace-keeping operations in the separatist region of Abkhazia. Moreover, one must also take into consideration the 1,300 soldiers stationed in Transnistria.

When judging the effect and the purpose these missions had, one must remember that their main strategic objective was a political one, albeit the tactical goals were military-related. From this point of view, the missions can be divided into 2 categories:

- a) former Soviet Space agenda-related missions;
- b) international obligations;

Although the official rhetoric of the Russian officials underlined no difference between these categories, the differences exist and are quite important. On the one hand, the Russian international presence outside the former Soviet Space is limited and can be seen only as the formal taking up of some international obligations, that derive from Russia's great power status – the troops are under a UN mandate, Russia being a permanent member of the UNSC. However, the two missions lie outside Russia's traditional interest zones and do not represent the prelude to serious Russian diplomatic

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engagement, at least not in short term. The other category is more complex and in term of political objectives can be considered a relative success. Russia used its military presence in the former Soviet space to gain and exercise leverage over the former Soviet republics of Georgia and Moldavia for instance. The Russian government has remained a decisive factor in these countries' external policy. In terms of tactical outlook, the Russian military (forward) presence proved crucial for the survival of the separatist regimes. The Russian military proved their superiority against local governmental forces, especially in the Georgian case, since the fighting in Transnistria ceased a long time ago. From a military point of view, however, no clear-cut conclusions can be drawn. The Russian forces, albeit the problems in terms of equipment, leadership and maintenance, proved superior to adversaries that can be considered at best paramilitary formations – although recent reports of Georgian police forces seem to indicate that they are better equipped than their Russian counterparts.

### LAST CONFLICT FOUGHT BY THE RUSSIAN ARMY

The last conflict Russian military forces have been engaged is The Second Chechen War (1999-present). The origins of the conflict are a result of the local elites' desire to establish Chechnya as a Soviet Republic. After the fall of the USSR, Russia ignored the Chechen demands, local military leaders thus proclaiming the independence of the Republic. In the conflict that followed, Russian forces and local pro-Russian paramilitary did not manage to put an end to the movement and the Chechen Republic gained de facto independence. Afterwards, a trend in separatist movements plagued the Northern Caucasus and the Chechen leaders lent a hand to these new separatist movements. At the same time, the movement gained a more visible religious characteristic. The conflict, especially in its second part was definitely characterized by more counter-terrorist measures after the Chechen freedom movements were dubbed terrorist groups by Moscow.

The conflict, which changed the status-quo installed after the first war brought the region again under effective Russian control, after a long series of fighting. Again, the mixture of political and military strategies seemed to have achieved results, in spite of the casualties some observers claim to equal the Soviet losses in Afghanistan (the two Chechen war toll amounts to 46,000 total casualties, according to analyst Anatoly Kulikov, whereas official estimates placed in the Russian military figures at 2006 casualties, without including Ministry of Interior troops or Chechen pro-Russian paramilitary casualties).

The political objective was clearly putting an end to the de-facto independence of the Chechen separatist republic. In terms of military tactics, the conflict consisted of two separate phases. The first phase, undertaken in consecutive steps saw the Russian forces routing a Chechen-led offensive into Dagestan, which meant to support local rebels. The offensive mounted and resulted in the taking of Grozny, after serious urban clashes with Chechen fighters. The next step was to clean the area of the remaining resistance fighters.

The military actions were intertwined with political decisions. As Russian forces advanced and gradually took control of Chechnya, a political pro-Russian regime was established. Since the start of the campaign, in the aftermath of the first war, however, a

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growing radical trend had been noted amongst the Chechen rebels. Their resolve to turn to terrorism acts became not only a pressure on the Russian political establishment to deal with the Chechen problem, but also a serious escalation in terms of counter-terrorism warfare, adding more complexity to this puzzle of politics and military actions.

After the concluding of the military grand-scale operations, the rebel's reaction was to turn to guerilla warfare and terrorism acts. The political decisions (granting amnesty to many rebels, playing the Chechen tribes against each other, etc) combined with military ruthlessness succeeded in playing down the resistance. From a strategic point of view, the Russian actions were quite effective against the guerilla campaign launched by the rebels. Several military exercises – a demonstration of Russia's resolve and military prowess – were held in Chechnya last year, and important troops are still stationed in North Caucasus as we speak. Local leaders claim that insurgent activity has diminished by 36% last year. The reliability of the statistics is nevertheless disputable. But the political situation in North Caucasus was plagued by several assassinations in the late 1990s and the early 2000s menaing the political and economic stability of the region was still uncertain. As part of the overall objective designed in the Kremlin – national stability as crucial to national security – a large anti-terrorist campagin was mounted nation-wide, with intense emphasis on the North Caucasus. Claiming it is important to uproot terrorist elements in the local government, president Putin pushed for legislation granting him the authority to name the governors and other local government ffigures – including even the mayors.

In terms of contemporary warfare, the Russian Army proved its worth in the Second Chechen War when the conventional forces managed to defeat the light-armed insurgents by a series of clever tactics and adaptation of amunition to urban warfare. The heavy casualties occurred only in special situations – in urban warfare. The lesson of the Chechen wars is that insurgents and terrorists can be successfully countered by a mix of political and military decisions, however ruthless and authoritarian they may seem. The current situation in the region is stable, Russian troops being in control of most regions and the rebel forces dwindling in numbers. With the practical extermination of their leaders between 1996-2006, the Chechen insurgents – considerably stronger than their neighbors in the North Caucasus – have seen a relapse in the intensity of their terrorist and militant activity in 2006-2007. So far, the Chechenization policy worked and its success is considered as a great source of authority and personal charisma for president Putin.

### RUSSIAN MILITARY DOCTRINE AND MILITARY MODERNIZATION

The Russian Federation issued in December 2006 a new draft Military Doctrine which has been approved and signed by president Putin in January 2007. Unlike its predecessor, the April 2000 Military Doctrine, the new draft Military Doctrine, published on January 23, 2007, is supposed to be a permanent document that signals the end of the Russian transition and postulates a reborn Russian Federation as an equal partner of the multipolar system. The first and perhaps the most important premises of the draft is the fact that the international system is no longer evolving towards increasing uncertainty as

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it was the case with the previous doctrines in 1993 and 2000, which feared that the international system might have an uncertain and potentially dangerous hegemonic evolution. The 2006 military doctrine draft spells that the international system is stabilizing in a multipolar formula. Consequently, all forms of unilateral action – but particularly unilateral military action – become illegitimate and aggressive since they are no longer appropriate to this type of systemic polarity.

**The new draft Military Doctrine signals a different Russian military posture which increasingly relies on nuclear weapons to fulfill two of its vital interests: maximization of national security and the recognition of its international great power status.** Hence, the new Military Doctrine is in fact **a strange combination of regional status quo policy and systemic moderate revisionism.** There are no radical changes that this draft Military Doctrine brings that were not already present in the 2000 Military Doctrine. However, there are a series of particularities that must be mentioned.

On the one hand, the April 2000 Military Doctrine greatly emphasized the military threats to Russian national security. Consequently, it strengthened the need to rely on the military to counter and deter these threats. Let us remember that the 2000 Military Doctrine was designed during the war in Kosovo, a period which was perceived as exceptionally threatening by Russian military leaders and politicians because in their opinion it signaled the emergence of a new type of NATO (and ultimately US) missions more inclined towards out-of-area action and driven by the right to interfere in domestic affairs in order to salvage or restore regional or international peace. Moreover, let us remember the late 1990s and the early 2000s were all the more threatening to the Russian Federation due to its own great economic crisis which at the time was a major vulnerability to the system. Furthermore, there were plenty of reasons why Russia would fear Western intervention in its domestic affairs given the fact that itself was lying on the powder keg – the Northern Caucasus – which was at the time preparing for the onset of the Second Chechen War. By contrast, the 2006 draft Military Doctrine emphasizes a broader range of threats to Russian national security, the most prominent of which now seem to be economic and political threats, followed by military threats. However, the particularly dangerous aspect of this draft Military Doctrine is the fact that it conflates political, economic, military and otherwise threats together and it presents the military factor as an all-encompassing solution to all pervasive threats to Russian national security. This further leads us to draw two main conclusions: first, the Russian military establishment had a really large part to play in drawing up the new draft Military Doctrine. There is a traditional tendency in the Russian military to over-emphasize its own utility and the crucial contribution it has to national security. This is understandable, especially if we consider the fact that the 1990s marked a period of great economic recession in the Russian Federation and a period when the army in general received much less funds than other sectors. This prominent if not predominant presence of the military factor in designing the new draft Military Doctrine is where the tendency to subsume all threats to national security to military – or partially military – solutions comes from. Simultaneously, it also **signals the greater militarization of the Russian Federation and its increasing reliance on military solutions in response to different types of threats. This, however, seems rather striking, especially since Russia redefined itself in the early 2000s as a soft-power kind of great power.** Even nowadays Russia continues to portray itself as a great power, one of the most influential power centers in

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the world, that makes use of its soft power in international affairs. Secondly, there is an obvious high level of threat perception within the Russian political as well as the military elite. This further determines a more radical and less flexible approach to national security and foreign policy in general – as shown by the April 2000 Russian Federation’s National Security Concept and the Russian Federation Foreign Policy Concept. There is a great number of analysts, particularly American or European analysts, who emphasize the fact that Russia is not threatened and should not feel threatened by the US, NATO or other Western powers. However, **Russian political and military leadership is biased by continuity in terms of perception of Western threat to Russian national security.** Under these circumstances, it bears less importance whether the threat is real or not, than the fact that the Russian political and the military leadership make decisions based on the threats they perceive. Consequently, these threats become real to them and infringe upon further Russian actions domestically and in the international system. Thus, perceived as well as real Russian threats are the focus of the National Security Concept and the Military Doctrine. But what are the factors that shaped these threats?

Throughout the last seventeen years since the end of the Cold War, there has been a number of relevant events in world politics that affected and influenced the Russian military posture that we face today. The war in Bosnia, followed by the war in Kosovo were the very first events that shaped the new Russian military posture. These two events highlighted the great threat posed by a potential massive military attack on Russia and determined a reorientation of Russian policy towards Europe – the Europe First Policy – much more so than the former Soviet era policy focused on the relationship with Washington; furthermore, the Russian armed forces too were more inclined towards dealing with European security issues in particular. The NATO mission in Kosovo especially was considered as a template for future NATO missions which seemed increasingly threatening to Russian national security, territorial integrity and survival if we consider the harsh criticism and the perceived Russian threat caused by NATO enlargement, as well as the new NATO Strategic Concept and the out-of-area NATO missions. In Moscow, there are still fears that NATO, the US or the West in general might at some point support secessionist or anti-Russian movements in the CIS or in Russia itself – a reason why this type of threat assessment became increasingly dominant in the Russian Army in the early 2000s. The Colored Revolutions that spread throughout the former Soviet space just recently were a wake-up call for Russian decision-makers that the threat is becoming more prominent if not entirely imminent and that with NATO eastward enlargement, the threat is coming closer to Russian borders. Russian General Staff leaders argue even to this day that NATO’s new Strategic Concept challenges the strategic military balance as well as the entire systemic structure upon the defense of Russian interests and world peace rest.

A second, but equally important threat to Russian national security was marked by NATO eastward enlargement and its internal reform. NATO’s eastward enlargement extended its sphere of influence up to 750-800 km closer to the Russian border, which significantly reduces Russia’s warning time in case of a NATO or a Western offensive against Russia. Former Defense Minister Igor Segeyev argued that the relation between NATO (and the US) and Russia is conducted under the auspices of a zero-sum game. The same opinion is favored by former Defense Minister Sergei Ivanov as well as current Defense Minister Anatoly Serdyukov which repeatedly emphasized that any NATO

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eastward enlargement as well as any change in the character, actions, Strategic Concept or types of missions within NATO is at Russia's expense and it seriously infringes upon Russian national security. Consequently, Russia never stopped criticizing and opposing the enlargement of NATO in either territory or mission. The Russian military never truly stopped identifying NATO (and the US) as the primary military and political threat to Russian national security. Although the 1997 as well as the 2000 National Security Concept of the Russian Federation stressed that direct military aggression against Russia by any Western alliance or power was unlikely, NATO was constantly identified as a threat to Russian national security.

This further intertwined with a series of other factors such as arms control and disarmament in Europe or at the systemic level. Hence, great debates took place in Russia concerning the signing and the ratification of the START II Treaty, as well as the CFE Treaty. Russia currently blames most signatory states of the CFE Treaty that they have not complied with their obligations according to the treaty's provisions, which greatly endangers the military continental balance. Furthermore, as president Putin highlighted in his 2007 State of the Union Address on April 26, the unilateral implementation of the CFE Treaty's provisions by the Russian Federation has come to be a true vulnerability to Russian national security, consequently it should be suspended for a year and then reconsidered in the light of potential changes towards the treaty in other state's international engagements. Moreover, at present there seems to be great disagreement between the US and Russia concerning the negotiations over START III, misunderstandings that are further extended and amplified by the issue of the US deployment of an ABM system in Eastern Europe – particularly a fixed radio station in the Czech Republic and ten interceptor missiles in Poland – also known as “the third site”. The American plan to install an ABM system in Europe – presumably against North Korean and Iranian threats – launched in January 2007 sparked great criticism in Russia, criticism and opposition which became apparent beyond any doubt in president Putin's speech in front of the participants to the International Security Conference in Munich in February 2007. Later on it became apparent the fact that the Russian side had been informed about American plans since March 2006 and that secret bilateral negotiations had been conducted during this entire period. However, former Defense Minister Sergey Ivanov, as well as current Russian FM Sergey Lavrov argue that the American side only aimed to inform Moscow about its plans and was never truly committed to bilateral equal negotiations. Consequently, the new draft Military Doctrine could be considered a Russian response to the unilateral and hostile American action. Moreover, members of the Russian General Staff threatened the unilateral withdrawal of the Russian federation from the IMF Treaty as well as the CFE Treaty and the targeting by Russian strategic weapons of the US ABM system in Eastern Europe.

Fourth, **Russian national security is perceived as being increasingly threatened by the so-called Revolution in Military Affairs (RMA)**, particularly by the introduction and grand-scale use of smart weapons and systems. These systems that are apparently predominant in US and Chinese military establishments pose a serious threat to Russian national security because they have the ability to either neutralize or simply just significantly limit or reduce the use of the Russian strategic arsenal in self-defense purposes.

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Another important event that helped shape the new Russian military posture was the September 11, 2001 terrorist attacks on the US. The terrorist threat had long been a huge threat to national security and stability in Russia, but the terrorist attacks in the US helped put things in perspective in the Kremlin. The fear that terrorist elements in Chechnya that had spread throughout the entire Northern Caucasus were now posing a much greater threat because they were in the position of linking up with international terrorist networks such as al-Qaeda and together conspire to disintegrate the Russian Federation grew intensely and reached its peak in the aftermath of the Beslan incidents. The impact of these events on Russian domestic and foreign policy as well as military posture was tremendous. The Chechenization policy became much more intensive and ruthless and so did the authoritarian measures at the domestic level. At the international level, close cooperation with the US in the matter of countering international terrorism became a priority for Russian foreign and security policy.

Another important event that helped shape the new Russian military posture was definitely the war in Iraq that began in 2003. This signaled to Russian decision-makers that the use of force is spreading rather than be reduced in the system and the need to strengthen their own military apparatus and capabilities became more obviously clear than ever before.

The last, but not least of the events that helped shape and is currently shaping Russian military posture is represented by the October 9, 2006 North Korean nuclear test as well as the present debates over Iran's nuclear program which is believed to be intent on building nuclear weapons with clear aggressive objectives in mind. These two events, which are to a certain extent connected, determined the Russian military and political elite consider that nuclear weapons were slowly spreading. And the acquisition of nuclear technology and capabilities by its immediate neighbors is considered to be a potential threat to Russian national security as well as a destabilizing factor to the regional or systemic balance of power. Consequently, the Russian nuclear deterrent needed to be modernized and consolidated because the existing one was wearing off its credibility and technological edge.

The combined influence of all these events led to a new Russian military posture which is expressed in the 2006 draft Military Doctrine, as well as the 2000 Military Doctrine, the 2000 Foreign Policy Concept of the Russian Federation, the 2000 National Security Concept of the Russian Federation, the 2004 White Paper entitled the "Immediate Tasks of Development of the Armed Forces of the Russian Federation" and the 2006 Nonproliferation White Paper. These international events helped shape the threats to Russian national security:

- Territorial claims upon Russia;
  - Intervention in Russia's internal affairs;
  - Attempts to infringe upon or ignore Russian interests in resolving international security issues and oppose Russia's strengthening as a center of a multipolar world;
  - Armed conflicts, especially near Russia's and/or its allies' borders;
  - Creation and buildup of forces and troop groupings that disturb the balance of forces near Russia's or its allies' waters;
  - Expansion of military blocs and alliances against the interest of Russia and/or its allies' military security;
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- Introduction of troops without UNSC sanction to states contiguous with or friendly to Russia;
- Creating, equipping, supporting, and training armed groups abroad to redeploy them for attacks upon Russia and/or its allies' borders;
- Operations aiming to undermine global or regional security and stability;
- Discrimination against Russians abroad;
- International terrorism; etc.

The new Russian Military strategy, as it is shaped in the above mentioned documents, relies on several major topics. **The first and most important pillar of the military and defense strategy is the nuclear arsenal which is deemed crucial to Russian national security, independence in international politics and national survival and it has the role to deter against any type of attack, of any magnitude on Russia (or its allies).** Moreover, nuclear weapons continue to be seen in Russia as a symbol of the Russian Federation's status as a great power. Consequently, they are the focus of the military and defense strategy in more ways than one. First, **the current trend in Russia is marked by the attempt to reassess its position of strength in the international system by means of modernizing its nuclear arsenal and reforming its Army (structurally and mission-wise). The modernization of the Russian nuclear capabilities proceeds at a very slow pace and in multiple directions. The post-imperial Russian nuclear arsenal seems to be more the result of the tumultuous and economically-strained 1990s rather than the result of strategic planning. The intension is to modernize the entire strategic triad; however, there are discrepancies between the different braches of the triad and the speed with which their modernization proceeds.** The Strategic Rocket Forces have so far been the favorites, but in recent years other elements of the triad have made a come-back as well. Thus, at present Russia possesses no less than 16000 intact nuclear warheads of which only 5800 are operational (3500 strategic and 2300 tactical) as well as 10200 reserves, awaiting dismantlement. This makes the Russian arsenal by far the largest in the world, in comparison with the US which has only 9962 intact nuclear warheads and France, the UK, China and others which have well bellow 400 intact nuclear warheads. The modernization of the nuclear arsenal proceeds on several dimensions:

- **The ICBMs** – the Strategic Rocket Forces, which appear to be the informal dominant strategic Russian force, are undergoing an extensive life-extension program of its multiple- as well as single-warhead missiles. The SS-18/SS-19 are currently being reduced to about 30 of each and are having their service-life extended through 2015-2020; the SS-27 carrying a single RV at present is planned for MIRVing after 2009; as for the mobile SS-27, a total of three have been deployed in 2006 and further six are awaiting deployment in 2007. The TOPOL-M series is considered to be a highly advanced nuclear vector, the modernization of which will produce “fundamentally different types of nuclear weapons” as former Defense Minister Sergey Ivanov declared in September 2005. All in all, the silos-based Russian nuclear arsenal rises up to about 150-200 maximum missiles. Most of these missiles will be preserved in an active state until they reach the end of their service life, thus we should not expect any dramatic reductions in the number of missiles or warheads in the near future. Some missiles, especially the solid-fueled ones, which are much more difficult to maintain, will probably be deactivated
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earlier because they are more expensive to preserve. But their number is relatively small, probably under 30-40 at present, so this will not significantly reduce the Russian deterrent's credibility. However, by 2025, most of the current Russian silos-based as well as mobile-launched ICBMs will reach the end of their service life and will have to be decommissioned, leaving Russia with a truly big problem on their hands. If Russia does not develop a planned and purposeful development program for their ICBM arsenal, Russia will no longer have a credible deterrent beyond 2030, especially if ABM systems themselves become more effective and sophisticated.

- **The SLBMs** – The SS-N-20, which was withdrawn from active duty in 2004, was replaced by the SS-N-23 which together with the SS-NX-30 (the Bulava) is to be the backbone of the future Russian nuclear deterrent. However, the introduction of the SS-NX-30 is extremely slow. The Bulava is still in testing due to some “technical problems” that appeared during its last tests in 2006 and none have been deployed so far. However, a new platform, a modified Borey class submarine, the Yury Dolgoluky was launched in April 2007 that can only carry Bulava, weapons that are not yet operational. Moreover, the two modified Typhoon SSBNs that entered service in 2006 can only carry Bulava MIRVs at present are not armed, thus are highly useless as effective deterrent. Furthermore, the Delta IV SSBNs can only carry SS-N-23/R29RM missiles which are slowly approaching the end of their service life and have no other vector to replace them. Although the strategic fleet was the least affected by the breakup of the USSR, because all nuclear-powered submarines were in Russian waters, the task of maintaining the 49 modern nuclear submarines and the infrastructure necessary for their operations was a real challenge for the Russian Federation. The great number of old nuclear submarines that needed to be dismantled during the 1990s presented Russia with a huge problem because the resources were insufficient and so was the infrastructure. In 2006, some 120 old submarines had been dismantled and 80 more were awaiting dismantlement. The decommissioning and elimination of the old nuclear submarines was made a priority which largely brought the modernization programs to a halt due to a lack of funds. In 2007, according to the Military Balance 2007, the Russian Federation had only 6 Delta III SSBNs in the Pacific Fleet, armed with SS-N-18 missiles which are operational (though the missiles are approaching the end of their service life), 6 Delta IV SSBNs armed with SS-N-23 missiles (of which one is in refit, and some of the missiles on the others are not operational) based in the Pacific and Northern Fleets, and 3 Typhoons armed with SS-N-20 missiles (at the end of their service life) in the Pacific Fleet (of which one is in reserves). These discrepancies, together with significant other factors, have determined the dramatic SSBN patrol reduction – since 2002, there have been only five Russian SSBNs on patrol predominantly in the Pacific and the Atlantic – a signal that Russia is experiencing some difficulties in maintaining its strategic fleet.
  - **The strategic bombers** – make up a relatively static force in a quantitative sense: the Russians have 64 Bear (Tu-95) and 14 Blackjack (Tu-160) strategic bombers that are placed on high alert at all times. However, these platforms are equipped with new generations of weapons: the Kh-102 and non-nuclear ALCMs. The strategic bombers force was traditionally one of the least developed ones of the
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Russian triad even during the Cold War. But nowadays its size and role in the Army seems highly contradictory to the central role it usually plays in all post-2000 conflict scenarios for which the Russian Army trains.

Further, the role of the nuclear force is considered to be twofold: on the one hand, **Russian nuclear weapons are meant to be a credible as well as efficient deterrent against all typed of attacks on Russia**; on the other hand, **they are used as instruments in de-escalation of a conflict** (which in Moscow's vision links the conventional and the nuclear factors together). Hence, the draft Military Doctrine – as other official documents before it – states that the possibility of Russia being involved in a global war is almost non-existent. However, this does not mean that force is not being used extensively in world politics. To the contrary, the main threat is posed by the US using force unilaterally in an attempt to impose their hegemony over the entire international system. Under these circumstances, and in regard of NATO's continuous rapprochement and the deployment of US ABM systems, the Russian nuclear deterrent is no longer invulnerable and no longer can operate as a security guarantee against all kinds of threats to Russian national security. Thus, the conventional forces need to be modernized and consolidated as well. The main danger to Russian national security comes from its "near abroad" – due to the possibility that local wars on Russia's borders could spill over into Russia or worse could attract international intervention in the region further undermining Russian influence. Consequently, the Russian Army must be prepared less for global war – as it was the case in the Cold War era – and more for local or regional wars and for deterring any kind of attack on Russian territory or Russian interests. In the light of this larger purpose for the Russian nuclear arsenal, the 2006 draft Military Doctrine postulates a preemptive, launch-on-warning posture for the Russian Federation against both nuclear and non-nuclear states (so long as they are backed by or allied with other nuclear states) – thus completely discarding the "no-first-use policy" and relying upon a "limited nuclear war" type of policy. This suggests Russia opted for an extended deterrence policy that reaches beyond its borders creating a nuclear security umbrella over the other CIS states. Moreover, this suggests Russia opted for a more assertive and aggressive posture – symbolized by the intrinsically offensive concept of active defense (borrowed from their Chinese neighbors) – based on wide usage of preemptive as well as preventive measures.

The 2006 draft Military Doctrine, more than its predecessor, is based on the firm belief that Russia is a systemic great power and that its status must be recognized by other states in the system. Also, a confirmation of the international recognition of its great power status should be the division of the international system into spheres of responsibility between NATO and the CSTO. This signals a change in Russian defense plans and a reorientation from the security system based on OSCE towards a security system based on the CSTO, an alliance in which Russian leverage is broader. This equals the discarding of its "Europe first policy" and a reorientation of foreign and security policy towards the US on the one hand and Asia, on the other. The need to prove its ability to behave as a responsible great power capable of imposing its will and of managing security in its own sphere is currently essential to Russian policy in its "near abroad" – and it is seen as an instrument which could help position Russia as a systemic great power.

Over-reliance on nuclear weapons however signals a series of problems Russia is currently confronting in the conventional field as well as in the structural reform of the

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army. First, **over-reliance on nuclear weapons as ultimate security guarantees signals the Russian conventional forces are experiencing a period of increased vulnerability and weakness.** The military reform plans to alleviate most of the problems in this sector, a phenomenon which some American analysts suggest will severely affect perceptions concerning the utility of nuclear weapons, in the sense that it will move to raise rather than lower (as the trend so far has been) the nuclear threshold. But this thesis is greatly doubtful considering the relatively modest success of the military reform so far. **If the military reform continued to proceed at the current, incredibly slow pace, then we should not expect perceptions concerning the utility of nuclear weapons to change in the near future.** It seems that at present there are fewer and fewer reasons for the Russian political and military elite to reevaluate their views on the utility of nuclear weapons. The “maximalists” which argue that nuclear weapons are not non-usable weapons, but in fact have a large range of potential uses, seem to dominate decision-making in Russia at present. Moreover, they seem to think Russian national security and international status depend greatly on the size and performance of the Russian nuclear arsenal. Even if military reform is successful in the near future, although that is for the time being a remote possibility, then conventional capabilities will still have to be “tested” in a conflict before they could become relevant and reliable for a certain category of contingencies in the eyes of the Russian decision-makers. One thing is certain though – and that is the fact that Russia is expanding the role of the army to countering internal threats as well – a signal that announces further rolling back of democracy in Russia. But **until the military reform sees some real progress, nuclear weapons remain the backbone of Russian military and defense strategy.** Given the fact that nuclear weapons are no longer viewed as absolute weapons, but as usable, war-winning weapons, it is only logic that **Moscow pursue a program of modernization of its short- and intermediate-range ballistic missiles as well as its cruise missiles.** These are as of 2000 part of all military exercises. Moreover, the central role of nuclear weapons in Russia’s national security is also proved by the reinstating of “large-scale” military exercises, mostly observed by high-ranking political leaders such as president Vladimir Putin, or the Defense Minister. Besides, most declarations made by Russian military officials refer to the role, size, performance and importance of Russia’s nuclear weapons.

Washington’s announcement in January 2007 that it intended to deploy an ABM system in Europe by 2011 sparked great concern in Moscow and amplified threat perception. The Russian nuclear arsenal was suddenly considered to be vulnerable and weak and the nuclear deterrent was no longer sufficient for national security. Consequently, there was an urgent and impetuous need for a buildup of conventional forces as well. **Still, modernization of conventional forces is well behind that of strategic nuclear forces.** This is usually considered to have two reasons: on the one hand, there is no immediate and imminent threat to Russian military security which determines the Russian military leaders not to rush the slow pace of conventional modernization; on the other hand, most of the domestic arms producers are aimed at surviving, which is why most of their production has external buyers whereas nuclear strategic weapons are produced solely for national defense. **With two modernization and buildup programs running simultaneously, Russia is heading for re-militarization, a direction that is dangerous both domestically and internationally.** At this point, however, **the danger is greatly reduced by the fact that Russian modernization of its nuclear as well as**

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**conventional forces is proceeding in accordance with the START II** (though Russia withdrew from it after the US withdrew from the AMB Treaty in 2001) **and SORT, INF Treaty as well as the CFE Treaty**. Still, were Russia to unilaterally withdraw from any of these treaties – **which is an increasingly significant possibility** – then the re-militarization process would truly become a threat to European and in general international security. Given that arms control and disarmament seem less important and conditional in the relation between the West (particularly the US) and Russia, it is not far-fetched to expect that Russia will proceed with withdrawing from some of these treaties – even though this may turn out not to be in its interest in the long-term.

A step in this direction was undertaken by the Russian Federation **on July 18, 2007, when president Vladimir Putin decreed that all implementation of the CFE Treaty's provisions** (as well as any subsequent treaties and agreements) **should be suspended over a period of 150 days**. This decision was catalogued as “disappointing” by Washington and NATO’s Secretary General Jaap de Hoop Scheffer, who urged Moscow to reconsider. Moreover, the Russian decision (which does not equal a formal withdrawal from the CFE Treaty just yet, but it constitutes a preliminary step in that direction) was characterized as increasingly “unpredictable” and threatening by ex-communist states such as Poland, the Czech Republic and Romania. Though the decision is threatening – and indeed it was meant this way, too – it is truly an exaggeration to call it unpredictable or surprising in any way given that Russian president Vladimir Putin had announced this step on April 26, 2007, on the occasion of its last State of the Union Address. The president emphasized at that time Russia’s disenchantment with NATO states’ reluctance to ratify the 1999 agreed text of the CFE Treaty and voiced an ultimatum to these states that they should ratify the treaty in a period of time no longer than a year or Russia would unilaterally withdraw from the treaty – because Moscow could no longer ignore the fact that while it faithfully implemented the treaty’s provisions, others did not follow suit, a move which was starting to damage Russian national security and interests. During this period of one year, though, Russia would simply freeze the implementation of the CFE Treaty’s provisions.

This decision by Kremlin allows it a more ample room to maneuver in two different areas: on the one hand, the announced Russian freeze on the implementation of the CFE Treaty is aimed at forcing Washington’s hand in the matter of the US’s “Third Site” in Eastern Europe. It may be no coincidence that the Russian announcement was made just days before the Americans and the Poles announced they had reached an understanding concerning the exact location of the American base hosting its interceptor missiles, and that the construction of the base was expected to begin no later than early 2008 (so that it could achieve initial operational capability by 2011). In this respect, Russia will be able to move more heavy armament into the Kaliningrad enclave – as it warned it would – and it will be able to maintain its (symbolic) military presence in Eastern Europe (Trans-Dniester) and South Caucasus (Georgia – Abkhazia) without being constantly accused of being in violation of its own assumed international Istanbul commitments. On the other hand, the problem that was never really voice by the Kremlin, but was always implied in its negotiations with Washington over the entire missile defense system issue, was precisely the fact that this radical modification of the European security infrastructure, together with other significant changes such as the establishment of new American military bases in Romania and Bulgaria, was not ratified and officially

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validated within a formal treaty in which the Russian Federation was a part. In other words, Russia's power status was overlooked in the sense that Washington did not feel it appropriate to regulate these new security infrastructure changes on the basis of Russian agreement as well, but in a unilateral manner. In this way, there are no guarantees for Russia that a formal arms control agreement between the two states completely lacking in this specific case, the US will not just go back on its word and deploy more interceptor missiles in Europe in the years to come. Surely, 10 interceptor missiles do not significantly threaten the Russian nuclear arsenal (of over 16,000 nuclear warheads, of which 7,200 are active and deployed on over 900 delivery systems); but should their number rise in time, they could eventually end up posing a great threat to the Russian nuclear weapons. At present, Moscow just feels like there is nothing stopping Washington from taking such action in the future, because no formal written agreement was negotiated by the two former enemies.

On July 1-2, 2007, on the occasion of the Kennebunkport US-Russia Summit, Moscow and Washington agreed to re-launch negotiations for a new treaty replacing the START II and SORT (which expires in 2012); the two states have both voiced the willingness to negotiate lower levels for their nuclear active warheads arsenals (beyond the currently established 1,700-2,200 maximum active and deployable warheads). This is indeed a modest success the Summit can show for all the effort that went into it. And we can be almost certain that the treaty to be negotiated will also incorporate clauses referring to missile defense systems. In fact, it is a certainty that Moscow will attempt to use this occasion (said to materialize by 2009, the date when the START II treaty would have expired and conveniently a date that precludes the finished American ABM East-European "third site" by a rough 2 years) to impose a series of commonly agreed limitation upon the development of the European branch (and possibly other branches, too) of the American missile defense system. Also, a direct result of the American decision will be Moscow's increased efforts to upgrade its missile defense and air-defense systems (the S400 tested positively in its latest test on July 14, 2007 and it entered combat duty with units around the capital city of Moscow!) as well as into its MIRV-ing (and possibly even developing a MARV-ing) programs. However, the effects of the Russian nuclear arsenal boosting up efforts, as well as those of the negotiations over a new arms control treaty between Russia and the US will only become apparent in the early 2010s at the earliest (possibly even later!). Moreover, judging by the current progress in reducing the number of nuclear active warheads in both the Russian Federation and the US we would appreciate agreeing with a lower level of active warheads on paper would not necessarily translate into reality at once. At present, none of the two states has met the previous (and current!) maximum levels, and there are not many hopes that they are about to either. Consequently, the effects of such an agreement could take several tens of years to become apparent – a period that is sufficiently long for us to expect grand changes to take place in the US-Russian relations, changes that could guide the relation towards a more hostile posture, rather than a more relaxed one.

### RUSSIAN CONFLICT SCENARIOS

Having analyzed the Military Doctrine, the document that truly establishes the objectives, principles and strategic concepts of national security, perhaps it is important

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that we also highlight the main conflict scenarios for which the Russian Army is currently training. This aims to describe how particularly the Russian Federation aims to employ its military to protect/defend its interests and national security. Moreover, it aims to explain what uses are planned for the Russian arsenal and how their employment should run in a conflict.

The Revolution in Military Affairs is considered to have profoundly affected the way wars are fought and consequently, the training of troops for these potential conflicts. However, this is not necessarily the case with **the Russian Army, which continues to employ substantially more complicated and complex conflict scenarios in the traditional escalation paradigm.** While some traces of the RMA are visible in these conflict scenarios, they have not managed to profoundly alter their pattern.

Russia is currently pursuing a re-militarization policy and it is attempting to emphasize the importance and role of its nuclear arsenal as a symbol of its great power status. Not only is this visible in the several simultaneous modernization programs that are being conducted within the Russian Nuclear Forces at present, but in declarations of military as well as political leaders, in budget allocations and of course in the large-scale military exercises, often attended by high-ranking officials – from the president and defense minister, to members of the Russian Army’s General Staff – which have been reinstated since 1999 as a deterrence instrument. Since 1999 there have been several types of military exercises which underline the main conflict scenarios for which the Russian Army is and has been training. These exercises could be divided into three major trends, which simultaneously capture the manner in which significant international events have influenced Russian military planning and strategy over the last decade.

- **The early maneuvers of 1999-2002 were mainly concentrated on repelling massive air attacks,** like the NATO air attacks on Serbia in 1999; to these, **defense against tactical ballistic missiles was introduced in the drills as well** – mostly due to a perseverant refusal by NATO to disclose the whereabouts of their nuclear tactical arsenal in Europe or whether these have been withdrawn completely at the end of the Cold War. **In this scenario, the first stage of the fight would be strictly conventional. If the Russian air forces did not manage to repel the attack within 72 hours of its launch, then the next stage would be represented by the escalation of the conflict to the use of tactical nuclear weapons** – first, nuclear weapons would be used against enemy troops in the theater; later on, the attack would be extended, progressively, towards strategic enemy targets, both in Europe and the US. This is what the Russian Military Doctrine refers to as the concept of **“limited nuclear war.”** For example, the *Zapad-99 (West-99)* military maneuvers in the summer of 1999 were designed to implement the new concept of limited use of nuclear weapons to deter a conventional attack against Russia, de-escalate the conflict and return to the status quo ante. Another similar military exercise in April 2000 simulated defense against strikes by land- and carrier-based aircraft against Russian territory, whereas in September 2000 a joint military exercise was held – together with armies of the Central Asian, Caucasian and Eastern European states – that focused on the air-defense against a massive air attack. A year later, in April 2001, a large-scale exercise, the “Southern Shield of the Commonwealth-2001” was held jointly by the armies of the CIS intended to repel a massive NATO air attack on the most likely routes.
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- **The second stage of the drills was represented by the period between 2002-2004** when the terrorist attacks on September 11 and the war in Iraq were definitely the events that bore the largest impact on Russian military planning. The military exercises in this period included simulation of large-scale attacks by enemy ground forces, concentrated largely on the Western Russian frontier. In these cases, **the military exercises focused on repelling the attack within a 72 hours period and upon calling-up the reserves and transferring of large-formations of ground troops between theaters of operations. If the attack was not repelled within a few days, then the conflict would be escalated by using the tactical (theater) nuclear arsenal.** For instance, in 2002 several important medium- or large-scale exercises were held in Russia; but in May 2003, Russia conducted unprecedented maneuvers in the Indian and Pacific Oceans together with India, a signal that Russia's circle of strategic partners – and potential threats – was expanding. Some analysts suggested these exercises were directed against China, but they were officially considered to be anti-terrorist maneuvers. In August 2003 another large-scale military exercise was held by the Russian Northern Fleet which involved the largest number of SSBNs being involved in this type of maneuvers during peace-time. Several of them were transferred in an area under the polar ice in an attempt to simulate first as well as second strike capability and test their survivability. This exercise also involved an air component, and was aimed mainly against strategic targets.

**The third stage of military drills was represented by the period between 2005-present, when the Russian military drills and training started to incorporate more of precision-guided conventional weapons in the first stage of the attack on Russia,** which was considered to have increased the critical response time from 72 hours to several days (up to a maximum of 7 days). However, nuclear weapons continued to be a large part of all of these military exercises, suggesting their role continues to be highly valued by the Russian Army. In August 2005 one of the most important large-scale joint military exercises took place between China and Russia in the Vladivostok area. Some 10000 soldiers from the land, sea and air Russian and Chinese forces took part in the exercise which was hailed as a proof of growing ties between the Russian Federation and the People's Republic of China in the security sector. "The main aim of these exercises is to ensure the training, to ensure the readiness of the structures in charge of the subdivisions taking part from the armed forces of the Russian Federation and the People's Republic of China, precisely in order to counter the challenges we face today in the Asia-Pacific region, and in the world as a whole," declared general Baluyevsky. Though both sides declared the exercises were not a show of force and were not meant to intimidate any third party, it is however, remarkable the scale of these exercises and the diversity of maneuvers that were featured in the joint military exercises.

**All of these conflict scenarios depict regional or large-scale wars for which the call of the reserves is necessary and transfers of large, military formations between theaters is necessary in a very limited period of time.** This seems at least odd given the fact that during this entire period of time, Russian officials and military representatives declared that large-scale wars were very much unlikely in the near future. Still, the fact that the Russian Army is preparing for this kind of conflicts suggests otherwise. **Most Russian military exercises of this period could be described as “regional wars” or “local wars” – but they all involve the escalation of the conflict both in range as in**

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**intensity and magnitude over very short periods of time.** The weapon of choice in all of these cases was the heavy and medium bombers (the Tu-95MS, the Tu-160, and the Tu-22M3), using long-range cruise missiles or short-range ballistic missiles. In each mission, no more than ten nuclear weapons were planned to be launched by these platforms – so **the use of nuclear weapons was limited and guided by the concept of “pre-determined damage” rather than the Cold War era concept of “unacceptable damage.”** The choice of targets usually included airbases and other military facilities and installations in the European NATO states involved in the attack against Russia as well as military facilities in Japan that might have been involved in the attack; undisclosed targets in the continental US; naval targets in the Pacific, the Atlantic, the Indian Oceans, the Baltic or the Black Sea; or other class of ground military facilities of the enemy, not necessarily involved in the first attack. Another particularly odd feature of these military exercises is that the use of nuclear weapons is at times portrayed as completely separate of the overall exercise – which some analysts suggest might only be maneuvers of replacement and maintenance. However, the relative disconnectiveness between the use of conventional weapons and nuclear ones (especially strategic ones) might also suggest that Russian military planning highly values the maintenance of the first-strike capability as a powerful deterrent in a defensive, as well as an offensive situation. One should also emphasize that Russian military planning has continued to focus on NATO facilities in Europe and US military facilities in continental US as well as abroad (especially those in Russia’s “near abroad”). There as a handful of analysts which suggest in the long-term, the greatest enemy Russia will face is China. Others suggest China is likely to be Russia’s largest ally (in a potential common balancing effort against the US). At this point, we can only emphasize that China is increasingly becoming a regional competitor for Russia, but that their cooperation so far has dominated other competitive aspects of their relations. Furthermore, **the greatest importance in this analysis is given to Russian threat perceptions and assessment – and these indicate NATO and the US as the greatest threats to Russian national security.** An overwhelming majority of conflict scenarios for which the Russian Army currently trains depict large NATO or US (with a coalition of the willing supporting it) attacks against Russia. The other part of these drills is represented by operations against terrorist targets, secessionist domestic movements, and organized, transnational-crime.

This analysis used information from: *RIA Novosti, Itar-Tass, Regnum, Interfax, Mosnews, Xinhua, Wikipedia, IISS, SSI, Brookings Institute, Center for Contemporary Conflict, CFR, Chatham House, ICG, ISS-EU, The Carnegy Moscow Center, RAND, SIPRI, Jamestown Foundation, Stratfor, CATO Institute, the Heritage Foundations, CSIS, The Military Balance 2001-2007, Central Asia-Caucasus Security, globalsecurity.org, warfare.ru, Russian Foreign Affairs Ministry, Russian Defense Ministry, Russian Presidency, Pravda.ru, defenseindustrydaily.com.*

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## **SHORT-TERM PREDICTIONS**

**Russia's aspirations to become and be recognized internationally as a multi-dimensional great power are ultimately undermined by the fact that Moscow is currently unable to project power beyond its neighborhood. This trend will be strengthened in 2008 by the Russian political elite's desire to consolidate its status as a "regional superpower" in the short-term – by proving able and willing to manage the security relations in its "near abroad" – as well as an equal systemic power. From this point of view, judging by the current situation, in a soon-to-be multipolar system, Russia will be a "minor" systemic power at best. The Kremlin's false and rather obsessive perceptions of Russia being an equal in the top five powers in the system produce great consequences especially in a Russia which has no real allies at present and increasingly thinks it can manage and can get by without them. This tendency towards favoring internal balancing is a signal that Russian militarization is likely to increase in the short-term, rather than be reduced, despite increasing access to international markets.** President Putin already announced an 18% increase in the defense budget for 2008 as well as a series of new military R&D projects to be funded starting 2008. One of these new projects concerns nanotechnology which the Kremlin has come to believe is the weapon of the future – a considerable and important part of the RMA. This seems to contradict Moscow's own characterization of itself as a "soft power" great power. But in reality, this contradiction is only in appearance. **Russia uses the "soft power" card as a legitimizing principle because it can pragmatically help it integrate into what it perceives as the world great power forum.** Moscow pledges allegiance to multilateralism, democracy, primacy of the UN, and a new and just world order, but its instruments and reactions seem rather contradictory to these values and norms. **The current foreign policy trends, which are likely to be maintained throughout 2008, prove Russia is clearly trying to consolidate its great power status in the short-term because it feels like losing this one now would equal never getting it back again. This signals Russia's perception of its weakness, of the fact that while the Euro-Atlantic integration process may be slowed down, it cannot ultimately be stopped, etc.**

**Russia's recent approach to international disputes based on an attitude which favors aggressive and hostile threats as instruments of solving problems its diplomacy is unable to settle is likely to continue in the near future. But this will increasingly lead to reactive responses from states within the former Soviet space or even neutral states which will increasingly see Russia as a threat and seek shelter in NATO or strategic partnerships with Washington.** This is the easiest manner in which Moscow brings the containment upon itself once more – and shows that Russian foreign

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policy activities do not work to fulfill its goals, but rather further Russia away from them in the long-term. In respect to the Russian withdrawal from the CFE Treaty, we should emphasize that it is decision that will be made in the Kremlin depending on the behavior and response of other NATO states that have not ratified the treaty just yet. Should they fail to comply with Moscow's demands, an attempt to appease it in some satisfactory manner, **Russia will withdraw from the CFE Treaty in 5-6 months' time** – which some international analysts suggest might result in the emergence of a new military structure in the Caspian-Black Sea region.

**Given the fact that Russian economy is going to be dependent on energy exports in 2008, energy is likely to gather more importance and priority in Russian foreign policy.** 2008 is also going to be an electoral year. It is to be expected that the electoral campaign, while it is unlikely to spark a truly democratic political debate, it will bring foreign policy, national security and the energy issue back into the spotlight of Russian politics. So a certain degree of turbulence in these sectors is to be expected in these fields, as several strategies collide and must win and impose themselves on others. Both politically and economically no major changes are expected in the last part of 2007 and early 2008. The result of the 2008 presidential elections is likely to be favorable to the Kremlin-supported candidate. Consequently, the current trends in Russian policy and economy are likely to be maintained at least through 2008.

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