Russia’s Arms Boom
And Changing Priorities: Where Does Asia Stand?
By Victor Sumsky & Evgeny Kanaev

Until fairly recently, Russia’s defense-industrial complex was targeting primarily external markets, with Asia-Pacific countries among the largest buyers of its products.

Currently, the priority is shifting towards rearmament and the modernization of Russia’s own Armed Forces, write Victor Sumsky and Evgeny Kanaev. What does this mean for the region?

TWO RECENT NEWS ITEMS describing Russia as a major producer and exporter of arms have caught the attention of analysts. According to Trends in International Arms Transfers, 2011, a report published in March by the Stockholm International Peace Research Institute (SIPRI), Russia had a 24 percent share of global military exports last year, making it second only to the United States with 30 percent.¹

About a month before SIPRI released these statistics, the office of Vladimir Putin — at that time he was prime minister and still just a candidate to resume the presidency — circulated an article that he had written on the tasks facing the country’s armed forces and defense-industrial complex. In this pre-election piece, which was characteristically entitled “Being Strong: National Security Guarantees for Russia,” Putin stressed the need to upgrade the fighting capabilities of the Russian Army by procuring more modern high-tech weaponry. “We have adopted and are implementing unprecedented development programs for our armed forces and for the modernization of Russia’s defense industry,” he wrote. “All in all, we will allocate something like 23 trillion rubles [about $700 billion] for these purposes over the next decade.”²

Both of these news items, in their own ways, indicate that in spite of some serious and openly discussed problems — such as massive losses of highly qualified personnel in the 1990s and later — Russia’s defense industry retains a strong potential and, beyond any doubt, will stay alive. At the same time, it looks like the consequences of its activities in the years to come may be rather different from those to which Russia’s Asian neighbors have grown accustomed over the last two decades.

LUCRATIVE MARKETS, STRONG POSITIONS

Immediately after the collapse of the Soviet Union the weapons designers and producers who used to enjoy government favors found themselves in a totally different setting. The Cold War tensions that had justified the industry’s growth for so long were now gone. According to the new official views, the country faced no external threats at all. At the same time, it clearly had a domestic challenge in the form of an economic catastrophe that had to be explained to the public. Some explanations came in the form of persistent complaints about the militarization of the Soviet economy, and getting over it by cutting military expenditures was presented as a cure. Budgetary allocations to procure new weaponry for the Russian Army dropped to an all-time low. To survive in the midst of this drastic change, Russian makers of sophisticated military equipment began to promote their products abroad. The government would not object. On the contrary, it quickly sensed that this promised to increase its own revenues (plus the wellbeing of bureaucratic supervisors of the arms trade, of course); Moscow gave its blessing to potential exporters.

Of all the arms markets the Russians started to cultivate, those in the Asia-Pacific area were by far the most lucrative. The painful financial crisis of the late 1990s was still in the future. Economic forecasts for the region sounded promising. Local elites saw the purchase of modern weapons as a way of getting access to advanced technologies, and there was no lack of money to spend on fighter planes and submarines, especially if the prices were competitive — and Russian-made arms were affordable.

While Mikhail Gorbachev’s perestroika and the unintended breakup of the Soviet Union that came as a result convinced the world, including Asia, that “the Russian threat” was gone (if it had ever existed at all). But Russia’s ability to make state-of-the-art weaponry was still rated highly. Numerous military shows only confirmed it. An early indication of Russia’s acceptance as a reliable supplier was Malaysia’s decision to buy MIG-29 fighter jets in 1994.

Another factor indirectly conducive to Russia’s export drive in Asian markets was the attitude of the West towards the countries it wanted to punish for some kind of “misbehavior.” That was why many countries banned sales of arms to China after the Tiananmen Square crackdown, took India off the list for going nuclear, punished Indonesia for its policies on East Timor and Burma for its human rights record. Eventually, this only succeeded in pushing these countries and others towards Russia as a partner that would not attach political conditions to a commercial deal or interfere in internal matters.

In at least two cases — India and Vietnam — co-operation with Russia in the field of military procurement was basically a continuation of what began during the Soviet era in the 1960s and could not possibly reach the present levels without that solid foundation.

Even if some of Russia’s breakthrough in Asia-Pacific arms markets may be attributed to luck, on the whole it has been a natural development. Otherwise, the statistics on Russia’s annual arms sales would not stand at $13.2 billion in 2011, which is an all-time national record. Close to half of that total was generated by sales to Asian buyers, notably India and China. To illustrate the level of Russia’s co-operation with these giants, one may point, once again, to the numbers provided by SIPRI: in 2007-2011 Russia’s share of Indian and Chinese defense imports was 80 percent and 78 percent, respectively.

¹ Trends in International Arms Transfers, 2011 / http://books.sipri.org/product_info/t_product_id=443
All quotes from Putin’s article are made on the basis of this source.
Forecasts for 2012 remain optimistic: according to available estimates, these may reach up $14 billion and stay at that level for two more years if the present portfolio of orders remains intact.3

Does this mean that the present and the future look brighter than ever for Russian arms dealers? Not quite. The global financial crisis is far from over, and who knows what impact it may have on military sales planned by Russia? As successful as 2011 was for Russian arms exporters, the year will also be remembered for the loss of contracts with Libya due to its domestic turmoil and the failure to win a contract for the supply of 126 fighter planes to India. That contract went to the French. Co-operation with China is complicated by the fact that Chinese designers of military equipment, especially aircraft, have no respect for intellectual property rights and persist in copying Russian designs. As for the United States, recent practices indicate that, just like in love, all is fair in the arms trade — including offers to donate a decommissioned aircraft carrier or dozens of second-hand warplanes to countries just to get them to buy American, not Russian. If this is not a sign of tough competition, what is?

Of course, in today’s Asia-Pacific a bidder who lost a military procurement contract might be advised to take it easy and just wait for the next opportunity. By contrast, analysts are not so pleased with the market’s dynamics. To many of them it is nothing but an arms race, symptomatic of a sense of insecurity that has been spreading in the region and the world for a number of years.4 Having said this, we actually arrive at the starting point of Putin’s article. How does he see it, and how does he justify his rearmament program?

DON’T TEMPT THEM BY BEING WEAK

The world as we know it, says Putin, is full of unpredictable risks and temptations to resolve one’s problems at someone else’s expense. “We see ever new regional and local wars breaking out in the world. We continue to see new areas of instability and deliberately managed chaos. There are also purposeful attempts to provoke such conflicts even within the direct proximity of Russia’s and its allies’ borders.” Under these circumstances, continues Putin, Russia can neither afford to be weak, nor rely on just diplomacy and economic methods in settling contradictions and resolving conflicts. “Our country faces the task of developing its military potential as part of a deterrence strategy and at a sufficient level. Its armed forces, special services and other security-related agencies should be prepared for quick and effective responses to new challenges.”

In terms of re-equipping the army and the navy, top priority will be given to nuclear forces, aerospace defense, military communications, intelligence and control, electronic warfare, drones, unmanned missile systems, modern transport aviation, individual combat protection gear, precision weapons and defense capabilities against such weapons. Research and development will be given a green light in these areas also.

Strategic nuclear forces remain indispensable in deterring anybody who might want to launch a large-scale attack on Russia, says Putin, but he also notes that, “as high-precision long-range conventional weapons become increasingly common, they will tend to become the means of achieving a decisive victory over an opponent, including in a global conflict.”

According to Putin, in the coming decade the Russian armed forces “will be provided with over 400 modern land and sea-based intercontinental ballistic missiles, eight strategic ballistic-missile submarines, about 20 multi-purpose submarines, over 50 surface warships, around 100 military spacecraft, over 600 modern aircraft including fifth-generation fighter jets, more than 1,000 helicopters, 28 regimental kits of C-400 air defense systems, 38 battalion kits of Vityaz mis-

3 See http://lenta.ru/articles/2012/02/16/exports/; Trends in International Arms Transfers, 2011.
If tensions between the US and China continue to increase while Russia remains unchanged, it may be drawn even against its will into a dispute that has nothing to do with its national interests. The country that bled so terribly in both World Wars and was so badly wounded in the Cold War may not stand another trial of this type.

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