

## Honourable Mention

### *Russia's Military Reform: Putin's Last Card*

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Moscow's 2005 Victory Day celebrations could not have been more ironic. At the heart of Red Square, U.S President George Bush accompanied Russian President Vladimir Putin in front of Lenin's tomb to witness the rekindled tradition of a Soviet scale military parade. Russia's transformed relationship with the United States was not all that was on display; the dichotomy of Russia's modern nationalism was also glaring. The presentation of the Soviet WWII victory banner to the melody of Tsar Peter the Great's Preobrazhensky March was ironic but it called out to the historical memory of military greatness that President Putin has placed at the center of Russia's modern identity. Overall, the imagery of this annual tradition underscores Russia's tendency to both display its military might to the 'west' and perpetuate an image of military greatness to its domestic audience. Rebuilding a robust military capability in the current geopolitical environment has therefore been a main objective of President Putin. From a global perspective, this quest to rebuild 'fortress Russia' has broad implications for the international security environment and it will be crucial for understanding the geopolitical power structure in the years to come. NATO leaders have dubbed Russia one of the greatest threats to the peace of continental Europe.<sup>1</sup> While flexing its military muscles, Russia has managed to strike fear in the

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<sup>1</sup> Eric Lorber, "Get Ready for More Russian Belligerence," (September 7, 2014).  
<http://www.foreignaffairs.com/articles/141965/eric-lorber/get-ready-for-more-russian-belligerence>

newly independent Baltic States<sup>2</sup> while also stoking defence concerns in Scandinavian countries.<sup>3</sup> In Eastern Europe, its appetite for territorial expansion in the Ukraine has overshadowed Russia's military<sup>4</sup> occupation of North and South Ossetia, Transnistria in Moldova and Putin's challenge to Kazakhstan's sovereignty.<sup>5</sup> At the Russian Federation's periphery, peace in the Pacific is no guarantee; a resurgent and nationalist Japan makes a 'Falkland Islands' styled assault on the Kuril Islands entirely plausible.<sup>6</sup> For all these reasons and more, Russia's drive to increase its military capabilities will impact global peace and stability. Therefore, as Russia's military enters the final stretch of its 2020 transformation, this marks an opportune time for reassessing the prospects of Russia's military reform.

This paper will begin by discussing the 2008 Georgia War in the context of being the widely recognized "catalyst" of Russia's latest round of military reform. The discourse will then lead to a brief examination of the objectives and roadmap for Russian military reform. With this context, it will then ask, what are the underlying challenges facing the reform of the Russian Armed Forces? This piece will argue that there are three main roadblocks that hinder Russia's ambitious military reform objectives. The least of these challenges is the poor state of civil-military relations; Russia's military leadership has contributed to systemic corruption and resists institutional transformation in the Armed Forces. Resource constraints are another massive challenge facing Russia's military leadership; demographic trends have made it difficult to wean the military off conscription and declining oil prices make it difficult to fulfill the armaments program. Lastly, the limited innovation capability of the Russian Military Industrial Complex and an increasing reliance on import substitution industrialization has strained Russia's ability to compete with western military capabilities.

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<sup>2</sup> Reuters, "Lithuania to increase military spending to counter Russian threat," (April 3, 2015).

<http://www.reuters.com/article/2015/04/03/us-lithuania-defence-idUSKBN0MU12720150403>

<sup>3</sup> Reuters, "Nordic nations agree on defense cooperation against Russia," (April 9, 2015).

<http://www.reuters.com/article/2015/04/09/us-nordics-russia-defence-idUSKBN0N02E820150409>

<sup>4</sup> Eric Lorber, "Get Ready for More Russian Belligerence," *Foreign Affairs* (September 7, 2014).

<http://www.foreignaffairs.com/articles/141965/eric-lorber/get-ready-for-more-russian-belligerence>

<sup>5</sup> Anton Barbashin, "The Eurasian Illusion," *Foreign Affairs* (January 15, 2015).

<http://www.foreignaffairs.com/articles/142781/anton-barbashin/the-eurasian-illusion> (accessed April 6, 2015).

<sup>6</sup> Mikhail Barabanov, Konstantin Makienko, and Ruslan Pukhov, *Military Reform: Towards the New Look of the Russian Army*. (Moscow: Vladi Discussion Club, 2012), p. 11.

### The 2008 Georgia War

The very public failures associated with the 2008 Georgia War were a driving force behind the commencement of Russia's dramatic military reforms. This brief account of the Georgia campaign will underline the major deficiencies that Russian military leaders are still coming to grips with during this reform process.

When Russia initiated ground and air operations against the Republic of Georgia in 2008 it did so with such large numbers and force that a military victory was unquestionable.<sup>7</sup> Even so, below the surface the capabilities of Russia's military were in a state of disrepair on a tactical, technological and practical level. Evidence of these poor tactics was on display when Russian troops attacked Georgia moving forward in waves of columns that echoed early Soviet warfare practices.<sup>8</sup> This strategy resulted in high levels of casualties among ground forces who were ill equipped to participate in this type of military campaign.<sup>9</sup>

During the war, the supportive services and technology provided to the Russian Forces were in a complete state of disarray. Russia's global navigation satellite system 'GLONASS' had such dismal reliability and accuracy that Russian advancing forces were forced to use compasses and maps.<sup>10</sup> Poor satellite data not only hampered navigation, but also provided the Russian military leadership with an unclear picture of the capabilities of the opposing force.<sup>11</sup> Intelligence failures associated with these capabilities led the Russian air force to bomb abandoned Georgian airfields that had been in disuse since the collapse of the Soviet Union while leaving Georgia's modern air force base in Gori unscathed.<sup>12</sup> The deficiencies of GLONASS were so apparent that only a month after the war, then Prime Minister Putin announced a 67 Billion-ruble upgrade of the program.<sup>13</sup>

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<sup>7</sup> Ariel Cohen and Robert Hamilton, "The Russian Military and the Georgian War: Lessons and Implications." *Current Politics and Economics of Russia* 28 (2011): p. 54.

<sup>8</sup> Athena Bryce-Rogers, "Russian Military Reform in the Aftermath of the 2008 Georgia War," *Demokratizatsiya* 21 (2013): p. 351.

<sup>9</sup> *Ibid.* p. 352

<sup>10</sup> Roger McDermott, "Russia's Conventional Armed Forces and the Georgian War." *Parameters* (2009): p. 67.

<sup>11</sup> *Ibid.*, p.70.

<sup>12</sup> Athena Bryce-Rogers, "Russian Military Reform in the Aftermath of the 2008 Georgia War." *Demokratizatsiya* 21 (2013): p. 351.

<sup>13</sup> Roger McDermott, "Russia's Conventional Armed Forces and the Georgian War," *Parameters* (2009): p. 71.

The state of Russia's command and control systems were in a comparable state of chaos. According to one account, Lt. General Khrulev, commander of Russia's 58<sup>th</sup> Army, resorted to using a journalist's satellite phone since there was no way for him to communicate with other units.<sup>14</sup> In the skies above the conflict, this lack of inter-unit communication resulted in aircraft losses from both friendly fire and accidents.<sup>15</sup> The ineptitude of military leadership likely contributed to these accidents since a top air force commander reportedly directed the air force's movements and strategy from his mobile phone in his office.<sup>16</sup> Such communication issues were a recurring theme in conflicts that the Russian armed forces became embroiled in. Russia's commanding officer of ground forces lamented, "during the 'problem in the North Caucasus' there was not a single command and control organization, formation or military unit that had been prepared and was ready that instant to begin to accomplish its missions... the same again occurred in Georgia."<sup>17</sup> These costly errors would later become one of the first issues addressed in the 2008 reform program.

Following the conflict, when the smoke had cleared and the victory speeches made, it was clear that the top brass in Russia's Ministry of Defence were reeling. Perhaps acknowledging that western observers had monitored the Russian Military's lackluster performance in the conflict, high ranking members of the defence staff and even Russia's President<sup>18</sup> came forward and conceded that the Russian Armed Forces were in need of a massive overhaul. Surprisingly, even Russia's Chief of Defence staff during the war, General Makarov, gave some of the most scathing criticism. Commenting on the performance of Russia's officers during the war he remarked, "To find a lieutenant colonel, colonel, or general able to lead troops with a sure hand, you had to chase down officers one by one throughout the armed forces, because those career commanders in charge of 'paper regiments and divisions' just could not resolve the tasks set."<sup>19</sup> These unprecedented public rebukes of the hierarchy and composition of the Russian Armed Forces following the 2008 crisis captures the frustration that propelled the momentum for a drastic reform of the Russian military.

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<sup>14</sup> Ibid., p. 70.

<sup>15</sup> Ibid., p. 73.

<sup>16</sup> Ibid., p. 73.

<sup>17</sup> Athena Bryce-Rogers, "Russian Military Reform in the Aftermath of the 2008 Georgia War," *Demokratizatsiya*, 21 (2013): p. 351.

<sup>18</sup> Roger McDermott, "Russia's Conventional Armed Forces and the Georgian War." *Parameters* (2009): p. 68.

<sup>19</sup> Ibid., p. 69

### The Reform Objectives

The chaotic performances at all levels of the Russian Armed Forces were quickly addressed in a comprehensive review of the military campaign. In the aftermath of the war, President Medvedev squarely prioritized the areas that the Armed Forces would need to overhaul which included: the level of permanent troop readiness, the command and control system, the overall level of training, the quality and age of weapons, and the social conditions in the Armed Forces.<sup>20</sup> Increasing capital and procurement expenditures quickly emerged as a major priority in the reform process. Russia's then Minister of Defence Serdyukov highlighted this priority by noting that only 10% of the Russian Military's equipment could be classified as modern in 2008.<sup>21</sup> In addition, statistics showed that from the period of 1992 to 2005 55% of military equipment was "out of commission."<sup>22</sup> This dramatically increased the need for to produce equipment and develop new weapons systems.

A similar lack of real manpower readiness existed among the ranks of Russia's Armed forces before 2008. At the time of the Georgia conflict, only 17% of Army formations, 7% of Air force Units, and 70% of Navy Units were 'permanent readiness units' that could be called upon at any time.<sup>23</sup> To dramatically improve the amount of permanent readiness units, a priority of reform was to hire more contract servicemen so that the military no longer had to rely on large amounts of conscripts. Within the military ranks, there was also a disproportionate amount of officers that needed to be eliminated as a part of the reform process.<sup>24</sup> This point would lead to serious contention between civil and military leaders. These structural, capital and manpower issues quickly became the focal points for Russian policy makers.

### The Strained Status of Civil-Military Relations

The perpetual state of reform that the Russian Armed Forces have been in since its foundation in 1992<sup>25</sup> is a testament to the difficulty that Russia's leadership faces in implementing

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<sup>20</sup> Stephen Blank, *Civil-Military Relations in Medvedev's Russia*, (Carlisle: Strategic Studies Institute, U.S. Army War College, 2011), p. 92.

<sup>21</sup> Bettina Renz, "Russian Military Capabilities after 20 Years of Reform," *Survival: Global Politics and Strategy* (2014): p. 63.

<sup>22</sup> Mikhail Barabanov, Konstantin Makienko, and Ruslan Pukhov, *Military Reform: Towards the New Look of the Russian Army*. (Moscow: Vladi Discussion Club, 2012), p. 5.

<sup>23</sup> Ibid.

<sup>24</sup> Ibid., p. 6.

<sup>25</sup> Bettina Renz, "Russian Military Capabilities after 20 Years of Reform," *Survival: Global Politics and Strategy* (2014): p. 61.

changes in the military. As Renz (2014) states, the Russian Military has frequently resisted institutional changes and the introduction of efficiencies that are common practices in western militaries.<sup>26</sup> In other words, Russia's Government and Military have a deep-rooted "conflict of interest"<sup>27</sup> that threatens to derail military reform. The main topic of disagreement is that the government continues to seek a lean fighting force that is suited to the 21<sup>st</sup> security environment while the Defence General Staff refuse to part with the Soviet style mass mobilization military.<sup>28</sup> Russia's military leadership has even gone so far as to assertively argue with state leaders that the U.S and NATO pose an existential threat to Russia in an effort to hold onto its conscript based military.<sup>29</sup> Russia's Armed Forces top brass vehemently opposes the manpower reductions that have accompanied Russia's transition to the modern professional force.<sup>30</sup> These conflicting agendas reflect the Russian military leadership's sense of indifference towards civil military control. In fact, military leadership showed no desire for taking over the political leadership of military institutions.<sup>31</sup> Complicating this situation are the myriad amounts of other departments and ministries that are involved in the Armed Forces. The Ministry of Atomic Energy, Ministry of Industry, and Ministry of Science and Technology all play a role in military industry policy and defence procurement.<sup>32</sup> In addition, the Ministry of Finance also retains responsibility for the defence ministry's budget and decides the distribution of defence funds within the ministry. The by-product of this arrangement has been a counter productive inter-ministry rivalry.<sup>33</sup>

Given this interplay between ministries, it is clear that the hierarchy and structure of defence control and decision-making in Russia is a drag on the momentum for reform. When comparing Russia's incongruent civil-military power structure with the balanced dynamic found in the United States and European model the differences are striking. A balanced civil-military relationship has a number of common features that ensures a balance of power and overall civilian control over the military. According to Huntington, these features include: a recognition within the military of its limited area of "professional competence;" the military's acceptance of

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<sup>26</sup> Ibid., p. 64

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

<sup>29</sup> Zoltan Barany, "The Politics of Russia's Elusive Defense Reform." *Political Science Quarterly* 121 (2007): p. 601.

<sup>30</sup> Ibid. p. 624.

<sup>31</sup> Carolina Pallin, *Russian Military Reform: A Failed Exercise in Defence Decision Making* (New York : Routledge , 2009), p. 17.

<sup>32</sup> Ibid., p. 29.

<sup>33</sup> Ibid., p. 29.

the authority that civil and political leaders have over them; the political elite must respect the autonomy of the armed forces; and, lastly, involvement between the political and military spheres should be limited.<sup>34</sup>

Russia's civil-military relationship lacks almost all of these dynamics. Unlike its western counterparts, Russia's Ministry of Defence and General Defence Staff has continually functioned as parallel entities.<sup>35</sup> A policy change in 2004 officially subordinated the General Staff to the MOD but many of the previous institutional norms remain.<sup>36</sup> Such tendencies to ignore the law or changes made to it have been coined as widespread "legal nihilism" by Russia's former President Dmitry Medvedev.<sup>37</sup> This makes it exceedingly difficult for civilians to preside over Russia's military leadership. Former Defence Minister Serdyukov, as a civilian outsider from Russia's tax service, likely found this to be a massive roadblock when reforms were initiated. A 2008 public outburst from Russia's then Chief of Defence Staff General Baluyevsky<sup>38</sup> captured the uneasy rift between the Ministry of Defence and Military leaders. Baluyevsky's public criticism of General Staff personnel cuts, the relocation of Naval headquarters and other reform initiatives<sup>39</sup> would be unthinkable in NATO militaries. Baluyevsky was later sacked as Chief of Defence staff like many before him.<sup>40</sup> The image of a revolving door at Defence Staff headquarters illustrates the sacking of multiple high profile military leaders over recent years. It is above all indicative of the rift between the military and civilian leadership.

A lack of legislative oversight over the Russian Armed Forces is another factor in this relationship that reduces the efficacy of reforms. The State Duma has a limited capability to oversee the activities of Russia's military leaders in a separate capacity from the government.<sup>41</sup> This arrangement perpetuates mismanagement and misuse of state funds since there is no clear oversight of the destination of budget allocations. An overall lack of substantive civilian oversight

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<sup>34</sup> Thomas Gomart, *Russian Civil-Military Relations: Putin's Legacy* (Washington D.C : Oakland Street Publishing , 2008), p. 22.

<sup>35</sup> Carolina Pallin, *Russian Military Reform: A Failed Exercise in Defence Decision Making* (New York : Routledge , 2009), p. 32.

<sup>36</sup> Zoltan Barany, "The Politics of Russia's Elusive Defense Reform," *Political Science Quarterly* 121 (2007): p. 621.

<sup>37</sup> Stephen Blank, *Civil-Military Relations in Medvedev's Russia* (Carlisle: Strategic Studies Institute, U.S. Army War College, 2011), p. 7.

<sup>38</sup> Simon Saradzhyan, "Frustrated Baluyevsky Offers His Resignation" (March 25, 2008). <http://www.themoscowtimes.com/news/article/frustrated-baluyevsky-offers-his-resignation/361401.html>

<sup>39</sup> New York Times, "Medvedev replaces chief of Russia's armed forces," (July 3, 2008). [http://www.nytimes.com/2008/06/03/world/europe/03iht-russia.4.13434027.html?\\_r=0](http://www.nytimes.com/2008/06/03/world/europe/03iht-russia.4.13434027.html?_r=0)

<sup>40</sup> Zoltan Barany, "The Politics of Russia's Elusive Defense Reform," *Political Science Quarterly* 121 (2007): p. 622.

<sup>41</sup> *Ibid.*, p. 626.

highlights the personal level of control the Kremlin exerts over the military as opposed to transparent legislative oversight.<sup>42</sup>

### Financial and Demographic Constraints

Budgetary constraints are a considerable roadblock to the long-term success of Russia's ongoing military reforms. In 2011, as then President Medvedev and Prime Minister Putin prepared to once again swap roles, a quiet dispute erupted within the ranks of Russia's government over defence spending. The dispute resulted in the sacking of the highly regarded Minister of Finance Alexei Kudrin who later gave a final warning that Russia's defence expenditures were reaching its "allowable limit."<sup>43</sup> President Medvedev responded to this open criticism by declaring, "We cannot live without military spending, and this must be the type of spending worthy of the Russian Federation. Not some banana republic..."<sup>44</sup> This candid exchange highlights that in the mentality of Russia's political leadership, military prestige takes precedence over fiscal considerations. Putin would later discover at the start of his third term as President, just as Kudrin predicted, that he faced a dilemma; cut military spending or social spending (at the added cost of breaking his election promises to improve social conditions in the country).<sup>45</sup> Putin's choice was clearly illustrated in the projected budget for 2013-2015. The budget proposed sweeping cuts for Healthcare (8.7%), education (2.8%) and social policy (0.7%) while the military budget enjoyed an enormous increase in line with the \$770 Billion plan to reequip the armed forces.<sup>46</sup>

The foundation of Russia's economy cannot support a return to a Soviet scale military capacity. An early example of this emerged during Russia's first year of independence. In 1991 the newly founded federation faced an almost insurmountable economic crisis that slashed 14.5%

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<sup>42</sup> Stephen Blank, *Civil-Military Relations in Medvedev's Russia* (Carlisle: Strategic Studies Institute, U.S. Army War College, 2011), p. 10.

<sup>43</sup> Jason Corcoran, "Russia Defense Spending Nears 'Allowable Limit,' Kudrin Says," (November 12, 2011). <http://www.bloomberg.com/news/articles/2011-11-12/russia-s-defense-spending-nearing-allowable-limit-kudrin-says>

<sup>44</sup> Russia Today, "No pain, no gain: Big defense spending to continue, says Medvedev." (September 27, 2011). <https://www.rt.com/politics/defense-budget-remain-priority-469/>.

<sup>45</sup> Stratfor, "Russia's Budget Problems, Part 2: Campaign Promises Versus Grand Military Plans," *Stratfor Analysis* (August 24, 2012): p. 52.

<sup>46</sup> *Ibid.*



of the GDP in a downward spiral that did not subside until 1997.<sup>47</sup> This same period is associated with the near collapse of the Russian armed forces. Today, Russia's economy is ranked last among the four major BRIC countries despite having the 4<sup>th</sup> highest military spending worldwide.<sup>48</sup> In addition, the economy's excessive reliance on natural resources and the hydrocarbon industry makes the state budget prone to sudden shocks.<sup>49</sup> Other key sources of revenue such as nuclear energy and weapons sales are facing increasing competition in the diverse global markets.

SIPRI has traced the unsustainable increase in Russian military expenditure since 2008. Defence Expenditure rose from just above \$61 billion (2011 Constant USD) in 2008 to \$70.2 billion in 2011.<sup>50</sup> In 2014, amid a new economic crisis in Russia, defence expenditures exploded to \$91.6 billion, placing Russia ahead of any European power.<sup>51</sup> The World Bank assesses that these defence expenditures amount to 4.2% of Russia's GDP.<sup>52</sup> This rise alarmed Russia's Finance Minister Anton Siluanov who continuously implored the government to review defence spending amid the plummeting oil prices and crippling sanctions on the Russian economy.<sup>53</sup> Cabinet agreed to cut defence expenditure by 5% in the 2015 budget due to these conditions.<sup>54</sup> All other sectors of Russia's state budget incurred a 10% decrease.<sup>55</sup> With the personnel shortages that Russia is facing, Russia cannot afford to cut the generous military related social spending that forms the backbone of its strategy to attract new recruits. The effect that future cuts would have on the national defence procurement order would be dramatic. It remains financially questionable whether the Armed forces will continue on course with its armaments procurement plan and its target of replacing 70% of its equipment by 2020. A dramatic rise in inflation in 2014 due to western sanctions is a further weight on the financial situation. Inflation rose 9.7 % in Russia last year,<sup>56</sup> and when combined with plummeting oil prices, the near collapse of the Ruble

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<sup>47</sup> Kathleen Handcock, "Russia: Great Power Image Versus Economic Reality," *Asian Perspective* 31 (2007): p. 74.

<sup>48</sup> *Ibid.*, p. 87

<sup>49</sup> *Ibid.*, p. 95

<sup>50</sup> SIPRI, "SIPRI Military Expenditure Database," *Stockholm International Peace Research Institute* (2015). [http://www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

<sup>51</sup> *Ibid.*

<sup>52</sup> The Moscow Times, "Russian Defense Budget to Hit Record \$81 Billion in 2015," (October 16, 2014). <http://www.themoscowtimes.com/business/article/russian-defense-budget-to-hit-record-81bln-in-2015/509536.html>

<sup>53</sup> *Ibid.*

<sup>54</sup> Russia Today, "China, Russia and Saudi Arabia increase arms spending the most in 2014 – study," (April 15, 2015). <http://rt.com/business/249197-military-spending-buyers-conflicts>

<sup>55</sup> Stratfor, "Russia Prepares to Slash Its Budget," (January 20, 2015). <https://www.stratfor.com/analysis/russia-prepares-slash-its-budget>

<sup>56</sup> *Ibid.*

and an exceedingly poor credit rating, it appears a perfect storm could be brewing over Russia economy.<sup>57</sup> If the current trajectory continues, political leaders will be forced to once again increase defence expenditures or risk compromising massive investments made in previous years.

Rampant embezzlement of state funds and assets is a final financial constraint threatening the course and success of Russia's military reforms. A spokesman for Russia's Federal Security Service (FSB) described this effect in a press conference, "Within the military-industrial complex — at enterprises with state participation — large-scale embezzlement has been uncovered, which is hindering the effectiveness of meeting state defense orders."<sup>58</sup> In the military industrial sector alone, there were 80 criminal cases and \$75 million missing from the state defence budget.<sup>59</sup> According to some analysts, these instances of self-reporting from the FSB may represent only a tip of the iceberg. The true extent of this problem began to unravel during the 1990s, when around half of the defence budget disappeared from state coffers. Over a decade later, in 2003 and 2004 Russia's defence sector was still struggling with rampant corruption as indicated by a 21% increase in simple theft.<sup>60</sup> As these statistics illustrate, Russia's law enforcement agencies only skim the surface of defence sector budget embezzlement considering that only \$75 million in missing funds was investigated in 2014.

An institutional culture of indifference to theft is partially to blame for this predicament. Bukkvoll provides insight into this institutional culture by noting the viewpoint of some soldiers who believe they are entitled to help themselves to state assets because of their poor accommodations and treatment.<sup>61</sup> When these forms of misconduct do end up being uncovered, cases are difficult to prosecute due to the fact that the Russian Ministry of Defence controls both the pay and appointment of military judges who can be easily influenced.<sup>62</sup> Moreover, corruption issues have not been confined to the lower ranks of Russia's Armed Forces; in 2012 Defence

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<sup>57</sup> The Economist, "Russia's battered economy Hardly tottering by" (January 3, 2015).

<http://www.economist.com/news/europe/21639557-russian-economy-will-take-long-time-recover-it-badly-needs-structural-reforms-it>

<sup>58</sup> The Moscow Times, "FSB: Graft Cost Russia's Military Complex \$75 Million in 2014" (February 10, 2015). <http://www.themoscowtimes.com/news/article/fsb-graft-cost-russia-s-military-complex-75-million-in-2014/515723.html>

<sup>59</sup> Ibid.

<sup>60</sup> Tor Bukkvoll, "Their Hands in the Till. Scale and Causes of Russian Military Corruption." *Armed Forces & Society* 34 (2008): pp. 259-275.

<sup>61</sup> Ibid. p. 266.

<sup>62</sup> Ibid. p. 269

Minister Anatoly Serdyukov was sacked from his post following a corruption investigation involving a defence related state corporation.<sup>63</sup> The ill effects of this institutional culture of indifference add to the already heavy strain on Russia's national procurement budget.

Russia's demographic crisis is a pressing challenge facing Russia as it attempts to transform its fighting force by 2020. Defense Minister Shoigu assessed Russia's military manpower at only 82% of its required levels.<sup>64</sup> In order for Russia to meet its 2017 voluntary recruitment goals, a sizeable 60 000 additional contract servicemen would need to enlist for military service.<sup>65</sup> Statistics show that Russia has a decreasing amount of males reaching the age of conscription that are fit for military service: in 2007 only 70.4% of males were fit for military service and this figure fell to 68.4% of males in 2009.<sup>66</sup> A further burden on Russia's military manpower levels is that the remaining pool of recruits is shrunk once again after accounting for the level of civic loyalty among new recruits from the problematic regions of Dagestan and the surrounding Caucasus region.<sup>67</sup> These problematic regions of Russia are widely associated with terrorism and servicemen from these regions are known to instigate the rampant bullying and hazing that are known to traditionally make Russian military service unappealing.

Russia's shortage of military personnel is also attributed to large amounts of draft dodgers. A sizeable 40 000 men per year end up dodging the draft and as many as half of these men have no employment or education.<sup>68</sup> The 2007 decision to reduce the tenure of conscription from 2 years to 1 year added to the manpower strain associated with conscription.<sup>69</sup>

According to the remarks of President Putin in his 2014 annual address to the Federal Assembly, Russia's demographic crisis is no longer a major problem facing the country. President Putin proudly reported that, "In the early 2000s, UN experts predicted further demographic decline in Russia. According to UN forecasts, the population of our country was supposed to shrink to 136 million people by the end of 2013. On January 1, 2014, the population of Russia

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<sup>63</sup> The International Institute for Strategic Studies, "Chapter Five: Russia and Eurasia," *The Military Balance* 115, no. 1 (2015): p. 159.

<sup>64</sup> Ria Novosti, "Russian Military to Recruit 500,000 Professional Soldiers by 2022," (December 10, 2013) <http://sputniknews.com/military/20131210/185434281.html>

<sup>65</sup> Nadja Douglas, "Civil Military Relations in Russia: Conscript vs Contract Army, or How Ideas Prevail Over Functional Demands," *Journal of Slavic Military Studies* (2014): p. 518.

<sup>66</sup> Mikhail Barabanov, Konstantin Makienko, and Ruslan Pukhov, *Military Reform: Towards the New Look of the Russian Army*. (Moscow: Vladi Discussion Club, 2012), p. 12.

<sup>67</sup> *Ibid.*, p. 13

<sup>68</sup> Zoltan Barany, "The Politics of Russia's Elusive Defense Reform," *Political Science Quarterly* 121 (2007): p. 610.

<sup>69</sup> *Ibid.*, p. 616.

was almost 144 million people, 8 million more than forecast by the United Nations.<sup>70</sup> While President Putin may be correct that the Russian population is no longer in free-fall decline, it still faces considerable challenges. In the opinion of some scholars, these challenges seem to discredit this early optimism. Russia's share of the global working age population has decreased to 1.6% from 2.4% and this has serious labor productivity implications.<sup>71</sup> In addition, the future prospect of another demographic crisis like the one that gripped the country in the late 1990s and early 2000s is completely plausible. This is since Russia's mortality rate has continued to stay high. In 2009 a Russian's life expectancy at birth was lower than it was in 1961.<sup>72</sup> In addition, the state of health of Russia's population has been frequently compared to developing states in Africa. This has been attributed to inexplicably high fatalities from cardiovascular disease, suicide, traffic collisions and homicides, to name a few reasons.<sup>73</sup> With a growing public health crisis facing Russia, the Armed Forces will face considerable roadblocks to maintaining adequate manpower levels in the future.

### **Russia's Arms Industry**

Russia's effort to replace 70% of its military equipment by 2020 implies that the quality of technology in the Military industrial complex will likely make or break its future military capabilities. The overall lack of technological innovation in this state dominated sector of the economy presents a considerable roadblock to reform. Since the collapse of the Soviet Union, the weapons industry in Russia has largely avoided major reforms. Russia's model for innovation carries within it several weaknesses that include: the government is the main source of R&D funding (77% of all researchers work for government),<sup>74</sup> R&D work is controlled from the top down and has not been reformed since the Soviet era; and research is poorly linked to both the economic and education system.<sup>75</sup> Structural problems play an evident role in this lack of efficiency and innovation problem. The Military Industrial Complex has failed to part from Soviet era laws that weigh down industry with requirements to maintain a wartime mobilization

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<sup>70</sup> Vladimir Putin, "Presidential Address to the Federal Assembly," (December 4, 2014).

<http://en.kremlin.ru/events/president/news/47173>

<sup>71</sup> Nicholas Eberstadt, "The Dying Bear: Russia's Demographic Disaster." *Foreign Affairs*, 2011.

<sup>72</sup> Ibid.

<sup>73</sup> Ibid.

<sup>74</sup> Roger Roffey, "Russian Science and Technology is Still Having Problems—Implications for Defense Research," *Journal of Slavic Military Studies* 26 (2013): p. 164.

<sup>75</sup> Ibid., p.163

capacity; this is a difficult prospect to balance with high technology production and development.<sup>76</sup>

Throughout Russia's dark decade in the 1990's, Defence R&D funding fell a considerable 40% making recovery a colossal task.<sup>77</sup> Today, although there would be much to gain if Russia opted to reverse the damage of the 1990s, R&D expenditures sit at the 1% range of its GDP. Acknowledging this predicament, the Russian Government recently announced ambitious plans to increase this figure to the 2.5% to 3% range.<sup>78</sup> Spending on Research and Design is highly concentrated in the Defence sector since 35-40% of all government R&D spending is in the Military-Industrial complex.<sup>79</sup> President Putin's own comments on this topic highlight that this money has not been particularly well spent. Putin estimated that 40% of Military R&D funding has been wasteful, redundant or unnecessary.<sup>80</sup> No figure is more telling of the state of decline of Russian innovation than the sharp drop in researchers from 1 225 000 in 1999 to 376 000 in 2008.<sup>81</sup> This brain drain seriously constrains the productivity and innovation of Russia's military industrial complex. In comparison to its BRIC counterparts, Russia publishes the fewest scientific research papers and a meager 0.2% of UN World Intellectual Property Organization patent claims.<sup>82</sup> These statistics are indicative of a collapse of research and innovation.

Russia's innovation problem has materialized into lackluster military weapons. In the period of 2009 to 2010, 300 ballistic missiles, 28 combat aircraft, 3 nuclear submarines, 1 corvette, 300 tanks and 11 satellites all came into service, yet they were all platforms based on designs 10 to 15 years old.<sup>83</sup> In 2008, Algeria announced that it would return 15 MiG fighters that it had purchased from Russia due to their lack of quality and technology.<sup>84</sup> The dire straights exhibited within Russia's defence industry are mirrored in the strongly related space sector, which has faced several embarrassing blunders in recent years.

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<sup>76</sup> Fredrik Westerlund, "The Defence Industry," In *Russian Military Capability in a Ten-Year Perspective – 2011*, by Carolina Pallin, (Stockholm : Swedish Defence Research Agency, 2011), p. 72.

<sup>77</sup> Roger Roffey, "Russian Science and Technology is Still Having Problems – Implications for Defense Research," *Journal of Slavic Military Studies* 26 (2013): p. 163.

<sup>78</sup> *Ibid.*, p. 174.

<sup>79</sup> *Ibid.*, p. 182.

<sup>80</sup> *Ibid.*, p. 184.

<sup>81</sup> *Ibid.*, p. 163.

<sup>82</sup> Nicholas Eberstadt, "The Dying Bear: Russia's Demographic Disaster," *Foreign Affairs*, (2011).

<sup>83</sup> Ariel Cohen and Robert Hamilton, "The Russian Military and the Georgian War: Lessons and Implications," *Current Politics and Economics of Russia* 28 (2011): p. 87.

<sup>84</sup> Rianovosti, "Algeria to return 15 MiG aircraft to Russia over inferior quality," (February 18, 2008). <http://sputniknews.com/russia/20080218/99490063.html>

Procurement issues such as this reliance on antiquated designs has led to an unprecedented willingness to purchase foreign weapons systems. This practice seeks to mitigate the limitations of Russia's military industry on a small scale by procuring foreign systems and licensing rights so that these capabilities do not have to be domestically reinvented. Rosoboronexport's 2007 deal with the French multinational Thales to provide infrared and night vision for Russian T90 tanks<sup>85</sup> is a recent example of this trend. On a large scale Russia has expressed interest in purchasing ships that its industry does not have the technological capacity to build, such as the French Mistral class amphibious ship.<sup>86</sup> Arms transfer practices such as the ill fated Mistral deal are especially needed because the state armament program focuses on funding the nuclear triad, early warning systems and missile defence.<sup>87</sup> The emphasis on these special weapons systems affords Russia's conventional forces little room to procure state of the art precision weapons and command and control systems.<sup>88</sup> As this paper already established, a clear need for this arose in the aftermath of the 2008 Georgia war.

Russia's strategy of incorporating arms transfers in arms deals to relieve pressure on its domestic weapons industry, as it attempted in the failed Mistral deal, will need rethinking amid the recent sanctions imposed on Russia. Replacing contracts that have been cancelled as a result of EU and U.S sanctions will require costly import substitution measures that will only add to the financial burden of Russia's state armaments procurement program.

Innovation is not the only challenge facing Russia's Military Industrial Complex that is constraining defence reform. Production capacity has consistently failed to meet the requirements of the 2020 State Armament Program.<sup>89</sup> The state of decay of the production capital itself is largely to blame for this predicament. A massive retooling would need to take place in order to replace the reported 50% of production assets that are worn out.<sup>90</sup> Russian state defence orders continue

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<sup>85</sup> Ariel Cohen, and Robert Hamilton, "The Russian Military and the Georgian War: Lessons and Implications," *Current Politics and Economics of Russia* 28 (2011): p. 88.

<sup>86</sup> Rianovosti, "Russia's Purchase of French Mistral-Class Warship," (September 22, 2014). [http://sputniknews.com/trend/warship\\_01102009/](http://sputniknews.com/trend/warship_01102009/)

<sup>87</sup> Fredrik Westerlund, "The Defence Industry," In *Russian Military Capability in a Ten-Year Perspective – 2011*, by Carolina Pallin, (Stockholm : Swedish Defence Research Agency, 2011): p. 67.

<sup>88</sup> Ibid.

<sup>89</sup> Roger Roffey, "Russian Science and Technology is Still Having Problems – Implications for Defense Research," *Journal of Slavic Military Studies* 26 (2013): p. 183.

<sup>90</sup> Ibid., p. 184

to face setbacks and routine delays that have ramped up criticism of Russia's military industry.<sup>91</sup> This situation brings into question whether Russia's military industrial complex truly has the capacity to produce weapons to both export internationally as a source of hard currency<sup>92</sup> and to replace outdated military equipment domestically. These endemic problems put Russia's capability to produce its new designs into question. This analysis highlights that Russia's goal of replacing 70% of its equipment with new cutting edge weaponry by 2020 is a long shot, especially in light of the recent sanctions that are placing increased pressure on the military-industrial complex.

### Conclusion

In conclusion, reforming Russia's military is a colossal task that involves not only reequipping almost the entire Armed Forces but also transforming the institution's structure, hierarchy, values and operational character. The scathing appraisal of Russian Military capability following the 2008 Georgia War from military and political leaders underscored the seismic transformation that was needed to revive key military capabilities. Dmitry Medvedev's comprehensive agenda for this transformation included a drive to restructure the command and control hierarchy and systems of Russia's armed forces, replace 70% of all military equipment, improve the social conditions for the serving members of the armed forces and transform the military from a rigid mass mobilization structure to a flexible, professional and combat capable force. As this research aimed to demonstrate, the Russian Armed Forces are currently at the crossroads of its reform and there are three major constraints that challenge the completion of the key objectives. These constraints include an unrefined civil-military relationship, a shortfall in financial and human resources, and a lack of innovation in the military industrial complex. For decades, military leaders in Russia enjoyed impunity from civilian control and oversight. A breakdown in the organizational structure arrangement of the armed forces created an environment where military leaders could freely challenge the policy direction of the political and bureaucratic leadership. The lack of financial and human resources available to meet the needs of the armed forces means that difficult decisions lie ahead for political leaders. It is increasingly clear that the future condition of the national economy will define the parameters of the reform. Lastly, Russia's military industrial complex has been fractured by a huge brain drain and a poor organizational structure. An overly centralized and under funded Research and

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<sup>91</sup> RIA Novosti, "Medvedev Slams Defense Contract Placement Delays," (April 14, 2013), <http://sputniknews.com/military/20130415/180648161.html>

<sup>92</sup> Nebojsa Bjelakovic, "Russian Military Procurement: Putin's Impact on Decision-Making and Budgeting," *The Journal of Slavic Military Studies* 21 (2008): p. 353.

Development framework has left the Russian Armed Forces with equipment that is based on modified Cold War era designs. In short, President Putin's massive investments in the Armed Forces will likely fall short of the expectations. A new era of economic management will be required to truly propel the force forward.



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