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Cavan, Susan

Boston University Center for the Study of Conflict, Ideology, and Policy

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Boston University
Russian Federation: Executive Branch

By Susan Cavan

Crisis management, cadre lists, and the Security Council

Events on the political front in Russia have begun to move at a quickening pace, whether as a result of a deepening divide in the diarchy, or more likely, as a result of concerted policy to address not only the economic, but political effects of the international financial crisis. Earlier this week, Russian President Dmitri Medvedev announced the dismissals of three regional leaders in Russia: the governors of Pskov, Orel, and of the Nenets Autonomous Okrug. The governor of Voronezh, whose term expires in March, is to be replaced by the current Agriculture Minister, Aleksei Gordeyev. (1) The move served to spotlight Medvedev's apparent campaign to reinvigorate state bureaucratic structures by creating a list of "reserves" or individuals vetted by a team of advisers to serve in the state apparat.

According to the Kremlin's announcement, "The candidates on the list must be between 25 and 50, have a university degree, and possess such qualities as managerial ability, competence, effectiveness and a capacity for strategic thinking." The list is meant to be remarkably comprehensive: "The high-potential managers will be organised in groups on three levels: there will be a thousand people at the presidential level, of which a hundred names have been published, a federal pool (approximately 5 thousand people) and a regional group, in which there are currently approximately 16 thousand people." (2)

At least the presidential element of the list was compiled by a team of 172 advisers, who vetted the candidates. It is clear that most, if not all, of the individuals on the "Top 100" list that has been published already, received
advance notice of their candidacy. This suggests that the process, while perhaps carried out quietly, clearly was not secret. According to the Kremlin, the compilation of the list was the result of a July 2008 presidential decree on management personnel. (3)

Medvedev's personnel moves this week are notable, first for the scope of the potential apparat shuffle that may result from a "cleansing" of the current gubernatorial and administrative ranks. While there is some speculation that the creation of the reserve lists represents an attempt to release the grip of Putin's siloviki from several key slots, it is unlikely that this "rotation of personnel" will effect either the higher levels of government offices, where the leaders of the siloviki clan operate, nor will it have a significant impact on the closest assets in their valued patronage tails. At best, this "rotation" will serve to remove secondary and tertiary cadres and replace them, quite possibly, with an evenly scattered representation of the current clans. The part of the procedure that involved nomination, vetting, and discussion with the candidates themselves, suggests that the process was open enough to be influenced by the current arrangement of forces within the elite, and will, therefore, likely present a similar reflection of the present order.

Perhaps the most remarkable moment in the personnel shake up this week occurred in President Medvedev's decision to remove (many suggest demote) Agricultural Minister Aleksei Gordeyev to the position of Governor of Voronezh. (4) This appears to be the first attempt by President Medvedev to manipulate the personnel of prime minister Putin's cabinet. While the president clearly has power of approval over the appointment of ministers to the Russian government, it seemed unlikely, when Vladimir Putin assumed the position of Prime Minister, that Medvedev would be able to exercise authority over dismissals from a sitting cabinet. This single personnel choice indeed may represent a tilt in the balance of power between prime minister and president. Or, perhaps, it is simply the execution of a decision agreed to earlier.
Medvedev's high profile personnel shuffles and the fanfare given his announcement of the creation of a personnel reserve list also may represent the culmination of policy decisions agreed between president and prime minister in a forum that received less attention. It seems likely that Medvedev and Putin would coordinate actions, particularly in response to the current economic crisis. It also seems quite possible that the current economic difficulties have presented concerns outside of the realm of economics alone.

There has been a great deal of speculation that under the Putin regime, a social contract developed in Russia that, at its core, held that citizens would trade off free speech and other liberties for economic prosperity. Given this basic "deal" between Russian citizens and their rulers, a snowballing economic crisis, with its unthinkable effect on energy prices (at least in the short term), would hit Russia particularly hard and force Russia's leaders to respond not only economically, but in the social sphere as well. As Igor Yurgens, who heads Russia's Institute for Contemporary Development's Management Board (President Medvedev chairs its Board of Directors) recently noted, the effects of the current economic crisis do cause ripples in other areas:

"The social contract consisted of limiting of civil rights in exchange for economic well-being," … "At the current moment, economic well-being is shrinking. Correspondingly, civil rights should expand. It's just simple logic." (5)

The "simple logic" of an expansion of civil liberties does not necessarily imply an orderly process. Recent demonstrations, including the Day of Dissent and the tariff protests in the Far East, raise a red flag for security-minded authorities that social unrest is a possibility in the wake of financial meltdown.

It seems reasonable that the former president and current prime minister, who boasted restoration of order among his highest accomplishments as president,
would seek to control the fallout from this crisis in every sphere possible. For example, Putin met this week’s announcement that the Fitch international financial rating agency had downgraded Russia’s status from “BBB” to “BBB-“ with a response that exudes Putin’s top down—power vertical—modus operandi: rating agencies operating in Russia (and specifically gauging the soundness of its financial policies and status) would have to be certified by the Finance Ministry. (6) Control over the ability of an "independent" agency to gather negative information likely would produce more palatable ratings. Unfortunately for Putin, any attempts to obscure the highly prized transparency that ratings agencies seek in financial transactions tend to produce undesirable results.

Russia's downgraded rating is but a symptom of the larger crisis, including a looming currency meltdown, that edges ever closer to enveloping Russia. Coordinating a set of policies to address the multiple contingencies that an economic crisis might spark in Russia—clearly, a wise move at this juncture—would best be formulated in a small council of trusted advisers, whose loyalties to the (former) president and prime minister have been proven over time. As it happens, Russia already has such a council.

The Russian Security Council met quietly on February 13; its agenda was not published, but an official report states that its participants discussed issues of internal and external security, and it seems certain that the topic of conversation at least must have flitted over the probability of unrest in Russia's regions as the economic crisis broadens. (7) The participants of the Security Council meeting included the current and former president (in their only formal and reported recent meeting), as well as the Secretary of the Council, former FSB Director Nikolai Patrushev, Minister of Foreign Affairs Sergei Lavrov, Minister of Defense Anatolii Serdyukov, heads of the MVD and FSB, legislative leaders, and the heads of the government and Kremlin administrations. (8) The composition represents a remarkably tight group of colleagues, who seem to have resisted
the temptation, so often apparent in the past, of divulging the content of discussions held in the Council.

The Security Council, since its inception, has been a state organ of remarkable potential authority. However, its stature tends to rise and fall with the relative status of its leader. Many times it has been viewed as a pleasant pasture in which to place leading officials upon their removal from high office. Nonetheless, in a crisis, the Security Council can call together both a leader's most trusted and most effective officials. Russia's current circumstances may require just such a star chamber; it certainly bears watching.

Source Notes:
(1) "Dmitri Medvedev submitted candidates for the office of regional governor to the four respective representative bodies," 16 Feb 09, the Kremlin website via www.kremlin.ru.
(2) "A list of the first hundred members of the high-potential managerial pool, selected under the auspices of the Russian President, has been announced...," 17 Feb 09, the Kremlin website via http://www.kremlin.ru/eng/sdocs/news.shtml.
(3) Ibid.; For a list of the Top 100, please see "Pervaya sotnaya" reserva at www.kremlin.ru.
(6) "Fitch revised its Sovereign Rating...," Credit and Investment No 21, Banking and Stock Exchange, Finance, Economics Report, 6 Feb 09; What the Papers Say (WPS) via Lexis-Nexis Academic; "Finance Ministry likely to grant accreditation to rating agencies," RosBusinessConsulting Database, 9 Feb 634 EST via Lexis-Nexis Academic.
Population, immigration, and the economy

Russia’s declining population has long been an area of concern for the government. Global statistics organizations have predicted that the country would lose 20-50 million people between 2025 and 2050. (1) This may amount to two-thirds of Russia’s current workforce. (2) Rosstat, Russia’s own bureau of statistics, recently announced that since 2002, the country’s population has decreased to 141.9 million, a decrease of approximately 3.3 million people. This figure, which was released in preparation of a nationwide meeting of Russian statisticians to prepare the country’s 2010 census, represents an average annual population reduction of 0.4 percent, which rose from 0.1 percent losses between 1989 and 2002. In contrast, Russia’s population grew by 0.7 percent annually between 1979 and 1989. (3) In fact, if the growth of population from the 1979 to the 1989 census were projected to 2009, Russia’s population would amount to 168,250,000 persons, some 26 million more than the actual number!

The population decline since 1989 was due in part to a generally low standard of living that dramatically reduced the average life expectancy of Russian citizens, especially those living outside the country’s urban centers. By 2002, the average age of the Russian populace was only 37.1 years. (4) When coupled with economic and political insecurity in Post-Soviet Russia that caused fertility rates...
to plummet to 1.4 by 1993, (5) it is not difficult to account for the six million people that have disappeared from Russia’s population in the past two decades.

So how is it possible that the population crisis seems to be approaching a turning point in the midst of the worst economic crisis to hit Russia in a decade? At first glance, it seems that Russian families simply needed a push in the right direction. When then-President Vladimir Putin declared that 2008 would be the “Year of the Family” in 2007, many were doubtful that he would be able to reverse the dire population trends that have reduced post-Soviet Russia’s population from 148.7 at its peak (6) to 141.9 million people as of December 2008. (7) Putin’s carefully orchestrated plan was designed to raise both marriage and childbirth rates in Russia. Most notably, the plan included the creation of an annual “Family Contact Day,” an official nationwide celebration of Russian “marital closeness” on September 12, exactly nine months before “Russia Day” on June 12. (8) [Covered in more detail in The IScip Analyst, Volume XIV Number 14 (24 July 2008).]

Even though there are still months to go before “Russia Day” 2009, there are already signs that the Kremlin’s focus on population growth may be working. Despite the fact that a recent United Nations study predicted that Russia’s population would drop by 0.5 percent (approximately 667,000 persons) in 2008, there was only a decline of 212,000 persons from 2007, the smallest number in more than a decade. Some are even predicting that by 2015 the fertility rate could climb to 1.6, slowing the population decrease to below 200,000 per year. (9) On the opposite end of the spectrum, the average age of Russian citizens is rising. It currently stands at 38.7 years, up 1.6 years from the 2002 rate. This figure was derived from the male and female averages, which are currently 36 and 41 years, respectively. Rosstat also reported that this trend is likely to continue and even increase in the future, in conjunction with rising living standards. (10)
The slowly growing birth rate and rising median age are encouraging signs for Russia’s long-term economic future, but over the past few years, the government has been forced to explore alternate short-term plans to increase the population and boost the workforce. One major initiative, which began in January 2007, changed Russia’s immigration policy by creating quotas and established rules regarding illegal immigrants. The new immigration policy is meant to tie immigration to Russia’s domestic economic needs. The initiative also created a six-year program that facilitates the “repatriation” of former Russian citizens, who would increase the population by an estimated 6-7 million persons. In the first two weeks of the program, more than 20,000 persons applied to receive money, benefits, and government support for their bid to regain citizenship. (11)

Today, Russia is second only to the United States in number of immigrants, with more than 200,000 legal migrants (12) from other post-Soviet republics, former satellite nations and as far away as Vietnam, China, and Afghanistan arriving annually and with an estimated three to four million living illegally inside its borders. (13) This figure is expected to rise to 300,000 by 2015. Although these numbers are too small to offset the population decline, low-cost migrant workers have helped to mitigate unskilled labor shortages in construction, retail and other service sectors, and transportation and have allowed domestic businesses to keep wages high and prices low. Both of these factors were considered blessings until last fall, when the one-two punch of the global credit crunch and falling oil prices sent the Russian economy into a downward spiral.

Currently, unemployment in Russia has risen steadily since the December 2008 figures of 5.8 million persons, or 7.7 percent, were released. (14) Experts predict that the Russian economy soon will be in recession and that by the end of 2009, more than 2.2 million citizens will be forced to rely on the state for income. (15) Although President Dmitri Medvedev went public on Russian TV to acknowledge the economic slump and reassure citizens that the government is working to create jobs and educate workers to fight unemployment, (16) many people are
still looking for someone to blame, which means that the tensions, which continuously simmer among Russia’s more xenophobic “extremist” groups may soon spread to the rest of the population.

Aggressive, sometimes violent xenophobia is not a new issue in Russia. Groups like Movement Against Illegal Immigration (DNPI) argue against migrant workers in economic terms, claiming that they are protesting illegal immigrants’ willingness to work for slave wages, terms under which Russian citizens cannot compete. However, they undermine any hope of a rational argument by punctuating their words with Nazi salutes and holding unregistered gatherings that often end in violence. (17) As the jobless rate in Russia worsens, however, the call for immigration reform is starting to come from more mainstream parties.

One recent harbinger of things to come occurred when more than 100 members of Molodaya Gvardia (Young Guard), the youth wing of Putin’s United Russia party, gathered in Moscow to protest the arrival of a train from Tashkent in order to “protect the rights of Russian workers during times of crisis” by chanting anti-illegal slogans and handing out Federal Migration Service cards. Like similar pro-Kremlin groups Nashi (Ours) and Mestnye (Locals), Molodaya Gvardia’s actions generally straddle the line between pride and radical nationalism, but of late, they have stepped up their anti-immigration campaign. In addition to the train station protests, group members have begun to pick up migrant day laborers under the guise of hiring them and instead drop them off at Migration Service offices. (18)

Perhaps most troubling is the fact that even before the financial crisis hit Russia, a June 2008 poll showed that 55 percent of the population believed that “the best way to limit ethnic tensions was to ‘limit the flow of unskilled labor’ and make it more difficult to obtain entrance permits and registration.” (19) The government officially continues to oppose racism and support immigration as a means of increasing the population, but this could change if the Kremlin acquiesces to the growing groundswell of popular support for toughening immigration. If it does,
what happens when the financial crisis is over and there are once again too many jobs for the “Russian” Russians to fill? The Kremlin might want to consider implementing a second “Family Contact Day” as soon as possible.

Source Notes:
(3) “Russian population down by 3.3m, to 141.9m people,” ITAR-TASS, 11 Feb 09 via Johnson's Russia List (JRL), 12 Feb 09, 2009-#30.
(4) “Russian babies up, jobs down” Ibid.
(5) Ibid.
(6) Ibid.
(7) “Russian population down by 3.3m, to 141.9m people” Ibid.
(8) “From Russia with love: A new holiday to fight population decline” Ibid.
(9) “Russian babies up, jobs down” Ibid.
(10) “Russian population down by 3.3m, to 141.9m people” Ibid.
(12) “Russian babies up, jobs down” Ibid.
Russian Federation: Security Services

By Fabian Adami

GRU finally at risk?
Late in November 2008, it was reported that a number of senior officers in Russia's armed forces had resigned in protest at the latest batch of proposed military reforms. The most significant name on this list was that of General Valentin Korabelnikov, commanding officer of the GRU, Russia's Military Intelligence Agency. Within 24 hours of the story's publication, the Defense Ministry had issued a statement labeling the reports as "brazen lies." (1) Until recently, there were no further indications as to the true situation at GRU.

Two weeks ago, a report surfaced that seemed to confirm that the GRU will not be immune to the proposed reforms – instead, it faces relegation to second-class status. Thus, according to the Moskovski komsomolets, senior figures at the Ministry of Defense are discussing the idea of stripping the GRU of its Special Forces and transferring these units to regular army command, instead. The (alleged) reasoning behind this move is that GRU troops performed well below
expectations during last fall's Georgian conflict, leading to the belief that it would be "more efficient" to "manage" them if they did not operate autonomously. (2) Also, the GRU could be stripped of its strategic intelligence role, leaving it to handle purely operational matters. But, the final and perhaps most important question concerns personalities. The Moskovskiy komsomolets claims that Korabelnikov, rather than resigning, is on the verge of retirement, and has failed to anoint a successor. It is rumored that a senior officer will be brought in from SVR (Russia's Foreign Intelligence Agency) to replace him. (3)

None of this information has been confirmed, as yet. But the GRU's independence has been viewed with discomfort—if not disdain—for some time, particularly by those with ties to Prime Minister Vladimir Putin and the FSB. The siloviki have launched a number of takeover attempts in the past, all of which have failed, at least in part due to Korabelnikov's personal authority. If the GRU's commander is indeed departing the scene, the agency's enemies will have one more opportunity to impose their will and to bring Russia's last remaining independent security service to heel, as they have done with the Border Guards Service and the Interior Ministry, amongst others.

**Politkovskaya jury to deliberate**

In November 2008, the trial of three individuals charged with complicity in the murder of Anna Politkovskaya began in Moscow. By the end of January, it was clear that there were serious flaws in the prosecution's case, specifically relating to the defendants' alibis, DNA, and fingerprints. (4) These discrepancies have left the State in a quandary: if the Makhmudov brothers are acquitted, the only person remaining in custody in connection with the case will be FSB Lieutenant Colonel Pavel Ryaguzov.

Earlier this month, lawyers acting on behalf of the defendants and Ms. Politkovskaya's family presented several pieces of evidence and testimony that, if
verified, would place responsibility for her murder squarely on the Security Services.

First, on February 5th, Anna Stavitskaya (one of the Politkovskaya family's attorneys), read into the record an official FSB document dated 19 days before the assassination. Apparently an internal memorandum, the document was a request from one FSB directorate to another for full details on the reporter's whereabouts, address, and "personal details." This request allegedly was entirely separate from Ryaguzov's reconnaissance work, supposedly carried out as a rogue mission, purely for monetary gain, on behalf of the putative triggerman. (5)

The same day, Sergei Khadzhikurbanov, former police officer and alleged conspirator took the stand in his own defense. Khadzhikurbanov claimed that "investigators" had tried to persuade him to implicate exiled billionaire Boris Berezovsky in the assassination and to claim that the orders for the hit came from Chechnya. In return for his cooperation, Khadzhikurbanov could expect to be "withdrawn" (read, granted immunity) from the case. (6) Given that he was charged with conspiracy, it is evident that Khadzhikurbanov refused this "offer."

On February 6th, Judge Yevgeni Zubov, presiding, announced that the evidentiary part of the trial was complete, and scheduled closing arguments and jury instructions for February 16th. Thereafter, the jury will consider a verdict. (7)

If the press reports on the trial are accurate, the jury will have no choice but to acquit the defendants, leaving the case unsolved and the Security Services—exposed as accessories to murder, at a minimum—embarrassed. The decision to have an open trial surely is being regretted in Moscow. Had the trial been closed, the cover-up could have been carried through without any problems.

Addendum: Defendants acquitted
On Tuesday 17 February, defense and prosecution attorneys presented their closing arguments. Prosecution lawyers argued that the evidence was conclusive, claiming that “that the people sitting on the dock” are “guilty in relation to the execution of the murder of Anna Politkovskaya.” (8) Defense attorneys in their turn described the State’s evidence as consisting of “dust, fluff, and ash,” adding that the prosecution’s file was “fundamentally flawed.” (9)

Within hours of being handed the case, the jury in the trial returned to the courtroom with a unanimous “not guilty” verdict, resulting in the immediate release of the three individuals charged. Lieutenant Colonel Pavel Ryaguzov, an additional defendant, also was acquitted and released. Authorities have responded to the verdict with the assertion that they will file an appeal. (10) It seems clear at the time of writing that such a move would have only one chance of “success” – a closed trial, or a simple overruling of the verdict by a more pliant judge. What effect such an action would have on Russia’s image is clear. The question is whether those in authority care.

Litvinenko trial?

Ever since Aleksandr Litvinenko’s murder in November of 2006, British and Russian authorities have waged a war of words over the handling of the investigation. Accusations and allegations have flown in both directions, while the prime suspect, Andrei Lugovoi, has received parliamentary immunity in Russia (obtaining a seat in the Duma 14 months ago).

It seems now that Russia is attempting to ratchet down its rhetoric, in order to remove the row from the diplomatic scene. On 7 February, Yuriy Fedotov, Russia's ambassador to the Court of St. James, was interviewed by Interfax. Fedotov stated that "passions over this problem" had risen "too high," and that Russia and Britain needed to return to a more "constructive" relationship. (11) Fedotov claimed that a Russian proposal had been—or was about to be—made to have "judicial hearings" on the case in a Russian court, using "documents
provided by the British side." (12) It seems that Russian authorities no longer have any objection to their citizens giving evidence at such a hearing, presuming "security guarantees" from Britain are forthcoming. It has been stressed however, that the choice of whether to appear before a hearing or not would be a purely "private affair" for the alleged suspects. (13)

Despite appearances, little has changed. Russia’s "proposal" is highly unlikely to be approved in Whitehall: there are simply too many unanswered questions surrounding Lugovoi’s fate. How could any trial be legitimate if the lead suspect was not forced to appear – as in any trial in a Western judicial system? Given Russia's constitutional ban on extradition, where would Lugovoi serve his sentence if convicted? How could British authorities explain, for domestic-political purposes, their decision to pass jurisdiction to a foreign power?

Moscow could have made a proposal similar to the one agreed to with Libya over the Lockerbie bombers, namely have a Sovereign British court meeting on neutral soil, with any sentence to be served on said neutral territory. It is evident that the current proposal is not at all a serious one. Instead, it is simply another attempt by Moscow to portray itself as cooperative and as respectful of international judicial norms.

Source Notes:
(1) Defense Ministry Denies Reports on Resignation Of Top Military Officials (Part 2)," Interfax, 29 Nov 08; OSC Transcribed Text via World News Connection.
(2) "Russian Paper Reports on Proposal To Transfer GRU Forces To Ground Troops," Moskovskiy komsomolets, 23 Jan 09; BBC Monitoring via Lexis-Nexis.
(3) Ibid.
(4) See The ISCIP Analyst, Volume XV, Number 7 (5 February 09)
(5) "FSB Requested Politkovskaya Data Shortly Before Murder," Interfax AVN Online, 5 Feb 09; OSC Transcribed Text via World News Connection.
Russian Federation: Armed Forces

By Lt. Col. Erik Rundquist

Russian military reform – can industry keep pace?
Heated discussions persist on Russian military reforms, which are primarily concerned with doctrine, task organization, manpower reduction, and the consolidation (closing) of some facilities. Defense Minister Anatoliy Serdyukov’s focus remains centered on the creation of lighter, leaner, and highly mobile
combat brigades. (1) In order to shape these reforms, technology will be a critical enabler for the military where command and control, intelligence, surveillance and reconnaissance (ISR), rapid mobility, and the ability to carry out precision strikes are important components. In terms of the broader reform effort, some key projects of the Russian military-industrial complex may provide an indication as to whether or not Serdyukov’s reform can maintain the pace he has set. Over the last few months, there has been discussion on the Russian Navy’s “Bulava” missile, the Russian Air Force’s 5th generation fighter, and the overall state of Russia’s defense industry (especially ISR assets). Without industry and the technology needed for combat troops in the field, the road to reform may prove problematic for Serdyukov as Russia begins its massive troop cuts.

**Russian navy missile tests**

With regards to naval strike capability, the Russian military has continued to struggle with its advanced “Bulava” missile. Its most recent launch on December 23, 2008 resulted in self-destruction during its flight. This test marked the fifth failure out of a total of ten launches and sparked a comment from Deputy Prime Minister Sergei Ivanov to the Russian Space Agency, “Not enough attention is given to on-the-ground work on the components of the Bulava strategic missile system items.” (2) The Russian Navy hopes the missile can deliver warheads at a range of up to 8,000 kilometers flying at a “very low” flight trajectory and maneuvering with hypersonic engines to confound enemy defenses. (3) However, the Bulava has been in the testing phase since December 2003 and in order to meet the requirements for the navy, Ivanov noted that missile series production will begin in 2009, despite the obvious need for additional tests. (4) This seems to imply that the production line might be open for a weapon system that is not fully vetted.

In order to close the gap between operations and development, more tests (at least five) with a focus on correcting the malfunctioning third stage are likely in
2009. With these new tests in mind, 2010 is the new operational deployment date for the Bulava missile. (5) Under the guise of expediency and cost effectiveness, some pundits have called for the missile system to be scrapped altogether. A source in the Russian defense industry noted, “We are doomed to having to make Bulava work; there is no alternative to it …. Replacing Bulava with a new missile does not seem possible. First, huge resources have already been spent on it.” (6) The source further adds that critical submarine design and technical components, as well as launch technique would force the Russian Navy and industrial designers to “Start everything from scratch.” (7) Clearly, this would disrupt the ability to conduct quick technological reform for the navy.

Adding pressure on the beleaguered weapons developers, Chief of the General Staff Nikolai Makarov commented on the recent missile failure, “Either the military-industrial complex, or the production itself, or designers may be to blame for the accident. Personally I am inclined to think it was the second theory.” (8) As finger-pointing continues, pundits and military veterans have noted that precious energy and resources are being spent on a system they claim will never work. Colonel Oleg Sergeyev, a candidate of technical sciences and veteran of the Strategic Missile Troops, posits that the Moscow Institute of Thermal Technology (lead developer of the Bulava missile) is not testing the system properly and is “drying up the military budget.” (9) He notes the ground-based “static” launches versus the complexities of sea-based launches and disputes, “The trial and error method, which is presented as ‘static tests,’ is ineffective, even if you add another five or more missile launches to the 10 unsuccessful ones.” (10)

**Russian 5th generation fighter aircraft**

Another visible element of Serdyukov’s reform centers on efforts to upgrade the Russian Air Force fighter fleet. Air Force Commander-in-Chief Colonel-General Aleksander Zelin proposes a flight demonstration of the fighter on August 12, 2009 (Russia’s next Air Force Day) since, “Work on the airplane is going
according to plan, and all goals are being met.” (11) Supporting Zelin’s enthusiasm, Deputy Prime Minister Ivanov noted that this fighter would be day/night, all-weather, stealthy/low-signature, and operate long-range at supersonic speed. He also commented on the advanced navigation and automated defense systems, which would be a feature of this aircraft, with tests to begin in 2009 and operational service being set for 2015. (12) Unlike the Bulava missile system, there has been closer international cooperation, namely with India, for research and development of this aircraft. Mikhail Pogosyan, general director of the Sukhoi company which is involved with the design, manufacturing, and assembly of the aircraft in Komsomolsk-na-Amure, remarked that the global financial crisis should not impact the timelines or future of this project. (13)

While there is a sense of optimism surrounding the new fighter, some military analysts note that Zelin’s fifth generation aircraft are really fourth generation fighters with upgraded avionics. One of the important elements that denotes a fifth generation fighter, namely stealth, is not seen with the SU-34, which has 22 square meters of reflecting radar surface versus the United States Air Force’s F-22 “Raptor” with a reflecting surface of 0.003 square meters. (14)

Another Russian Defense Ministry expert source points out that many of the modifications to the Russian fighters (Mikoyan-Guervich MiG-35 or the Sukhoi Su-35) are primarily designed to assist in extending the lifespan of these aircraft and that Russia’s fifth generation fighter program has “largely remained on paper.” (15) In the meantime, an aging Russian aerospace industry workforce, slumping oil prices, and continued cooperation with the government of India (for funding) all play into the development of Russia’s next front-line fighter, as well as meeting Serdyukov’s reform objectives. (16)

The industrial climate
Regarding Russia’s military-industrial complex, Prime Minister Vladimir Putin observed that this vital industry links 1,400 companies and over 1.5 million employees throughout the country. Concerning the global economic crisis, Putin added, “Many [defense plants] encountered both delayed payment for shipped products and creditor indebtedness, and difficulties arose with access to loan proceeds.” (17) He further announced that an investigation would be started to examine whether or not banks artificially raised their interest loan rates to defense industries that are working to meet Russian military reform efforts. In addition, Putin is examining the “mistakes of management” of defense industry leaders, whose equipment export is essential to the Russian economy. (18)

Another impact of the financial crisis on the defense industry centers on raw materials. For example, the price of nickel alloys, despite an overall reduction in demand (outside of the defense industry), has increased. Pointing out Russian inefficiencies, Salyut General Director Yuri Yeliseyev commented at an “anti-crisis conference” that in some cases it is currently cheaper to import materials from France than to obtain them from suppliers in the Moscow region. This prompted Russian President Dmitri Medvedev to call for a reduction in prices of some raw materials. (19)

While money and material challenges are affecting the military industrial complex, Deputy Prime Minister Ivanov recently commented on the exodus of qualified technical workers from the defense industry. More disconcerting to Ivanov is that the loss of nearly 50,000 defense industry engineers and workers in 2008 took place while there was a drastic increase in government military work orders. (20)

Perhaps linked to this exodus of defense workers is the fact that the Russian military is potentially looking outside of Russia to fill its desperate requirements for upgraded unmanned aerial vehicle (UAV) platforms for its battlefield ISR. These systems are critical in assisting senior leaders and tactical commanders in
supporting ground and air operations in near real-time. In December 2008, General Makarov commented, “If our industry is unable to produce the kind of [UAV] drones that we need in the near future, we may buy one trial batch in Israel.” (21) This comment prompted a wave of concern within the defense industry, where companies have attempted to block any outside purchase under the guise that it would damage the Russian UAV export potential in the future. Additionally, recent trade fairs indicate a possibility that Russian UAV makers may work with international joint partners, much like the fifth generation fighter program. (22) Not surprisingly, the director of the Russian UAV program at Vega Concern, Arkady Syroyezhko, believes that the domestic industry can meet the needs of the military. Syroyezhko claims that foreign systems may result in higher costs when maintenance, spare parts, and shipping are factored in. (23) While not stated, it seems logical that an imported UAV might bear greater training costs with foreign instructors, and the turn-around time for repairing damaged UAVs, which may have to be shipped back to their main assembly plants, could hamper replacement efforts.

While the overall reform of the Russian military is ambitious, it is essential that military production keep pace. If not, significant gaps in technical capabilities may be the result. Some of this technology is meant to act as a “force multiplier” for a smaller and more agile army, so it is obvious that the Russian defense industry must meet its timelines as the Russian military force begins to shrink.

Source Notes:
(1) See The ISCIP Analyst, Volume XV, Number 4 (6 Nov 08) for discussion on eliminating intermediate command levels and redistricting for mobile brigades.
(2) “Russian official slams space agency over Bulava missile,” RIA Novosti, 26 Jan 09; BBC Monitoring Former Soviet Union – Political via Lexis-Nexis.
(4) Ibid.

(5) “Source says Russian Bulava missile can’t enter service before 2010,” ITAR-TASS, 4 Feb 09; BBC Monitoring Former Soviet Union – Political via Lexis-Nexis.

(6) Ibid.

(7) Ibid.


(9) “Russian missile veteran slates Bulava SLBM design: ‘Why Bulava will never fly,’” Sovetskaya Rossiya, 13 Jan 09; BBC Monitoring Former Soviet Union – Political, 24 Jan 09 via Lexis-Nexis.

(10) Ibid.


(13) “Russia’s fifth-generation aircraft to fly this year, in service by 2015,” Rossiyskaya gazeta, 22 Jan 09; BBC Monitoring Former Soviet Union – Political, 24 Jan 09 via Lexis-Nexis.


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The thoughts and opinions expressed in this article are those of the author and do not necessarily reflect the official position of the United States Air Force, Department of Defense, or the United States government.

Russian Federation: Foreign Relations
By Shaun Barnes

Russia continues its Latin American offensive
Despite criticism by some analysts, Russia is continuing efforts to deepen its ties with Latin America. Recent state visits by the Presidents of Bolivia and Cuba saw further economic agreements and more rhetoric on the virtues of transoceanic partnership. In spite of the positive spin Moscow places on its Latin American ventures, the absence of apparent benefits for Russia and the impact of the economic crisis have called their efficacy into question.
On February 16th Bolivian President Evo Morales was in Russia for an official visit, the first ever by a Bolivian head of state. The primary purpose of the trip was the strengthening of energy cooperation between the two countries. Morales (a member of the radical anti-US wing in Latin America) and Russian President Dmitri Medvedev built upon plans laid in 2008, agreeing to intensive joint development of the natural gas industry in Bolivia that will encompass both “fossil fuels exploration and [construction of] a gas transport system.” Medvedev suggested these projects would be very long-term in nature, possibly stretching out to 2030 before reaching completion. (1) Gazprom already has been working with Bolivia’s recently nationalized gas industry to plan the necessary investments. The centerpiece of this cooperative project is the construction of a $1.5 billion pipeline intended to carry natural gas from Bolivia to its major export market in Argentina and which is expected to create a four-fold increase in the transport capacity of the former. (2)

In addition, the joint declaration signed by Medvedev and Morales touched on several other issues. Russia pledged its “technical and logistical” cooperation in curbing narcotics trafficking in Bolivia, an area where the United States once played a major role. (3) Morales’ support for coca-growing, indigenous farmers prompted him to halt Bolivia’s drug enforcement cooperation with Washington, which advocated coca eradication by aerial spraying. (4) This created a vacuum that Moscow now seems eager to fill.

In a clear favor for Russia, Morales also joined Medvedev in condemning U.S. plans to build a missile defense system in Central Europe. The joint declaration states, “The presidents have expressed concern over the realization of the U.S. missile defence programme in Europe, as well as over further NATO expansion to the East, having described these actions as contradicting the goals of achieving peace and security that all the governments should be guided by.” (5) As a practical matter, there is, of course, little that Bolivia could do to influence
NATO expansion or ABM disputes, but the statement is representative of the increasingly friendly nature of relations between Moscow and La Paz.

Morales' visit to Russia was the second this year by a Latin American head of state. The first was made at the end of January by Raul Castro, now the de-facto ruler of Cuba due to his brother Fidel’s failing health. Castro was just as warmly received as Morales and managed to walk away with a new $20 million loan from Moscow, continuing the trend of renewed Russian aid to the communist island nation. (6) In his comments before meeting with Castro, Medvedev indicated that economic ties between the two countries would continue to grow, when he noted that the $239 million bilateral trade between them was “absolutely not the kind of level that can satisfy our countries.” (7)

Questions have been raised about the wisdom of expanding Russia’s ties to Latin America, generally. Just as Dmitri Medvedev began his four nation tour of the region in November, Yevgeni Trifonov was decrying this “Last Dash to the Pampas” for the meager benefits it promised to deliver to Russia. In particular, Trifonov noted the lack of economic complementarity between Russia and Latin America, both of which are major commodity exporters that satisfy much of their high technology needs by imports from the U.S., Europe, and Asia. (8)

There is also skepticism of the foreign investment plans by Russia’s energy firms, given the low energy prices and falling global demand brought about by the economic crisis. One observer recognized that in this environment, “neither Russian business nor the state have funds to struggle with domestic difficulties” let alone major investment projects abroad. (9) Indeed, Gazprom’s chief financial officer recently announced a “cost-cutting drive” that involved “prioritising projects in our investment programme … and this will allow us to see which projects will be financed and which projects are going ahead.” (10)
So far, no delays in Latin American have been announced. Even if they are, many Russian joint ventures and investment projects are long-term in nature, with plans stretching out over decades, so delays in the short term may not become indefinite. Prices in the energy markets are notoriously capricious and could be driven back up by an economic recovery at the end of this year or in early 2010, reinvigorating Russia’s state energy companies.

Still, the kind of large, capital intensive investments that the Russian energy sector is planning will not be remunerative soon, even under the best conditions. Politically, Russia’s gains in Latin America appear limited to verbal condemnations of NATO policy and Nicaragua’s lone recognition of Georgia’s break-away provinces of Abkhazia and South Ossetia. Under the circumstances, one cannot help but question the strategic imperative driving Russia’s recent diplomatic emphasis on Latin America and the veracity of its grand designs for multi-billion dollar investment projects.

Source Notes:
(2) “Russia, Bolivia pledge stronger ties, focus on energy,” RIA Novosti, 16 Feb 09 via http://en.rian.ru/russia/20090216/120163110.html.
(3) “Press Statements following Russian-Bolivian Talks”
(4) Forero, Juan, “Bolivia’s Knot: No to Cocaine, but Yes to Coca,” The New York Times, 12 Feb 06 via Lexis-Nexis.
Russian Federation: Energy Politics
By Creelea Henderson

Gazprom presses on
Last spring, Oleg Urnev, the general director of Severstal's Izhora Pipe Plant, announced that his factory had won an exclusive contract to supply Gazprom with high-quality pipes for the gas monopoly’s Bonanenkovo-Ukhta megaproject located on the Yamal peninsula. “We are pleased to announce that … Izhora Pipe Plant has become the first pipe maker to be able to use a technology for manufacturing this complex product mix, enabling us to guarantee supplies to Gazprom.” (1) A year later, Urnev’s enthusiasm for the partnership has waned as the gas monopoly fell behind on payments for orders it placed in 2008.

Gazprom’s arrears to the pipe manufacturer rose to over $1.2 million in the first months of 2009, from $717 thousand at the end of 2008. (2) Gazprom officials have declined to comment on the debt, which, when measured against Gazprom’s overall debt burden of over $60 billion, may be fairly regarded as a pittance. (3) Yet the fact that the monopoly has allowed payments to slip on Yamal, a project it describes as one “of utter importance for the purpose of ensuring gas production growth in Russia,” and to which it recently accorded
highest priority, is a sign of accounting trouble that may put Gazprom’s plans to expand into European markets in jeopardy. (4)

Last year, the monopoly launched construction of the Bonanenkovo-Ukhta trunkline to carry gas from the Yamal peninsula to western Russia, from which point the company plans to channel gas supplies directly into Germany via Nord Stream, a pipeline project still in the planning stage. (5) Now the Izhora Pipe Plant has put deliveries for the Bonanenkovo-Ukhta project on hold until Gazprom is able to make new payment arrangements. “We’re currently filling orders for other customers,” Urnev says. (6)

Despite budget troubles at home, Gazprom officials assured a group of investors meeting in London earlier this month that the company would push ahead with Yamal gas field production and Nord Stream pipeline construction. (7) In fact, the monopoly appears to be giving these projects renewed priority status as it sharpens its focus on supplying energy to consumers and boosting tax revenues for the Russian government. To that end, the numbers telegraphed from Europe are not good. Gazprom is anticipating a five percent drop in European demand for Russian energy supplies in 2009, a figure that translates to 170 billion cubic meters of gas, down from 179 billion cubic meters in 2008. (8) At the same time, the falling price of oil has dragged the average price per 1,000 cubic meters of gas down to $280 from last year’s average of $409 on European markets. (9)

For Gazprom, already struggling to shore up sagging production just to meet its current debt obligations, such numbers are inauspicious. Dark market forecasts have compelled the monopoly and its European partners to delay commission of the South Stream pipeline, Nord Stream’s southern twin, expected to link Russian gas fields directly to customers in southern Europe. The pipeline was originally scheduled to open in 2013, at a cost of $20 billion. (10) This month Gazprom announced that the pipeline would not open until sometime in 2015, at a revised cost of $31 billion. (11)
Regardless of dire economic indicators, however, Gazprom is resolved to realize the most expensive projects in the company’s history. The reasons for this have little to do with today’s global economic downturn, and much to do with future geopolitical considerations.

First, Moscow is determined to cut Ukraine out of its European energy transit scheme. The escalation of last month’s gas dispute into a complete shut-off of Russian energy supplies to Europe remains a public-relations disaster for which Moscow will not accept any measure of blame. On the contrary, Moscow has sought to turn the crisis to its advantage by portraying Ukraine as an unreliable transit state to which it is loath to entrust its gas flows bound for Europe. (12) Moscow’s attempt to discredit the Ukrainian government may arise in part from commercial considerations; Gazprom is presently required to negotiate potentially onerous transit deals with its neighbor, but the political dimension yields a more cogent analysis of Moscow’s attempt to strip Ukraine of what influence it has as an energy-transit state and to further isolate Ukraine from Europe. With Ukraine discredited, Gazprom has a compelling reason to offer alternative energy routes to Europe via Nord Stream and South Stream.

Second, Gazprom is keen to deepen its foothold in European energy markets. The global economic crisis may slow, but need not stall, its progress toward that aim. Nord Stream and South Stream will establish direct bilateral energy relationships between the Russian monopoly and its individual consumer countries, a development that effectively will magnify Moscow’s geopolitical clout in Europe and allow it to dispel EU efforts to form a unified energy policy for the continent.

Third, as Oleg Urnev of the Izhora Pipe Plant can attest, Gazprom is simply too big to coerce into paying its petty debts when it is not inclined to oblige its Russian creditors. Asked by the pipe manufacturer to negotiate a payment
schedule, Gazprom replied that it was prepared to buy Izhora’s pipes at a thirty percent discount from 2008 prices. (13) If Izhora cannot deliver pipes on Gazprom’s terms, the monopoly simply will order its pipes from another manufacturer; Gazprom has alternatives and Izhora does not.

Source Notes:
(5) Ibid.
(9) Ibid.
(10) “Russia energy min sees South Stream cost at $20 bln,” Reuters, 30 Jul 08 via http://uk.reuters.com/article/oilRpt/idUKL061930020080730.
Russian Federation: Special Feature: Russia and Iran

By Blake Brunner

Cooperation and competition

Less than two months into the new year, Iran already has commemorated two major milestones. From late January to early February, ten days of nationwide national celebration marked the 30th anniversary of the country’s Islamic revolution. In the midst of these festivities, on Feb. 2 Iran launched into space its first domestically produced satellite, Omid (the Farsi word for hope), on the back of its Safir-2 (ambassador or messenger-2) rocket.

These achievements will not alter Iran’s status as the world’s most notorious pariah state, but the underlying implications—the entrenchment and stability of Islamic rule and the capacity for technological innovation, despite sanctions—point to a changing regional and international role for the country. The Iranian presidential elections in June 2009 may accelerate the pace of change.

Iranian-Russian relations have been important for both parties, particularly during the second half of the Islamic republic’s existence: Russian exports, especially nuclear technology and weapons, have put Iran near the technological forefront of the Middle East, despite sanctions; and Iranian reactions to Russian policy toward Muslim states and non-state entities have demonstrated that Iran’s foreign policy can be more nuanced than knee-jerk radical rhetoric. Given recent and forthcoming events in Iran, though, an examination and reevaluation of the
two countries' mutual policies is in order, as future developments in Iran may provide it with new opportunities for expanded international relations.

Certainly the most high-profile example of Russian-Iranian cooperation is Iran’s Bushehr Nuclear Power Plant. Although Iran began the plant’s construction in 1975 with the aid of the Germany-based Siemens AG, work ceased following the Islamic revolution in 1979, only to recommence with the aid of Russia’s Atomstroyexport in 1995. The two countries had signed an agreement on nuclear cooperation in 1992, with the Bushehr plant originally scheduled to be completed by 1999. Throughout the early weeks of 2009, Russian and Iranian news agencies have been publishing a flurry of articles citing officials from both countries, including Rosatom chief Sergei Kiriyenko, (1) voicing their commitment to completing the facility this year. In hopes of meeting its most recent deadline, Atomstroyexport has expanded its number of experts in Iran from 1,000 to 1,800. (2)

There is reason to question whether Atomstroyexport’s increased effort will allow construction to meet its latest deadline. Bushehr’s 30-plus-year history is rife with unfulfilled promises from Iran and her nuclear collaborators, of which Russia is one of many, albeit the most important. Iranian Ambassador to Russia Mahmoud-Reza Sajjadi himself recently griped about unnamed “other countries” which had not met their commitments to provide construction material for the plant in time. (3) Considering the Bushehr facility’s multitude of literal and figurative working parts that remain out of commission, the plant at this point primarily plays a symbolic role, emphasizing Iran’s capacity to advance technologically, despite sanctions, as well as its possible future as an oil-rich country working to shed its own dependence on carbon-based energy.

Of course, Bushehr also symbolizes fears of a nuclear-armed Iran, the “apocalyptic dangers” of which raise international alarms and have prompted the US to propose building a missile defense shield in Eastern Europe. (4) Yet,
Bushehr may never evolve into anything other than what it purports to be (i.e., a warhead). Russia’s former foreign minister and national security adviser, Igor Ivanov, in April 2008 told the Jerusalem Post, “I don’t think [Iran’s] political leadership is so stupid” as to attack Israel, and continued, "If all our experts left Iran tomorrow Bushehr would simply close down. ... Sometimes public opinion does not understand, thinking that we are helping Iran in some way to create military nuclear programs. This is not true." (5) Ivanov’s assurances have done little to assuage international concerns.

Doubts about the civilian capacity of Bushehr stem in part from Iran’s appetite for hundreds of millions of dollars of Russian military exports. (6) In 2005 Russia inked a $700 million deal to deliver to Iran 30 Tor-M1 short-range missile defense systems, (7) and in December of last year Iranian defense officials boasted that they had begun receiving deliveries of Russian S-300 medium-range missile defense systems, although Russia denied the claim. (8) The S-300 system’s longer range allows it to be classified as more than simply a defensive system; and although news reports vary as to the specific type of S-300 that Russia may or may not be selling to Iran, the most advanced S-300 system apparently would thwart any Israeli air attack on Iran until at least 2011, at which point the Israeli air force will have received delivery of the Lockheed Martin F-35, which can circumvent the S-300’s advanced radar. (9) In December 2008, an Israeli diplomat, Yigal Palmor told the Associated Press that Israeli Prime Minister Ehud Olmert had received assurances from Russia that the latter would not do anything to jeopardize Israel’s security. (10) As of mid-February 2009, news reports are inconclusive as to whether the S-300 sales have happened or even will happen.

The only other major military exporter doing comparable business in Iran is China, which has supplied Iran with a variety of missile technologies. However, in recent years Russian arms exports to Iran have trumped Chinese exports by a vast margin: From 2002 to 2005, Russian arms exports to Iran totaled $1.7
billion, while Chinese arms exports to Iran totaled only $300 million. (11) Thus, although China supplies the greatest percentage of Iran’s total imports, estimated at 15% of $67.79 billion annually (compared to Russia’s 5.7% of the total), the Iranian arms market is of greater importance to Russia, and it is in Russia’s financial interest to continue to satisfy Iran. (12) This may explain why Russia has continued to drag its feet on the S-300 issue; Russia may not want to disappoint an important client, but may be taking extra time to evaluate the potential diplomatic fallout from the deal. More conclusive answers may emerge after Iranian Defense Minister Mostafa Mohammad Najjar’s Feb. 16 visit to Moscow. (13)

The two countries also enjoy trade of a more innocuous nature. In late January of this year, a state-run television station in the Iranian province of East Azerbaijan reported on the provincial governor’s visit to Tatarstan, where a variety of automotive and agricultural trade agreements were signed. (14) Additionally, Iran has expressed at the national level an interest in increased Russian agricultural imports. (15)

Of course, given that Russia and Iran hold the world’s largest and second-largest natural gas reserves, respectively, and considering Russia’s recent gas row with Ukraine in light of general global energy anxiety, it should come as no surprise that Russia and Iran plan to cooperate in the energy trade. The countries have mooted plans to form a gas cooperative in the model of OPEC, with Qatar mentioned as a possible additional ally. (16) Iran also has proposed that Russia act as the prime mover in setting up a Central-South Asian power grid. (17) Finally, Russia and Iran are seeking to formalize a gas-swapping deal by which either country may export gas for the other in exchange for a delivery of the same amount of gas. (18) Similar proxy-selling of petroleum has in the past benefited Iran, allowing it to find possible buyers even among its own adversaries. (19) In any case, Iran’s Fars News Agency is keen to point out that
foreign investment in the Iranian oil and gas sectors has not been hampered substantively by sanctions against the Islamic republic. (20)

The monetary benefits of Russia’s catering to an under-served, emerging market are obvious, but Russia’s cooperation with the Islamic pariah state has garnered diplomatic benefits as well, namely Iranian temperance when it comes to conflicts involving Russia’s Muslim entities. Iran’s overbearing pride in its own religious revolution colors the prism through which it views its more secular Muslim neighbors, and the country’s various efforts to invoke Islamic insurgency throughout the Muslim world have formed a primary pillar of its foreign policy, as has been evident in Lebanon, Gaza, Iraq, and Pakistan. Therefore, Iran’s assertion that the Chechen Wars were Russia’s “internal matter” (21) is surprising. Furthermore, during Tajikistan’s civil war, Iran favored the use of diplomacy, rather than its typical fiery Islamic rhetoric, which one analyst attributes to Russian influence. (22)

Indeed, it seems that there is little evidence that Russia’s and Iran’s mutually beneficial relationship will cease to exist in the near term. However, the character of the relationship may change, due to three primary factors, the most prominent of which is the presidential election scheduled for June 12, 2009. Former Iranian President Mohammad Khatami, who served as president from 1997 to 2005, announced on Feb. 9 his candidacy for re-election, pitting him against current President Mahmoud Ahmadinejad and possibly other candidates. Khatami is perceived outside Iran as less extreme than Ahmadinejad, who has risen to international fame as a Holocaust denier, but who is known inside Iran for policies that engendered a 30% inflation rate as recently as September 2008. Khatami, on the other hand, favors a two-state solution to the Israel-Palestine conflict and has attacked both Ahmadinejad’s inflationary policies and his anti-Semitism; this, in addition to Khatami’s honorary degrees from European universities, makes him a much more attractive leader from a Western
perspective. If Khatami were re-elected, Russia would no doubt find itself competing for Iran’s attention, particularly if sanctions against Iran were lifted.

In a different twist, Russia may find itself competing against Iran in the former Soviet republics of Central Asia, where Iran has invested in energy-generation infrastructure. As noted previously in The ISCIP Analyst, (Vol. XIV No. 10), Iran is financing two hydropower stations in Tajikistan, and Tajik government dissatisfaction with Russia may lead to further opportunities for Iranian investment. (23) In turn, Tajikistan has pledged to support Iran’s effort to become a permanent member of the Shanghai Cooperation Organization, to which Iran currently enjoys only observer status. (24) Russia and China do not favor Iran’s entry to the group. (25)

Finally, there is the issue of basic demographics. Iran’s population is significantly younger than Russia’s, with the former’s median age at 26.4 years, compared to the latter’s median age of 38.3 years. A recent Swiss envoy to Iran predicts that Iran’s Islamic regime will outlast the “political time frame” of Iran’s most prominent detractors, which would guarantee that many generations of Iranians will come of age under a relatively stable government. (26) If Iran is able to reverse its economic course and better use its vast oil wealth, it is likely that it will return to its role as the “fulcrum in the Gulf” and additionally play a stronger role in Central Asia. (27)

Source Notes:
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(2) “Russia Determined To Complete Iran N. Power Plant,” Fars News Agency, 14 Jan 09; OSC Translated Text via World News Connection.
(3) “Russia Set To Complete Iran's N. Power Plant In 2009,” Fars News Agency, 16 Jan 09; OSC Translated Text via World News Connection.
(4) “What we meant to say was...,” The Jerusalem Post, 15 Feb 08.
(5) “Former Russian Foreign Minister Igor Ivanov to the 'Post': 'Iran's leaders are not so stupid as to think they can destroy Israel,'” The Jerusalem Post, 13 April 08.


(7) “Kremlin steps up new Cold War threat with military sales to anti-U.S. regimes,” The Times (London), 19 Sept 08.


(9) “Swords and Shields: F-35s vs. S-300s,” UPI, 20 Jan 09.

(10) “Russia giving Iran only defensive weapons,” Associated Press Worldstream, 22 Dec 08.


(13) “Iran defence minister to visit Russia on 16 Feb,” Mehr News Agency, 14 Feb 09; BBC Monitoring Middle East - Political via Lexis-Nexis.

(14) “Iranian Provincial Governor Reports on Visit to Russia's Tatarstan,” Vision of the Islamic Republic of Iran East Azarbayjan provincial TV, 23 Jan 09; OSC Translated Text via World News Connection.

(15) “Iran interested in importing more grain from Russia – diplomat,” Interfax, 21 Jan 09; OSC Translated Text via World News Connection.

(16) “Iran To Discuss Gas Swaps With Russia, Qatar,” Fars News Agency, 11 Jan 09; OSC Translated Text via World News Connection.

(17) “Iran floats idea of Central Asia power grid with Moscow,” Interfax, 6 Feb 09; BBC Monitoring Former Soviet Union – Political via Lexis-Nexis.

(18) “Iran To Discuss Gas Swaps With Russia, Qatar,” Fars News Agency, 11 Jan 09; OSC Translated Text via World News Connection.

(19) “Is Israel indirectly buying Iranian oil?” The Jerusalem Post, 12 June 08.
GEORGIA

Saakashvili declares economy top priority and names (another) prime minister

President Mikheil Saakashvili delivered his annual state of the nation address on 12 February. In it, he announced that his priority was addressing unemployment and the Georgian economy. He stressed the necessity of maintaining political stability in order to implement his economic plans successfully. Saakashvili said his government would focus on three areas: First, it would use foreign aid to generate jobs. Second, Saakashvili promised a 2.2 billion lari ($1.3 billion) economic stimulus program that would create an additional 25,000 jobs through infrastructure projects. Third, the president’s administration would implement a long term strategy to attract foreign investment. (1) Saakashvili also discussed
plans to reform the healthcare system, to give each internally displaced person (IDP) or family a half hectare of land, to raise pensions, and to increase teachers’ salaries. (2)

Saakashvili’s latest prime minister, Nika Gilauri, was confirmed at the beginning of February. Gilauri replaces former ambassador to Turkey Grigol Mgaloblishvili, who resigned the prime minister’s post, citing health concerns. Gilauri held the post of Energy Minister from 2004-2007, after which he served as Finance Minister until 2009. In his role as Finance Minister he was one of the architects of the economic stimulus package formally introduced in January. In keeping with Saakashvili’s emphasis on the economy, one of the president’s first instructions to his new prime minister was to reduce administrative costs by 10%. (3)

In addition to reductions in Georgia’s domestic revenues, overseas remittances to Georgia fell sharply in January, with Georgia’s National Bank announcing a 12.5% decline compared to the same time last year. (4) It is the first such decline since 2001. Experts attribute the decrease to the effect of the global economic crisis on Russia. (5) Georgia receives a high percentage of its remittances from Georgian workers living in Russia.

CIS Peacekeeping Force out, Russian military in

Amidst the geopolitical chaos that followed Russia’s invasion of Georgia in August, the all-Russian CIS Peacekeeping Force (CISPKF) left Abkhazia with little fanfare. According to the United Nations Observer Mission in Georgia (UNOMIG), CISPKF’s positions subsequently were claimed by Russian forces. (6) It is unclear whether the personnel manning the positions actually changed or whether the CISPKF simply reverted to its role as part of the Russian military.

Within Abkhazia, the Gali district, the only remaining part of the separatist republic populated by a Georgian majority after the invasion of the Kodori Gorge, remains a trouble spot. The Abkhaz authorities formally have restricted
movement across the ceasefire line since July 2008, except for medical emergencies. (7) They also have destroyed pedestrian bridges. These closures have led to increased isolation for Georgian families whose relatives live across the ceasefire line and higher bribes to corrupt border guards from those who decide to risk the crossing anyway. UNOMIG estimates that Russia now has one battalion stationed in the Georgian majority Gali district alone. (8)

Russian forces are taking steps to entrench their position within Abkhazia. The Gudauta airbase is being reactivated. According to Russian sources, the base will now host 20 Russian planes, including Su-27 fighter jets, Su-25 Frogfoot planes and cargo aircraft. (9) Russia expects to invest 12.5 billion rubles ($344 million) to refit the Gudauta base, which may house up to 3,700 Russian troops. (10)

Foreign Minister Grigol Vashadze has alleged that Russia already has 27 fighter jets stationed at Gudauta. (11) A spokesman for the Russian Defense Ministry denied the claim, calling it “groundless.” (12) The Gudauta base formally was closed in 2001 as part of a 1999 OSCE agreement; however, in the words of a Foreign Ministry statement from that period, portions of the base would be “used in the interests of the CIS Collective Peacekeeping Forces for maintaining peace in the Georgian-Abkhaz conflict zone.” (13) Since the CIS peacekeeping forces consisted entirely of Russian military forces, the “closure” of the base was somewhat suspect.

Russia also has announced plans to establish a naval base in Ochamchira on Abkhazia’s Black Sea coast. The new base site needs considerable work, with preparations for the naval base estimated to take at least a year, according to a Russian General Staff spokesperson. (14)

Source Notes:
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(5) Ibid.
(7) Ibid, p. 4.
(8) Ibid.
(9) “Russia plans to station warplanes in Georgia’s breakaway region - website,” gazeta.ru, 29 Jan 09; BBC Monitoring via Lexis-Nexis.
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(12) “Russia denies stationing jet fighters in Abkhazia,” Russia and CIS Military Newswire, 6 Feb 09 via Lexis-Nexis.
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Newly Independent States: Central Asia

By Monika Shepherd
Water crisis ratchets up conflict potential in Tajikistan

Roughly one year after being hit with a catastrophic energy shortage, Tajikistan’s citizens find themselves worse off than ever, with some regions once again enduring a total power blackout. Electricity is being supplied to Dushanbe’s residents for four hours in the morning and seven hours in the evening, but inhabitants of Khatlon Province in the south are receiving no power at all. Residents of Tursunzoda also are on a strictly rationed electricity schedule and in early February, Talco, which operates the country’s aluminum plant (one of Tajikistan’s two largest sources of export revenue), was forced to cut production by ten percent. (1) The Nurek reservoir, which powers the country’s largest hydropower station, has not managed to take in enough water over the past year in order to meet the minimum level required for power generation, putting the hydropower plant at risk of breakdowns from overloading. The Nurek station produces 70 percent of Tajikistan’s electricity. (2)

An agreement brokered with Uzbekistan and Turkmenistan last fall was supposed to bring sufficient Turkmen electrical power into Tajikistan in order to lower the demand on the Nurek plant long enough for water levels in the reservoir to return to at least the minimum required level (see ISCIP Analyst, Vol. XV, No. 3, 23 October 2008 for details about the agreement), however, in January of this year, the Uzbek government reneged on the deal, (3) due to a dispute over the amount of transit fees Dushanbe owes for the Turkmen electricity, (4) although Odinamahmad Chorshanbiev, a spokesman for Tajikistan’s state electric company, blamed the power outages on a malfunction at Uzbekistan’s Qaraqul substation. (5) In place of the Turkmen power supply, the Kazakh government has been providing Tajikistan with roughly 1.5 million kilowatt hours of electricity on a daily basis since the beginning of February. Although the Kazakh power must also transit Uzbek territory, it is sent through a different transmission line and as of yet, there are no disagreements over transit costs for that line. (6) One additional wrinkle in an already complicated situation
is the fact that Barqi Tojik, the state holding company that buys hydroelectric energy from the Sangtuda-1 plant and supplies it to residents and businesses, is in arrears to the hydropower station for approximately 16 million somoni (about US$4.3 million) for energy bought in 2008. Sangtuda officials have filed a lawsuit against Barqi Tojik in order to recover the money, and Barqi Tojik, in turn, has requested a state loan to cover the debt. Until the debt is paid, the completion of Sangtuda’s fourth electricity generating station, primarily financed by Russia, is in jeopardy. (7) There is also a risk that Sangtuda temporarily might cease or reduce its power supply to Barqi Tojik, as a way of persuading state officials to step up the payment process.

With the Kyrgyz government facing very similar water and energy shortages and the spring planting season drawing near, Central Asia is moving ever closer to an all-out water crisis and at this point, there seems to be little or nothing that either its neighbor states or the international community can do to avoid it. Perhaps due to the desperation of the situation, investment aid is at long last starting to trickle into Tajikistan, but it is likely too late to bring any relief for this year – no amount of investment dollars will be able to conjure up water out of thin air. Managing the supply that still exists in a fair and equitable fashion is the Central Asian states’ best hope, but even assuming that they are able to reach and adhere to an agreement, large numbers of each country’s citizens will be shortchanged on electricity supplies and/or irrigation water.

The Tajik government received good news earlier this month, when Iran’s ambassador to Tajikistan, Ali Asghar Sherdu st, informed journalists of his country’s decision to take part in the completion of the Roghun hydroelectric power station, a construction project which has been languishing since at least the late 1980s. A Russian company, RUSAL, briefly was granted a contract for the Roghun station’s completion, but then was shut out when it failed to meet the Tajik President Emomali Rahmon’s expectations (please see The ISCIIP Analyst, Vol. XIV, No. 13, 19 June 2008 for more details). Since RUSAL’s ouster,
President Rahmon has been courting the Iranian and Russian governments vigorously, hoping one or both would agree to take on the project and on February 5 his wish finally was granted. According to the agreement signed by Rahmon and Iranian Minister of Commerce Masud Mir-Kazemi, Iran will participate in a consortium to finish the Roghun station’s construction, (8) but a completion date has not been made public.

Iran’s decision to help underwrite Roghun comes at a very interesting time, just weeks after Russian President Dmitri Medvedev made a statement in Tashkent that clearly seemed to indicate Russia’s support for Uzbekistan’s position in the water conflict. In a meeting with Uzbek President Islom Karimov, Medvedev declared: “Hydroelectric power stations in the Central Asian region must be built with consideration of the interests of all neighbouring states… if there is no common accord of all parties, Russia will refrain from participation in such projects.” The Russian and Uzbek presidents then put forth a joint communiqué stating: “The parties have agreed with the need to consider the interests of all states located on trans-boundary water currents of the Central Asian region in implementing projects for building hydroelectric power structures on them, guided by generally accepted standard of international law.”

Tajikistan’s foreign minister promptly responded by lodging a formal complaint with the Russian embassy (9) and several days later Tajik deputy minister of energy and industry, Pulod Muhiddinov, unequivocally stated that his government would move ahead with its plans to finish building the Roghun hydropower station. (10) Iran’s announcement that it would join the Roghun consortium came several days after Muhiddinov’s declaration. Russia’s president also has expressed interest in investing in the Roghun project; thus, Iran’s participation is not necessarily a sign of rivalry, but may provide the two regimes with just one more avenue for cooperation.
Upon returning to Moscow, Medvedev lost little time in reversing his position vis-à-vis Kyrgyzstan, when he offered President Kurmanbek Bakiev enough Russian investment to complete one of Kyrgyzstan’s largest hydroelectric stations. Medvedev’s words and subsequent actions undoubtedly sent very disturbing signals to Dushanbe – namely, that Russia is willing to champion Kyrgyzstan’s cause, in spite of the Uzbek government’s objections (as an upstream country, Uzbekistan does not wish to see additional dams and hydropower stations built in either Kyrgyzstan or Tajikistan), but Tajikistan is on its own and at the mercy of upstream countries Uzbekistan and Kazakhstan. Relations between Tashkent and Dushanbe seemed to thaw just a bit yesterday, when the Tajik-Uzbek joint commission on trade and economic cooperation was able to reach an agreement on the schedule for water discharge from Tajikistan’s Qaraqul reservoir, the source for much of Tajikistan’s hydroelectric power, as well as for irrigation water needed by Uzbekistan. The two sides also were able to come to terms on a repayment schedule for a US$16 million debt owed to Uztransgaz (Uzbek state gas transportation agency) by Tojiktransgaz (Tajik state gas transportation agency). (11) This debt has been a sore point between the two states for years and has resulted in the shutoff of natural gas supplies to Tajikistan nearly every winter over the past decade.

Perhaps the severity of the water crisis finally has succeeded in creating a truce between the two states, but nothing is sure yet. After all, the agreements signed as a result of last October’s “water summit” between representatives of all five Central Asian states lasted mere months before the Uzbek government unilaterally broke them. Should Tashkent renege on its promises yet again, the only method of retaliation available to President Rahmon is to withhold water, a solution that could backfire with devastating consequences both for himself and his country. Rahmon never has enjoyed more than lukewarm support from President Karimov’s administration and at times, the two men have appeared to be arch enemies. It is virtually certain that in the late 1990s, Uzbekistan aided and abetted in at least one coup attempt against Rahmon, and Karimov has
shown little concrete support for his counterpart since then, chastising him on more than one occasion for failing to show sufficient gratitude and respect to the Uzbek president. Now that the Russia openly has declared its support for Uzbekistan in regard to the water crisis, Karimov may feel that he has been granted a free hand to retaliate in whatever manner he sees fit, should the Tajik government attempt to exert pressure on Uzbekistan by reducing the water flow, including forcing a regime change in Dushanbe.

Source Notes:
(2) “Tajikistan's whole regions left without electric power,” 10 Feb 09, ITAR-TASS via Lexis-Nexis Academic.
(3) Ibid.
(5) “Uzbekistan Expected To Hold Energy Talks With Tajikistan Soon,” 13 Feb 09, Asia Pulse via Lexis-Nexis Academic.
(7) “Tajik state energy holding pledges to pay debts to Sangtuda plant (adds),” 9 Feb 09, ITAR-TASS via Lexis-Nexis Academic.
(8) “Iran to take part in construction of Tajik power plant,” 6 Feb 09, Asia-Plus website; BBC Worldwide Monitoring via Lexis-Nexis Academic.
Newly Independent States: Western Region

By Tammy Lynch

UKRAINE

Ukraine teeters on the edge; Does Yushchenko notice?

It’s been a busy few weeks for Ukraine President Viktor Yushchenko. First, Yushchenko and his allies urged the Prosecutor-General to investigate Prime Minister Yulia Tymoshenko for allegedly violating Ukraine’s national security when she signed a gas contract with Russia. Then, in quick succession, Yushchenko’s allies asked the security services to examine the gas deal, supported an unsuccessful vote of no-confidence in Tymoshenko’s cabinet, and asked the court to find the cabinet’s formation unconstitutional. (1)

Finally, the Foreign Ministry, which reports to Yushchenko, sent an official “circular” to 31 international diplomatic missions (including the EU, US, and Russia) instructing the heads of missions to inform “officials in the host country at the highest possible level” that Tymoshenko’s actions have been “unscrupulous and inadequate.” (2)

The Ministry has not confirmed whether Ukraine's Ambassador to the US phoned Secretary of State Hillary Clinton with this urgent and vital news.

The president’s office was forced to backtrack, however, on its plan to support an investigation by various security branches of Tymoshenko’s “role” in the gas contract.
On 16 January, Deputy Presidential Chief-of-Staff Roman Bezsmertny said, "The main results of [Tymoshenko’s] actions are the severance of strategically important long-term contracts on supplies of natural gas to Ukraine, a dramatic increase in the price for natural gas, and the threat of the Ukrainian gas transportation system's loss." In an official statement on the president’s website, Bezsmertny further suggested that the Prosecutor General (a Yushchenko appointee) should investigate the prime minister, since "one may wonder whether these actions were deliberate or non-deliberate" and since her actions “threaten Ukraine’s national security.” (3)

This statement received an extremely negative response in Ukraine’s media, as well as internationally. It disappeared from the presidential website within twelve hours, and Yushchenko was forced to affirm to Ukraine’s international allies that the country would honor the deal.

It is clear, however, that none of these actions by Yushchenko are intended to mitigate the massive economic crisis hitting the country. In fact, the impression of chaos and confusion created by constant attacks on the government—and the government’s resulting siege mentality and hardening of positions—has shaken the will of international organizations to assist Ukraine through this crisis.

The International Monetary Fund recently postponed the disbursement of the second tranche of an agreed $16.4 billion emergency loan. The tranche is worth $1.9 billion. A spokesman for the IMF cited “the need to find agreement on how to contain the general government deficit in 2009.” (4)

In exchange for the loan, Ukraine’s government agreed to maintain a deficit of less than one percent of GDP. Since then, the country’s currency has declined over 30 percent (to a total depreciation of around 60 percent) and industrial production has plummeted. The government has responded by suggesting an economic stimulus package based on public works spending, while refusing to
eliminate planned cost-of-living increases in wages and pensions. The 2009 budget, therefore, foresees a deficit of around three percent, and the government has requested a revised contract.

The IMF spokesperson recently noted that the government’s figures do not include a projected 4.5 percent deficit that will be created based on a bank recapitalization program already agreed upon with the Fund. Nevertheless, spokesperson David Hawley suggested that progress has been made in recent discussions, although further talks are necessary since “a few issues remain outstanding.” (5)

Battles with the IMF and between the cabinet and the president led last week to the resignation of Finance Minister Viktor Pynzenyk – a longtime proponent of balanced budgets and conservative fiscal management. Pynzenyk has not spoken publicly about his resignation, except to suggest that his position had become too politicized.

Throughout the most recent negotiations over the second tranche, Yushchenko repeatedly criticized the government. In particular, the president’s press office released a quote from IMF European Department Director Marek Belka suggesting there were “serious problems” in the implementation of the IMF program. (6) Belka has not confirmed or denied this quote, which was released as part of a Yushchenko press release following a private meeting.

On the same day, IMF mission representatives were due to meet with the prime minister about their concerns. Instead, the prime minister and her cabinet were called into parliament to face a no-confidence vote. This vote received the backing of Yushchenko’s allies in the “United Center” party. IMF representatives spent the day waiting as the entire cabinet sat inside the parliament chamber listening to debate, reporting, answering questions and waiting for the results of
the vote. Eventually, the government won with a comfortable margin (203 in favor out of 450 members). (7)

All of this has caused some of President Yushchenko’s former allies to wonder aloud about the reasoning behind Yushchenko’s decision-making. “What is happening right now is irrational,” said Oleh Rybachuk, the president’s right-hand-man during the Orange Revolution and his first chief-of-staff, commenting in the Kyiv Post. But Oleksiy Haran, based at the former Yushchenko stronghold of Kyiv Mohyla Academy, disagreed. “Yushchenko chose a clear strategy of trying to flunk governments,” he said. (8)

Regardless of the reason, diplomats and international organizations complain that the country appears rudderless, unprofessional and unprepared to integrate into Western structures. More often than not, the majority of the blame for this is placed at the feet of Yushchenko, who is seen as a modern-day, less-dangerous Nero.

Were Yushchenko and Tymoshenko to work together, there is little doubt they would be more successful in molding a strong, pragmatic budget and economic stimulus strategy. After all, countries throughout the world are grappling with burgeoning budget deficits and rapidly shifting budget plans. But, even in the face of such a harsh crisis, unity seems unlikely, particularly given the president’s response to the gas deal. While most of Yushchenko’s former Orange Revolution allies rallied around the government during and following its negotiations with Russia over a new gas contract, Yushchenko lashed out. None expect this crisis to be any different. The loser will be Ukraine.

Source Notes:
(1) “Yushchenko asks Constitutional Court to verify lawfulness of gov’t formation,” ITAR-TASS, 1949, 13 Feb 09 via www.itar-tass.com; “Tymoshenko’s Gov’t Successfully Reports to VR,” [Author’s translation], BBC Ukraine, 1123
GMT, 11 Feb 09 via www.bbcukrainian.com; and “Russian gas deal defeat for Ukraine – President Yushchenko,” Interfax-Ukraine, 20 Jan 09; BBC Monitoring via Lexis-Nexis.


(5) “Transcript of a Press Briefing by David Hawley, Senior Advisor, External Relations Department,” International Monetary Fund, 12 Feb 09 via www.imf.org.

