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Russia's Arms Sales Lobbies

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Like that of any other government, Moscow's policy on arms exports results from a struggle between various interest groups that represent and lobby for a number of large and small social, professional, financial, and political entities.

It might appear that in principle everyone here, apart from minor groups of committed pacifists, should welcome any contract for arms sales that generates hard currency profits for Russia. After all, the lion's share of Russian industrial exports consists precisely of weaponry and military technology as well as of dual-purpose technology produced at plants belonging to the military-industrial complex (MIC). The remainder of Russian exports is comprised of energy (oil and gas), metals, and raw materials. Despite this, at the present time there are powerful forces in Moscow that have an interest in strictly regulating and limiting arms exports.

Goskomoboronprom: For Expanding Arms Sales

It is only natural that the arms producers themselves are interested in exporting the maximum amount of weaponry. These include plants belonging to the MIC, as well as research institutes, design "firms," and the so-called scientific production associations that in the past designed and produced Soviet armaments.

In 1992, the Gaidar government sharply reduced procurement of new armaments, and severely cut expenditure on research and development. The following year the MIC received an even lower level of funding. In fact, the Russian government and the Ministry of Defense have not been paying even for the modest arms orders--compared

to the Soviet period--that had already been placed with Russian military plants. The government, specifically the Finance Ministry, is endeavoring to reduce inflation by limiting budgetary expenditures, while the Defense Ministry is giving priority to the maintenance of the armed forces--not to funding the military-industrial complex.

As a result, the MIC is now in profound crisis, and over the last two years the industry's leaders--plant directors and head designers--have been demanding a "free hand" to sell on the world market in order to save their plants from closure and to create new jobs. Within the Russian government, institutionally the interests of the MIC are represented by the State Committee on Defense Industry Branches (*Goskomoboronprom*), chaired by Viktor Glukhikh. The economy that the new Russia inherited from the Soviet Union in reality was a war economy. Many industrial cities in the Urals, Siberia, and Russia itself were military "company towns," and now these centers are experiencing profound economic depression and social disaster. The MIC directors in their lobbying of the Russian government are, of course, supported in every way possible by the oblast' governors and local administration heads. Moreover, the heads of regional administrations constitute a majority in the Council of the Federation (the upper house of the Russian parliament)--a fact that naturally strengthens their position.

However, two years of such efforts have not resulted in any significant liberalization of Russian arms exports. Indeed, as compared with 1992, this year the control exercised by officialdom (*chinovniki*) has become stronger rather than weaker. The plant directors and the head designers of Russian weapons systems continue to complain bitterly of "coercion by the bureaucrats" who are preventing them from selling arms abroad successfully.

***Rosvooruzhenie*: For Strict Export Limitations**

Strange as it may seem, it is the professional arms traders themselves who are mainly interested in restricting arms sales, i.e., the very persons who sold tens of billions of dollars' worth of arms to Iraq, Libya, Syria, and other Soviet "friends" during the course of the 1980s. Today, practically all these professional arms traders work for the state

company *Rosvooruzhenie* ("Russian Armaments"), which has been exercising a virtual monopoly on arms exports.

Rosvooruzhenie receives a 5-7 percent commission on all export deals. Like any monopolist, this organization strives to reduce the quantity sold, while obtaining a higher price. These professional traders are resisting desperately all attempts to dump Russian arms abroad that may lead to a fall in prices, as well as any efforts by arms manufacturers to become independent actors in the world arms market.

At the same time, the officials of the Russian Finance and Economy Ministries have a vested interest in maximizing the budgetary revenue obtained from arms deals. However, the greediness they display in imposing high taxes frequently results only in reducing the volume of arms exports. For example, in recent months many joint projects with India, particularly for deliveries of spare parts and components, have practically come to a halt, since cooperation with India has become unprofitable for the plants of the MIC. The two-year \$800 million credit granted by Russia to India in 1992 for arms purchases was not used up completely by the expiration date, so that during Indian Prime Minister Narasimha Rao's visit to Moscow last June the period was extended for a further two years.

The most disinterested warriors who are fighting against unrestricted Russian arms exports probably are the officials of the Foreign Ministry department that has responsibility for controlling the export of weapons and military technology. The Foreign Ministry does not receive any of the profits deriving from arms exports--instead, all it gets is the international unpleasantness that arises when Russia is accused of making "destabilizing" deliveries of armaments to some foreign country. It is precisely the officials of the Foreign Ministry who are making the most desperate efforts to combat all the attempts by the MIC to violate, for instance, the missile technology non-proliferation regime, or to get around international sanctions applied against certain countries.

It must be noted that the Defense Ministry--above all the Russian Federation Armed Forces General Staff--is a consistent opponent of the untrammelled export of state-of-the-art Russian weaponry. The top generals of the Russian Army do everything in their power to ensure that samples of the latest Russian armament do not end up in the hands of potential opponents.

At the present time, the Defense Ministry has no particular interest in increasing arms exports, since currently contracts with other countries allow the ministry only to receive payment for the training of foreign military personnel at Russian training centers.

Indeed, Russian generals find the sale of individual examples or small quantities of the latest weaponry to be especially unacceptable. The same applies to the transfer of military technology. In 1992, *Voentekh*, a company whose president is Gen. (ret.) Anatoly Funtikov, former first deputy head of armaments in the Defense Ministry, sold a single T-80U tank to the United Kingdom (as was widely reported in the press at the time), as well as one of the latest 2S-6 ("*Tunguska*") antiaircraft systems (about which much less was written). Gen. Funtikov told me that for the T-80 he had received \$3,000,000, while for the *Tunguska* he was paid \$6,000,000. This deal gave rise to an enormous scandal in Moscow. In the opinion of experts, the fact that the basic operational frequencies and other parameters of the *Tunguska*'s radar became known inflicted grave damage to Russia's national interests, as well as greatly reducing export possibilities for the *Tunguska*. Nonetheless, at the time *Voentekh*'s deal was completely legal.

As a result, at the beginning of 1993 an additional supervisory body, the Export Control Committee of the Defense Ministry (KEK MO) was created, chaired by First Deputy Defense Minister Andrei Kokoshin. This body includes representatives of the Foreign Ministry as well as all the agencies of the Russian intelligence community. Kokoshin recently told me that with the aid of the intelligence community the Export Control Committee had foiled several attempts made by plants of the military-industrial complex to sell the latest weaponry to China under the guise of earlier models.

However, if they had had to act on their own, the ministry officials and the generals would not have been able to withstand the pressure exerted by the MIC and the regional governors. The MIC has a more influential as well as richer opponent in the shape of the raw materials and energy producers, notably the powerful plant directors from the oil and gas complex who prefer to sell their products on the world market. They have no wish to continue the Soviet practice of supplying the plants of the military-industrial complex virtually for free, thus enabling the latter to manufacture large quantities of cheap armaments.

Premier Viktor Chernomyrdin, who represents the interests of the oil and gas complex in the government, referred contemptuously to the Russian MIC last summer at an open plenary session of the government, publicly asking, "Why make howitzers no one needs anyway and that no one wants to buy? "Any decision regarding the export of a large arms order invariably constitutes a compromise that emerges out of a lengthy internal struggle between different groups. This is the case especially if the deal is being made with a country that is a "traditional partner," and there is a problem of previous debts and mutual obligations. The representatives of the MIC are demanding that the Russian government forget about earlier debts--so that they can get some money today.

During a visit to Damascus last spring, First Vice Prime Minister Oleg Soskovets resolved all the fundamental issues that had been obstructing a renewal of Russian exports to Syria. Thus Russia agreed in principle to write off a major portion of Syria's previous massive debts to Russia. It should be noted that Soskovets is the most highly placed lobbyist for the MIC in the Russian government today.

Viktor Samoilov, the president of *Rosvooruzhenie*, told me, "Right now we are negotiating intensively with Damascus at the level of working groups on details of specific contracts." Final decisions may be made in October at a session of the joint Russo-Syrian Commission on Military-Technical Cooperation. Syria is mainly interested in buying the new S-300 anti-aircraft systems.

The representatives of the MIC are strongly opposed to any proposals to link the export of Russian arms to the problem of interstate debts. They note the following episode: Last year Russia delivered MiG-29 fighters to Hungary and Slovakia in payment for debts. The producers of these aircraft claim that they did not receive adequate reimbursement for the planes from the Russian government. Now Turkey and Finland also want to be repaid a portion of Russian debts in the form of arms. However, the directors of the MIC plants say that in future they are going to boycott such contracts.

RUSSIAN ARMS EXPORTS(1)

Value of Arms Exports

1992: \$2.329 billion

1993: \$2.504 billion

1994: \$3.4 billion

(Estimate by Rosvooruzhenie)

Foreign Currency Receipts

1992: \$4.24 billion

1993: \$2.028 billion

The principal problem today lies elsewhere. As a result of the economic crisis and of increased domestic prices of energy and raw materials, the ability of the Russian MIC to produce competitive modern military equipment has been greatly reduced.

Rosvooruzhenie representatives assert that today it is unprofitable to produce spare parts and munitions for export.

Further, the experts claim that in principle it is already impossible to restart production of many modern weapons systems, manufacture of which was halted during the course of the last two years--even if contracts were to be signed for foreign sales of such armaments. The representatives of the MIC are demanding financial concessions and subsidies for arms exports, but Premier Chernomyrdin is not sympathetic to such calls.

It cannot even be guaranteed that over the next few years Russia will be able to fulfill completely the export contracts that have already been signed.

Notes:

1 These figures were obtained from an official government source on a confidential basis--P.F.

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