



BULLETIN

No. 54 (130) • April 9, 2010 • © PISM

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The Role of Arms Exports in the Foreign Policy of the Russian Federation

by Robert Śmigielski

After the breakup of the Soviet Union, Russia commercialised and, to considerable degree, de-ideologised the export of arms, without giving up attempts to use it to strengthen its position in the world. Despite the existence of significant weaknesses in its arms industry, Russia has managed to maintain its position as one of the two largest exporters of weapons thanks to contracts with traditional partners—China and India—and by entering new markets.

Background. The Russian Federation inherited 80% of the Soviet arms industry. Armaments are one of the few areas in which Russian products remain competitive on the world market. Russia's drastic reduction of arms purchases in the 1990s meant that exports became the only way to ensure the survival of this sector. Trade terms were in large measure de-ideologised and subordinated to market forces. Since the middle of the 1990s, however, Russia began to question the existing world order and, especially, the role of the USA in it. It attempted to rebuild its former position as a world power and propagated the notion of a multi-polar world in which various regional powers would cooperate in order to counter-balance the position of the USA. The arms trade—in addition to the export of energy resources and cooperation in the spheres of atomic energy and space technology—became an important instrument helping to shape relations with individual states in accordance with Russian interests.

The establishment in 2000 of Rosoboroneksport—a state agency overseeing arms exports—the structure of trade was stabilised thus facilitating the growth of exports. In 1987 the USSR's share of the world's arms exports amounted to 38%. By 1994, Russia's share had fallen to 3%, but between 2005 to 2009, it had risen up to 23%, second only to that of the USA (30%). Rosoboroneksport posted earnings of 6.75 billion USD in 2008, and 7.4 billion USD in 2009, which represented 1.4% and 2.5% of Russia's exports, respectively.

Most of Russia's clients are developing countries with non-existent or limited opportunities to purchase arms from the West, for whom Russia is the basic supplier of arms on account of the affordable prices and the modernity of the equipment it offers. For some clients (Greece, Malaysia, Indonesia, the United Arab Emirates) Russian arms are a means to diversify suppliers. Presently, Russia is striving to rebuild ties with its traditional partners, mainly Arab countries. In exchange for the annulment of debts from Soviet times, it offers them arms supply contracts, expecting them to open their markets to Russian firms, especially those of the energy sector. In some cases (such as South Korea and Thailand), the sale of arms was a means for Russia to pay off its own debts from the Soviet period.

Main Partners. Russia is particularly attentive to the region of Asia. This is due to the growing purchasing power of countries in the region. From 2005 to 2009, 69% of Russia's arms exports went to countries of South and East Asia. Since the 1990s, China and India—through their dynamic growth, high solvency and broad armed forces modernization programs—became the principal recipients of Russian weapons.

China's access to western military technology is greatly hampered, by its human rights policies especially. For this reason, Russia is China's principal source of relatively modern weapons. From 2005 to 2009, China's share in Russian arms exports stood at 35%, and that of Russia in China's arms imports was as much as 90%. In addition to airplanes, air defence systems and ships, China bought a license to produce Su-27 airplanes from Russia. Military cooperation between the two

countries does not include strategic forces, however. Russia also refused to sell China the most modern types of weapons it produces (such as the Su-30MKI and A-50 airplanes or nuclear submarines), primarily out of fear that its powerful neighbour would grow stronger yet. Eastern Siberia and the Russian Far East are sparsely populated in comparison with China's border-area provinces. Russian exports to China are dominated by natural resources, a fact that gives rise to fears in Russia that it will become the China's raw materials base. Despite their officially proclaimed closeness, Russia and China are *de facto* rivals for influence in Central Asia. Russia also fears that China may violate the copyright on the transferred technologies and that Russia would contribute through the transfer of modern equipment to the development of China's arms industry, a potential competitor for Russian firms. In effect, the value of Russian arms exports to China in 2009 fell to the level of 410 million USD, the lowest since 1998 (it stood at over 3.5 billion USD in 2006).

Russia places no limitations on its arms trade with India. As a result, for the past three years, India has been a larger importer of Russian weapons than China (nearly 1.8 billion USD in 2009), and Russia is India's largest supplier of arms (71% of all arms imports in the past 5 years). This different approach is due to the fact that Russia does not perceive India as a potential rival, but rather as a counter-balance for China. On the Indian market, Russia has to compete with western arms producers. For this reason, it offers India the sale or lease of the most modern weapons, the Tu-22M3 bombers with long-range missiles and the class Akula II nuclear submarine, and even co-production of new types of weapons (such as a multi-task fighter).

Sales of Russian arms to Algeria have grown rapidly in recent years. From 2005 to 2009, it represented 11% of Russian arms exports, and its value in 2008 amounted to 1.5 billion USD and was greater than that of Russia's arms exports to China and India. As far as the rest of the Arab world is concerned, Russia is trying to recover the Libyan market, to consolidate its position in Syria and to enter the markets of Persian Gulf states where, with the exception of Yemen, western arms firms have been dominant. Until now, Russia only succeeded in significantly increasing its sales of arms to the United Arab Emirates (a total of 700 million USD). The sale of weapons to those countries takes place in conjunction with the penetration of their markets by Russian energy concerns.

Another important market for Russia is Iran, seen as a strategic partner in the region of the Greater Middle East and as a counter-balance for the USA's allies in the region—Saudi Arabia and Turkey. Russia and Iran together control 20% of the world's deposits of oil and 47% of its deposits of natural gas. The two countries' close cooperation strengthens Russia's position as a country without which the resolution of the problem of the Iranian nuclear program seems impossible. Following large arms deliveries to Iran from 2006 to 2007 (for over 700 million USD), Russian arms exports to Iran in the last two years have fallen drastically and have not exceeded 50 million USD. Russia interrupted, among other things, the delivery of S-300 PMU air defence missile systems to Iran, which indicates that it is trying to avoid a conflict with the USA.

Russia is also trying to increase exports to Latin America, especially to countries ruled by leftist leaders, and combines this with energy cooperation. The region's largest importer of Russian arms is Venezuela (2 billion USD in all in the past four years, partially covered with Russian credit).

Exports of Russian arms to countries of the Collective Security Treaty Organization (CSTO) takes place on special terms. Since 2001, those countries can purchase such arms at Russian domestic prices—something that was supposed to strengthen their ties with Russia and weaken American and NATO influence in the CIS area. The realisation of those intentions was hampered by the absence of implementation guidelines about duty exemptions for military production and by the low interest shown by Russian companies, which preferred to sell on world markets. For this reason, among others, Russia provides its allies with military equipment from its own armed forces—for example, Belarus received in this manner four units of the S-300PS system in 2006, and in 2008 several dozen heavy artillery pieces and ammunition from the liquidated military base of Akhalkalaki were transferred to Armenia.

Prospects. The export of arms will remain an important instrument used to strengthen Russia's position on the international stage in the nearest future. One should not, however, expect an increase in its volume. This is due, on the one hand, to the technological aging of the Russian arms industry and weapons, which could prove unattractive to some of Russia's traditional clients (such as China and India) and, on the other, to the high probability of increased domestic purchases. The difficulties with the industry are reflected in the problems that have emerged with certain contracts—with Algeria (MiG-29SMT), China (Il-76MD and Il-78) and India (the Admiral Gorshkov aircraft carrier). Moreover, the Russian arms industry's decreasing capabilities mean that, for the first time since 1945, Russia is forced to seek modern weapons abroad, evidence of which can be seen in the talks with Israel about supplies of unmanned planes and with France about the sale of Mistral class amphibious assault ship.