



BULLETIN

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Financial Aspects of Russian Military Reform

by Robert Śmigielski

The economic crisis has proved no reason for the Russian authorities to abandon their policy of rising expenditure on the armed forces. Over the coming years, priorities will include a thorough re-arming and modernisation of the army and the navy, in addition to raising servicemen's pay. The high spending does not, however, have to translate into qualitative development, given the Russian armaments industry's technological backwardness and poor training of the draftees.

Background. The Georgian war of 2008 exposed a multitude of shortcomings in the Russian armed forces, including poor coordination between their branches, ineffective systems of communications, reconnaissance and radio-electronic warfare, a low degree of battlefield automation of command and control systems and outdated equipment. Military operations still largely draw on the human factor, massive concentrations of land forces and rapid switch to direct encounter with the enemy. The Russian armed forces are not capable of waging modern warfare with massive use of precision weapons and own-loss minimisation. The experiences gained in the conflict have prompted Russia's most radical military reform since 1991 led by Defence Minister Anatoly Serdukov.

But the launch of the reform coincided with the economic crisis, which strongly affected Russia's economy and finances, bringing down the country's GDP by 7.9% in 2009. The Russian government opted to boost budget expenditure, most notably on welfare and business support, which produced a fiscal deficit of 5.9% of GDP. Defence spending increased, too—but the growth was 12.6% rather than the originally planned 24% (to reach 1,191.2 trillion roubles). According to the Finance Ministry's plans, even despite the deficit's persistence until 2015, military expenditure will continue to grow and be regarded as a priority. Its 2010 level (in the section "national defence") will reach 1,264 trillion roubles (2.9% GDP), to be followed by 1,433 trillion in 2011, 1,573 trillion in 2012 and 2,025 trillion roubles in 2013 (3.2% GDP). And these figures account for no more than 80% of the budget of the Defence Ministry, whose outlays on servicemen housing or military pensions, for instance, are included in other sections of the national budget.

Reform Objectives. The Serdukov plan lays emphasis on reforming the armed forces' command and organisational structures, and on improving individual units' combat readiness—with the intention to jettison a model characteristic of the Soviet Army, oriented as it was towards global conflict. A new three-tier command structure, involving joint strategic commands, operational commands and brigades, is expected to improve the speed, flexibility and effectiveness of the command process. With all units in constant combat readiness, and with the mobilisation-model units liquidated (to leave 172 in the army, from the previous 1,890), the armed forces' combat readiness and mobility are expected to increase. This provides testimony to the abandonment of the Soviet-era doctrine, under which most units would be fully deployed only after mobilisation. The implementation of these plans will make it possible to reduce the officer corps from 355,000 to 150,000, and to abolish the non-commissioned officers' ranks of warrant officer (in the army) and midshipman (in the navy). The reform will also cover the system of military education as well as compensation, and is expected to produce armed forces that are equipped with modern weapons capable of meeting the requirements of network-centric warfare.

Change in Investment Lines. The reduction of military units and officer positions will make it possible in 2011 to equalise spending on the armed forces' day-to-day operations with that on investments (purchase of new weapons, R&D). By 2015, investments' share is expected to increase

to 70% (in EU member states it rarely exceeds 20%). According to the state programme of armaments for 2011–2020, the proportion of modern weaponry will increase to 30% in 2015 and 70% in 2020. Russia plans to earmark 13 trillion roubles for the purpose, which is 2.5 times more than under a similar programme covering the years 2007–2015. But the programmes carried out so far have proved little effective. The largest flow of equipment to the air force was seen in 2009, taking the form of 25 jets MiG 29 SMT, rejected (for technical reasons) by Algeria. Earlier, even despite a tenfold increase in spending on weapons between 2001 and 2009 (to reach 580 billion roubles), only single pieces of new equipment were reaching the armed forces—an outcome of several factors adversely affecting the condition of the Russian arms industry: the sector saw no modernisation or restructuring after 1991, R&D spending tumbled, and scientists and technicians were leaving in droves. Faced with reduced defence-equipment procurement and unable to boost exports sufficiently to make up for the losses, many factories quit serial production, thus driving up the unit cost of the equipment produced. The condition of the Russian defence sector is well illustrated by the fact that the submarine construction lead time—at one to four years under the Soviet Union—now equals more than ten years (the first in a series of Project 885 attack submarines is currently in its 18th year of construction).

Compensation Reform. Low salaries in the armed forces—a lieutenant earns two-thirds of the average national pay—are the main factor behind the falling prestige of military service and the fiasco of several programmes to switch to a professional army. After the reform, the armed forces of the Russian Federation will have on its payroll 150,000 officers, 150,000 contract servicemen (including 86,000 NCOs) and 700,000 conscripts. The new pay system will enter into force in 2012, providing for officer pay increases by 400–700%, and for the pay of NCOs and contract privates to equal 170–200% of the national average wage. On the other hand, conscripts' allowance will stay within 1,000 roubles (some 30 dollars), thus creating two highly diversified groups within the military and possibly producing adverse consequences for the armed force's morale, combat readiness and effectiveness. Draftees will be additionally discouraged from military service, which, amidst Russia's demographic crisis, raises doubts about the country's capacity to have 700,000 men called to arms every year.

Prospects. With the country getting out of the recession (and GDP expected to grow by 4% this year), Russian military expenditure will go on rising so as to complete the ongoing reform. This is warranted in view of the poor condition of the armed forces, growing threats of local conflicts along Russia's southern underbelly, China's increasing military potential and the need to modernise Russian nuclear arsenals to keep parity with the U.S. within the Prague treaty limits. Re-arming and higher pay, although necessary, will not be sufficient conditions to achieve a high level of the armed forces' preparedness. The increased arms-purchase budgets, even if justified by modernisation needs, may actually be achieved at the expense of maintenance and combat-preparedness spending (in 2009 expenditure on these two segments was cut by, respectively, 15% and 30%). And questions will be asked about the effectiveness of spending unless defence procurement becomes more transparent (a half of the Defence Ministry's budget is now confidential) and state control of spending is strengthened. Plans to purchase military equipment abroad (landing craft from France, unmanned aircraft systems from Israel, armoured personnel carriers from Italy) indicate that the Russian government is increasingly prepared to go by the interests of the armed forces rather than of the armaments industry. What the latter needs is modernisation of technological lines and management systems—the goals which are sought under a 100 billion-roubles-a-year programme "Russian Federation's Policy Guidelines for Development of the Military-industrial Complex to 2020." Earlier defence sector reforms failed in part due to the existence of an armaments lobby, seeking to maintain the status quo rather than meeting the armed forces' genuine needs. The sector currently comprises 1,729 entities, just 20 less than reported in 1998, when the first programme seeking their reduction to 667 was announced.

Yet another problem is to keep the mixed nature of military manpower. Russian units, even if formally they are all in a state of continuous combat readiness, cannot be seen as featuring full combat capabilities in a situation where they still rely in 70% on conscripts. Forced by annual personnel turnover to train successive flows of new recruits, these units will be of low combat quality for a large part of each year. The process may deepen in step with the introduction of technologically advanced equipment requiring long and costly training for those handling it. Given Russia's demographic problems, it is only a matter of time before fully professional armed forces become a must, as the only arrangement permitting to fully capitalise on technological progress going on in the field of defence equipment.