

Small arms production in Russia



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Acronyms and abbreviations

AK	Avtomat Kalashnikova / Kalashnikov automatic carbine	MINPROMNAUKI	Ministerstvo promishlennosti i nauki Rossiiskoy Federatsii / Ministry for Industry and Science of the Russian Federation
AKM	Avtomat Kalashnikova Modernizirovanniy / Kalashnikov automatic carbine	MOD	Ministry of Defence
AT	anti-tank	NGO	non-governmental organisation
ATGM	anti-tank guided missile	NISAT	Norwegian Initiative on Small Arms Transfers (Norway)
CAST	Centre for Analysis of Strategies and Technologies (Russia)	NPC	New Programs and Concepts Ltd
CBW	chemical and biological weapons	OJSC	open joint stock company
CIS	Commonwealth of Independent States	OPK	Oboronno-promyshlennyi kompleks / Defence Industry Complex
COMTRADE	United Nations Commodity Trade Statistics Database	OSCE	Organisation for Security and Co-operation in Europe
ELN	Ejército de Liberación Nacional de Colombia / National Liberation Army of Colombia	PIR Center	Tsentr politicheskikh issledovaniy Rossii / Center for Policy Studies (Russia)
EU	European Union	RAV	Rossiiskoe agentstvo vooruzhenii / Russian Agency of Conventional Arms
FARC	Fuerzas Armadas Revolucionarias de Colombia / Revolutionary Armed Forces of Colombia	ROCA	United Nations Register of Conventional Arms
FSB	Federalnaya sluzhba bezopasnosti / Federal Security Service	ROSKOMOBORONPROM	Komitet Rossiiskoi Federatsii po oboronnim otrasliam promishlennosti / Committee on the defence industry of the Russian Federation
FSUE	Federal State Unitary Enterprise	RPG	rocket propelled grenade
FSVTS	Federal'naya sluzhba po voenno-tekhnicheskomu sotrudnichestvo / Federal Service on Military-Technical Co-operation	RSFSR	Rossiiskaya Sovetskaya Sotsialisticheskaya Respublika / Russian Soviet Socialist Republic
GOSKOMOBORONPROM	Gosudarstvennyi komitet Rossiiskoy Federatsii po oboronnym otrasliam promishlennosti / State Committee on the Defence Industry of the Russian Federation	RUR	Russian Roubles
GOZ	Gosudarstvennyi Oboronnyi Zakaz / State Defence Order	SA	small arms
GPV	Gosudarstvennyi program vooruzheniya / State Programme of Armaments	SALW	small arms and light weapons
IMI	Israeli Military Industries	SAM	surface-to-air missile
IMZ	Izhevskii Mekhanicheskii Zavod / Izhevsk Mechanical Plant	SIPRI	Stockholm International Peace Research Institute (Sweden)
JSC	joint stock company	TsKIB SOO	Tsentrálne konstruktorsko-inzhenernoe byuro sportivnogo i okhotnichego oruzhiya / Central Research Design Bureau of Sporting and Hunting Guns
KBP	Konstruktorskoe byuro priborostroeniya / Instrument Design Bureau	TSNIIOchMash	Tsentrálny nauchno-issledovatel'skii institut tochnogo mashinostreyeniya / Central Research and Development Institute of Precision Machine Building, Klimovsk
KMBDB	Kolomna Machine-Building Design Bureau	UN	United Nations
KVTS	Komitet po voenno-tekhnicheskomu sotrudnichestvo / Committee for Military-Technical Co-operation with Foreign Countries	UN PoA	United Nations Programme of Action to Prevent Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All Its Aspects
LW	light weapons	UNROCA	United Nations Register of Conventional Arms
MANPAD	man-portable air-defence system	VPK	Voенno-promyshlennaya komissiya / Military-Industrial Commission
MEDT	Ministry of Economic Development and Trade	WA	Wassenaar Arrangement
MFA	Ministry of Foreign Affairs	WMD	weapons of mass destruction
MIA	Ministry of Interior Affairs	WWII	World War II
MINECONOMIKI	Ministerstvo ekonomiki Rossiiskoy Federatsii; Ministry of Economics of the Russian Federation		
MINOBORONPROM	Ministerstvo oboronnoi promishlennosti Rossiiskoy Federatsii / Ministry of the Defence Industry of the Russian Federation		

Executive summary

RUSSIA REMAINS one of the world's largest small arms and light weapons (SALW) producers and certainly one of the most active countries on the world SALW market. It continues to offer a broad selection of SALW types and models. Increases in global military and internal security budgets and spending could signal an increase in SALW production and trade. At present, these products reportedly represent only a fraction of total Russian conventional arms production and export values. The actual volumes and values of Russia's SALW production, procurement and export are not publicly known.

This report seeks to explore the state of play regarding Russian military SALW production and exports by addressing the following research questions:

- How many military SALW are being produced in Russia in comparison to Soviet times?
- How important is the Russian military SALW industry to the Russian economy in terms of number of people employed, turnover, profits and as a percentage of gross domestic product?
- What are the Russian Government's policies for the military SALW sector, in comparison to other sectors of the arms industry?
- Does Russia provide direct and/or indirect support to the military SALW industry? If yes, how?
- What percentage of Russian SALW production is for military use?
- What percentage of Russian produced military SALW is exported?

Unfortunately, the relative paucity of 'open source' data on Russian SALW production and trade means that it has not been possible to provide a comprehensive and detailed picture of the Russian SALW industry in this report. Questionnaires requesting data on the number of employees working in the SALW sector, number of SALW units produced, number of SALW exported, income and profits were sent to the international departments of Russia's main SALW producers but were not returned completed. One of the key findings of this report is that the current opacity of the Russian arms industry and trade is a legacy of the Soviet culture of secrecy. However, the comparative lack of information on SALW production and trade in comparison to other sectors of the conventional arms industry could also be due to the fact that orders for SALW are not regarded as being as financially significant as orders for larger conventional weapons.

Background: Small arms and light weapons industry and exports during the Soviet and Yeltsin eras

Assessing the size and significance of the SALW industry and trade in the Soviet and Yeltsin eras is a difficult task. This is not only due to the levels of secrecy surrounding the OPK, but also due to the fact that SALW plants also produced civilian consumer goods, as they do today, but did not produce publicly available disaggregated sets of data on employees, output, domestic sales and exports for SALW. It is known that SALW enterprises were particularly hard hit by the collapse of the USSR, as defence budgets were cut and domestic orders ground to a halt. Therefore, arms exports were seen as a way of keeping the defence industry and the SALW sector in particular, afloat. In the post-Soviet era, commercial considerations replaced ideological factors, with considerable decentralisation and lack of state control characterising SALW export policies during the early 1990s. This seeming lack of state control over arms exports, no doubt, helped to fuel international concerns about Russian arms exports contributing to uncontrolled arms proliferation. However, by the late 1990s, the state appeared to be taking a more active interest in exercising controls over Russian arms production and trade.

Unfortunately, we still do not know the total volume or value of SALW output and exports for the post-1945 Soviet or Yeltsin periods. It has been suggested that SALW exports never accounted for more than five percent of total Soviet arms exports. At the same time, Soviet-produced SALW probably constituted the main weapons holdings in the inventories of many of the armed forces of the recipients of these arms. Like the USSR, post-Soviet Russia has also engaged in arms sales to developing countries in Africa, Asia, Latin America and the Middle East. Since the collapse of the Soviet Union, Russian SALW have also been exported to the CIS and other parts of Europe.

Small arms and light weapons production and export legislation

Although the primary piece of legislation governing the production of SALW, the Law on Arms (1996), dates from the mid-1990s, it has been amended on a number of occasions since 2001 as part of Russian efforts to comply with the provisions of the UN PoA. As such, it requires all SALW produced on the territory of the Russian Federation to have their main mechanical parts individually numbered and marked, with each plant responsible for ensuring security and controls over production. It also requires enterprises that produce civilian or service SALW to be in possession of a licence for arms production.

The most important law concerning the export of Russian military SALW is the Federal Law on the Russian Federation's Military Technical Co-operation with Foreign States. According to this law, only state-controlled SALW designers and manufacturers or government mediators (i.e. Rosoboronexport today) had the right to engage in the foreign trade in military SALW. From 1 March 2007 onwards, Rosoboronexport will enjoy a monopoly position in this regard.

Another significant step with regard to Russian SALW exports was taken in October 2006, when the Russian Government issued a resolution No 604 of 6 October 2006 outlining regulations for post-shipment verification. This was to ensure that Russian military exports are used in accordance with purposes stated in end-user certificates. The resolution overtly mentioned SALW in this regard as well as requiring all recipients of Russian military equipment to seek and receive explicit permission from Russian authorities before re-exporting.

Overview of the small and light weapons industry

In 2000–2001, during discussions on the strengthening of state control over the OPK, the Russian Government's key objectives for the SALW sector were reportedly defined as:

- Preservation and standardisation of the SALW industry;

- Development and production of advanced ammunition, SALW and sighting systems for the 21st century serviceman;
- Advancement of research and development programmes for SALW.

As part of the efforts to integrate the various SALW industry enterprises two major government-owned holding companies were created:

- The Small Arms and Cartridges Corporation (2003) is responsible for military SA and ammunition production and centred around Izhmash;
- The High Precision Weapons Corporation (2002) is responsible for the production of LW and associated projectiles and is centred on KBP.

How the Small Arms and Cartridges Corporation and the High Precision Weapons Corporation function, is still not entirely clear to the outside observer.

The most significant Russian SALW-producing enterprises are based in Izhevsk (Udmurt Republic), Tula (Tula region), Kovrov (Vladimir region) and Vyatskie Polyany (Kirov region). Despite shedding several thousand workers over the past four to five years, these plants are still probably using only half, or less, of their potential SALW production capacity. However, due to the fact that they continue to produce civilian goods and do not produce publicly available disaggregated sets of data on employees, output, domestic sales and exports for SALW, it is not possible to compare their rates of productivity with their rivals in the USA and other parts of Europe. It has been argued, however, that a number of leading Soviet SA producers now derive most of their revenue from their civilian production lines. Although lacking conclusive evidence, it is highly likely that Russia's SALW industry remains export-dependent.

State small arms and light weapons procurement

The SALW sector was not promoted as a key sector for funding in the State Defence Order (GOZ). However, it has reportedly benefited from increased state orders in recent years. Increased deliveries of newly produced SALW to the Armed Forces and the Ministry of Interior troops between 2003–2006 have also reflected an apparent change in strategic thinking within sections of these agencies. The changing nature of conflicts has led to recognition of the need for new, lighter SALW. At the same time, there have been suggestions that due to concerns with price and quality some Russian state bodies might turn to foreign producers and/or products when spending at least some of their procurement budgets.

Small arms and light weapons exports

The Putin era has been characterised by attempts to reduce the number of, or 'integrate,' enterprises producing arms in Russia. There has also been a reduction in the number of state enterprises that are legally permitted to engage in the international trade in arms.

Rosoboronexport has reportedly been providing credits to Russian defence companies to enable them to begin production on export orders. For example, Izhmash required credit from Rosoboronexport to be able to start serial production of AK assault rifles for a recent Venezuelan order. Rosoboronexport officials would also argue that it plays a key role in the marketing of Russian arms to overseas clients by displaying their wares at a large number of domestic and international arms fairs.

This report highlights recent efforts by Rosoboronexport to expand Russia's export markets, focusing upon some recent export sales to Africa, Asia, Latin America and the Middle East. The report notes that Russian portable anti-tank and surface-to-air missile systems and projectiles are reportedly being sought by a large number of developing countries. It also reports that some Russian analysts have acknowledged that several recipients of Russian arms are regarded as 'undesirable arms recipients' in

other parts of the world, with Algeria, Eritrea, Ethiopia, Syria, United Arab Emirates and Yemen recognised as significant but 'awkward' markets.

The report finds that established markets for major conventional weapons systems, such as India, have purchased SALW from other suppliers in recent years. However, Rosoboronexport has attempted to seize a share of not only India's SALW market, but also the broader South East Asian market as a whole. LW transfers to Indonesia, Malaysia, Thailand and Vietnam have been recently reported. Arguably, the most controversial recipients of Russian SALW in recent years are located in Latin America and the Middle East.

In May 2005, Venezuelan officials announced the signing of a US\$54 million deal for 100,000 Izhmash-produced AK-103 assault rifles, along with ammunition and other unspecified light weaponry. This deal has been supplemented by two contracts for licences to manufacture 25,000 AK-103 rifles a year, and an unspecified amount of ammunition. These transfers have raised concerns due to their potential impact on regional peace and stability, and the fact that Venezuelan President Hugo Chávez has mentioned the possibility of exporting SALW to other states in Latin America. The US Administration has formally protested to Russian officials regarding transfers to Venezuela.

American and Israeli concerns have also been voiced on a number of occasions with regard to Russian SALW transfers to Iran and Syria. Russian LW sales to Syria have been a particular cause of concern for these states, due to suspicions that Syria is diverting arms to Hezbollah forces in Lebanon. In 2005 and 2006, Israeli officials reportedly presented evidence that suggested that Russian ATGMs and RPGs had been diverted from Syria to Hezbollah. The Russian Government's October 2006 resolution on post-shipment verification is thought to have been directly linked to these accusations.

Estimating values for Russian small arms and light weapons exports

This report has collected a range of estimates for Russian SALW exports for the period 2000–2005 from a number of reputable experts on Russian arms exports. Based on these figures, Russian SALW exports are estimated to be worth somewhere between US\$60–200 million per year. Using Rosoboronexport's official Russian arms export figures, and the assumption that Russian SALW exports constitute somewhere between 2–5% of total arms exports, a range of US\$73–300 million per year has been calculated for average annual Russian SALW exports for the period 2000–2005. **However, it should be borne in mind that these figures are still very rough estimates and that SALW exports may not constantly fall between 2–5 percent of all Russian conventional arms exports. It is very difficult to discern SALW trade patterns from the very partial data that is available in open source materials.**

Licensed production of Russian small arms and light weapons

The legacy of Soviet technology transfers can still be seen in the large number of former Warsaw Pact and developing countries that have production facilities and assault rifle models that are merely AK copies. Russia has AK licensed production arrangements with Hungary, Israel, Turkey, Kazakhstan, India and France and was in talks on licensed production arrangements with China, Italy, the Czech Republic and a number of other countries in 2006. A licensed production agreement has also reportedly been concluded with Myanmar. It is worth noting that there is reportedly a clause in the contract for licensed production of AKs in Venezuela that explicitly calls for Russian consent to be sought and successfully received before any Venezuelan-produced AKs could be exported. At the same time, Russia is a keen advocate of international arrangements, controls and punishments for the unlicensed manufacture of arms.

Conclusion and recommendations

In democratic societies transparency in governmental policies and practice is a key feature for ensuring public oversight and government accountability. This is particularly important in a sensitive area such as production and trade in arms, where the country's international image and reputation – as a responsible arms producer and exporter – is at stake. Greater transparency and openness in this sphere would give Russia additional credit as a new democracy, increasingly bringing its practices into line with those of its international peers. To this end, a number of transparency measures have been identified that could assist Russian policymakers and expert communities to carry out well-informed analyses of the state of the Russian SALW industry, trade and potential markets, and also demonstrate that Russia is an open and responsible arms supplier:

- **De-classify enterprise data on SALW employment, profit, sales and export figures;**
- **Conduct a review of the classification of SALW enterprises located within the OPK;**
- **Require SALW-producing enterprises to regularly publish comparable sets of data on sales, exports and customers;**
- **Provide UN COMTRADE and UNROCA with full, accurate and timely data on SALW transfers;**
- **Publish a regular report on the value, volume and recipients of Russian conventional arms transfers, including SALW.**

1

Introduction

RESEARCHERS AT THE STOCKHOLM INTERNATIONAL PEACE RESEARCH INSTITUTE (SIPRI) have estimated that the financial value for the global arms trade in 2004 was in the region of \$44–53 billion, based upon data released by supplier governments.¹ However, SIPRI's figures do not accurately represent the actual value of the conventional arms trade; they merely give an indication as to the value of total conventional arms production. In recent years governmental press releases, annual reports on conventional arms exports and the United Nations Register of Conventional Arms (UNROCA),² have helped to increase public transparency on the value and volume of conventional arms being transferred.

Unfortunately, there are fewer publicly available official sources for assisting with estimates of the value and volume of global military small arms and light weapons (SALW) production, procurement and trade than there are for conventional arms production, procurement and trade.³ One of the few tools that provide a partial picture of the scale of the global SALW trade is the UN COMTRADE database, which is compiled using submissions from national customs authorities and is not intended for use as a public transparency mechanism. However, it has been argued that COMTRADE serves as a guide to about 50 percent of SALW transfers due to significant data omissions, including brokered sales, light weapons and the fact that a number of significant SALW producing countries do not submit data on military SALW transfers. The Small Arms Survey has argued that the annual value of SALW sales is roughly 12 percent of the total value of conventional arms transfers. Therefore, using SIPRI estimates for the global conventional arms trade and the Small Arms Survey's suggestion that SALW account for 12 percent of all conventional arms transfers, one would arrive at an estimate of the total value of SALW produced in 2004 in the region of US\$5.28–6.36 billion.

While there has arguably been a contraction in the volume and value of global small arms industry and trade following the end of the Cold War,⁴ the number of SALW-producing countries and companies has increased thanks to technology transfers and licensed production arrangements entered into between the traditional big five arms producers – the USA, Russia, the UK, France and Germany – and a number of Latin

¹ Hagelin B, Bromley M and Wezeman S T, 'International Arms Transfers', in *SIPRI Yearbook 2006*, (Oxford University Press, 2006), p 470.

² The United Nations Register of Conventional Arms was established on 1 January 1992, under General Assembly resolution 46/36 L of 9 December 1991 entitled *Transparency in Armaments*. The resolution called upon all Member States to provide annually by 31 May, to the Secretary-General, relevant data on imports and exports of conventional arms to be included in the Register. UN Member States are also invited to report on their military holdings and procurement through national production and relevant policies. Paragraph 2 (a) of the annex to General Assembly resolution 46/36 L identifies the following seven categories of weapons on which Member States are requested to supply data to the Register: battle tanks, armoured combat vehicles, large calibre artillery systems, combat aircraft, attack helicopters, warships and missiles or missile systems. Cited in Mariani B, *The Need for Greater Transparency in the Arms Trade*, (Saferworld, 2006).

³ *Small Arms Survey 2003: Development Denied*, (Oxford University Press, 2003), p 13.

⁴ *Ibid*, p 12.

American and Asian countries. It has been estimated that more than 90 countries now have SALW-related production facilities.⁵ Despite this global expansion, 42 percent of SALW producers are still located within Europe and the CIS.⁶ COMTRADE data suggests that the USA traditionally occupies first place in the world ranking for SALW exports, usually followed by Italy, Belgium, Germany, with Russia usually falling between fourth and sixth place.⁷ However, this report would argue that Russia's ranking is probably higher because Russia does not provide COMTRADE with data on its military SALW exports and therefore one has to rely upon countries submitting data on imports of Russian military SALW to calculate values for Russian military SALW exports.⁸

The Russian SALW industry has proved itself to be a resilient sector of the Russian Defence Industry Complex (OPK), as Russia remains one of the world's largest SALW producers and certainly one of the most active countries on the world SALW market. Russia continues to offer a broad selection of SALW types and models, with manufacturers such as Izhmash and the Tula-based Instrument Design Bureau (KBP) recognised as world leaders in terms of design and production volume for SALW.⁹ Increases in global military and internal security budgets and spending in 2005 could signal an increase in military-style SALW production and trade.¹⁰ Experts are predicting that man-portable anti-armour and man-portable air-defence systems (MANPADS) could prove to be a profitable sector for Russian SALW-producers over the next decade.¹¹ Although it should be noted that these products reportedly represent only a fraction of total Russian conventional arms production and export values, the actual volumes and values of Russia's SALW production, procurement and export are not publicly known.

This report seeks to explore the state of play regarding Russian military SALW production and exports by addressing the following research questions:

- How many military SALW are being produced in Russia in comparison to Soviet times?
- How important is the Russian military SALW industry to the Russian economy in terms of number of people employed, turnover, profits and as a percentage of GDP?
- What are the Russian Government's policies for the military SALW sector, in comparison to other sectors of the arms industry?
- Does Russia provide direct and/or indirect support to the military SALW industry? If yes, how?
- What percentage of Russian SALW production is for military use?
- What percentage of Russian produced military SALW is exported?

Unfortunately, many of the questions still lack satisfactory answers. This is because information flows from Russian military SALW enterprises and officials are partial and infrequent. It has therefore not been possible to provide a comprehensive and detailed picture of the Russian SALW industry in this report. This suggests that attempts to conduct an informed public debate on the costs and benefits of maintaining Russia's SALW sector by politicians, analysts, the media, NGOs and other interested parties will be seriously hampered, as they are likely to have insufficient data upon which to base their conclusions. This situation has led one journalist to ask:

5 Control Arms, *Arms Without Borders: Why a Globalised Trade Needs Global Controls*, Control Arms, 2 October 2006, 9.
 6 Op cit Small Arms Survey (2003), p 9; Small Arms Survey (2004): *Rights at Risk*, (Oxford University Press, 2004), p 10 See also: Cukier W and Sidel V W, *The Global Gun Epidemic: From Saturday Night Specials to Ak-47s*, (Praeger Security International, 2006), p 7.
 7 Op cit Small Arms Survey (2004), p 100. This opinion is reportedly shared by Russian commentators (Litovkin D, 'Strelkovoe oruzhie berut pod kontrol', *Izvestia*, 7 February 2006, <<http://www.izvestia.ru/armia2/article3068746/>>).
 8 Kozyulin V and Laguta A, 'O problemakh kontrolya nad legkim i strelkovym oruzhiem v rossii', *Yadernyi kontrol*, 12(1), Spring 2006, p 165.
 9 Op cit Small Arms Survey (2004), p 27.
 10 Stålenheim P, Fruchart D, Omotoogun W and Perdomo C, 'Military Expenditure', in *SIPRI Yearbook 2006*, (Oxford University Press, 2006), p 295. Although SIPRI researchers estimate that world military expenditure reached US\$1 118 billion in current dollars in 2005, they noted that an estimated 48 percent of this sum was accounted for by the USA.
 11 Borissov O, 'MANPADS – A Special Case of Small Arms Proliferation', *Eksport Vooruzheniy Journal*, No 2, March–April 2001, pp 34–5.

“Haven’t you noticed that Russian President Vladimir Putin talks almost continually about increasing the volume of arms exports, but almost never about the profitability of those operations, about the income that that industry produces for the country? What do those games cost? It’s a military secret.”¹²

While this report would tentatively suggest that Russian SALW enterprises remain today, as they did during the 1990s, export dependent in terms of military SALW, the extent to which the Russian Government is underwriting these exports is unclear. However, there is evidence that the Russian Government has offered military SALW as partial or full payments for the settling of debts and provided military SALW-producing enterprises with credit to begin work on overseas orders, as well as marketing and promoting SALW-producing enterprises’ products.

It has been noted that getting more information on this subject into the public realm will not be an easy task due to the continuing legacies of the Soviet era in this sphere. A number of analysts have even noted that it is easier to find information on Russian arms exports by searching through materials located outside Russia,¹³ despite the fact that “one of the challenges in increasing transparency lies in changing attitudes of the Russian officials, who often consider the international SALW mechanisms as an interference in Russia’s internal affairs”.¹⁴ The fact that Russia exchanges information on transfers of major conventional arms through the UNROCA and in accordance with the Wassenaar Arrangement and the OSCE information exchange mechanisms suggests that resistance to information sharing on SALW transfers in international forums is, to some extent, being overcome. However, it does indeed appear to be more difficult for Russian officials to make this information publicly available within Russia than to share it with officials from other countries.

Structure of the report

This report begins with general overviews of the global SALW market and levels of transparency on SALW production and export in Western Europe and Russia. Western Europe has been chosen for comparison purposes due to the fact that the region houses many of Russia’s leading rivals in the conventional and SALW arms trade and also because in recent years, states and regional organisations in Western Europe have taken a number of measures to improve the transparency of the arms trade. Some of the measures adopted have been regarded by a number of analysts as best practice and do not seem to have damaged their status as significant SALW producers and exporters. This section will conclude by discussing Russian transparency.

A few comments on the continuing legacies of the Soviet and Yeltsin eras for the SALW industry are then noted, before moving on to the main body of the report, which consists of a discussion of production, procurement and exports of Russian-produced SALW in the Putin era. The legislative bases for the SALW industry and exports are outlined, along with the relevant administrative structures and discernible state policies in this sphere. Overviews of the state of the industry, export markets and estimated values for military-style SALW exports are also given. This section concludes with a consideration of the apparent post-Soviet trend for increasing licensed production of Russian SALW in the developing world.

The report concludes by making a series of recommendations relating to improving levels of transparency in the Russian military SALW industry and trade. An appendix on Russian SALW enterprises and other sources of information is also included.

¹² Butrin D, ‘Make Money, Not Weapons’, *Kommersant*, 24 March 2006, <http://www.kommersant.com/p660281/Make_Money_Not_Weapons/>.

¹³ Op cit Kozyulin and Laguta (2006), pp 157–67.

¹⁴ Cooper S et al, ‘Small Arms Control in Eurasia: A Regional Assessment of Small Arms Control Initiatives’, *Monitoring the Implementation of Small Arms Control Project (MISAC) Eurasia Series 3*, International Alert Security and Peacebuilding Programme, (2004), p 27; Pyadushkin M, ‘Legalnye i nelegalnye postavki rossiiskogo legkogo i strelkovogo oruzhiya: sposoby usileniya kontrolya’, ‘Kontrol’ nad rasprostraneniem legkogo i strelkovogo oruzhiya: vzglya iz Rossii (materialy mezhdunarodnogo seminar), *Yadernyi kontrol*, 8(3), May–June 2002, p 51.

Key definitions

This report will use the definitions for small arms and light weapons that have been used at the United Nations 'Conference on the Illicit Traffic in Small Arms and Light Weapons in All Its Aspects' (2001):¹⁵

Small arms (SA): weapons designed for individual use, such as revolvers and self-loading pistols, rifles and carbines, sub-machine guns, assault rifles and light machine guns.

Light weapons (LW): weapons designed for use by two or three persons serving as a crew, although some may be carried and used by a single person, including heavy machine guns, hand-held under-barrel and mounted grenade launchers, portable anti-aircraft guns, portable anti-tank guns, recoilless rifles, portable launchers of anti-tank missile and rocket systems, portable launchers of anti-aircraft missile systems and mortars of a calibre of less than 100 millimetres.

¹⁵ For example, see: FAQ page of *The United Nations Conference to Review Progress Made in the Implementation of the Programme of Action (PoA) to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All Its Aspects*, 26 June 2006–7 July 2006, <<http://www.un.org/events/smallarms2006/faq.html>>.

Transparency

A NUMBER OF RESEARCHERS have defined transparency simply as “the opposite of secrecy”.¹⁶ This rather vague definition has led to international information exchanges such as those that take place within the EU Code of Conduct, the OSCE’s information exchange mechanisms on SALW and the Wassenaar Arrangement, in which information is exchanged in a confidential manner between state parties, being treated as examples of transparency. This is in contrast to the interpretation employed by NGOs, in which information on laws, decision-making procedures and proposed and actual transfers is disseminated to parliaments and citizens. This is considered to be “public transparency”.¹⁷ A number of European governments not only share information on their arms production and sales with other governments through international information exchange mechanisms, but also achieve degrees of ‘public transparency’ by producing publicly available annual, quarterly and/or monthly reports that give information relating to SALW exports.¹⁸

Yet it has been argued that the provision of publicly available information on exports is insufficient for those who wish to have a “full understanding of the weight and motivations of the interests that drive weapon exports”.¹⁹ For example, SIPRI researchers have drawn attention to the fact that while a number of states appear to be paying more attention towards the collection and dissemination of data relating to arms exports, there has not been a comparable effort to increase public transparency with regard to the activities of producers. In their opinion, this shortcoming should be rectified as, “supplier transparency can be seen as the first level upon which transparency and regulation of other activities can be built”.²⁰

Greater ‘public transparency’ of activities relating to national arms industries and participation in the international arms trade is regarded as important for a number of reasons, including efforts to

- Ensure compliance with national and international laws;
- Combat corruption;
- Prevent diversions;
- Prevent sales to human rights abusers;
- Act as an early-warning system for conflicts;

¹⁶ For example, see: Florini A, ‘The End of Secrecy’, *Foreign Policy*, No 111, (Carnegie Endowment for International Peace 1998), p 50; Haug M, Langvandslien M, Lumpe L and Marsh N, ‘Shining a Light on Small Arms Exports: The Record of State Transparency’, *Small Arms Survey Occasional Paper No. 4*, (Small Arms Survey in collaboration with the Norwegian Initiative on Small Arms Transfers, January 2002), p 2; Surry E, ‘Transparency in the Arms Industry’, *SIPRI Policy Paper No. 12*, (SIPRI, 2006), p 1.

¹⁷ Mariani B, ‘The Need for Greater Transparency in the Arms Trade’, (Saferworld, 2006).

¹⁸ Ibid.

¹⁹ Weidacher R, ‘Behind a Veil of Secrecy: Military Small Arms and Light Weapons Production in Western Europe’, *Small Arms Survey Occasional Paper No. 16*, (Small Arms Survey, 2005), p 77.

²⁰ Sköns E and Surry E, ‘Arms Production’, *SIPRI Yearbook* (2005), p 399; op cit Surry (2006), p 6.

- Enhance national security;
- Help to better address the challenges faced by national arms industries and the state of the market;
- Increase public accountability.²¹

These reasons, which ultimately contribute to the country's international reputation as a responsible arms producer and exporter, have not convinced all governments that increased public transparency on arms production and transfers is useful. One can usually file official negative responses to calls for greater openness into one of the following categories:

- The bureaucrat's excuse: state agencies lack capacity to undertake the collection and dissemination of SALW production and transfer data;
- The industry's excuse: SALW production and transfer data cannot be disclosed due to confidentiality clauses and legitimate business interests;
- The government's excuse: information on arms production capabilities and trading activities cannot be divulged due to national security and/or national economy considerations.

There are other considerations that block moves towards greater public transparency on SALW industry and transfer matters. Aside from those in government or state structures, who may have a vested interest in continuing corrupt practices, there are also concerns that by revealing information on potentially controversial transfers, controls over production etc, the government's reputation could be tarnished in the eyes of domestic and international opinion. Bernardo Mariani, a Saferworld researcher, has also highlighted the fact that in Central and Eastern Europe one is faced with 'cultures of secrecy' in official state agencies and governmental circles that are unfamiliar with the benefits of greater transparency and see it instead as an unnecessary burden and increased workload.²² Changing this culture is made more difficult due to the fact that there seems to be little parliamentary or public pressure to increase public transparency in these spheres. Thus, "the majority of countries involved in the small arms trade still fail to provide comprehensive official data on their annual arms exports and imports".²³

Transparency in the West European small arms and light weapons industry and trade

In her overview of West Europe's SALW industry, Reinhilde Weidacher argues that although there has been increased pressure by NGOs, press and policy-makers for greater transparency on SALW issues in recent years, "there are no comprehensive and reliable estimates about the overall size (in terms of employment and output) of the European SALW industry".²⁴ One of the reasons given for the lack of publicly available information on SALW-producing enterprises corresponds with SIPRI findings, which suggest that there appears to be a direct correlation between a defence industry enterprise's ownership structure and levels of public transparency. Enterprises that have a duty towards shareholders tend to provide more information on the number of employees, profits, turnover, sales and exports than their state-owned, or even family owned, counterparts.²⁵ Weidacher also notes that West European SA producers tend to be companies that are not usually located within the wider arms industry,²⁶ in contrast to light weapons manufacturers, which are usually integrated into larger conventional arms industry enterprises.²⁷

²¹ Op cit Mariani (2006).

²² *ibid.*

²³ Op cit Small Arms Survey (2003), p 98.

²⁴ Op cit Weidacher (2005), p 7.

²⁵ Op cit Sköns and Surry (2005), p 400; op cit Surry (2006), p 13.

²⁶ Op cit Weidacher (2005), p 7.

²⁷ *Ibid.*, p 13.

Information on Western Europe's levels of public transparency with regard to SALW transfers is varied, with 15 of the EU-25 publishing annual national reports on arms exports. Of course, questions have been raised about the availability, reliability, comprehensiveness, comparability, disaggregation and relevance of the data made available in these annual reports,²⁸ yet it is worth noting that a number of countries have adopted practices that demonstrate that SALW transfer data can be made publicly available without damaging national security or economic competitiveness. For example, Spain publishes its submission to the OSCE's information exchange mechanisms on SALW, giving details on all SALW units transferred to OSCE states, but unfortunately not on transfers to non-OSCE members. Germany's annual arms reports include information on the value and number of SA units for which it has granted export licences, but it does not include data on LW exports. These examples show what can be done to improve public transparency with regard to SALW transfers, although they are by no means perfect.

Transparency in the Soviet and Russian small arms and light weapons industry and trade

Prior to the Gorbachev period, extraordinary secrecy was a key feature of Soviet arms sales and arms export policy could not be discussed in the press.²⁹ Information on the Soviet OPK's volume of production, total number of employees and in some cases even locations of production facilities were state secrets, with Gorbachev stating that "all statistics concerning the military-industrial complex were top secret, inaccessible even to members of the Politburo".³⁰ Under Gorbachev, efforts were made to increase openness in relation to the arms industry and exports, but the culture of secrecy proved difficult to overcome. Thus, in July 1993, the Russian President, Boris Yeltsin, agreed to the classification of a range of arms industry data as Russian state secrets.³¹ Almost a decade later, in June 2002, his successor, Vladimir Putin, issued a decree under which the Committee for Military-Technical Co-operation with Foreign Countries (KVTS) could classify data on weapons exports as state secrets.³² According to Julian Cooper, a British academic specialist on the Russian and Soviet arms industry, commercial confidentiality is now being taken into consideration with regard to public information on the arms industry and trade. In his opinion, this reinforces "the traditional inclination to restrict the availability of information".³³ Therefore, one could argue that the current opacity of the Russian arms industry and trade is one of the legacies of the Soviet culture of secrecy.

At the same time, one has to concur with Cooper's assertion that "since 1991 there has been much greater transparency in relation to the arms industry, arms exports and military expenditure",³⁴ although his caveat that "progress has been uneven, with occasional reverses" is an important one.³⁵ For example, Russia participates in the international information exchanges of the OSCE, the UN PoA and the Wassenaar Arrangement.³⁶ It has also provided data for the UN's COMTRADE and ROCA databases. However, data submitted to the OSCE's international information exchange

28 Sibylle Bauer has suggested that these criteria should be utilised when assessing levels of transparency. Quoted in Op cit Surry (2006), p 1. Bauer S, *European Arms Export Policies and Democratic Accountability*, (Oxford University Press, 2006).

29 Cooper J, 'Russia', in ed Pierre A J, *Cascade of Arms: Managing Conventional Weapons Proliferation*, (Brookings Institution Press / The World Peace Foundation, 1997), p 175.

30 Cited in: Harrison M, 'How much did the Soviets really spend on defence? New evidence from the close of the Brezhnev era', *PERSA Working Paper No. 24*, (University of Warwick, 14 June 2004), p 6, <www.warwick.ac.uk/go/persa>. Mark Harrison has suggested that this practise has its roots in the USSR of the 1930s, when representatives of the defence industry lobbied against the finance ministry's requests for production information, arguing that such information constituted top military secrets.

31 Law of the Russian Federation on State Secrets, signed by the President of the Russian Federation on 21 July 1993.

32 Kupchinsky R, 'Russian Arms Sales: State Secrets', *RFE/RL Reports Organised Crime and Corruption Watch*, 2(23), 14 June 2002, <<http://www.rferl.org/reports/corruptionwatch/2002/06/23-140602.asp>>; See also: op cit Cooper S (2004).

33 Cooper J, 'Developments in the Russian Arms Industry', in *SIPRI Yearbook 2006*, (Oxford University Press, 2006), p 446.

34 See also: op cit Pyadushkin (2002), p 51.

35 Op cit Cooper (2006), p 446.

36 For more information see: Golotyuk Y, 'Problemy kontrolya nad legkim i strel'kovym oruzhiem na postsovetskom prostranstve: opyt poslednego desyatletiya i blizhaishaya perspektiva', 'Kontrol' nad rasprostraneniem legkogo i strelkogo oruzhiya: vzglya iz Rossii (materially mezhdunarodnogo seminaru)', *Yadernyi kontrol*, 8(3), May-June 2002, pp 54-5; op cit Kozyulin and Laguta (2006), p 165; Pyadushkin M, Haug M and Matveeva A, 'Beyond the Kalashnikov: Small Arms Production, Exports and Stockpiles in the Russian Federation', *Small Arms Survey Occasional Paper No. 10*, (Small Arms Survey August 2003), p 28.

mechanisms on SALW and the Wassenaar Arrangement is not made available to the Russian general public or mass media,³⁷ with the Russian Security Council announcing in June 1999 that it would resist any attempts to increase the levels of transparency of the Wassenaar Arrangement.³⁸ Further, although Russia does provide COMTRADE with data on its exports of hunting and sporting rifles and shotguns, it does not provide COMTRADE with data on its military SALW exports.³⁹ Therefore, Russia is one of the few major producers of military SALW that fails to provide COMTRADE with information on exports in this sphere.⁴⁰ Questions have also been raised regarding the omission of transfer information from Russia's submission to the UNROCA,⁴¹ which could lead some commentators to question the reliability of Russian submissions to other international information exchange forums.

It is worth noting that a number of experts on the Russian arms industry and trade believe there to be considerable resistance to any efforts to increase transparency on the international or domestic levels. Elements of the Russian elite, in particular the military, oppose international transparency mechanisms and efforts to combat SALW proliferation due to the fact that they see such measures as attempts by 'the West' to interfere in Russia's internal affairs and undermine the activities of Russian SALW producers and exporters.⁴² The general culture of secrecy that still persists within the Russian political system would seem to support the suggestion that, "the current level of transparency in the Russian arms trade and defence industry could be said to be somewhat 'unintentional'".⁴³ For example, the main sources of information on conventional arms production and exports, including SALW, are the annual Rosoboron-export press releases on exports and occasional press releases by Rosoboronexport and Russian arms producers relating to significant orders – these should be considered 'promotions' of Russian weapons rather than examples of openness. However, arms export data, although strictly controlled and not always easy to interpret,⁴⁴ is open and accessible when compared to information on the arms industry, which is "still relatively inaccessible to outside observers".⁴⁵ Of particular frustration for the purposes of this report is the comparative lack of information on SALW production and trade in comparison to other sectors of the conventional arms industry. This is probably due to the fact that orders for SALW are not regarded as being as financially significant and worth reporting on, as orders for fighter aircraft, frigates and tanks.

Data collection methods for Russia: Centre for Analysis of Strategies and Technologies

The Centre for Analysis of Strategies and Technologies (CAST) has been trying to collect data on Russian arms companies since 2000.⁴⁶ They initially focused their attention upon companies that had sales worth more than US\$20 million, of which military products accounted for more than 60 percent of total sales volume. It is worth noting that as with West European defence companies, the level of a company's transparency in the Russian arms industry also seems to correlate with its ownership structure. For example, CAST found that companies that had private capital investments and therefore shareholders, were more willing to provide financial information than those that were wholly or primarily state-owned.⁴⁷

³⁷ Op cit Kozyulin and Laguta (2006), p 165.

³⁸ Orlov V A, 'Export Controls in Russia: Policies and Practices', *Non-Proliferation Review*, Vol. 6, No 4, Fall 1999, <<http://cns.miis.edu/pubs/npr/vol06/64/orlov64.pdf>>, 17 May 2003.

³⁹ Op cit Small Arms Survey (2004), p 105.

⁴⁰ Op cit Haug, Langvandslien, Lumpe and Marsh (2002), p 3; Small Arms Survey (2005), p 101.

⁴¹ These concerns are raised in: op cit Kupchinsky (14 June 2002); Lantratov K, 'Russia Shares State Secret with UN', *Kommersant*, <http://www.kommersant.com/p683546/r_1/Russia_Shares_State_Secret_with_UN/>, 20 June 2006.

⁴² Op cit Cooper (2004), p 27; Pyadushkin, Haug and Matveeva (2003), p 28.

⁴³ Pyadushkin, Haug and Matveeva (2003), p 27.

⁴⁴ Chivers C J, 'Russia back strongly in World Arms Market', *International Herald Tribune*, 12 July 2004, p 3. See also: Chivers C J, 'Russian Merchants Display their Wares at Arms Expo', *New York Times*, www.nytimes.com, 11. July 2004.

⁴⁵ Op cit Cooper (2006), p 446.

⁴⁶ 'Rating of Russian Defense Companies', *Eksport Vooruzheniy Journal*, No. 6, November–December 2001, pp 51–5.

⁴⁷ *Ibid*, 51.

Unfortunately, the SALW producer OJSC Izhmash refused to send them financial information on the enterprise, a refusal that CAST claimed was not legitimate for a joint stock company, as it contradicted “the acting legislation and also hinders business operations”.⁴⁸ By 2002, the OJSC Izhmash had been omitted from the survey, along with Izhevsk Mechanical Plant (IMZ), as less than 25 percent of their total output was deemed to be military produce.⁴⁹ The SALW manufacturers Degtyarev, Kovrov and Tula KBP were included,⁵⁰ although it was acknowledged that there were problems with the figures provide by CAST as they probably also included employees, profits, sales and exports that would not necessarily be defined as military goods.

Data collection methods for Russia: this report

This report has collected and analysed a variety of ‘open source’ materials for data relevant to the research questions under investigation, including:

- Russian and international press reports
- Websites of Russia’s main SALW producers
- Academic literature and other studies on Russia’s arms and in particular SALW, industry
- SALW database of the Norwegian Initiative on Small Arms Transfers (NISAT)

A full list of secondary sources can be found at the end of this report, while footnotes in the text reveal individual sources. These sources have also been used by researchers from CAST, PIR Center, Saferworld, Small Arms Survey, SIPRI and other research institutes and organisations for the collection of data on SALW producers and exporters in Russia and other parts of the world.

In addition, short Russian-language questionnaires were compiled and sent by fax and email to the international departments of Russia’s main SALW producers.

Questionnaire distribution

Five SALW producing companies were faxed on 4 and 5 October 2006:

- Izhevsk Mechanical Plant
- Izhmash Concern
- Kovrov Mechanical Plant
- V.A. Degtyarev Plant
- Vyatsko-Polyanskii Machine-Building Plant ‘Molot’
- Zlatousk Machine-Building Plant

Emails were sent on 5 October 2006 to seven SALW producing companies:

- Izhevsk Mechanical Plant
- Izhmash Concern
- Kovrov Mechanical Plant
- State Research and Production Enterprise ‘Bazalt’
- Tula Arms Plant
- Vyatsko-Polyanskii Machine-Building Plant ‘Molot’
- Zlatousk Machine-Building Plant

Emails were also sent on 5 October 2006 to two SALW ammunition producing companies:

- Barnaul Machine-Tool Plant
- Klimovsk Specialised Ammunition Plant

As of 15 December 2006, only one of these nine companies had replied – IMZ. They received the fax and email and replied within less than five working days. Unfortunately, they did not return a completed questionnaire, but a message stating that due to the “somewhat confidential character of the information that you need, we cannot unfortunately fulfil your request”. This is probably due to the fact that data such as number of employees working in the SALW sector, number of SALW units produced,

⁴⁸ Ibid, 52.

⁴⁹ Ibid ‘Reiting predpriyatii ...’ (2003), p 55.

⁵⁰ Ibid, 55.

number of SALW exported, income and profits are regarded information is 'for service use only'. Although some information could be gleaned from company websites, press releases and media reports, such as Kommersant's 300 largest companies in Russia, it would appear that the amount of open source material available on the Russian SALW industry has declined in comparison with that available three or four years ago.

3

Background: industry and exports during Soviet and Yeltsin eras

Small arms and light weapons industry and exports during the Soviet Era

THE SOVIET SALW INDUSTRY was concentrated in centres that had been established during the Tsarist era:

- The Tula Arms Plant was established as a result of a decree issued by Peter I in 1712;
- Izhmash traces its history back to a decree issued by Alexander I in 1807 to build an arms factory in the Urals;
- Kovrov's machine-gun plant was established in 1917.⁵¹

In addition, the first Small Arms Design Bureau was founded at the Tula Arms Plant in 1927. In the post-WWII era it played a leading role in the development and production of Soviet Anti-Tank Guided Missiles (ATGMs) and ATGM complexes.⁵² During WWII a number of important SALW-producing plants were established to boost SALW production for the Red Army in Izhevsk (1942), Kolomna (1941) and Vyatskiye Polyany (1942).⁵³ While the Kolomna and Vyatskiye Polyany plants became significant producers of light weapons in the post-WWII period, the IMZ produced more than five million pistols (e.g. TT, Makarov), became an important manufacturer of sporting weapons and during the 1960s became involved in the production of rocket propelled grenade (RPG) systems and guided missiles. After WWII, Kovrov's importance as a centre for LW production increased, while the work of the designer Mikhail Kalashnikov and his AK-47 has elevated the status of Izhmash.

⁵¹ Websites of: OJSC Izhmash <<http://www.izhmash.ru>>; Joint Stock Company VA Degtyarev Plant <<http://www.zid.ru/en/>>; Tula Arms Plant <<http://tulatoz.ru>>.

⁵² Website of the KBP Instrument Design Bureau <<http://www.shipunov.com>>.

⁵³ Website of: Izhevsk Mechanical Plant <<http://imzcorp.com/en/info/history.html>>; op cit Pyadushkin, Haug and Matveeva, (2003), pp 13–14.

Kalashnikov assault rifles

"The Kalashnikov assault rifles have become the most important and widespread weapons in the world".⁵⁴

For the authors of *Jane's Infantry Weapons*, "the origins of the AK-47 have passed almost into legend".⁵⁵ The AK-47 was invented by Mikhail Timofeevich Kalashnikov while he was recovering from injuries sustained during the battle of Bryansk in WWII. It thus takes part of its name from its lead designer and the year that it came into active service, hence the – automatic carbine of Kalashnikov (Avtomat Kalashnikova) that entered active military service in 1947 becomes the AK-47. Production of AK-47s ceased in the USSR by the 1960s, with the improved AKM (Avtomat Kalashnikova Modernizirovanniy) first produced in 1959 and its successor the AK-74 appearing in 1974.⁵⁶ It has been estimated that there are now somewhere between 50 and 70 million Kalashnikov assault rifles in the world today,⁵⁷ although it is impossible to give a precise figure for the share of these that were manufactured in the Soviet Union. In contrast, the next most prolific comparable assault rifle, the German-designed Heckler and Koch G3, has an estimated global production of 15–20 million, while there are an estimated 5–7 million US-made M-16 assault rifles in the world today.⁵⁸ Furthermore, Kalashnikov assault rifles are reportedly listed in the state arsenals of 82 countries. The second most popular assault rifle, the Heckler and Koch G3 features in the arsenals of 65 states, Belgian-designed FN Fal assault rifles in 50 and the US-made M-16 in 42.⁵⁹

It is very difficult to calculate the total number of Soviet SALW industry employees or output values due to a lack of official figures and the fact SALW plants also produced automobiles, motorcycles, TV sets, fridges, vacuum cleaners and other civilian consumer goods. Estimates suggest that between 40–50 percent of OPK output in the 1980s was of consumer products.⁶⁰ As all orders were made by the centralised state authorities, the managers and employees of SALW plants would not know if their output was destined for the Red Army, Warsaw Pact allies, developing countries or other end-users. It has been estimated that only 56 percent of the billions of dollars worth of all conventional arms exports were recouped by the USSR in cash or barter commodities.⁶¹ It has been argued that this is due to the fact that many arms transfers were made on ideological rather than commercial grounds.⁶² Nevertheless, some experts have suggested that arms exports represented up to 50 percent of total hard currency earnings for Soviet manufactured products, as the USSR engaged in arms sales to developing countries in Africa, Asia, Latin America and the Middle East from the 1950s onwards, leading them to question the idea that an ideological dimension could be discerned in all arms transfer decisions.⁶³ It should be noted SALW probably constituted the main weapons holdings in the inventories of the armed forces of states in these regions.⁶⁴

Unfortunately, we still do not know the total volume or value of SALW output and exports for the post-WWII Soviet period.⁶⁵ This is not only due to the overall secrecy of the Soviet defence industry, but also due to the fragmented nature of the data that is available. For example, the website of Izhmash proudly declares that it produced 11 million rifles and carbines during WWII, but fails to give any figures for AK production at Izhmash.⁶⁶ The IMZ website states that more than five million pistols were produced at the plant, but fails to give figures for other SALW produced at the

⁵⁴ Jones RD and Cutshaw CQ, *Jane's Infantry Weapons 2004–2005*, (Jane's Information, Oxford University Press, 2005), p 51.

⁵⁵ Op cit Jones and Cutshaw (2005), p 51.

⁵⁶ Control Arms, 'The AK-47: The World's Favourite Killing Machine', *Control Arms Briefing Note*, (Control Arms 26 June 2006), p 3; op cit Jones and Cutshaw (2005), pp 51–4.

⁵⁷ Op cit Control Arms (26 June 2006), p 1. Some estimates reportedly reach 100 million Kalashnikov units.

⁵⁸ *Ibid.*, p 4.

⁵⁹ *Ibid.*, pp 3–4.

⁶⁰ Gerasev MI and Surikov VM, 'The Crisis in the Russian Defence Industry: Implications for Arms Exports', in eds Pierre A J and Trenin D V, *Russia in the World Arms Trade*, (Carnegie Endowment for International Peace, 1997), p 10.

⁶¹ Davis C, 'Country Survey XVI: The Defence Sector in the Economy of a Declining Superpower: Soviet Union and Russia, 1965–2001', *Defence and Peace Economics*, 2002, 13(3), p 158.

⁶² Op cit Cooper (1997), p 174; op cit Davis (2002), p 158; op cit Pyadushkin, Haug and Matveeva (2003), p 1.

⁶³ Albrecht U, *The Soviet Armaments Industry*, (Harwood Academic Publishers, 1993), pp 290 and 294; Anthony I, 'The Conventional Arms Trade', in ed Pierre A J, *Cascade of Arms: Managing Conventional Weapons Proliferation*, (Brookings Institution Press / The World Peace Foundation, 1997), p 23; Kirshov Y, 'Conventional Arms Transfers during the Soviet Period', Anthony I ed, *Russia and the Arms Trade*, (Oxford University Press, 1998), p 64.

⁶⁴ Op cit Anthony (1997), p 23.

⁶⁵ Op cit Kozyulin and Laguta (2006), p 157.

⁶⁶ Op cit Website of OJSC Izhmash.

Small arms and light weapons industry and exports during the Yeltsin era

plant.⁶⁷ Efforts to calculate actual Soviet production are also hampered by the willingness of the Soviet regime to transfer not only SALW units but also designs and information for the manufacture of Soviet-style SALW units.⁶⁸ The situation with regard to data on SALW exports is comparable to that of SALW production as a whole, as there are only limited and partial figures for the number of SALW transferred during the post-WWII Soviet era. However, the deputy head of the Export Control and Regulation Administration of the KVTs, Sergei Chernykh, has recently stated that Soviet SALW exports never accounted for more than five percent of total Soviet arms exports.⁶⁹ This still does not give us a figure for the actual number of SALW units transferred during this period.

The collapse of the USSR had a colossal impact upon the economic, political and social life of its largest successor state, the Russian Federation. The defence sector was particularly hard hit, with the government no longer prioritising defence outputs, or inputs as the defence budget was dramatically cut to 70 percent of its 1991 level in 1992.⁷⁰ However, state orders were not only being cut, but state orders were not being paid for. This meant that the privileges enjoyed by defence sector employees quickly evaporated and that they not only suffered in terms of stagnating wages, but also lost benefits and in some cases remained unpaid for months. The general decline was not assisted by the Russian Government's inability to offer little more assistance than poorly considered privatisation schemes and the continual shifting of responsibilities for the arms industry.⁷¹

Administrative structures of the Russian arms industry (1991–2000)⁷²

1991–2:	Ministry of industry (defence industry departments)
1992–3:	Roskomoboronprom
1993–6:	Goskomoboronprom
1996–7:	Minoboronprom
1997–8:	Minekonomiki
1999–2004:	Minekonomiki, then Minpromnauki – with 5 agencies, including Agency for Conventional Arms

The Russian Federation inherited most of the USSR's SALW production facilities, due to the fact that most of them were based within the territory of the RSFSR.⁷³ During the Yeltsin era, Russia's SALW industry was highlighted as a sector that suffered from "huge over-capacities", which had obviously been caused by:⁷⁴

- The demise of the Soviet Army and large MOD orders;
- The end of the Warsaw Pact and subsidised arms exports;
- A large stockpile of unused SALW units, which were surplus to the requirements of the Russian armed forces.

These changes had a serious socio-economic impact upon those working within the SALW sector, as can be seen in the experience of the Degtyarev Plant, which between December 1993 and the middle of 1994 was unable to pay its 25,000 workers – due to

⁶⁷ Op cit Website of IMZ.

⁶⁸ See 'Licensed Production of Russian SALW' section.

⁶⁹ Chernykh S, 'Trudnaya dilemma: Sodeistvie eksportu ili kontrol' nad eksportom', in 'Kontrol' nad rasprostraneniem legkogo i strelkogo oruzhiya: vzglya iz Rossii (materially mezhdunarodnogo seminar)', *Yadernyi kontrol*, 8(3), May–June 2002, p 58.

⁷⁰ Sergounin A A and Subbotin S V, 'Russian Arms Transfers to East Asia in the 1990s', *SIPRI Research Report No. 15* (Oxford University Press, 1999), p 15.

⁷¹ Op cit Cooper (2006), p 435. A useful overview of political developments in Russia's MIC in the 1990s can be found in: Makienko K, 'Military-Industrial Complex 1991–2000', *Kommersant*, www.kommerant.com, <http://www.kommersant.com/p300257/Military-Industrial_Complex_1991-2000/>, 4 March 2004.

⁷² Op cit Cooper (2006), p 434

⁷³ Op cit Pyadushkin, Haug and Matveeva (2003), p 3.

⁷⁴ Gonchar K and Lock P, 'Observations on the Global Supply of Small Arms', *Unit for the Study of Wars, Armaments and Development Working Paper No 84*, (Universität Hamburg, Institut für Politische Wissenschaft, 1994), p 8.

the fact that the government had not settled its debts of RUR16 billion to the plant.⁷⁵ Thus it should come as no surprise that arms exports were seen as a way of keeping the defence industry and the SALW sector in particular, afloat.⁷⁶ Under Yeltsin it appeared as if the Russian state had virtually relinquished control over arms exports. Individual arms enterprises had been trading with foreign customers almost since the collapse of the USSR and continued to do so despite the formation of a number of state-run companies responsible for arms exports.⁷⁷ However, it was not until the middle of 1994 that a government decree was signed, which defined export-licensing procedures.⁷⁸ With this decree in place, those arms producers that enjoyed Yeltsin's patronage were reportedly able to arrange their own arms sales fairly quickly and easily,⁷⁹ with the Degtyarev Plant, Izhevsk's Kalashnikov enterprise and KBP reporting a number of successful export contracts in this period.⁸⁰ This seeming lack of state control over arms exports no doubt helped to fuel international concerns about Russian arms exports contributing to uncontrolled arms proliferation.

International analysts were also concerned that large over-capacities and poor state controls at production facilities were helping to facilitate illegal SALW production.⁸¹ Ian Anthony has stated that there have not only been cases of small-scale smuggling and illegal SALW manufacture, but also instances when the managers of enterprises have "deliberately evaded the regulations on arms transfers".⁸² He highlighted in particular SALW enterprises in Izhevsk and Tula as subjects of a number of investigations into illicit arms transfers from Russia.⁸³

By the late 1990s, the state appeared to be taking a more active interest in exercising controls over Russian arms production and trade. For example, in 1997, the right to export arms was given to Rosvooruzhenie, Promexport and Russian Technology, while the number of arms-producing enterprises licensed to engage in foreign trade in arms decreased. At the same time, between 130,000–150,000 SALW units and 150–200 million rounds of ammunition, worth US\$100–150 million, were being exported each year.⁸⁴ In 2000, official deliveries of small arms by Rosvooruzhenie and Promexport amounted to "about US\$80 million", with the main recipients of Russian SALW identified as "countries in Africa, Asia, Europe and the CIS", in particular Ethiopia, Namibia and Kenya.⁸⁵

75 Gonchar K and Lock P, 'Small Arms and Light Weapons: Russia and the Former Soviet Union', in eds Boutwell J, Klare M T, Reed L W, *Lethal Commerce: The Global Trade in Small Arms and Light Weapons*, (Committee on International Security Studies, American Academy of Arts and Sciences, 1995), p 117.

76 Op cit Gonchar and Lock (1994), p 8; op cit Gonchar and Lock (1995), p 116.

77 Russian state-owned trading enterprises included Oboronexport and Spetvneshtekhnika, their successor Rosvooruzhenie and the interdepartmental Commission on Military-Technical Collaboration between Russia and Foreign Countries (KVTS). Op cit Cooper (1997), p 178; op cit Gonchar and Lock (1994), p 9; op cit Gonchar and Lock (1995), pp 117–8.

78 Government resolution 'On granting enterprises the right to participate in Military-Technical Co-operation between the Russian Federation and Foreign Countries', May 1994.

79 Op cit Cooper (1997), p 179.

80 Op cit Gonchar and Lock (1994), p 10; op cit Gonchar (1998), p 24.

81 Op cit Gonchar and Lock (1995), p 117. See also: op cit Davis (2002), p 172.

82 Anthony I, 'Illicit Arms Transfers', in Anthony I ed, *Russia and the Arms Trade*, (Oxford University Press, 1998), pp 226–7.

83 See also: op cit Gonchar and Lock (1995), p 122.

84 "Russian Small Arms Enjoy A Deserved High Reputation": Interview with Alexander Fomin, Director of Army Department of Rosoboronexport', *Ekspert Vooruzheniy Journal*, 5, (September–October 2001), p7. It was not made clear if these figures related to surplus or newly produced SALW.

85 *ibid*

4

Production and export legislation

THE PRIMARY PIECE OF LEGISLATION governing the production of SALW production in Russia is the Federal Law on Arms (1996), which has been amended 14 times since it came into force on 1 July 1997.⁸⁶ A number of amendments made since 2001 have been taken as part of Russian efforts to comply with the provisions of the UN PoA, for example with regard to licensing the production of SA components and the manufacture of firearms and cartridges.

The Federal Law on Arms lists the range of weapons that it covers in article one. In article two, three categories are outlined for the classification of weapons, based primarily upon their users:

1. Civilian arms: e.g. weapons held for self-defence, sporting, hunting, etc.
2. Service arms: e.g. weapons held by individual government officials, private security guards etc.
3. Military arms: e.g. weapons held by the MIA, MOD, Ministry of Justice, FSB, Federal Border Guard, etc.

While the production of civilian and service weapons is under the control of the MIA, the MOD is responsible for overseeing the production of military small arms.⁸⁷ Government-controlled military enterprises producing military arms, are not explicitly subject to the same regulations as those producing civilian and service arms and do not require a production licence, according to the Law on Arms. However, it has been argued that the Statute on Licensing the Production of Arms and the Main Components of Small Arms (2002) does not distinguish between civilian, service and military arms with regard to the need for licences for their production, with checks carried out by MOD officials at least once during the five-year period covered by a production licence.⁸⁸

The Law on Arms also calls for all SALW produced on the territory of the Russian Federation to have their main mechanical parts individually numbered and marked, with each plant responsible for ensuring security and controls over production.⁸⁹ It has been noted that many Russian SALW manufacturers go further than this requirement,

⁸⁶ Federal Law on Arms, N 150-F3, <http://www.pravozashita.ru/law/rules/zakon_01.shtml>, 13 December 1996.

⁸⁷ Op cit Article 28 of the Federal Law on Arms (1996).

⁸⁸ Licences are regulated in accordance with the *Statute on Licensing the Production of Arms and the Main Components of Small Arms*, approved by government Resolution No. 455, 21 June 2002. op cit Pyadushkin, Haug and Matveeva (2003), p 5. This is probably due to the fact that Russian military SALW producers also produce civilian and service arms.

⁸⁹ Op cit Article 16 of the Federal Law on Arms (1996).

also adding their trademark, the year of manufacture and in some cases, such as in the case of IMZ, they mark arms by categories also.⁹⁰

State controls for transfers of military SALW are covered not only by the Federal Law on Arms, but also by the following legal acts, which do not specifically separate SALW from other military arms, equipment and related services:

- Federal Law on Government Regulation of Foreign Trade Activities (1995);
- Federal Law on the Russian Federation's Military Technical Co-operation with Foreign States (1998);
- Federal Law on Export Control (1999);
- Government Resolution on the Transit of Armaments, Military Hardware and Military Property across the Territory of the Russian Federation (2000);
- Presidential Decree No. 1083 Concerning the Federal Service on Military-Technical Co-operation (2004).

The most important law concerning the export of Russian military SALW is the Federal Law on the Russian Federation's Military Technical Co-operation with Foreign States. According to this law, only state-controlled SALW designers and manufacturers or government mediators (i.e. Rosoboronexport today) have the right to engage in the foreign trade in military SALW. To be able to export military SALW, they must first apply for licences to engage in the foreign trade of military SALW. If successful, they are included in the register of companies with permission to conduct foreign trade arrangements for military SALW and are able to apply for licences to fulfil contracts entered into with overseas entities, in accordance with the procedures outlined in Presidential Decree No. 1083. Export licences for military SALW will only be issued by the Federal Service on Military-Technical Co-operation (FSVTS) if accompanied by a permit or licence issued by the recipient's authorised state agency, an end-user certificate issued by the recipient's authorised state agency and confirmation that:

- The SALW are on the List of military-purpose goods permitted for transfer to foreign customers (List One)
- The recipient is on the List of states to which the transfer of military purpose goods named in List One is permitted (List Two)

Neither of these Lists is publicly available at present.

If these criteria are met, then the application is reviewed by the MFA, MOD, General Staff, Ministry of Finance and the Ministry of Property Relations. However, if a request for export of items not on List One or to recipients not on List Two is made, the President and government can still decide to agree to the issuing of a licence for their export. In such cases, the Federal Intelligence Service, FSB and potentially the Ministry of Justice can also be involved in the review process.⁹¹

Aleksandr Orlov, Deputy Director of the Administration of Foreign Policy Planning of the Russian MFA, has stressed that the re-export potential of a transfer is taken into account before a licence for export is issued.⁹² Maxim Pyadushkin, a Russian arms industry analyst, has argued that Russia's export controls for SALW are effective and prevent diversions and trafficking, due to the amount of information required for export licences, permits and the fact that there is a virtual state monopoly on arms exports.⁹³ However, Alexander Denisov, first Deputy Director of the Federal Service for Military Technical Co-operation, has actually been quoted as stating that Russia's arms

⁹⁰ Op cit Pyadushkin, Haug and Matveeva (2003), p 6.

⁹¹ A good overview of this process can be found in: Pyadushkin M and Pukhov R, 'Russia', in eds Faltas S and Chrobok V, *Disposal of Surplus Small Arms: A Survey of Policies and Practices in OSCE Countries* (BICC, BASIC, Saferworld and Small Arms Survey, January 2004), pp 110–113.

⁹² Orlov A, 'Vklad rossii v mezhdunarodnye usiliya po ogranicheniyu rasprostraneniya legkogo i strelkovogo oruzhiya', 'Kontrol' nad rasprostraneniem legkogo i strelkovogo oruzhiya: vzglya iz Rossii (materialy mezhdunarodnogo seminar)', *Yadernyi kontrol*, 8(3), May–June 2002, pp 47–50.

⁹³ Op cit Pyadushkin, (2002), p 50.

export policy can best be described as “commercial pragmatism”.⁹⁴ In other words, Russian officials primarily consider Russian national interests, UN arms embargoes and international WMD and CBW non-proliferation treaties before permitting arms exports. This has led NGO campaigns such as Control Arms to argue that Russia does not explicitly take international human rights and humanitarian law into account when considering export licence applications, nor the effect of such transfers on regional stability or sustainable development.⁹⁵ However, a significant step was taken in October 2006, when the Russian Government issued a resolution outlining regulations for post-shipment verification to ensure that Russian military exports are used in accordance with purposes stated in end-user certificates, in which SALW were explicitly mentioned.⁹⁶ The resolution also requires all recipients of Russian military equipment to seek and receive explicit permission from Russian authorities before re-exporting.

It is worth noting that the Law on the Russian Federation’s Military-Technical Co-operation with Foreign States prohibits the participation of Russian individual citizens and Russian Government intermediaries managed by foreign states, nationals, legal entities or international organisations. It has been argued that this law and Presidential Decree No. 1953, represent the first real steps in the state’s effort to regain control over arms exports.⁹⁷ However, it still does not provide for extra-territoriality and controls over third-party brokers, such as Victor Bout.⁹⁸

⁹⁴ Op cit Cooper (2006), p 455.

⁹⁵ Control Arms, ‘The G8 Global Arms Exporters’, *Control Arms Briefing Paper*, (Control Arms, June 2005), p 22.

⁹⁶ ‘Government Moves to Fight Russian Arms Re-Export’, *World News Connection*, 11 October 2006; ‘Pravitel’stvo RF uzhestochayet kontrol’ nad ispol’zovaniem PVN, postavlyayemoi iz Rossii v ryad stran mira’, ITAR-TASS, <<http://armstass.su/?page=article&aid=31189&cid=25>>, 11 October 2006.

⁹⁷ Op cit Pyadushkin, Haug and Matveeva (2003), pp 19–20.

⁹⁸ Victor Bout is a former Soviet military officer, suspected of involvement in a number of illegal arms transfers to regimes and groups subject to UN embargoes. It is thought that he has broken UN arms embargoes by supplying arms to the Taliban and Northern Alliances forces in Afghanistan, UNITA in Angola, Charles Taylor in Liberia and RUF forces in Sierra Leone. His exploits have been described in a variety of articles and other publications, including: Brunswasser M, ‘Victor Anatoliyevich Bout: The Embargo Buster: Fuelling Bloody Civil Wars’, *Gallery of International Arms Dealers*, *Frontline World*, *Sierra Leone – Gunrunners*, May 2002, <<http://www.pbs.org/frontlineworld/stories/sierraleone/bout.html>>; Wood B & Peleman J, *The Arms Fixers: Controlling the Brokers and Shipping Agents*, 1999, the web-site of the *Norwegian Initiative on Small Arms Transfers (NISAT)*, <http://www.nisat.org/default.asp?page=publications/pub_videos.htm>.

Overview of the industry

Consolidation of the small arms and light weapons sector

AS PART OF THE EFFORTS TO STRENGTHEN STATE CONTROL OVER THE OPK, two far-reaching, large-scale programmes were launched in October 2001:

- Joint State Council Presidium and Security Council programme on ‘The Fundamentals of Russian Federation Policy on the Development of the Defence Industrial Complex in the Period to 2010 and Beyond’ (30 October 2001);
- Government Resolution No. 713 ‘On the federal programme for reforming and advancing the defence industry complex for 2002–2006’ (11 October 2001).⁹⁹

The main foci for these development programmes are the fields of aviation, navy, and electronic components for the army spheres.¹⁰⁰ Therefore, the SALW sector was not highlighted as a priority in the restructuring of the OPK. However, during discussions on the reorganisation of the OPK in 2000–1, the Russian Government’s key objectives for the SALW sector were reportedly defined as the:

- Preservation and standardisation of the SALW industry;
- Development and production of advanced ammunition, SALW and sighting systems for the 21st century serviceman;
- Advancement of R&D programmes for SALW.¹⁰¹

As part of the efforts to integrate the various SALW industry enterprises, the Conventional Arms Agency announced in January 2002 that two major government-owned holding companies were to be created:

- The Small Arms and Cartridges Corporation was reportedly established in 2003. It is responsible for military SA and ammunition production. It is centred around Izhmash, but also includes parts of JSC Kovrov Mechanical Plant, JSC Degtyarev, Tula Arms Plant, Vyatskiye Polyany Machine Building Plant Molot and several research centres;¹⁰²
- The High Precision Weapons Corporation was reportedly established in 2002. It is responsible for the production of LW and associated projectiles. It is centred on KBP and includes parts of the JSC Kovrov Mechanical Plant, JSC Degtyarev and some others.¹⁰³

⁹⁹ Op cit Cooper (2006), p 439; Khozyainov Y, ‘Russian Arms Exports: Possibilities, Problems and Prospects’, *Ekspert Vooruzheniy Journal*, No 4, July–August 2002, <<http://www.cast.ru/eng/journal/2002/4-arms/>>; Sköns E and Baumann H, ‘Arms Production’, SIPRI Yearbook 2003, (Oxford University Press, 2003), p 399.

¹⁰⁰ Khorunzjii N, ‘Programmu razvitiya OPK nado sinkhronizirovat’ s programmoi vooruzhenii’, *Izvestia*, [www.izvestia.ru](http://www.izvestia.ru/armia2/article2796461/), <<http://www.izvestia.ru/armia2/article2796461/>>, 4 October 2005.

¹⁰¹ Op cit Pyadushkin, Haug and Matveeva (2003), p 4.

¹⁰² Op cit Small Arms Survey (2003), p 19.

¹⁰³ Op cit Small Arms Survey (2004), p 15.

Thus, despite its seemingly lowly status within the OPK, the SALW sector would appear to have been restructured with far less trouble than other sectors. Of course, as with other sectors of the arms industry, the SALW sector consists of different forms of SALW-producing enterprises, ranging from fully state-owned Federal State Unitary Enterprises (FSUE) to Joint Stock Companies (JSCs), in which the government will usually have shares or at least a controlling interest. For example, even though Degtyarev Plant's management became the majority shareholder following their buy-out of NPC and MDM Group in 2001, the Russian state retains a 'golden share' in the company that grants it the right to veto key decisions on the company's activities.¹⁰⁴ This factor obviously helped in the integration process.

How the Small Arms and Cartridges Corporation and the High Precision Weapons Corporation will function, is still not entirely clear to the outside observer. A number of commentators have speculated that Izhmash and KBP could dominate the holding companies, rendering enterprises such as the Tula Arms Plant or the OJSC Degtyarev as little more than production facilities.¹⁰⁵ However, co-operation rather than competition already seems to be an element of the working practices within the High Precision Weapons Corporation, as the Degtyarev Plant reportedly produces anti-personnel automatic grenade launchers in collaboration with 'Molot', Igla-S MANPADS with the KMBDB and portable ATGMs with the KBP.¹⁰⁶ In addition, the Kovrov Mechanical Plant reportedly manufactures components for MANPADS in collaboration with the KMBDB.¹⁰⁷

Overview of the small arms and light weapons industry

Research commissioned by the Small Arms Survey and NISAT found that there were 31 firms engaged in some aspect of SALW production in Russia in the period 1998–2001.¹⁰⁸ However, Small Arms Survey and Russian researchers at CAST and PIR Center tend to focus their attention upon eight Russian SALW-producing enterprises, which are located in:

- Izhevsk (Udmurtia region);
- Tula (Tula region);
- Kovrov (Vladimir region);
- Vyatskie Polyany (Kirov region).¹⁰⁹

¹⁰⁴ Op cit Pyadushkin, Haug and Matveeva (2003), p 12.

¹⁰⁵ 'Reformation of Russia's Defence-Industrial Complex on Schedule, says Nozdrachev', *RIA-Novosti*, 03 March 2004, <<http://en.rian.ru/business/20040303/39909523.html>>.

¹⁰⁶ Website: of the *JSC Degtyarev Plant*, <<http://www.zid.ru/en/>>.

¹⁰⁷ Op cit Pyadushkin, Haug and Matveeva (2003), pp 11–12.

¹⁰⁸ *Russian Small Arms and Industry Products – Table of Small Arms Producing Companies in the Russian Federation*, NISAT website, <<http://www.nisat.org/>>.

¹⁰⁹ Op cit Kozyulin and Laguta (2006), pp 157–67; op cit Pyadushkin (2002), p 50.

The Main Russian SALW producers

- **Federal State Unitary Enterprise Izhevsk Mechanical Plant (FSUE 'IMZ')**: now mainly produces civilian hunting and sporting rifles, although it has also manufactured sub-machine guns for Russian Interior Ministry Forces in recent years
- **JSC Degtyarev Plant**: produces anti-personnel automatic grenade launchers, MANPADs and portable ATGMs, in collaboration with Vyatskiye Polyany Machine-Building Plant 'Molot', KMBDB and FSUE KBP respectively
- **JSC Kovrov Mechanical Plant**: produces components for MANPADs in collaboration with KMBDB as well as portable ATGMs, assault rifles and sub-machine guns
- **JSC Tula Arms Plant**: produces portable ATGMs, compact assault rifles, under-barrel grenade launchers
- **Kolomna Machine-Building Design Bureau (KMBDB)**: produces mainly MANPADS, although also portable ATGMs
- **OJSC Izhmash**: produces the widest range of combat/military small arms including the Kalashnikov assault rifles, sniper rifles, sub-machine guns and sporting and hunting weapons based on combat/military Avtomat Kalashnikova models
- **Federal State Unitary Enterprise Instrument Design Bureau (FSUE KBP)**: based in Tula, it is the main Russian designer and manufacturer of portable ATGMs. Its subsidiary, the Central Research Design Bureau of Sporting and Hunting Guns (TsKIB SOO), also produces pistols, revolvers, sub-machine-guns, sniper rifles and compact assault rifles
- **Vyatskiye Polyany Machine-Building Plant 'Molot'**: produces anti-personnel automatic grenade launchers in collaboration with the JSC Degtyarev Plant, portable ATGMs and Kalashnikov light machine guns

For more information on these companies and the range of their products, see Appendix

In 2001, seven of the eight main Russian SALW-producers collectively employed at least 78,000 people.¹¹⁰

SALW producer	Number of employees (2001)
IMZ	15,200
JSC Degtyarev Plant	15,000
JSC Kovrov Mechanical Plant	> 3,000
JSC Tula Arms Plant	7,000
KMBDB	3,500
KBP	NA
OJSC Izhmash	27,300
Vyatskiye Polyany Machine-Building Plant 'Molot'	7,430
Total	78,430

Recent reports suggest that the number of people employed in the SALW industry has dropped, with OJSC Izhmash reportedly employing 20,000 people in 2006,¹¹¹ IMZ 13,070 people as of 1 January 2005,¹¹² and Tula Arms Plant around 3,000 people.¹¹³ Even if the IMZ and OJSC Izhmash have shed several thousand workers over the past 4–5 years, it has been argued that these plants are still probably using only half, or less, of their potential SALW production capacity.¹¹⁴

During the 1990s, over-capacity and large numbers of unemployed arms industry workers allegedly played a role in unlicensed SALW production in Russia. Tula and Izhevsk have reportedly remained 'small scale' sources for SALW transfers to the black market.¹¹⁵ Despite being implicated in a sting operation to catch an international arms

¹¹⁰ Op cit Pyadushkin, Haug and Matveeva (2003).

¹¹¹ 'To start preparing for the anniversaries: Izhevsk arms – 200 years, Kalashnikov assault rifle – 60 years', *Izhmash*, 10 May 2006, <<http://www.izhmash.ru/eng/news/100506.shtml>>.

¹¹² 'Itogy FGUP Izhevskii Mekhanicheskii zavod za 2004 god', *Izhevsk Mechanical Plant* website, 24 January 2005, <<http://imzcorp.ru/ru/promo/2534.html>>.

¹¹³ Website of Tula Arms Plant, <<http://tulatoz.ru>>.

¹¹⁴ Lantratov K and Butrin D, 'President Suggests Selling Arms on Credit', *Kommersant*, www.kommersant.com, 30 December 2005, <http://www.kommersant.com/p639463/President_Suggests_Selling_Arms_on_Credit/>; op cit Pyadushkin, Haug and Matveeva (2003), p 3.

¹¹⁵ Galeotti M, 'Dealing with the Russian "Arsenal of Anarchy"', *Jane's Intelligence Review*, 18(2), (February 2006), p 49; op cit Pyadushkin (2002), p 52.

dealer attempting to smuggle Igla missiles from “a Russian arms factory”;¹¹⁶ Degtyarev Plant officials claim that such illegal trafficking would be impossible as consignments of missiles are delivered from the plant in MOD-guarded convoys to army stores or Rosoboronexport.¹¹⁷

Another concern for Russian authorities could be the fact that Russian SALW enterprises appear to have far lower rates of productivity than their rivals in the USA and other parts of Europe. For example, the USA’s 17,000 SALW industry workers recorded outputs worth US\$2.7 billion in 2002.¹¹⁸ In Western Europe, 1,400–1,500 workers produced an estimated US\$170–180 million worth of SA in 2003.¹¹⁹ Russia’s 80,000 SALW employees recorded total sales revenues of around US\$220 million in 2002.¹²⁰ However, it is actually unfair to compare these figures in such a simplistic manner for a number of reasons. Firstly, many of these figures are estimates. Secondly, they do not all include the same types of SALW and SALW markets, for example, some include both civilian and military markets or exports and domestic sales, while other do not. And finally, while USA and European SALW producers will tend to primarily produce and receive revenues from military/and or civilian SALW, Russian SALW producers also manufacture and receive considerable shares of their income from civilian engineering goods and vehicles. For example, it has been argued that Izhevsk’s SA enterprises – Izhmash and IMZ – produce more civilian than military goods, or at least certainly derive more revenue from their civilian production lines.¹²¹ These enduring legacies of the Soviet-era have perhaps helped to keep Russian SALW enterprises running over the past 15 years.¹²²

Unfortunately, the Russian SALW enterprises contacted for this research did not reveal information on the actual numbers or percentage of their employees involved in SALW production at their enterprises, or on the value of military SALW outputs and exports. As noted above, this could be due to the fact that such information is regarded as “for service use only”.¹²³ IMZ has revealed figures for its annual profits in the past,¹²⁴ and also reported on civilian SALW output,¹²⁵ but has not released information on the volume or value of military SALW produced at the plant. Although some analysts have argued that the IMZ’s military SALW outputs are now negligible,¹²⁶ it has the experience and capacity to produce large numbers of military SALW.

One faces a similar problem when attempting to calculate military SALW output volumes and values for Izhmash. Although it features in the Kommersant newspaper’s survey of Russia’s 300 largest companies¹²⁷ and has provided data on the value of output and civilian SALW production, it has still not revealed information on military

116 This particular case relates to the attempt by Hemant Lakhani, a British citizen born in India, to sell Igla missiles to clients in the USA for around \$100,000. See: ‘Three Arrested in Missile-Smuggling Case’, CNN, 13 August 2003, <<http://www.cnn.com/2003/US/08/12/terror.arrest/index.html>>; ‘Missile sting: How it happened’, BBC News Online, 13 August 2003, <<http://news.bbc.co.uk/2/hi/americas/3147285.stm>>.

117 Liss A, ‘Igla makers suspect foul play’, *BBC News Online*, 15 August 2003, <<http://news.bbc.co.uk/2/hi/americas/3154723.stm>>.

118 Gabelnick T, Haug M and Lumpe L, A Guide to the US Small Arms Market, Industry and Exports, 1998–2004, *Small Arms Survey Occasional Paper 19*, (Small Arms Survey, September 2006), pp 32–3.

119 Op cit Weidacher (2005), p 9.

120 Op cit Small Arms Survey (2004), p 11.

121 Op cit ‘Reiting predpriyatii ...’ (2003), p 55.

122 Op cit Small Arms Survey (2005), p 57.

123 Cross-reference to ‘Data Collection’ Section of this Report.

124 It was reported in 2003 that production volume values at the IMZ increased from RUR6.68 billion in 2001 to RUR9.87 billion in 2002. ‘Russia’s conventional arms agency reviews results of 2002. Plots future course’, *Moscow Vremya MN*, 26 February 2003, (FBIS-SOV-2003-0227).

125 The website of the IMZ announced that 679,000 sporting and hunting firearms had been produced in 2004, an increase of 3.7 percent in comparison with production figures for 2003. They also noted that the production of pistols had increased by 3.9 percent, although no figures for units produced were given. ‘Itogy FGUP Izhevskii Mekhanicheskii zavod za 2004 god’, *Izhevsk Mechanical Plant website*, 24 January 2005, <<http://imzcorp.ru/ru/promo/2534.html>>.

126 Op cit Pyadushkin, Haug and Matveeva (2003), p 9.

127 ‘300 Largest Companies of Russia’, www.kommersant.com, 13 September 2004, <http://www.kommersant.com/p-1795/300_Largest_Companies_of_Russia/>; ‘300 Largest Companies of Russia’, *Kommersant*, www.kommersant.com, 7 September 2005, <http://www.kommersant.com/p-7155/300_The_Largest_Companies_of_Russia/>.

SALW outputs, values and exports.¹²⁸ It has also been stated that Kalashnikov assault rifles apparently account for 90 percent of all Russian military SA produced.¹²⁹ As Izhmash is the main military SALW producer in Russia, it could be assumed that military SALW output in Russia as a whole is negligible. However, Izhmash and Rosoboronexport officials have recently argued that Izhmash-produced Kalashnikovs only account for 10–12 percent of the million Kalashnikov rifles sold each year.¹³⁰ Does this mean that Izhmash produces 100,000–120,000 Kalashnikov units per year? Does it merely mean that 100,000–120,000 Kalashnikovs are sold from Russia each year, including sales from military surplus? The situation remains unclear. The fact that Izhmash is still reportedly ranked amongst the top five manufacturers in the world for assault rifles, sniper rifles, anti-materiel rifles and sub-machine guns would lead one to assume that a significant quantity of Kalashnikov assault rifles are produced at the plant.¹³¹ As we shall see below, this has certainly been the case for the period 2005–6.¹³²

In the LW sphere, the enterprises of the High Precision Weapons Corporation reportedly export most of their LW produce, in particular AT, RPG and MANPAD systems, rockets and missiles.¹³³ Thanks to its appearance in Kommersant's survey of Russia's 300 largest companies,¹³⁴ information on the market value, profits and number of shareholders in the Degtyarev Plant are publicly available. But information on LW outputs, values and exports is not. In contrast, thanks to the licences for engaging in the arms trade, data for the exports of military goods by the KBP and KMBDB are publicly available. Unfortunately, due to the fact that these enterprises also produce military goods that are not SALW, such as the KBP's Tunguska-M1 and Pantsyr-S anti-aircraft complexes, it is still not possible to accurately calculate the total value and volume of SALW exported by these enterprises, as export figures are not disaggregated.

Export dependence

At the beginning of the century, different sales trends for Russian civilian and military-style SALW were noted. For example, it had been suggested that Russian hunters accounted for around 70 percent of Izhevsk-produced civilian SALW sales in 2001 and 71.3 percent of Izhevsk-produced military SALW sales were exported in the same year.¹³⁵ However, the share of exports for military SALW had apparently dropped to just 26.5 percent in 2002, a figure comparable to that of civilian weapons. Due to a lack of data, it is not possible to give analysis for this decline. However, Pyadushkin has asserted that about half of the Russian SA industry's output was still being exported in 2004,¹³⁶ suggesting that the industry remains export dependent.

¹²⁸ In September 2004, a press release published on Izhmash's website announced that the volume of output for the first eight months of 2004 amounted to RUR1.418 billion, in comparison to RUR1.104 billion for a comparable period in 2003. The press release also revealed that 56,925 hunting and sporting guns had been produced from the beginning of January until the end of August 2004, compared to 53,868 for the first eight months of 2003. It also revealed that the value of civilian small arms production in 2003 was RUR287million. 'Results of the "Izhmash" Holding Activity in August 2004, *Izhmash*, <<http://www.izhmash.ru/eng/arc/070904.shtml>>, 7 September 2004.

¹²⁹ Badyrkhanov E and Kanaev P, 'Kalashnikov nastrelyal miliardy liderarmi po ob'emam eksporta legkogo i strelkovogo oruzhiya po itogam 2005 goda stali Rossiya, Amerika i Italiya', *Vzglyad delovaya gazeta*, <<http://www.vz.ru/economy/2006/6/27/39169.html>>, 27 July 2006,

¹³⁰ Pechko V, 'Reputatsiya Kalashnikova. Otkazy pokupatelei ot Bolgarksoi produktsii, zapolonivshei "chernyi" i "seryi" rynki vooruzheniya, diskreitiruyut avtomaty rossiiskogo proizvodstva', *Vzglyad delovaya gazeta*, <<http://vz.ru/economy/2006/4/27/31628.html>>, 27 April 2006; 'Rosoboronexport to sue over illegal arms production abroad', *RIA-Novosti*, <<http://en.rian.ru/russia/20060627/50550996.html>>, 27 June 2006.

¹³¹ Small Arms Survey (2004), p 27.

¹³² Cross-reference to 'Russian Sale of Kalashnikov Rifles to Venezuela' box'.

¹³³ Op cit Pyadushkin, Haug and Matveeva (2003), p 12.

¹³⁴ '300 Largest Companies of Russia', 13 September 2004; '300 Largest Companies of Russia', *Kommersant*, www.kommersant.com, 07 September 2005.

¹³⁵ Op cit Small Arms Survey (2004), p 121.

¹³⁶ Op cit Pyadushkin cited in: Small Arms Survey (2004) p 121.

6

State procurement

“The leadership of the Russian military has become accustomed to seeing the latest products of the arms industry sold abroad in substantial quantities while few, if any, of the same weapons are delivered to the domestic forces. Instead, the Russian military has to rely on diminishing stocks of Soviet-era equipment.”¹³⁷

In theory, the elaboration and the implementation of the annual State Defence Order (GOZ) is carried out by the Department for the Economics of Programmes of Defence and Security, which is located within the Ministry for Economic Development and Trade, in co-operation with the MOD’s Federal Service for the GOZ (Rosoboronzakaz). However, it has been argued that in reality Rosoboronzakaz compiles the GOZ.¹³⁸ The GOZ contains information on domestic arms procurement, military R&D and the repair and modernisation of military equipment.¹³⁹ It must be approved by the government and president each year and should correspond with the longer-term strategy outlined in the State Programme of Armaments (GPV). The GPV covers a ten-year period, with the current GPV covering the period from 2000–2010.¹⁴⁰ This ten-year period has been divided into two distinct five-year halves, with funding in the first five-year period to be concentrated upon R&D and the repair and modernisation of existing arms. Government spending in the second period was to be focused upon weapons procurement. The MOD and arms industry have apparently been beneficiaries of this windfall, with defence expenditure thought to represent 2.7 percent of GDP, or RUR668.321 billion (around US\$20 billion), in 2006.¹⁴¹ This represented a 27.9 percent increase in military expenditure in comparison with 2004 and a 20.4 percent increase over expenditure for 2005. In addition, the budget for the Federal Anti-Terror Programme was reported to receive RUR3.7 billion in 2006, a 400 percent increase over 2005, with funds to be spent on anti-terrorist military hardware, including special weapons. However, some reports have stated that only 10–15 percent of procurement targets are actually met.¹⁴²

Although the SALW sector was not promoted as a key sector for funding in either five-year period of the GOZ, in 2003 it was announced that the Russian MIA, MOD and other state agencies had been allocated US\$33 million for SALW procurement in 2004.¹⁴³ Further, during the October 2004 Izhevsk arms trade fair, an event at which arms producers in the Udmurt Republic’s city of Izhevsk promote their wares, Sergei Ivanov was quoted as stating that, “the state defence order to be placed with Udmurtia

¹³⁷ Op cit Cooper (2006), p 441.

¹³⁸ Op cit ‘Strengthening of Defense ...’, 12 March 2004.

¹³⁹ This section is taken from: op cit Cooper 2006, pp 441–4.

¹⁴⁰ The current GPV 2000–2010 was only approved by President Putin in January 2002.

¹⁴¹ ‘Figures of the Defense Budget’, *WPS Media Monitoring, Defence and Security No. 342*, 19 August 2005, <<http://www.wps.ru/en/pp/military/2005/08/19.html>>.

¹⁴² Khazbiev A, ‘The Defence Sector’s Last Chance’, *Ekspert*, 451, 31 January 2005, pp 32–3.

¹⁴³ Op cit Small Arms Survey (2004), p 15.

defence industry enterprises will be increased by over RUR1 billion (US\$34.4 million) and will reach RUR2 billion (US\$68.7 million)” for 2005.¹⁴⁴ The exact content of this order was not revealed. Col-Gen Nikolai Rogozhkin, commander of Russia’s Interior Troops, also delivered good news for Russia’s SALW industry in 2004, when he announced that due to the nature of the conflicts in which his troops have been involved in recent years, there was a “need to switch over to lighter equipment”.¹⁴⁵ In particular he highlighted the need for new, lighter small arms. This shift in thinking was also revealed in a report on the need for Russia’s special-forces to procure more specialised and high-tech SALW. In neither case were details on what will be used and/or ordered announced.¹⁴⁶

In 2003 the Russian Agency of Conventional Arms (RAV) revealed that Russia’s security agencies had already received consignments of the following Russian-produced 9mm pistols:

- GSh-18 (designed and manufactured by KBP);
- Yarygin PYa / MR-443 Grach (designed and manufactured by IMZ);
- Serdyukov SPS / Gyurza (TSNIIOchMash – Central Research and Development Institute of Precision Machine Building, Klimovsk).¹⁴⁷

It has also been reported that the Yarygin PYa / MR-443 Grach 9mm pistol is being adopted by military units to replace the Makarov service pistol, following a government decree from 2003.¹⁴⁸ The armed forces have also recently taken possession of Kord 12.7 x 109mm machine gun, which were manufactured at the Degtyarev plant,¹⁴⁹ and the FSUE KBP has reported that the MIA put the 9mm P-96M pistol, 43mm GM-94 grenade launcher and 30mm AGS-30 grenade launcher system into service in 2005.¹⁵⁰

However, increased budgets for SALW procurement should not automatically be treated as good news for Russian SALW producers. For example, it has been revealed that the MIA will spend some of its procurement budget on foreign SA, including Glock, Walther and Heckler and Koch pistols.¹⁵¹ The article did not give a reason for this switch, but it has been noted by Ivanov, the MOD’s Armaments Directorate and Rosoboronzakaz that the quality of the Russian arms industry’s products are not always as high as they should be.¹⁵² According to Aleksandr Rakhmanov, deputy chair of the Weapons Procurement Directorate, 21 percent of military products made at Russian defence enterprises are defective.¹⁵³ This is an issue that has been acknowledged by some within the industry, as reports on a conference entitled “Improving the Quality of Weapons and Military Materiel”, which was held in Rostov-on-Don in February 2005, testify.¹⁵⁴

Some commentators have also expressed concerns that Russian customers are paying more for Russian weapons than buyers from overseas.¹⁵⁵ One journalist has argued that it seemed as if Algeria and Armenia were receiving better deals for Russian arms

¹⁴⁴ ‘Russia: State Defense Order for Udmurtiya Enterprises To Exceed US\$68.7 Million’, *Moscow Agentstvo Voyennykh Novostei WWW-Text in English*, 20 October 2004, (FBIS Transcribed Text).

¹⁴⁵ ‘Interior Troops Guard Over 100 Governmental Facilities’, *RIA-Novosti*, 9 December 2004, <<http://en.rian.ru/onlinenews/20041209/39775294.html>>; ‘Russia’s Interior Troops to Get a New Armoured Car’, *RIA-Novosti*, 24 March 2005, <<http://en.rian.ru/onlinenews/20050324/39700342.html>>; ‘Vnutrenie voiska perekhodiat na bolee legkie vooruzhenie’, *Izvestia*, www.izvestia.ru, 9 December 2004, <<http://www.izvestia.ru/news/news91323>>.

¹⁴⁶ ‘Spetsnaz to be Reorganized’, *RIA-Novosti*, 22 March 2005, <<http://en.rian.ru/analysis/20050322/39700137.html>>.

¹⁴⁷ ‘Russia’s Armed Forces Phased in Over 20 New Models of Weapons in 2003’ *RIA-Novosti*, March 2004, <<http://en.rian.ru/onlinenews/20040303/39909497.html>>.

¹⁴⁸ FSUE KBP website, <<http://www.shipunov.com>>.

¹⁴⁹ Forecast International, 15 August 2006. Original Source: ‘Russian Army Receives Kord Machine Gun’, *Agentstvo Voyennykh Novostei*, 11 August 2006.

¹⁵⁰ FSUE KBP website, <<http://www.shipunov.com>>.

¹⁵¹ ‘The Makarov bows out’, *RIA-Novosti*, 16 August 2006, <<http://en.rian.ru/analysis/20060816/52716331.html>>.

¹⁵² Cooper suggests that this is due to the cutbacks made in the Russian arms industry’s quality management systems in the 1990s. op cit Cooper (2006), p 444.

¹⁵³ ‘“Russians need to improve the quality of their weapons”, says expert’, *Jane’s Defence Industry*, 22(4), April 2005, p 4.

¹⁵⁴ *Ibid.*

¹⁵⁵ Op cit Lantratov and Butrin 30 December 2005; Tatevosyan A and Reutov A, ‘Weapons Used to Convince Armenia’, *Kommersant*, www.kommersant.com, 24 March 2006, <http://www.kommersant.com/p660263/Weapons_Used_to_Convince_Armenia/>.

than the Russian MOD and MIA.¹⁵⁶ It could be argued that this is due to the competitive nature of the international arms market, which is forcing down the price of Russian SALW for overseas customers. However, the lack of public transparency in these transfer deals and government procurement arrangements do not enable us to adequately record if the Russian MOD and MIA are paying more for their Russian-made SALW than Algeria or Armenia.

¹⁵⁶ Op cit Butrin, 24 March 2006.

Exports

THE PUTIN ERA has not only been characterised by attempts to reduce or ‘integrate’ the number of enterprises producing arms in Russia, but there has also been a reduction in the number of state enterprises that are legally permitted to engage in the international trade in arms. For example, the Yeltsin-era state arms exporters, Promexport and Rosvooruzhenie, were merged on 4 November 2000 to form Rosoboronexport, which became the Russian state’s enterprise for conducting export contract negotiations and the actual export shipments. Of course, this move did not create a single monopoly enterprise for Russian arms exports, as six arms producers held licences to export arms independently of state intermediaries.¹⁵⁷ Two of these six enterprises produced SALW: KBP and KMBDB. In January 2000, a presidential decree extended the KBP licence to conduct military-technical co-operation with foreign countries independent of state intermediaries for another five years.¹⁵⁸ In December 1999, the KMBDB received a licence to conduct negotiations and carry out the export of portable SAM systems independently of state intermediaries.¹⁵⁹

There is evidence of Rosoboronexport lobbying to acquire a monopoly on all aspects of the arms trade, including calls for rescinding licences issued to OPK enterprises. For example in March 2002, Andrey Belyaninov, Rosoboronexport’s general manager, sent Putin a draft of a decree to grant Rosoboronexport monopoly rights for Russian arms export arrangements.¹⁶⁰ Although the licences for KBP and KMBDB were not rescinded in the wake of this appeal, there was speculation that Rosoboronexport’s lobbying efforts had finally succeeded, as no export licences to Russian arms producers had been issued or renewed in 2004.¹⁶¹

In May 2005, KBP was granted the right to engage in the international arms trade for five more years.¹⁶² This meant that they continued to enjoy their status as “the largest defence-industry exporter with the right to sell its products abroad independently”, with Tula’s Governor, Vyacheslav Dudka, a former KBP engineer apparently involved in lobbying efforts for the licence renewal.¹⁶³ However, on 7 December 2006 a closed session of the KVTS decided that Rosoboronexport should be the sole exporter of

¹⁵⁷ In November 2000, six enterprises had the right to supply manufactured commodities: MiG Corporation, Kolomna Engineering Design Bureau, Tula Design Bureau of instrument-making, Reutovo Scientific-production & Engineering Company, St Petersburg Design Bureau of naval technology *Rubin*, and Moscow concern *Antei*. Lantratov K, ‘The President Protects Military Industrialists From State Intermediaries’, *Kommersant*, www.kommersant.com, 22 February 2005, <http://www.kommersant.com/p548914/The_President_Protects_Military_Industrialists_From_State_Intermediaries/>.

¹⁵⁸ Website of KBP, <<http://www.shipunov.com>>.

¹⁵⁹ Op cit Pyadushkin, Haug and Matveeva (2003), p 14.

¹⁶⁰ Op cit ‘Military-Industrial Complex 2000–2004’, 19 October 2004.

¹⁶¹ ‘The President is About to Establish Monopoly in the Weapon Trade’, *Kommersant*, www.kommersant.com, 9 February 2005, <[http://www.kommersant.com/p545743/The_President_is_About_to_Establish_Monopoly_in_the_Weapon_Trade_/](http://www.kommersant.com/p545743/The_President_is_About_to_Establish_Monopoly_in_the_Weapon_Trade_/>)>; ‘What the Russian Papers Say’, *RIA-Novosti*, 24 February 2005, <<http://en.rian.ru/analysis/20050224/39702869.html>>.

¹⁶² Safronov I, ‘Tula Weapons Makers Make Gains on World Market’, *Kommersant*, www.kommersant.com, 10 May 2005, <http://www.kommersant.com/p576269/Tula_Weapons_Makers_Make_Gains_on_World_Market/>.

¹⁶³ Op cit ‘Military-Industrial Complex 2000–2004’ 19 October 2004.

Russian military equipment.¹⁶⁴ This decision was followed by a Presidential decree in which Rosoboronexport will enjoy a monopoly position with regard to Russian arms exports from 1 March 2007. Therefore, the five year licence granted to KBP will be terminated with more than three years remaining and all military SALW exports will go through Rosoboronexport.

Rosoboronexport has also acted upon recommendations to develop new measures for supporting defence enterprises that were “showing promise for exports”, including the possibility of a subsidised interest rate on bank credits for arms industry enterprises.¹⁶⁵ It is reportedly providing credits worth RUR3–4 billion each year to Russian defence companies, as not all customers provide sufficient funds in advance to enable some production plants to begin production.¹⁶⁶ For example, Izhmash required credit from Rosoboronexport to be able to start serial production of AK assault rifles for a recent Venezuelan order.¹⁶⁷ Rosoboronexport officials would also argue that the state enterprise plays a key role in the marketing of Russian arms to overseas clients. For example, its presence is made felt at an expanding number of international arms fairs in Russia and abroad.

One of the most important Russian arms fairs for SALW has been held biennially in Nizhny Tagil since 2002.¹⁶⁸ Its main purpose was to serve as a forum for the promotion of Russian land forces equipment.¹⁶⁹ In 2002, it reportedly attracted large delegations from India, China, Italy, UK and Kazakhstan¹⁷⁰ and by 2004 the expo had an estimated 50,000 visitors with 400 representatives from 42 countries, including Austria, Belgium, the UK, Germany, Canada, China, Saudi Arabia, the US, France, Sweden and Israel, with similar numbers reported for the 2006 show.¹⁷¹ Yet the Nizhny Tagil Arms-Expo was apparently still not attracting enough business for Russian arms producers, as plans were announced in 2005 for another land forces arms fair to be held at Krasnoarmeisk in the Moscow region.¹⁷² Vladimir Paleschchuk, director of the Federal Service for Military-Technical Co-operation, announced that this fair would be supported by the government and probably financed from the state budget. According to Paleschchuk, “We want to organise expos in the centre of the country in even-numbered years and in Nizhny Tagil in uneven years”.¹⁷³ As was stated above, the Nizhny Tagil Arms-Expo was held in July 2006 – an even year – with Krasnoarmeisk’s arms fair taking place in the August of the same year. Through Rosoboronexport the Russian Government supports the Russian SALW industry by enabling the wares of Russian SALW producers to be displayed at international arms fairs around the world including:

- Defence (Bangkok, Thailand)
- DEFENDORY (Athens, Greece)
- DEFEXPO INDIA (Delhi, India)
- EUROSATORY (Paris, France)
- FIDAE (Santiago, Chile)
- IDEX (Abu Dhabi, UAE)

¹⁶⁴ ‘Sergei Chemezov sygral v monopoliiyu’, *Kommersant*, www.kommersant.ru, 15 December 2006, <<http://www.kommersant.ru/doc.html?docId=730496>>.

¹⁶⁵ Op cit Lantratov and Butrin, 30 December 2005.

¹⁶⁶ ‘Rosoboronexport crediting defence enterprises’, *Arms Show News*, IDELF-2006 official daily magazine 3, 4 August 2006, p 4.

¹⁶⁷ Cross-reference to ‘Russian Sale of Kalashnikov Rifles to Venezuela’ box.

¹⁶⁸ The first Nizhny Tagil arms fair was held in 1999.

¹⁶⁹ ‘Russian Expo Arms-2004 Surprises Everyone’, *RIA-Novosti*, 13 July 2004, <<http://en.rian.ru/analysis/20040713/39764936.html>>.

¹⁷⁰ ‘Defense Industry Prepared to Show Capabilities of Russian Weapons’, *WPS Media Monitoring, Defence and Security No. 209*, 12 July 2002, <<http://www.wps.ru/en/pp/military/2002/07/12.html>>.

¹⁷¹ ‘Advantages and Disadvantages of the Nizhny Tagil Arms Show’, *WPS Media Monitoring, Defence and Security No. 303*, 17 July 2004, <<http://www.wps.ru/en/pp/military/2004/07/17.html>>; ‘Does Russia Need Competition Of Military Shows?’, *WPS Media Monitoring, Defence and Security No. 377*, 15 July 2006, <<http://www.wps.ru/en/pp/military/2006/07/15.html>>.

¹⁷² ‘Arms Expos as an Element of Interior Rivalry’, *WPS Media Monitoring, Defence and Security No. 326*, 9 April 2005, <<http://www.wps.ru/en/pp/military/2005/04/09.html>>.

¹⁷³ Ibid.

- International Asian Armaments and Military Equipment Shows (Kuala Lumpur, Malaysia)
- IWA (Nuremberg, Germany)
- LAAD (International Exhibition of Aerospace and Defence Technologies) arms show (Rio de Janeiro, Brazil)
- Milipol (International Security Exhibition)

The geographic location of these fairs also tells us something about the regions that Rosoboronexport is currently targeting for Russian arms, including SALW.

Expanding small arms and light weapons export markets

While arms exports patterns have traditionally been used to identify a particular country's allies and enemies – i.e. based upon to whom they will and will not sell – since the Yeltsin era, it has been assumed that the Russian Government has had few qualms about selling arms to any state that seeks to purchase them, as long as they are not subject to an UN arms embargo. At the beginning of 2005, Rosoboronexport was told to forge closer links with the MFA because arms export decisions “must strictly comply with Russia's foreign policy”.¹⁷⁴ However, the former director general of the Russian Conventional Arms Agency, Alexander Nozdrachev, has noted that one of the main barriers for Russian conventional arms sales has been “competition” at the political level, with many states not importing arms from Russia due to “political expediency”.¹⁷⁵ Yet, if Russian arms exports are taken to represent the projection of Russia's image internationally, they do not always portray Russia in a good light, as will be discussed in the sections below on SALW exports to Africa, Asia, Latin America and the Middle East.

It is difficult to tell if international arms fairs in Asia, the Middle East and Latin America are paying off, although Rosoboronexport is reportedly trying to expand operations in these regions.¹⁷⁶ Rosoboronexport has provided a geographical breakdown for all of its conventional arms exports, but no similar breakdown has been made publicly available with regard to SALW.¹⁷⁷ However, countries that have submitted data to COMTRADE on their imports of Military Small Arms and Parts from Russia provide a partial picture for Russian SALW exports.¹⁷⁸ According to data for the period 2000–4, Russia exported military small arms and parts to at least 38 countries, worth a total of US\$30.42 million. India took first place, importing military small arms worth US\$10.95 million for the 2000–4 period, followed by Ethiopia on US\$5.4 million, the USA on US\$5.14 million, South Korea on US\$1.42 million and Slovakia on US\$1.41 million. Of course, these figures have not been corroborated by Russian officials and are subject to the range of problems that analysts face when trying to use COMTRADE data to analyse the international SALW trade. As we shall see below, the figure of US\$30.42 million is significantly lower than estimates given by a range of experts on the value of Russian SALW exports.¹⁷⁹

Forecast International's Weapons Group have predicted that the man-portable anti-armour market could be worth US\$5.33 billion over the next decade, with the Russian-produced RPG-26/27 set to account for more than 68 percent of production and 51 percent of market value through to 2010. In comparison, Europe will account for only 13.96 percent of production but a third of the total market value over the same period. In other words, the market appears to be splitting into two, with the Europeans

¹⁷⁴ '80 percent of Russian military exports go to China, India', *ITAR-TASS*, 08 February 2005, <<http://www.tass.ru/eng/level2.html?NewsID=1723397&PageNum=0>>.

¹⁷⁵ 'Politics often Stand in the Way of Russian Conventional Arms Export – Expert', *RIA-Novosti*, 17 February 004, <<http://en.rian.ru/business/20040217/39908039.html>>.

¹⁷⁶ Op cit 'The President is ...', 9 February 2005; '80 percent of Russian ...', 8 February 2005.

¹⁷⁷ Rosoboronexport's main clients for all conventional arms in 2004 : China 45%, India 35%, Vietnam 4%, Yemen 2%, Greece 2% Ethiopia 1.4%, Algeria 1.4% with no details given for the remaining 5.2%. op cit 'The President is ...', 9 February 2005; '80% of Russian ...', 8 February 2005.

¹⁷⁸ Cross-reference to Appendix

¹⁷⁹ Cross-reference to 'Estimating Values for Russian SALW Exports' section.

providing state-of-the-art, high cost designs, while Russia and other Soviet Republics are willing and able to provide cheaper, simpler weapons.¹⁸⁰ It is arguably for this reason that Russia will dominate the market, as it has been stated that the militaries of small, developing world countries will rely on “effective, low-cost weapons” to “constitute an important segment of the national air defence” of such countries.¹⁸¹

A Russian expert, Maxim Pyadushkin, has not been so optimistic regarding Russia’s export potential in man-portable anti-armour and MANPAD spheres. He has expressed fears regarding intra-Russian competition in the portable ATGM and SAM sphere and the impact of the then Russian foreign minister, Sergei Ivanov, who agreed to assist with combating the proliferation of MANPADs at the G8 summit in Evian in June 2003.¹⁸² In Pyadushkin’s opinion, the “Ivanov embargo”, will have a “serious negative influence on the work and export of anti-aircraft rocket systems” at the Degtyarev Plant, the KMBDB and the Kovrov plant. He argues that this is especially problematic for the KMBDB, which is heavily reliant on export markets for Igla SAM systems. However, it has been reported that the Degtyarev factory began serial production of Igla-S SAM systems towards the end of 2004 suggesting that the “Ivanov embargo” is not proving to be too detrimental to the financial health and trade prospects for Russian MANPAD producers.¹⁸³

Known exports of Russian-made MANPADS¹⁸⁴

Recipient	Type	Producer	Contract date	Delivery date(s)	Price (US\$ m)	Quantity of launch units	Quantity of missiles
Armenia	Igla	MOD	1995	1995–6	–	40	200
Botswana ¹⁸⁵	Igla-1	–	1995	1996	–	50	–
Brazil	Igla	KMBDB & Degtyarev	1994	1994–6	–	56	112
Ecuador	Igla-1	KMBDB & Degtyarev	1997	1998	14	–	222
Eritrea ¹⁸⁶	Igla	–	1999	2001	–	–	200
Ethiopia ¹⁸⁷	Igla	–	2001–2	–	–	100	–
India	Igla	KMBDB & Degtyarev	2000	2001–3	50	450188	–
Laos ¹⁸⁹	Igla-1	–	1998	1999	–	–	50
Malaysia	Igla	KMBDB & Degtyarev	2002	2003	48	40	382
Mexico	Igla	KMBDB & Degtyarev	2002	2002	2.14	5	30
North Korea ¹⁹⁰	Igla-1	Licensed Prod?	1992	2005	–	–	1,300
Republic of Korea	Igla	KMBDB & Degtyarev	1995	1996	Debt-write-off	–	45
Singapore	Igla	KMBDB & Degtyarev	1997	1998	–	30	350–440 ¹⁹¹
Singapore ¹⁹²	Igla	Licensed Prod?	2001	2005	–	–	100
Syria	Igla	KMBDB & Degtyarev	2003	Not delivered	–	–	–
Syria	Strelets	KMBDB & Degtyarev	2004	2005	–	–	–
Vietnam	Igla	KMBDB & Degtyarev	1996	2001–3	–	–	72
Vietnam	Igla	KMBDB & Degtyarev	2001	2001–3	64	50 ¹⁹³	250

¹⁸⁰ ‘Russia to Dominate US\$5.33B Portable Anti-Armor Market Through 2014’, *Defence Industry Daily*, 8 December 2005 <<http://www.defenseindustrydaily.com/2005/12/russia-to-dominate-533b-portable-antiarmor-market-through-2014/index.php>>.

¹⁸¹ Borisov O, ‘MANPADS – A Special Case of Small Arms Proliferation’, *Eksport Vooruzheniy Journal*, 2, March–April 2001, pp 34–5.

¹⁸² Pukhov R, Makienko K and Pyadushkin M, ‘Preliminary Estimates of Russia’s Arms Export in 2002’, *Eksport Vooruzheniy*, 2(6), November–December 2002, p 5; Pyadushkin M, ‘Bor’ba s nelegal’nym rasprostraneniem PZRK’, *Eksport Vooruzheniy Zhurnal*, 3, May–June 2003, pp 3–4.

¹⁸³ ‘Gosoboronzakaz NIOKR i proizvodstvo VVT v Noya’bre-deka’bre 2004 goda’, *Vooruzheniy Zhurnal*, 6, Nov–Dec 2004, p 74; ‘Ot rossiiskoi PZRK “Igla-Super” spastis’ nevozmozhno’, *Izvestia*, www.izvestia.ru, 11 November 2004, <<http://www.izvestia.ru/armia2/article1115224/>>.

¹⁸⁴ Main data taken from: ‘Igla for Israel, Strelets for Syria’, *Air Fleet Journal*, 07 June 2005, Taken from the Website of *Vestnik PVO*, <<http://pvo.guns.ru/books.htm>>. All other data sources indicated by individual footnotes from country name.

¹⁸⁵ SIPRI Arms Transfer Database, <http://www.sipri.org/contents/armstrad/at_data.html>.

¹⁸⁶ Ibid.

¹⁸⁷ Op cit ‘Identified Contracts ...’ (2002).

¹⁸⁸ ‘KBM hopes to Largely Expand its Deliveries to the Indian Market’, *Arms Show News, IDELF-2006* official daily magazine 3, 04. August 2006, p 5.

¹⁸⁹ Op cit SIPRI Arms Transfer Database.

¹⁹⁰ Ibid.

¹⁹¹ According to the SIPRI Arms Transfer Database, this figure could be as high as 440.

¹⁹² Op cit SIPRI Arms Transfer Database.

¹⁹³ Op cit Pukhov, Makienko and Pyadushkin (2002), p 5.

It is not only Russian portable AT and SAM systems and projectiles that are reportedly sought by developing countries. According to Anatoly Isaikin, deputy director general of Rosoboronexport, Russian exports of 'special-purpose' weapons have been growing significantly in recent years and in his opinion account for just over one percent of Russia's total arms exports volume, with a value at "dozens of millions of dollars".¹⁹⁴ Significant importers of these types of weapons are reportedly located in Asia, the Middle East and Latin America, with Isaikin stating that there is a stable demand for Russian 'special-purpose' weapons in these regions.

Some Russian analysts have acknowledged that there may be problems with some recipients of Russian arms, as "a number of former Soviet clients have, in the opinion of the United States and the West as a whole, fallen into the category of undesirable arms recipients".¹⁹⁵ Syria, Yemen, UAE and Algeria have been recognised as significant but 'awkward' markets by some analysts,¹⁹⁶ while others have noted – in the same vein – that Russian military SALW have also been exported to Afghanistan, Bhutan, Cyprus, Ethiopia, India, Indonesia, Kenya, Lebanon, Vietnam and Uzbekistan in recent years.¹⁹⁷ The Control Arms campaign has highlighted a number of these states as having security forces that "have contributed to long-standing and acute human rights problems".¹⁹⁸ Amnesty International believes that Russian hunting shotguns exported to Algeria have been used by Algerian death squads to massacre civilians.¹⁹⁹ It is for such reasons that Gonchar and Lock have called upon analysts to monitor Russian hunting SA exports, due to the fact that these weapons are in many cases simply modified military SA.²⁰⁰ News that the US\$7.5 billion arms deal with Algeria could be just the beginning of a new series of arms transfers from Russia to Algeria is therefore worrying news for international human rights activists. According to a report on a meeting between Russian and Algerian military, SALW could also be exported from Russia to Algeria in the near future as, "the Algerian Army needs infantry weapons and special weapons for combating Islamic guerrillas in southern regions. This could become another prospective niche for Russia".²⁰¹

Small arms and light weapons exports to Africa

Algeria is not the only African destination for Russian SALW. However, very few significant SALW transfers from Rosoboronexport to this part of the world have been recently reported in either the Russian or international media. For example, in 2002 a contract was concluded with Kenyan authorities for the delivery of a "substantial number" of AK-101 and AK-102 assault rifles, reportedly for the Kenyan national park service.²⁰² COMTRADE data shows that in 2000 and 2001 Namibia imported almost US\$1 million worth of items designated as belonging to category 930690 (i.e. bombs, grenades, ammunition, mines and others), in addition to more recent imports of small arms ammunition. COMTRADE data for 2000 and 2001 also reveals that Angola and Algeria were recipients of category 930690 items (i.e. Bombs, Grenades, Ammunition, Mines and Others), while Algeria and Rwanda reported receiving items listed within category 930590 (Parts & Accessories of Military Weapons).

The most controversial Russian SALW transfers to African states in recent years have arguably been the shipments to Ethiopia and Eritrea made prior to and almost

¹⁹⁴ 'Expert Says Russian Anti-terrorist Weapons Exports Growing', Interfax-Agentstvo Voyennykh Novostei, 28 July 2005.

¹⁹⁵ Kislov A and Frolov A, 'Russia in the World Arms Market', *International Affairs*, 49(4), (Moscow, 2003), p 148.

¹⁹⁶ Ibid, p 149. See also: 'Arms Expert Says Former Soviet Union Nations to Continue Buying Russian Weapons', *Agentstvo Voyennykh Novostei*, 16 May 2005, (FBIS Transcribed Text).

¹⁹⁷ Op cit Small Arms Survey (2003), p 110; op cit Small Arms Survey (2004), p 105.

¹⁹⁸ Op cit Control Arms, (June 2005), p 23.

¹⁹⁹ Ibid, p 22.

²⁰⁰ Op cit Gonchar and Lock (1994), p 14.

²⁰¹ Shvarev V Yu, 'The Frontiers of Bilateral Co-operation', *Voyenno-Promyshlenny Kurier*, p 20, 14 June 2005, p 2, in *Defense and Security*, 15 June 2005; 'Putin set for first visit to Algeria', RIA-Novosti, 10 March 2006, <<http://en.rian.ru/russia/20060310/44116202.html>>.

²⁰² Taken from NISAT Database, <<http://www.nisat.org/>>; Original Source: Helmer J, 'Russia Sells Weapons to Kenyan Government Body', *Business Day*, Johannesburg, 6 September 2002.

immediately after, the UN Security Council's arms embargo against these states.²⁰³ As noted in the table on known exports of Russian-made MANPADs, Eritrea and Ethiopia received missiles and MANPAD units respectively, shortly after the expiration of the 2000–2001 UN Security Council arms embargo. COMTRADE data for 2000 shows that Russia supplied Eritrea with just over US\$2 million worth of category 930690 items (i.e. Bombs, Grenades, Ammunition, Mines and Others) and Ethiopia with more than \$11 million worth of items listed in this category. COMTRADE data also reveals that Ethiopia imported more than US\$5 million worth of category 930590 items (Parts & Accessories of Military Weapons) in 2002, as well as small arms ammunition from Russia.²⁰⁴ In April 2005, Eritrea reportedly ordered 80 9M133 AT missiles for Kornet-E AT systems (valued at \$165,000).²⁰⁵ According to an article in *Kommersant*, “Moscow is really interested in keeping the region out of war. Otherwise, the UN will impose sanctions on the arms trade again and Russia will never get the money she’s hoping for”.²⁰⁶

Small arms and light weapons exports to Asia

The fact that India had reportedly purchased 200,000 Kalashnikov-type assault rifles from Romania in 2000 and US\$20m worth of SALW for India's Special Forces in Kashmir from Israeli Military Industries (IMI) in 2002, no doubt spurred Rosoboronexport to improve its efforts to seize a share of India's SALW market.²⁰⁷ In the same year that a large range of SALW were displayed on Rosoboronexport's stand at the 3rd International Land and Naval Systems Exhibition DEFEXPO INDIA-2004,²⁰⁸ ITAR-TASS News Agency reported that an agreement had been signed between Izhmash and India for the licensed production of AKMs.²⁰⁹ According to the report, the licensed production was due to begin in 2005, with an estimated 1.5 million AKMs to be manufactured during a five-six year period. It should therefore come as no surprise that an Izhmash delegation took part in DEFEXPO INDIA-2006.²¹⁰

It should also be noted that the KMBDB's first independent export contract was for the delivery of 450 shoulder-carried Iglá MANPADS to India.²¹¹ The contract was signed in December 2000 and the final deliveries for this \$50 million order took place in 2002. It was recently reported that this will not be the only Indian order for KMBDB's MANPADS, with a report from 2006 suggesting that India will shortly conclude a contract for 2,000 Iglá-S MANPADS, the transfer of technology for licensed production and a run of at least 5,000 missiles.²¹²

However, it could be argued that it is part of a broader scheme to market SALW units to South East Asian clients as a whole, as suggested by Nikolai Dimidyuk, the director at large of Rosoboronexport. He has stated that in recent years co-operation has intensified with Indonesia, Malaysia, Thailand and Vietnam. This is borne out perhaps by Rosoboronexport's ubiquitous presence at a number of major arms fairs in the region in recent years, at which an extensive range of Russian SALW has been displayed.²¹³

²⁰³ United Nations Security Council Resolution 1298 established an embargo on the sale or supply of arms and related materiel of all types, including weapons and ammunition, military vehicles and equipment, paramilitary equipment and spare parts for the aforementioned to Eritrea and Ethiopia, effective for 12 months from 17 May 2000.

²⁰⁴ Taken from NISAT Database, <<http://www.nisat.org/>>; Original Source: Putilov S, 'The African Map of Weapons Manufacturers', *Moscow Vremya MN*, 3 August 2002.

²⁰⁵ Gankin L and Lantratov K, 'Prepackagd war', *Kommersant*, www.kommersant.com, 15 April 2005 <<http://www.kommersant.com/doc.asp?id=570344>>.

²⁰⁶ Ibid.

²⁰⁷ Op cit Small Arms Survey (2003), pp 108–9, 112.

²⁰⁸ 'Russia Displays Its Up-To-Date Naval Systems, Aviation and Small Arms at Indian Exhibition', *RIA-Novosti*, 04 February 2004, <<http://en.rian.ru/business/20040204/39906782.html>>.

²⁰⁹ 'Sobytiya v oblasti VTC Rossii i novykh nezavisimyykh gosudarstv v sentyabre – noyabre 2004 goda', *Vooruzheniy Zhurnal*, 5, (2004), p 66.

²¹⁰ 'IZHMASH weapons in South Asia', *Izhmash*, 14 February 2006, <<http://www.izhmash.ru/eng/news/140206.shtml>>.

²¹¹ Op cit 'Identified Contracts ...' 2002.

²¹² Op cit 'KBM hopes to Largely ...' 4 August 2006, p 5.

²¹³ For example, the International Asian Armaments and Military Equipment Shows (DSA), which are held in Kuala Lumpur, and the INDO DEFENCE EXPO&FORUM, which are held in Jakarta. See: 'Rosoboronexport Spokesman Describes Russian Exhibits at the Forthcoming Weapons Show in Malaysia', *RIA-Novosti*, 8 April 2004, <<http://en.rian.ru/business/20040408/39913509.html>>; 'Russia set to showcase latest weaponry at Asian arms fair', *RIA-Novosti*, 24 April 2006, <<http://en.rian.ru/world/20060424/46823508.html>>; 'Rosoboronexport to Emerge at Indonesia Arms Exhibition', *RIA-Novosti*, 22 November 2004, <<http://en.rian.ru/onlinenews/20041122/39773884.html>>.

Although recent discussions regarding the granting of \$1 billion worth of export credits to Indonesia for purchases of major Russian conventional weapons systems have not mentioned SALW,²¹⁴ Indonesia has purchased a variety of AK rifles within the past few years, receiving 9,000 in 2000 and arranging for delivery of a further 5,000 AK-101 and AK-102 assault rifles in 2001.²¹⁵

Small arms and light weapons exports to Latin America

Vladimir Pakhomov, Deputy Director General of Rosoboronexport, stated that “the share of Russian arms exports to Latin America is not sufficient”, totalling only about US\$300 million in 2005.²¹⁶ Pakhomov highlighted Russia’s trade with Brazil in particular, noting that Russia had delivered about US\$700,000 worth of arms and other military hardware, including deliveries of undisclosed numbers of MANPADs. He also noted that Russia and Brazil co-operate in the field of SA production, although he did not elaborate upon this. Alexander Fomin, Deputy Director of the Federal Military-Technical Co-operation Service, also announced Russia’s willingness to “offer arms, material, technologies, co-operation in developing and manufacturing arms and licensed production to Latin American states”.²¹⁷ Of course, the main event in recent years regarding Russian SALW sales to Latin America is the sale and licensed production of Kalashnikov assault rifles to Venezuela.

Russian sale of Kalashnikov rifles to Venezuela

In May 2005 Venezuelan officials announced the signing of a US\$54 million deal for 100,000 Izhmash-produced AK-103 assault rifles, along with ammunition and other unspecified light weaponry.²¹⁸ At the time, reports stated that the rifles would be delivered in three separate shipments beginning in October 2005 and ending in February 2006.²¹⁹ The first shipment of 30,000 AK-103s did not arrive until June 2006, with the second shipment of 32,000 rifles delivered in August 2006 and the remaining 48,000 rifles were reportedly shipped from Russia on 5 November 2006.²²⁰

Rumours that Venezuela would also produce additional rifles under licence in Venezuela have been circulating since late 2004.²²¹ In May 2006, Alexander Badistan, a spokesman for Rosoboronexport, reported that the company would be granting Venezuela a production licence. This was subsequently confirmed by President Hugo Chávez when he stated that, “the Russians are going to install a Kalashnikov rifle plant and a munitions factory so we can defend every street, every hill, every corner”.²²² Izhmash President, Vladimir Grodetsky, gave a detailed account of the licensed production agreement in an interview published in the Venezuelan newspaper, *El Nacional*.²²³ According to Grodetsky, the deal involves two contracts covering the transfer of two licences for the manufacture of AK-103 rifles and ammunition in Venezuela. The aim is to achieve full production within three years, at which point the plant should be able to produce 25,000 rifles a year.²²⁴ The rifles produced by the plant are for the Venezuelan military, although President Chávez has claimed that Venezuela could supply other countries in need of military equipment, singling out Bolivia as a

²¹⁴ Solov'ev V, 'Milliard na Indoneziyu', *www.ng.ru*, 23 November 2006, <http://www.ng.ru/world/2006-11-23/8_billion.html>.

²¹⁵ Taken from NISAT Database, <<http://www.nisat.org/>>; Original Source: 'Indon generals go arms shopping in Russia', AAP Newsfeed, 21 September 2005; 'Identified Contracts on Delivery of Russian Arms and Military Equipment, concluded in 2001', *Ekspert Vooruzheniy*, 1, 2002, <<http://mdb.cast.ru/mdb/1-2002/ff/icdrame/>>.

²¹⁶ 'Russia to Expand Arms Exports to Latin America Soon', *Agentstvo Voyennykh Novostei WWW-Text*, 28 April 2005 (FBIS Transcribed).

²¹⁷ 'Russia to Expand ...' 28 April 2005; Kurguzov A, 'Rosoboronexport at Brazilian Exhibition', *RIA-Novosti*, 27 April 2005, <<http://en.rian.ru/business/20050427/39751510.html>>; Kurguzov A, 'Latin America is a Promising Weapons Market for Russia', *RIA-Novosti*, 1 May 2005, <<http://en.rian.ru/world/20050501/39782944.html>>.

²¹⁸ 'Venezuela formalizes Russian arms deal', *ISN Security Watch*, 20 May 2005, <<http://www.isn.ethz.ch>>.

²¹⁹ *ibid.*

²²⁰ 'Last Batch of Russian Rifles Arrives in Venezuela in Two Weeks', *El Universal*, 7 November 2006.

²²¹ 'Venezuelans Buying and Planning to License-Produce AK-103s and AK-104s', *Flash News*, 06 December 2004, <<http://www.fav-club.com/flash/fn35.htm>>.

²²² Logan S, 'The Kalashnikov threat in Venezuela', *ISN Security Watch*, 2 June 2006, <<http://www.isn.ethz.ch>>.

²²³ 'Venezuela could sign Russian rifle plant deal in July, says arms firm head' *BBC Worldwide Monitoring*, 21 June 2006. Original source: Nunez Rivero E, 'Venezuela could make 25,000 AK-103 rifles a year', *El Nacional Website*, 1 June 2006.

²²⁴ *ibid.*

potential customer.²²⁵ It should be stated that any exports would reportedly require Russia's prior consent.²²⁶

There are conflicting accounts regarding the value of the licensed production deal. In June 2006, the Financial Times reported that the agreement was part of the US\$54 million deal agreed in May 2005.²²⁷ However, according to a July 2006 Kommersant report, the licensed production deal is separate and has a potential value of US\$474.6 million.²²⁸ This confusion may be because the amount paid will depend on the number of rifles produced during the lifetime of the licence.

The deal has raised concerns due to its potential impact on regional peace and stability. According to Venezuelan officials, the AK-103s will replace the military's stock of ageing Belgian FAL rifles, which will then be made available to a growing force of army reservists.²²⁹ However, others warn that the transfer of such large number of rifles and the creation of indigenous production facilities could result in new or surplus arms being transferred to criminal groups or guerrilla forces in Colombia. Since Chávez came to power there have been repeated allegations that his administration is actively helping Revolutionary Armed Forces of Colombia (FARC) and National Liberation Army (ELN) operations in Colombia.²³⁰ However, according to an official statement from the Colombian Defence Ministry, there was 'no concern' over the proposed purchases, although Colombian intelligence officials have privately expressed worries that rifles replaced by the new purchases could end up in the hands of Colombian guerrillas.²³¹ The USA has been far more forthright in raising the spectre of arms being passed on to the FARC and ELN and has unsuccessfully sought to pressure Russia into halting the deal. In December 2004, the Bush Administration sent a letter of protest to the Russian Embassy in Washington, criticizing Russia's sale of rifles to Venezuela.²³²

Small arms and light weapons exports to the Middle East

Russia has exported SALW to Iran and Syria, much to the consternation of the USA. For example, in 1999 the State Department placed sanctions on KBP after the company delivered Kornet ATGM to Syria and in 2003 it was the subject of US State Department Economic Sanctions, due to allegations that it had been involved in sales of high-tech weapons to Iran.²³³ Iran currently produces RPG-26/27 thanks to a Russian licence and is expected to account for 4.25 percent of all new man-portable anti-armour weapons production over the next decade.²³⁴

Russian SALW sales to Syria have been a particular cause of concern for Israel and the USA, due to suspicions that Syria is diverting arms to Hezbollah forces in Lebanon. In early 2005 there was a diplomatic furore between Russia and Israel over the proposed transfer of Russian air-defence systems and missiles to Syria. Israeli officials lodged official complaints with Russia in relation to fears that it was selling MANPADS to Syria that would be diverted to Hezbollah and used to mount attacks on Israel.²³⁵ Russian officials went to great lengths to stress that Russia was not selling MANPADs to Syria, but was negotiating a deal for Strelets air-defence systems. In September 2005,

²²⁵ Baranauskas T, 'Venezuelan Arms Import Update', *Forecast International*, 19 July 2006.

²²⁶ Op cit 'Venezuela could sign ...' 21 June 2006. See also: op cit Control Arms, 2 October 2006, p 17.

²²⁷ Webb-Vidal A, 'Chávez in deal with Russia to build gun factory', *Financial Times*, 7 June 2006.

²²⁸ Kolesnikov A, 'The Kalashnikov Buyer', *Kommersant*, www.kommersant.com, 28 July 2006, <<http://www.kommersant.com/page.asp?idr=527&id=693363>>.

²²⁹ Op cit Webb-Vidal (2006).

²³⁰ McDermott J, 'Colombia struggles to counter arms smuggling', *Jane's Intelligence Review*, (Jane's Intelligence Group, December 2004), p 36.

²³¹ 'Venezuela eyes Russian arms', *Jane's Defence Weekly*, (Jane's Intelligence Group, 08 December 2004), p 6.

²³² Scarborough R, 'Russian arms sale to Chávez irks U.S.', *Washington Times*, 10 February 2005, p 1.

²³³ Pronina L, 'U.S. Says Russia Sold Arms to Iran', *Moscow Times*, 17 September 2003; *REF/RL Newswire* 6(173), 13 September 2002, <<http://www.rferl.org/newswire/2002/09/130902.asp#archive>>; 'Tulskie oruzheiniki otvergayut pretenzii SShA', *Izvestia*, www.izvestia.ru, 16 September 2003, <<http://www.izvestia.ru/news/news59886>>; 'Tulskoe KBP proignorirovalo zapret SShA na eksport oruzhiya', *Izvestia*, www.izvestia.ru, 20 September 2006, <<http://www.izvestia.ru/news/news115891>>.

²³⁴ 'Iran's RPG Surprise', *DID Newsletter*, 23 December 2005, <<http://www.defenseindustrydaily.com/2005/12/irans-rpg-surprise/index.php>>.

²³⁵ Isachenkov V, 'Russia negotiates sale of anti-aircraft missile systems to Syria', *Associated Press Worldstream*, 16 February 2005.

Russian and Syrian officials discussed transfers of “small supplies of ammunition for small arms”, with no figures or values announced.²³⁶ Some Russian commentators believe that it would be more profitable for Russia to cease supplying Syria and Iran instead explore offers, such as those made by Israel, to co-operate in the development of advanced military systems and arms manufacturing.²³⁷

By the end of the 2005, Israeli military intelligence issued reports that Hezbollah had launched nine Russian-made RPG-29 missiles in November 2005, which Hezbollah had allegedly obtained from Syria.²³⁸ Similar claims were made during the summer of 2006, with Israeli officials reportedly presenting evidence that suggested that Russian ATGMs and RPGs had been diverted from Syria to Hezbollah.²³⁹ In response to these claims, Sergei Ivanov stated that reports of modern Russian weaponry being used by Hezbollah were “complete nonsense”.²⁴⁰ He did however raise the problem that “all the weaponry shipped abroad by the Soviet Union is now being called Russian”, a problem that has not been helped by the lack of public transparency that one encounters with regard to recipients of Soviet and Russian SALW. It would be easier for Russia to find a more sympathetic hearing when responding to such allegations, if it was more open with regard to its international arms transfers. As it stands, Russian opacity with regard to SALW transfers creates suspicions in the West that Russia has “something to hide”.

²³⁶ 'Russia to supply Syria with ammunition, train officers', *RIA-Novosti*, 29 September 2005, <<http://en.rian.ru/russia/20050929/41548890.html>>.

²³⁷ Op cit, Urban 22 June 2005.

²³⁸ 'Israeli's Hit by Russian Missiles', *Kommersant*, www.kommersant.com, 30 December 2005, <http://www.kommersant.com/p639709/Israelis_Hit_by_Russian_Missiles/>.

²³⁹ 'The Bill of Sale Appears, But Russia Refuses to Acknowledge Hezbollah's Weapons as Its Own', *Kommersant*, www.kommersant.com, 8 September 2006, <http://www.kommersant.com/p703330/The_Bill_of_Sale_Appears/>

²⁴⁰ Op cit 'The Bill of Sale Appears ...' 8 September 2006.



Estimating values for Russian exports

AS STATED IN THE INTRODUCTION TO THIS REPORT, based on limited data and a range of estimates, it has been estimated that Russia hovers between fourth and sixth place for the value of SALW sold on the international arms market, putting it behind the USA, Italy, Belgium and Germany.²⁴¹ Part of the problem with assessing Russia's performance in this sphere, is of course that reliable information has not been consistently made available by Russian official authorities and these estimates are based upon very incomplete submissions to COMTRADE. If one only considers military SALW exports then one would not be surprised to see Russia in either first or second place.

Even when data has been made available on the value of exports of defence industry producers that have licences to engage in the international trade in arms independently of Rosoboronexport, such as the KBP and the KMBDB, it is still difficult to discern the actual value of SALW exported, as these enterprises also produce other weapons systems and products.

Total arms exports for KMBDB and the KBP US\$ millions (2000–2005)²⁴²

Enterprise	2000	2001	2002	2003	2004	2005
KMBDB	–	32	30–50	0.87	–	–
FSUE KBP	97.5	30	–	113	250	320

In addition to these figures, this report has collected the following range of estimates for the period 2000–2005:

- Alexander Fomin, Director of the Arms Department of Rosoboronexport, stated in 2001 that 130,000–150,000 SALW units and 150–200 million rounds of ammunition, worth between US\$100–150 million a year, were being exported from Russia in the late 1990s;²⁴³
- Maxim Pyadushkin, a Russian arms trade analyst, estimated that Russian SALW sales abroad are worth between US\$150–200 million per year, or around five percent of total Russian conventional arms exports;²⁴⁴

²⁴¹ Op cit Small Arms Survey (2004), p 100.

²⁴² Sources used: Kenzhetayev M and Pronina L, 'Rocketing up the arms sales charts', *Moscow Times*, themoscowtimes.com, 15 April 2002, p 12; Makienco K, 'The Official Results of Russia's Arms Export in 2000', *Eksport Vooruzheniy Journal*, 2, March–April 2001, pp 42–3; Novichkov N, 'Rosoboronexport boosts defence industry with record US\$5.1 billion in 2003', *Jane's Defence Weekly*, 4 February 2004, p 23; Pukhov, Makienco and Pyadushkin 2002, 5; 'Russia's Weapon Exports at over US\$6 billion in 2005', *Kommersant*, www.kommersant.com, 20 January 2006, <[http://www.kommersant.com/p-7975/Russia_s_Weapon_Exports_at_over_US\\$6_billion_in_2005_-/](http://www.kommersant.com/p-7975/Russia_s_Weapon_Exports_at_over_US$6_billion_in_2005_-/)>; op cit Safronov 10 May 2005.

²⁴³ Op cit 'Russian Small Arms ...' (2001), p 7.

²⁴⁴ Op cit Pyadushkin (2002), p 50.

- Vadim Kozyulin, of the PIR Center, stated that Russian small arms exports are worth US\$100–150 million per year, or around 2–3 percent of total conventional arms exports;²⁴⁵
- Marat Kenzhetayev, of the Centre for Arms Control, stated that Russia sells up to US\$60 million worth of small arms per year;²⁴⁶
- The Small Arms Survey estimated that Russia exported US\$250 million worth of SALW in 2002. They also estimated that a further US\$150 million worth of civilian SALW were exported in the same year;²⁴⁷
- Timur Khikmatov, a journalist for *Izvestiya*, stated that Russian SALW exports are worth around US\$200 million a year;²⁴⁸
- The Control Arms campaign estimated that Russia exported ‘at least’ US\$42.2 million worth of SA in 2003;²⁴⁹
- El’dar Badyrkhanov and Petr Kanaev, *Vzglyad delovaya gazeta* journalists, reported that Russia exports around US\$100–150 million worth of SALW each year, or somewhere between 2–3 percent of the value of all Russian arms exports.²⁵⁰
- *Kommersant* newspaper has suggested that Russian exports are worth US\$100–150 million in 2001.²⁵¹

Based on these figures, Russian SALW exports are worth somewhere between US\$60–200 million per year. An alternative range of values for Russian SALW exports are given in the table below, based upon calculations for two and five percent of official conventional arms export values.

Arms export figures (US\$) for 2000–2005 and estimates for SALW exports²⁵²

Year	2000	2001	2002	2003	2004	2005
Total value of arms sales	3.681 bn	3.705 bn	4.81 bn	5.4 bn	5.7 bn	6 bn
Value of SALW sales: 2% of total value of arms sales	73.62 m	74.1 m	96.2 m	108 m	114 m	120 m
Value of SALW sales: 5% of total value of arms sales	184.05 m	185.25 m	240.05 m	270 m	285 m	300 m

The figures contained in the table provide a range that is comparable to that given by the analysts cited above, with a low of US\$73.62 million and a high of US\$300 million. However, it should be borne in mind that these figures are still very rough estimates and that SALW exports may not constantly fall between 2–5 percent of all Russian conventional arms exports. It is very difficult to discern SALW trade patterns from the very partial data that is available in open source materials. For example, the US\$54 million sale of Kalashnikov rifles to Venezuela has been so openly reported that one could assume that this is an unusually large order for Russian SA. It would therefore be fair to assume that this caused a large leap in the value of Russian SALW exports, but it does not necessarily follow that the share of Russian SALW exports for 2005 is near or above the 5 percent share. If other conventional weapons sales are also increasing, then it is possible that Russian SALW share of conventional weapons export values for 2005 is around the 2 percent mark.

²⁴⁵ Op cit Litovkin, 7 February 2006.

²⁴⁶ Pronina L, ‘Russia Defends Rights to Arms’, *Moscow Times*, 4 August 2005, p 7, <<http://www.themoscowtimes.com/stories/2005/08/04/041.html>>.

²⁴⁷ Op cit Small Arms Survey 2003, p 161. See also: op cit Cooper (2004).

²⁴⁸ Khikmatov cites this figure in two articles, one published at the end of 2001 and another at the beginning of 2002, but in neither article does he give an official source for this figure. Khikmatov T, ‘Bronya krepka, podlodki bystry. Rossiya namerena ukrepit’ svoi pozitsii v eksporte vooruzhenii’, *Izvestia*, www.izvestia.ru, 18 February 2002, <<http://www.izvestia.ru/economic/article14789/>>; Khikmatov T, ‘Sol’nyi vykhod: Eksportery oruzhiya na verstvyayut upushchennoe’, *Izvestia*, www.izvestia.ru, 17 December 2001, <<http://www.izvestia.ru/economic/article11512/>>.

²⁴⁹ Control Arms (June 2005), p 22.

²⁵⁰ Badyrkhanov E and Kanaev P, ‘Kalashnikov nastrelial miliardy liderarmi po ob’emam eksporta legkogo i strelkovogo oruzhiya po itogam 2005 goda stali Rossiya, Amerika I Italiya’, *Vzglyad delovaya gazeta*, 27 July 2006, <<http://www.vz.ru/economy/2006/6/27/39169.html>>.

²⁵¹ ‘Oruzhye v tzifrah’, *Kommersant*, 16 July 2001.

²⁵² Makienko K, ‘Predvaritel’nye itogi voenno-tekhnicheskogo sotrudnichestva Rossii s zarubezhnymi gosudarstvami v 2004 godu’, *Vooruzheniy Zhurnal*, 6, November–December 2004, p 9; 2005 figures from: ‘Russia’s Weapon Exports at over US\$6 billion in 2005’, 20 January 2006, *Kommersant*, <[http://www.kommersant.com/p-7975/Russia_s_Weapon_Exports_at_over_US\\$6_billion_in_2005_/](http://www.kommersant.com/p-7975/Russia_s_Weapon_Exports_at_over_US$6_billion_in_2005_/)>.

Licensed production

ALTHOUGH COMPANIES WERE ENGAGING IN THE LICENSED PRODUCTION OF ARMS in the 1930s, in the 1960s there were still only five major conventional weapons systems licensed for production in developing countries.²⁵³ By the end of the Cold War this had changed, as Soviet Union, the USA and other UN Security Council five permanent member states transferred technology to enable more and more countries to develop arms production facilities. Although most of these facilities were established on the proviso that the weapons that they produced would only be destined for the legitimate security forces of the country in which they were manufactured, some facilities were also given express permission to export. Of course, even if they were not given express permission, how would the Soviet Union or the USA have ‘controlled’, or even known about, production levels or exports?²⁵⁴ Even today, with evidence suggesting an increase in the trend of overseas licensed production of conventional weapons systems,²⁵⁵ there are no global standards for controlling production and exports. The Control Arms campaign has argued that “few governments have demonstrated sufficient political will to control the licensing of arms production around the world”.²⁵⁶

Arrangements for the transfer of technology to produce Soviet Kalashnikovs and German Heckler and Koch G3 assault rifles serve as classic examples of where licensed production has led not only to exports being made without the express permission of those issuing the licence, but has also led to unlicensed production.²⁵⁷ The legacy of Soviet technology transfers can still be seen in the large number of former Warsaw Pact and developing countries that have production facilities and assault rifle models that are merely AK copies. It is worth noting that although ‘AK-47’ is the nomenclature used to describe most Kalashnikov assault rifles, most overseas Kalashnikov production was of the AKM model, because this model is generally cheaper and easier to manufacture. It has been reported that the willingness of the USSR to share the design for its AK rifles with allies and clients led to the production of variants in at least a dozen countries, with some reports suggesting that as many as 20 countries were still producing AK models within the past five years.²⁵⁸ The following dozen countries are known to have recently produced AK models and variants:

- Albania (Types A, B and C)
- Bulgaria (AR-M1 and AR-SF)
- China (Type 65)

²⁵³ Op cit Control Arms 2 October 2006, p 16.

²⁵⁴ Ibid, p 9.

²⁵⁵ Op cit Control Arms 26 June 2006, p 6.

²⁵⁶ Op cit Control Arms 2 October 2006, p 17.

²⁵⁷ Op cit Control Arms 26 June 2006, p 5.

²⁵⁸ Op cit Kozyulin and Laguta (2006), p 160.

- Egypt
- Germany
- Hungary (AKM-63 and AKM-65)
- India
- Iraq (Tabuk)
- North Korea (Type 58 and 68)
- Poland (AKM Kainek and Tantal)
- Romania (AKM 63 and 65)
- Serbia (Zastava M70)²⁵⁹

In addition, Kalashnikov technology has been used in the development of assault rifles produced in:

- Finland (Sako M60, M62, M76)
- Israel (Galil ARM/AR)
- South Africa (R4)

According to Rosoboronexport Deputy Director, Nikolai Shvets, Russia has AK licensed production arrangements with Hungary, Israel, Turkey, Kazakhstan, India and France and was in talks on licensed production arrangements with China, Italy, the Czech Republic and a number of other countries in 2006.²⁶⁰ Although Shvets did not name Myanmar in his list of states that have been granted permission to produce AKs under licence, another source has stated that such an agreement for licensed production has been concluded.²⁶¹

And it seems as if Russia continues to be willing and able to share information on SALW designs and production technology today, although unlike in the Soviet era, it will come at a cost. According to Aleksandr Denisov, First Deputy Director of Russia's FSMTC, Russia has recently secured a number of large contracts for small arms exports, or more precisely, "the purchase of licences to produce Kalashnikov sub-machine guns". He continues by stating that:

*"We always set forth a condition that the licence may not be sold until a commercial batch of AK submachine guns is bought. And the size of the batch is determined for each country individually and depends on what quantity of items is involved in the licence manufacturing."*²⁶²

There is reportedly a clause in the contract for licensed production of AKs in Venezuela that explicitly called for Russian consent to be sought and successfully received before any Venezuelan-produced AKs could be exported.²⁶³ Of course, it remains to be seen how this will be enforced. One would think that Russia would have been more reluctant to agree to such arrangements, considering that it is currently seeking to deal with the legacies of Soviet-era arrangements for the overseas production of Soviet-designed SALW.

Russia has been a keen advocate of international arrangements, controls and punishments for the unlicensed manufacturing of arms, drawing attention to the issue at various UN PoA sessions and in other international forums. For example, it pushed for UN action in this field during the July 2005 review of the UN PoA, with Pyotr Litavrin, deputy head of Security and Disarmament at the MFA, quoted as saying that: "if we make pirated CDs, it is considered a crime, but when it comes to weapons, which is more serious, they turn a blind eye to it".²⁶⁴

²⁵⁹ Op cit Control Arms 26 June 2006, p 3.

²⁶⁰ Op cit 'Russia pushing ban ...' 28 April 2006; op cit '90% of Kalashnikov ...' 15 April 2006.

²⁶¹ Pechko V, 'Reputatsiya Kalashnikova. Otkazy pokupatelei ot Bolgarkoi produktsii, zapolonivshei "chernyi" i "seryi" rynki vooruzheniya, diskreitiyut avtomaty rossiiskogo proizvodstva', *Vzglyad delovaya gazeta*, 27 April 2006, <<http://vz.ru/economy/2006/4/27/31628.html>>.

²⁶² 'Land forces' armament exports growing', *Arms Show News*, IDELF-2006 official daily magazine 3, 4 August, p 1.

²⁶³ Op cit Control Arms, 26 June 2006, p 9.

²⁶⁴ Litovkin V, 'How can illegal arms trafficking be stopped?', *RIA-Novosti*, 05 August 2005, <<http://en.rian.ru/analysis/20050805/41094634.html>>; op cit Pronina 4 August 2005.

Although media reports were discussing the unlicensed production of various Soviet and Russian conventional arms in 2004,²⁶⁵ it was during the spring and summer of 2006 that a major offensive against states selling unlicensed copies of AK assault rifles began to gather pace and vocal advocates. For example, in the spring of 2006, Shvets stated that 18 states had signed contracts for the licensed production of AK assault rifles during the Soviet era, but in his opinion these contracts had ‘expired’.²⁶⁶ Based upon such thinking, Shvets claimed that 11 states produce AKs ‘illegally’. In May 2006, a representative of the Russian MFA claimed that “several tens of foreign firms that produce and trade Kalashnikov rifles” without the express permission of Russia and the patent holder Izhmash.²⁶⁷ And in the summer of 2006, Rosoboronexport’s Sergei Chemezov stated that they were preparing a number of lawsuits to be submitted to international arbitration courts to stop the production of Kalashnikovs in countries that have not received licences from the post-Soviet, Russian Government, as it seems that the cases will be based upon the fact that there was no explicit permission granted to continue production after the collapse of the USSR.²⁶⁸ However, it is unclear if ‘contracts’ were signed and certainly no information had been previously disclosed on the fact that they were only arranged for a limited period of time.

Rosoboronexport’s Sergei Chemezov has stated that one of the ‘worst offenders’ for unlicensed production of Kalashnikov-type assault rifles is Bulgaria.²⁶⁹ At the 10th International Exhibition of Arms and Military Technology DSA-2006, the Bulgarian SALW producer ‘Arsenal’ was singled out for criticism by Rosoboronexport officials. They stated that while Arsenal produces and exports Kalashnikovs, which are indistinguishable from Izhmash-produced Kalashnikovs, they do not pay any royalties to Russia. They also stated that Arsenal’s AKs give Russian Kalashnikovs a ‘bad name’, because they are sold onto the grey and black markets.²⁷⁰ The attack on Arsenal reveals the economic rationale behind the Russian calls for stricter controls on unlicensed production. The general director of Izhmash, Vladimir Grodetsky, also claims that the USA’s decision to purchase Bulgarian AKs for the Iraqi armed forces is stimulating the demand for Kalashnikov copies.²⁷¹ He estimates that one million Kalashnikovs are produced each year and then calculates that because only 10–12 percent of these are made at Izhmash, they are losing hundreds of millions of US dollars worth of trade. And while Rosoboronexport’s Sergei Chemezov has labelled Bulgaria and Hungary as the ‘worst offenders’, Grodetsky claims that the USA and the Bulgarian and Polish firms that are producing tens of thousands of Kalashnikovs for the Afghan and Iraqi armies, are the problem.

In the end, the Bulgarian firm ‘Arsenal’ won the tender to supply the Iraqi army with Kalashnikov assault rifles, probably due to the fact that their unit price was reported to be around US\$100, significantly less than their Izhmash-made equivalents, which cost between US\$500 and US\$1000 each.²⁷² Therefore, the decision to give designs and information on product technology to Warsaw Pact states and clients during the Soviet-era is a source of concern for the Russian SALW industry today. What guarantees are there that the licensed production deals being concluded today will not also produce a similar situation in the future?

²⁶⁵ For example see: ‘Ameriku ulichili v podderzhke proizvodstva piratskikh “Kalashnikovykh”’, *www.izevestia.ru*, 26 July 2004, *Izvestia*, <<http://www.izvestia.ru/news/news89749>>; ‘What the Russian Papers Say’, *RIA-Novosti*, 8 October 2004, <<http://en.rian.ru/analysis/20041008/39770776.html>>.

²⁶⁶ ‘Russia pushing ban on illegal production of Kalashnikov rifles’, *RIA-Novosti*, 28 April 2006, <<http://en.rian.ru/business/20060428/47016614.html>>; ‘90% of Kalashnikov rifles on world market knockoffs-Izhmash CEO’, *RIA-Novosti*, 15 April 2006, <<http://en.rian.ru/russia/20060415/46441571.html>>.

²⁶⁷ Pechko V, ‘Rossiya vstupilas’ za Kalashnikov. Rossiya namerena zhestko zashchit’ svoi prava na proizvodstvo o prodazhu avtomatov Kalashnikova, *Vzglyad delovaya gazeta*, 25 May 2006, <<http://www.vz.ru/society/2006/5/25/34958.html>>.

²⁶⁸ ‘Rosoboronexport to sue over illegal arms production abroad’, *RIA-Novosti*, 27 June 2006, <<http://en.rian.ru/russia/20060627/50550996.html>>.

²⁶⁹ Op cit ‘Rosoboronexport to sue ...’ 27 June 2006.

²⁷⁰ Op cit Pechko 27 April 2006.

²⁷¹ Kiselev I, ‘Rossiya teryaet “Kalashnikov”’. Rossiya poteryala monopoliyu na proizvodstvo avtomatov Kalashnikova, odnogo iz samykh i izvestnykh i vostrebannykh vidov strelkovogo oruzhiya’, *Vzglyad delovaya gazeta*, 17 April 2006, <<http://vz.ru/economy/2006/4/17/30264.html>>.

²⁷² Op cit Gabelnick, Haug and Lumpe (2006), p 54; Pronina 4 August 2005; ‘Russian gun originator wants piece of the action’, *Associated Press*, 5 August 2004.

Recommendations

THIS REPORT'S KEY FINDING is that reliable official data on the state of the Russian SALW industry and the scale and stability of its international sales, is very limited and insufficient in quantity and quality to enable a fully informed discussion. This is evident from the short summaries of challenges and prospects that can be found in the quarterly accounting reports of arms producing companies such as Degtyarev and Izhmash. The fact that basic data on the number of people working in the military SALW sector, the quantity of military SALW units produced and the value of revenues earned from military SALW production and exports is classified as 'for service use only' strikes one as short-sighted. From an economic perspective, greater public transparency should be viewed as a means for enabling independent analysis to assist with the processes of restructuring and helping to identify market trends and potential problems. It is also the only effective warranty against accusations of 'foul play', as stated above with reference to Israeli accusations against Russian transfers to Syria.

Although there is a lack of accurate and reliable figures on the contribution of Russia's military SALW sector to Russia's GDP and exports, it appears that the economic significance of this sector is often overestimated. The small sample of cases of SALW exports discussed above reflects the comparative lack of press coverage that this sector of the conventional arms industry receives. The fact that so much coverage has been devoted to the US\$54 million sale of AK assault rifles to Venezuela suggests that this is probably the single most important Russian SA export in recent years, yet it represents a fraction of the potential US\$3 billion worth of conventional arms being sold to Venezuela.²⁷³ Reliable information on the number of military SALW units produced and exported has been even more difficult to locate. There is certainly very little of the spirit of 'glasnost' remaining with regard to Russia's SALW industry and trade today.

In democratic societies transparency in governmental policies and practice is a key feature for ensuring public oversight and government accountability. This is particularly important in a sensitive area such as production and trade in arms, where the country's international image and reputation – as a responsible arms producer and exporter – is at stake. Greater transparency and openness in this sphere would give Russia additional credit as a new democracy, increasingly bringing its practices into line with those of its international peers.

²⁷³ Anderson G, 'Venezuela's Arms Purchases from Russia Could Reach \$3bn', *Jane's Defence Weekly*, 9 August 2006; Terekhov A, 'Podlodki dlya Chavesa ne gotovy', *Nezavisimaya gazeta*, 27 July 2006, p 5.

Public transparency in the Russian small arms and light weapons industry

De-classify enterprise data on small arms and light weapons employment, profit, sales and export figures.

It has been possible to gather from open sources some economic data and indicators for a number of enterprises that have been identified in the past as Russia's leading SALW producers. As expected, this has proved to be an easier task for enterprises that are accountable to shareholders and which therefore must produce quarterly accounts, such as Degtyarev and Izhmash. However, it has not been possible to find data specifically on military SALW in these accounts or other open source materials, for the reasons outlined earlier.

The value of Russian military SALW exports is relatively low in comparison to civilian SA and other conventional arms. Russian SALW producers reportedly employ less than 80,000 people, although the actual number employed specifically in military SALW production remains unknown. Therefore, in national terms, it is to be assumed that the SALW industry is comparatively insignificant in terms of revenues and employment compared to other manufacturing sectors. The AK remains a well-known trademark and is cherished by many in Russia, but it is clear that military SALW production does not provide employment and opportunities comparable to those of the Soviet era on the national level. However, according to their websites, SALW-producers continue to play significant economic and social roles on the local and even regional levels. For example, it has been noted that the Degtyarev plant employs 15,000 people and provides 60 percent of the Kovrov city budget,²⁷⁴ and Izhmash took the title of 'Best exporter of the Udmurt Republic – 2005', with exports valued at US\$73.6 million for 2005, or 20 percent of Udmurtia's total exports.²⁷⁵

Izhmash's reported export value for 2005 poses another set of problems that cannot be discussed without greater disclosure of figures relating to military SALW – the consequences of export dependence. It should be noted that the value of Izhmash's exports for 2005 was 11 times higher than the value of its 2004 exports. What impact does the unstable global military SALW market have upon the livelihoods of SALW industry employees? Has product diversification succeeded in enabling these enterprises to survive without a constant flow of large military SALW orders? To what extent have these enterprises benefited from direct or indirect subsidies? It was stated above that Izhmash has received credit from Rosoboronexport to enable it to meet the Venezuelan AK order, but are there other examples of state assistance?

Conduct a review of the classification of small arms and light weapons enterprises located within the OPK.

Following a declassification of data on SALW production, independent analysts would be able to draw definitive conclusions on the state of the Russian SALW industry today and its efforts to overcome some of the negative legacies of the Soviet and Yeltsin eras. For example, at present, one cannot definitively state whether the main centres of Soviet SALW production continue to merit their place in the Russian OPK. It has been argued that the production output of IMZ, Izhmash and Molot has been predominantly civilian in nature for several years.²⁷⁶ However, due to the fact that it is not possible to acquire information on actual shares of military output, one cannot initiate an informed debate on whether these enterprises should be transferred from the OPK and classified as civilian industry enterprises. This could be an important shift for some enterprises, enabling them to change their investment profiles and perhaps be able to foster greater cooperation overseas. At the same time, it would facilitate the consolidation of Russia's SALW industry.

²⁷⁴ 'Press-Konferentsiya "ZID" – MDM – 000 "Oboron-Impeks"'. *Khronika protivostoyaniya*, Degtyarev Plant Website, July 2005, <<http://www.zid.ru/ru/news/news200507.html>>.

²⁷⁵ 'JSC "Concern "Izhmash" – the best and largest exporter of the Udmurt Republic', Website of JSC Izhmash, 29 May 2006, <<http://www.izhmash.ru/eng/news/290506.shtml>>.

²⁷⁶ Op cit Pyadushkin, Haug and Matveeva (2003); op cit 'Reiting predpriyatii ...' (2003), p 55.

Require small arms and light weapons-producing enterprises to regularly publish comparable sets of data on sales, exports and customers.

It could be argued that greater public transparency on SALW suppliers is the first step for countering accusations of illicit proliferation. By regularly disseminating data on quantities and/or values of SALW sales and customers, Russian SALW enterprises would be in a stronger position than at present when countering accusations of illegal sales or sales that have been diverted to illicit end-users or used for unlawful purposes, such as human-rights abuses. At present the main data on military SALW publicly displayed by enterprises is their product range. Greater public transparency on revenues derived from military SALW sales and exports, R&D expenditure etc could also help to improve prospects for long-term international co-operation and developments in relation to market forecasting.

Public transparency in the Russian small arms and light weapons trade

Provide UN COMTRADE and UNROCA with full, accurate and timely data on small arms and light weapons transfers

In recent years we have witnessed the development of a number of measures undertaken at the global, regional and national levels to address the lack of transparency in the international arms trade. Russia has participated in the OSCE, the Wassenaar Arrangement and UN international information exchange mechanisms relating to SALW issues. However, Russia's fulfilment of its international commitments to improve inter-state transparency is to some extent undermined by its very mixed record on public transparency with regard to arms transfers. For example, it is difficult to square the decision to submit information to the UNROCA, but not to submit data on military SALW transfers to COMTRADE. As both databases are open to the public, why are military SALW transfers deemed to be of a more secretive nature than major conventional arms systems? The omission of military SALW exports from Russia's COMTRADE submissions is made to seem stranger still, due to the fact that many states importing military SALW from Russia continue to report on these imports to COMTRADE. In the current international climate with increasing transparency on SALW transfers, Russia unfortunately gives the wrong impression that it has something to hide by not openly disclosing data on military SALW transfers. It will therefore be interesting to observe Russian compliance with the expansion of the UNROCA to cover SALW transfers. Will Russia continue to voluntarily submit data on all of the requested categories listed in the expanded UNROCA?

Publish a regular report on the value, volume and recipients of Russian conventional arms transfers, including small arms and light weapons

One solution to this situation is for Russia to publish an annual report giving details on volumes, values and recipients of Russian arms exports and relevant legislation, decision-making structures, processes and enterprises involved in Russia's arms production and trade. It is worth noting that such public reporting processes are not confined to the EU space, as Russia's CIS neighbours Belarus and Ukraine have also published reports on their arms exports and related issues, drawing together UNROCA and OSCE SALW submissions.²⁷⁷ However, at the very least, Russia could follow Spain's suit and make its submission to the OSCE's information exchange mechanisms on SALW available to the public. An even more significant step would be to publish details on all SALW transfers, not just those within the OSCE region. Rosoboronexport already gives an annual overview of the value of conventional arms exports and has also given a geographical breakdown of its main customers. It is

²⁷⁷ The Ministry of Foreign Affairs of Belarus began publishing an annual report on Belarus' arms exports in 2002, copies of the most recent reports can be found on the SIPRI website, <http://www.sipri.org/contents/armstrad/atlinks_gov.html>. The 2004 and 2005 annual reports on Ukrainian arms exports can be found at the website of the State Export Control Service of Ukraine, <<http://www.dsecu.gov.ua/control/>>.

therefore very difficult to discern any particular reasons for not carrying out similar announcements for SALW transfers.

These steps towards far greater public transparency on Russia's SALW transfers would represent a significant confidence and security building measure, improve Russia's international reputation as a reliable and open arms trader and serve as the basis on which to counter allegations relating to 'undesirable' exports. The regular publication of a report on Russian SALW transfers would enable Russia to gain a far more sympathetic international hearing when responding to allegations that it is not a responsible arms trader. It would also enable analysts to assess the Rosoboronexport's claims that it is the best option for marketing and promoting Russian SALW to overseas markets and serves the interests of Russia's SALW producers. For example, at present, it is very difficult to tell if efforts at international arms fairs in Asia, the Middle East and Latin America are paying off.

Main Russian small arms and light weapons producers

Federal State Unitary Plant Izhevsk mechanical plant (FSUE 'IMZ')

Website: <<http://imzcorp.com/>>

The official birth of the IMZ has been traced back to Order No. 375 of the Soviet National Arms Commissioner, dated 12 July 1942, which called for the establishment of an:

“independent plant named as the N° 622 State All-Union Small-Arms Plant for production of the Degtyarev and Simonov anti-tank rifles, Nagant revolvers, PT, AT and TT pistols, 26 mm signal pistols, ball mounts and Nordenfeld’s igniting fuses.”²⁷⁸

In addition to these items, the plant has serially produced Makarov pistols, shotguns, ATGMs, MANPADs, air-to-air guided missiles, and control systems for medium-range and tactical missiles. However, according to its website, the FSUE IMZ is now predominantly a producer of civilian hunting and sporting rifles, producing 679,000 civilian SALW units in 2004.²⁷⁹ IMZ’s website also claims that it accounts for an estimated 70 percent of Russian exports of hunting and sporting small arms and has sold small arms to 65 countries. Analysts estimate that its civilian SALW account for around 40 percent of global hunting and sporting small arms, worth around \$14 million per year.²⁸⁰ The plant has produced more than five million pistols and in 2000 developed the 9mm Yarygin service pistol. Thus, most of the small arms displayed upon its website are for sporting and hunting purposes, although the following combat and service pistols are also displayed:

- Makarov Pistol (PM)
- Yarygin Pistol
- ‘BAIKAL-442’
- IZH-75
- MP-446 ‘VIKING’
- PSM
- IZH-71
- MP-471

²⁷⁸ Website of the FSUE IMZ, <<http://imzcorp.com/en/info/history.html>>.

²⁷⁹ Op cit ‘Itogy FGUP ...’ 24 January 2005.

²⁸⁰ Op cit Pyadushkin, Haug and Matveeva (2003), p 9.

Although it has been argued that IMZ's production is now 'practically entirely civilian',²⁸¹ it has been reported that IMZ manufactures small runs of Kedr and Klin sub-machine guns for Russian Interior Ministry Forces, although details of this are not displayed on the website.²⁸² IMZ's website features bilingual pages and has a host of information on the SALW units that are produced at the plant and a regularly updated news section. However, there is very little information on the company's finances, production output or employees. Therefore, the most up-to-date information on these issues has been taken from CAST's ranking for IMZ for the period 1999–2001:²⁸³

Year	Rank	Sales (US\$ m)	Exports as a percentage of total sales	Profit (US\$ m)	Employees
1999	15th	40.9	–	–	–
2000	16th	46.6	35%	–	14,954
2001	16th	57.7	35.5%	6.5	15,228

JSC Degtyarev plant

Website: <<http://www.zid.ru/>>

The JSC Degtyaryev Plant has its roots in a machine gun plant established for the armed forces in Kovrov in 1917. It has produced a number of infantry weapons since its foundation, including the Degtyarev antitank rifle (PTRD), Degtyarev infantry machine-gun (DP), AK-47, Shpagin machine pistol (PPSh), the Goryunov heavy machine-gun (SG), AT rockets and systems including the 'Shmel', 'Malyutka', Fagot and Faktoriya, as well as Strela-2, Strela-2M and Igla-1 MANPADS.²⁸⁴ It currently lists the following SALW systems and missiles as available for export, mentioning that its equipment is in the armies of 17 states, although it does not explicitly mention them:

- 12.7 mm 'Kord' machine-gun
- 9M39 missiles for use with 'Igla' 9K38 MANPADS (in collaboration with KMBDB)
- Shot 3UBK20 with 9M119M guided missile
- Shot 3UBK14F with 9M119F guided missile
- 9M133 missiles for use with 'KORNET-E' long range ATGM systems (in collaboration with KBP)
- Small-sized remotely controlled anti-diversion grenade launching systems 'DP65'
- 'DP64' hand-held grenade launcher
- Special grenade launching system 'RGS-50M'
- 30 mm antipersonnel automatic grenade launching system AGS-30' (in collaboration with Vyatskiye Polyany Machine-Building Plant 'Molot')
- Inserted unified self-loading gun '2X35'

In addition the plant produces mopeds, motorcycles, sewing machines and storage batteries. It has been estimated that military products constitute around 50 percent of the plant's total output, with the vast majority of these products intended for export.²⁸⁵

In 2001, the plant's management became the largest shareholder following a management buyout, although the state retains a 'golden share'.²⁸⁶ The plant's website is available in Russian and English, although information on the English language pages is limited to details on products and contacts for co-operation and sales and still features a reference to its ranking amongst Russia's top companies for sales and profit volumes

²⁸¹ 'Reiting predpriyatii rossiiskogo OPK v 2002 godu', *Ekspert Vooruzheniy Zhurnal*, 3, May–June 2003, p 55.

²⁸² Op cit Pyadushkin, Haug and Matveeva (2003), p 9.

²⁸³ 'Rating of Russian ...' 2001, 51–5; 'Ratings of Russian Defense Companies', *Ekspert Vooruzheniy Journal*, No 3, (May–June 2002), pp 25–8; 'Reiting predpriyatii ...' (2003), pp 55–8.

²⁸⁴ *Degtyarev Plant Website*, <<http://www.zid.ru/>>.

²⁸⁵ Op cit Pyadushkin, Haug and Matveeva (2003), p 12.

²⁸⁶ *Ibid.*

for 1998, suggesting that these pages have not been updated recently. In contrast, the Russian language pages also feature information for shareholders, a calendar of exhibitions at which the plant has displayed its products and a regularly updated newswire.

In 2001, the plant's management became the plant's largest shareholder with the state retaining a 'golden share'. At a meeting held on 7 July 2005, the chair of the plant's Trade Union, V T Russu, announced that since the management buyout, the volume of production had more than doubled, the company had made around RUR2 billion in profit and productivity had increased by 30 percent.²⁸⁷ The head of the Kovrov Administration, V T Arsentev, noted that the plant employs 15,000 local people and provides 60 percent of the city budget. The plant has also featured amongst Expert's 200 and Kommersant's 300 largest Russian companies, ranking 94th in 2004 and 207th in 2005.²⁸⁸ The following data on the company's market value, profits and shareholders is taken from these surveys:

Year	Market value (US\$ m)	Profit (US\$ m)	Operating profit (US\$ m)	Net profit (US\$ m)	No of shareholders
2002	–	113.92	27.7	6.95	–
2003	–	189.74	55.96	3.28	–
2004	174.84	134.9	10.43	–5.02	2168
2005	52.45	–	–	–	2167

The following table gives CAST's ranking for the plant in its Rating of Russian Defence Companies and also reported sales volume for the period 1999–2002:²⁸⁹

Year	Rank	Sales (US\$ m)	Profit (US\$ m)	Employees
1999	13th	51.9	–	–
2000	12th	59.7	8	15,368
2001	13th	84.3	15.7	15,000
2002	9th	217	16.6	–

The Degtyarev Plant's third quarter accounts for 2006 reveal more recent data on revenues, profits and foreign sales income:²⁹⁰

Year	Revenue (RUR m)	Gross profit (RUR m)	Net profit (RUR m)	Sales profit (RUR m)	Foreign sales income (RUR m)
1st 9 months of 2006	2,431.5	285.4	108.8	195.6	91.3

JSC Kovrov mechanical plant

Website: <<http://www.kmz.kovrov.ru/>>

The plant was created in 1950 as small arms producing subsidiary of the Degtyarev Plant and in 1991 became the JSC Kovrov Mechanical Plant. During the Soviet-era it manufactured Kalashnikov machine guns and RPG-7s. These products remain on offer, alongside AEK assault rifles and sub-machine guns, which were developed in the late 1990s. The plant also produces components for MANPADS in collaboration with the KMBDB.²⁹¹ Products include:

²⁸⁷ 'Press-Konferentsiya "ZID" – MDM – 000 "Oboron-Impeks"'. Khronika protivostoyaniya', Degtyarev Plant Website, July 2005, <<http://www.zid.ru/ru/news/news200507.html>>.

²⁸⁸ Op cit '300 Largest Companies of Russia', 13 September 2004; op cit '300 Largest Companies of Russia', 7 September 2005.

²⁸⁹ Op cit 'Rating of Russian ...', (2001), pp 51–5; op cit 'Ratings of Russian ...' (2002), pp 25–8; op cit 'Reiting predpriyatii ...' (2003), pp 55–8.

²⁹⁰ 'Ezhekvartal'nyi otchet otrkytoe aktsionerное obshchestvo "Zavod im. V.A. Degtyareva" za III kvartal 2006 g.', Degtyarev Plant website, <<http://www.zid.ru/ru/stock.html>>.

²⁹¹ Op cit Pyadushkin, Haug and Matveeva (2003), pp 11–12.

- 5.45mm AEK-971 assault rifle
- AEK-919K 'Kashtan'
- 7.62mm PKM machine gun
- 7.62mm PKMS machine gun on a Stepanov mount
- 7.62mm PKMB machine gun
- 7.62mm Pecheng 6P41 machine gun
- RPG-7B1 hand held anti-tank grenade launcher
- 9M333 rockets for Strela 10M3 MANPAD systems

According to one source, 89 percent of the plant's output in 2001 was of a military nature,²⁹² although the plant also produces medical equipment and solar energy equipment. Unfortunately, the plant's website offers a comparatively limited amount of information in English and Russian, with the exception of technical specifications on products. There is a limited history page on both the English and Russian pages, but the newslines only feature on the Russian pages and has not been updated since the beginning of 2006. Therefore, the best information on sales, production information and number of employees remains that provided by the Small Arms Survey's 2003 study 'Beyond the Kalashnikov':²⁹³

Year	Sales (US\$ m)	Production volume (US\$ m)	Employees
2000	15.8	-1.2	3,000
2001	22.2	6	3,000

JSC Tula arms plant

Website: <<http://tulatoz.ru>>

The Tula Arms Plant traces its origins back to the decree of Peter I to establish an armoury in Tula. Construction work began on 12 February 1712 and by 1720 the armoury had reportedly produced several thousand guns. Therefore, the Tula Arms Plant regards itself as the oldest SALW producer in Russia today, home to a number of well-known Russian and Soviet SALW, such as the Mosin Rifle, Maxim-type machine guns, Nagan revolvers, TT pistols and between 1961–1982 Kalashnikov sub-machine guns. It also produced missiles and parts for the Malyutka, Fagot and Konkurs ATGM systems and the under-barrel grenade launcher Kostyor during the Soviet period. It continues to offer these products today as well as a wide range of TOZ brand hunting and sporting small arms:

- 40-mm GP-25 modernised under-barrel grenade launcher
- 9M113M Konkurs M system ATGM
- 9mm SR-3 small-sized submachine gun
- 9mm AS special machine carbine
- 9mm VSS special sniping rifle
- 7.62mm PSS pistol
- 5.45-mm AKSU-74 submachine gun
- APS special submarine submachine gun
- SPP-1M special submarine pistol

According to its website, it not only sells its SALW within Russia, but also has connections with companies in more than 30 countries, including: Argentina, Armenia, Belarus, Great Britain, Germany, Egypt, India, Kazakhstan, Lithuania, Mongolia, USA, Ukraine, Finland, France, Czech Republic and South Africa. The emphasis on its international clients is understandable given that the plant reportedly exported 82 percent of its output and received 83 percent of its income from exports in 2000.²⁹⁴

²⁹² Ibid p 11.

²⁹³ Op cit Pyadushkin, Haug and Matveeva (2003), p 12.

²⁹⁴ Ibid p 10.

Pyadushkin, Haug and Matveeva also noted a sharp upturn in production output at the turn of the century, with military output also sharply rising. Unfortunately, it is not possible to state which military SALW product lines are currently being produced, nor the quantities.

The Tula Arms Plant became a JSC in 1993 and the state holds shares through the Federal Property Fund, as well as retaining a 'golden share'. Its website states that it takes the problem of a lack of highly qualified personnel in the arms industry seriously and in 2003 enabled 25 young members of staff to study at the Tula State University, whilst also stressing that it regards itself as a 'symbol of the city' and therefore in some way responsible for ensuring a good socio-economic environment in the city. However, this has not stopped the enterprise from shedding a thousand workers since 2001, as the total number of employees is now 6,000 and not 7,000, as shown in the table below:²⁹⁵

Year	Sales (US\$ m)	Production volume (US\$ m)	Employees
1999	29.4	3.9	7,000
2000	22	5.2	7,000
2001	13.4	0.3	7,000

The Tula Arms Plant's website is available in Russian and English language versions, with history, product ranges, information on exhibitions and newlines regularly updated on both sets of pages. Unfortunately, there is no information on military SALW production, sales or profit volumes.

Kolomna Machine-Building Design Bureau (KMBDB)

The KMBDB was established as a Special Design Bureau (SKB) in April 1942 and tasked with the development of mortars and recoilless rifles.²⁹⁶ However, in 1956 it began work on designing SAM and ATGM systems, with its portfolio including Strela-2, Strela-3 and Igla-1 SAM systems and Shmel and Malyutka ATGM systems. It has reportedly exported over 300,000 Malyutka ATGM to 35 countries during the Soviet-era.²⁹⁷ Portable SAM and ATGM systems continue to form the core of the KMBDB's output:

- Igla-S MANPAD system (in collaboration with Degtyarev Plant and LOMO of St Petersburg)²⁹⁸
- Khrizantema ATGM system
- Malyutka ATGM system

In addition to these military products, KMBDB produces goods for the food, construction, automobile, energy, medicine, agriculture, sporting and tourism industries.²⁹⁹ In 2001, it employed 3,000 people.³⁰⁰

In August 1999 the KMBDB received permission to export arms independently of state intermediaries, although it signed a co-operation agreement with Rosoboronexport on 12 April 2001. This is important as the share of KMBDB's output that was being exported grew significantly in the late 1990s, with 64 percent of revenues coming from exports in 1999 and 71 percent in 2000; it showed signs of continuing to increase into the new millennium.³⁰¹ According to one report, KMBDB's client list features more

²⁹⁵ Ibid.

²⁹⁶ Website of the *Nuclear Threat Initiative*, <<http://www.nti.org/db/nisprofs/russia/delivery/kbm.htm>>.

²⁹⁷ Ibid.

²⁹⁸ Op cit Pyadushkin, Haug and Matveeva (2003), p 14.

²⁹⁹ Website of the *Nuclear Threat Initiative*. Original source: Garavskiy A, 'Aktualno. Spetseksportery obyedyayut usiliya', *Krasnaya zvezda*, 14 April 2001, <<http://online.eastview.com/>>.

³⁰⁰ Op cit Pyadushkin, Haug and Matveeva (2003), p 14.

³⁰¹ Website of the *Nuclear Threat Initiative*. Original source: 'Kolomenskoye byuro mashinostroyeniya', *Novosti Tsentra AST*, 16 February 2001, Tsentra analiza strategiy i tekhnologiy Web Site, <<http://www.cast.ru/russian/database1.html?article=65>>.

than 60 countries, some of which have purchased licences to manufacture KMBDB products, including: Algeria, Bulgaria, Brazil, Ecuador, Finland, France, Germany, Kuwait, Jordan, Peru, Poland, Malaysia, Singapore, South Korea, Syria, Venezuela, Vietnam and the United Arab Emirates.³⁰² Igla SAMs form the bulk of the bureau's exports, with around 1,000 units exported annually according to reports published at the turn of the century.³⁰³

It should therefore not come as a surprise that the KMBDB's first independent export contract was for the delivery of 450 shoulder-carried Igla air defence systems to India. The contract was signed in December 2000 and the final deliveries for this order took place in 2002. It was recently reported that this will not be the only Indian order for KMBDB's MANPADS, with a report from 2006 suggesting that India will shortly conclude a contract for 2,000 Igla-S MANPADS, the transfer of technology for licensed production and a run of at least 5,000 missiles.³⁰⁴

Unfortunately, the actual value of KMBDB's exports in recent years is not all that clear. While there seem to be no disputes over export figures for 2001, 2002 or 2005, the figures for 2003 appear to be more complicated.³⁰⁵ For example, an article in Jane's Defence Weekly states that KMBDB exported only \$870,000 worth of military equipment in 2003, only three percent of its \$28.6m target for 2003.³⁰⁶ Maxim Pyadushkin attributes this shortfall to the impact of the "Ivanov embargo" and Russia's decision to sign up to the G8 document on combating MANPAD proliferation.³⁰⁷ In his opinion, this decision cost KMBDB a considerable contract for Igla-S MANPADS to a Middle Eastern country. However he stated that KMBDB achieved 60 percent of their 2003 target, delivering \$17m worth of exports. This should be borne in mind when analysing the table for exports and employees below:³⁰⁸

Year	Exports (US\$ m)	Employees
2001	32	3,000
2002	50	–
2003	0.87 – 17	–
2004	–	–
2005	60	–

OJSC Izhmash

Website: <<http://www.izhmash.ru>>

Although Izhmash's website claims that the enterprise's origins lie in the 18th century with the construction of an ironworks on the river Izh, it was not until 1807 that Tsar Alexander I decreed that an arms factory should be established in the Urals, with the mining engineer Deryabin selecting a site near the Izhevsk ironworks as a suitable location for an arms factory.³⁰⁹ The arms factory on the Izh reportedly produced 1.5 million rifles for the Russian armed forces in WWI and 11 million rifles and carbines in WWII. Of course, after WWII the plant became synonymous with one of its leading designers Mikhail Kalashnikov and the automatic assault rifles that bear his name. In addition to Kalashnikov assault rifles, Izhmash also produced Dragunov SVD sniper

³⁰² Website of the *Nuclear Threat Initiative*. Original source: Litovkin L, 'Kolonna udivlyayet mir', City of Kolomna Web Site, <<http://kolonnaonline.narod.ru/missile.htm>>.

³⁰³ *ibid.*

³⁰⁴ Op cit 'KBM hopes to Largely ...' (4 August 2006), p 5.

³⁰⁵ Kenzhetyayev M and Pronina L, 'Rocketing up the arms sales charts', *Moscow Times*, www.themoscowtimes.com, 15 April 2002, p 12; Vasiliev D, 'Russia's Arms Trade with Foreign States in 2005', *Moscow Defense Brief*, 1(5), (2006), <http://mdb.cast.ru/mdb/1-2006/arms_trade/item2/>.

³⁰⁶ Op cit Novichkov 04 February 2004, p 23.

³⁰⁷ Pyadushkin M, 'Russia's Military-Technical Co-operation with Other Countries in 2003', *Moscow Defense Brief*, 1, (2004), <<http://mdb.cast.ru/mdb/1-2004/at/rmtc/>>.

³⁰⁸ Sources used: CDI Russia Weekly 245, (2003), <<http://www.cdi.org/russia/245-16.cfm>> Original Source: Pronina L, 'Weapons Exports Hit Record \$4.8Bln', *Moscow Times*, 19 February 2003; Kenzhetyayev and Pronina 15 April 2002, p 12; op cit Novichkov, 04 February 2004, p 23; op cit Pukhov, Makienco and Pyadushkin (2002), p 5; op cit Pyadushkin (2004); op cit Pyadushkin, Haug and Matveeva (2003), p 14; op cit Vasiliev (2006).

³⁰⁹ Website of OJSC *Izhmash*.

rifles, antitank weapons, pistols and revolvers during the Soviet era. The following military small arms are offered for sale on OJSC Izhmash website:

- 5.56mm AK 101 assault rifle
- 5.56 AK 102 short assault rifle
- 7.62mm AK 103 assault rifle
- 7.62mm AK 104 short assault rifle
- 5.45mm AK 105 short assault rifle
- 5.45mm AK 74M assault rifle
- 7.62mm AKM assault rifle
- 7.62mm AKMS assault rifle
- 5.45mm AN-94 assault rifle
- 7.62mm Dragunov SVD sniper rifle
- 7.62mm Dragunov SVDS sniper rifle
- 9mm Bizon-2 sub-machine gun

It has been estimated that military products, including aircraft guns and guided artillery gunning complexes, constitute only half of Izhmash's output.³¹⁰ The rest of Izhmash's output is civilian and includes sporting and hunting weapons, motorcycles, cars and engineering equipment. Of course, Izhmash is still reportedly among the top five manufacturers in the world for assault rifles, sniper/anti-materiel rifles, sub-machine guns,³¹¹ and along with Izhevsk Mechanical Plant reportedly accounts for 85 percent of all small arms produced in Russia.³¹²

It is not possible to give concrete figures for Izhmash's SALW output in recent years. For example, while an article written in 2004 stated that Izhmash only produces a few thousand Kalashnikov assault rifles per year,³¹³ Izhmash and Rosoboronexport officials have argued that Izhmash accounts for only 10–12 percent of the million Kalashnikov rifles sold each year.³¹⁴ Does this mean that Izhmash produces 100,000–120,000 Kalashnikov units per year? Does it merely mean that 100–120,000 Kalashnikovs are sold from Russia each year, including sales from stockpiles/surplus?

It has been argued that because most of Izhmash's military production is intended for export and therefore the value of military output has to be lower than that of exports – which were 12.4 percent in 2001.³¹⁵ According to Izhmash's website, Izhmash has recently been awarded the title of 'Best exporter of the Udmurt Republic – 2005', with exports valued at \$73.6 million for 2005, or 20 percent of Udmurtia's total exports.³¹⁶ This sum is 11 times the value of Izhmash's 2004 exports. Although the Venezuelan deal no doubt contributed considerably to this sum, it has been noted that Izhmash exports its products to more than 50 countries around the world and therefore one would expect it to be a significant exporter.

In 1997, a government resolution gave Izhmash the status of Federal Scientific and Production Centre for Small Arms, with Mikhail Kalashnikov as its head. The government's high opinion of Izhmash in the field of small arms design and production was also reflected in the fact that Izhmash was highlighted as one of the enterprises to drive growth in the conventional arms sector, as, despite accounting for only 7 percent of the conventional arms sector's workforce, in 2000 Izhmash accounted for 95 percent of the sector's growth.³¹⁷ It is perhaps due to perceptions of such dynamism that the government announced its decision to make Izhmash the base around which the Small Arms and Cartridges Corporation would be established.³¹⁸ It should also be noted that the

³¹⁰ Op cit Pyadushkin, Haug and Matveeva (2003), p 8.

³¹¹ Op cit Small Arms Survey 2004, p 27.

³¹² Op cit Kozyulin and Laguta (2006), p 157; op cit Small Arms Survey 2003, p 19.

³¹³ Op cit 'Russian gun originator ...' 5 August 2004.

³¹⁴ Op cit Pechko V, 'Reputatsiya Kalashnikova ...' 27 April 2006.

³¹⁵ Op cit Pyadushkin, Haug and Matveeva (2003), p 8.

³¹⁶ "JSC 'Concern Izhmash' – the best and largest exporter of the Udmurt Republic", Website of JSC Izhmash, 29 May 2006, <<http://www.izhmash.ru/eng/news/290506.shtml>>.

³¹⁷ Op cit Pyadushkin, Haug and Matveeva (2003), p 8.

³¹⁸ Op cit Small Arms Survey 2003, p 19.

state had been a majority shareholder in Izhmash since 2000, through the Federal Ministry of Property Relations, although the Ministry of Property Relations of Udmurtia also holds a significant share in Izhmash.³¹⁹

Izhmash's website is available in Russian and English language versions, with history, product ranges, information on exhibitions and newlines regularly updated on both sets of pages. The quarterly accounts for the JSC 'Izhmash Concern' are also made available on the website and due to the fact that Izhmash is also ranked amongst Kommersant's 300 largest Russian companies, coming in at 208th in 2004 and 249th in 2005,³²⁰ some general information on its profits are publicly available:

Year	Market value (US\$ m)	Trading volume (US\$ m)	Profit (US\$ m)	Operating profit (US\$ m)	Net profit (US\$ m)	No of shareholders
2002	–	–	112.46	7.92	0.79	–
2003	–	0.034	48.66	–4.73	13.93	–
2004	30.51	0.05	48.89	1.11	8.77	31,317
2005	25.22	–	–	–	–	8

However, it is not possible to disaggregate this data to provide information on military SALW outputs, profits, sales and exports. In 2004, CAST announced that they were not including Izhmash in their subsequent surveys because the enterprise's output was 'practically entirely civilian'. Is this still the case? It is difficult to say. The following table gives CAST's ranking for Izhmash in its Rating of Russian Defence Companies and also reported sales volume for the period 1999–2001:³²¹

Year	Rank	Sales (US\$ m)	Exports as a percentage of total sales	Profit (US\$ m)	Employees
1999	8th	90	–	–	22,900
2000	6th	170.7	–	0.9	25,400
2001	6th	199.5	–	–11.6	27,326

More recent data suggests that the number of Izhmash employees has dropped to 20,000 people in 2006,³²² while Izhmash Concern's second quarter accounts for 2006 reveal the following information on the value of all export sales and the share of total sales that they represent:³²³

Year	Export sales (RUR m)	Exports as a percentage of total sales
2003	151	26%
2004	246	32.6%
2005	2,072	70%
1st half of 2006	603.6	60%

Tula instrument design bureau (FSUE KBP)

Website: <<http://www.shipunov.com>>

The history of the Tula Instrument Design Bureau begins in 1927, when the first Soviet research and design bureau was established at the Tula Arms Plant – the Small Arms Design Bureau. It has designed armaments for the Soviet air force, ATGMs, short-range SAMs systems and guided missiles, automatic grenade launchers and small arms. It continues to design and produce SALW, such as:

³¹⁹ Op cit Pyadushkin, Haug and Matveeva (2003), p 7.

³²⁰ Op cit '300 Largest Companies ...', 13 September 2004; op cit '300 Largest Companies ...', 7 September 2005.

³²¹ Op cit 'Rating of Russian ...' (2001), pp 51–5; op cit 'Ratings of Russian ...' (2002), pp 25–8; op cit 'Reiting predpriyatii ...' (2003), pp 55–8.

³²² 'To start preparing for the anniversaries: Izhevsk arms – 200 years, Kalashnikov assault rifle – 60 years', *Izhmash* website, 10 May 06, <<http://www.izhmash.ru/eng/news/100506.shtml>>.

³²³ 'Ezhekvartal'nyi otchet otrkytoe aktsionernoe obshchestvo "Kontsern Izhmash" za 2 kvartal 2006 goda', *Izhmash* website, <<http://www.izhmash.ru/rus/reports/>>.

- 12.7mm NSV-12.7 machine gun
- GM-94 43mm magazine grenade launcher
- 40mm 6G-30 hand-held six-shot grenade launcher
- 30mm AGS-30 automatic grenade launcher system
- RPO-A, RPO-D, RPO-Z infantry rocket flamethrowers
- Metis-M1 ATGM system
- Kornet-E ATGM system

Its subsidiary the Central Design Bureau of Sporting and Hunting Arms (TsKIB SOO), designs and produces small consignments of pistols, revolvers, sub-machine guns, sniper rifles and compact assault rifles.³²⁴ Therefore, the TsKIB SOO's name is a little misleading, as it not only produces hunting and sporting arms, but has also produced small arms for MIA troops. According to the FSUE KBP website, the GSh-18 (Gryazev-Shipunov) pistol was introduced into Russian army service in 2003, with the MIA putting the 9mm P-96M pistol, 43mm GM-94 grenade launcher and 30mm AGS-30 grenade launcher system into service in 2005.³²⁵ The FSUE KBP also produces civilian goods for medical equipment markets, as well as household goods.

In January 2002, the Conventional Arms Agency announced that its 'integrated holding corporation' for light weapons, the High Precision Weapons Corporation, would be based around the FSUE KBP. The High-Precision Weapons Corporation was reportedly established in 2002, with the FSUE KBP as the lead enterprise.³²⁶

The FSUE KBP was awarded a licence to conduct military-technical co-operation with foreign countries independent of state intermediaries in 1996. This licence was extended for another five years thanks to a Presidential decree issued in January 2000.³²⁷ In May 2005, the FSUE KBP was granted a licence to engage in the foreign trade of weapons for five more years.³²⁸ It has made good use of its right to conduct military-technical co-operation with foreign countries independent of state intermediaries. The website of the FSUE KBP list 54 countries that currently have their produce in service, while in the 1990s for every order received from the Russian MOD they were receiving ten orders from overseas. One report claims that domestic sales of missiles systems represented only three percent of total output in 2000.³²⁹

Total arms exports for FSUE KBP, 2000–2005 (\$US million)³³⁰

	2000	2001	2002	2003	2004	2005
FSUE KBP	97.5	30	–	113	250	320

Unfortunately it is still difficult to discern the actual value of SALW exported, as other weapons systems exported by the FSUE KBP, such as the Pantsyr-S anti-aircraft complex are included in these figures. Another problem for the FSUE KBP has been the imposition of US State Department Economic Sanctions in recent years. For example, in 1999 the State Department placed sanctions on Tula KBP after the company delivered Kornet ATGM to Syria and in 2003 it was the subject of US State Department Economic Sanctions, because it had been involved in sales of high-tech weapons to Iran.³³¹

The FSUE KBP's website is available in English and Russian, with pages dedicated to the enterprise's history, product range, exhibitions and newlines, which appears to have been updated in 2006, although most of the news reports referred to on the website are from 2003.

³²⁴ Op cit Pyadushkin, Haug and Matveeva (2003), p 11.

³²⁵ FSUE KBP website, <<http://www.shipunov.com>>.

³²⁶ Op cit Small Arms Survey 2004, p 15.

³²⁷ Website of Tula Instrument Design Bureau <<http://www.shipunov.com>>.

³²⁸ Op cit Safronov, 10 May 2005.

³²⁹ Pyadushkin, Haug and Matveeva 2003, p 11.

³³⁰ Sources used: Kenzhetyayev and Pronina, 15 April 2002, p 12; Makienko (2001), pp 42–3; Novichkov, 04 February 2004, p 23; Pukhov, Makienko and Pyadushkin, 2002, p 5; 'Russia's Weapon Exports ...', Safronov, 10 May 2005.

³³¹ Op cit Pronina L, 13 September 2002; op cit 'Tulskie oruzheiniki ...', 16 September 2003; op cit 'Tulskoe KBP ...', 20 September 2006.

Vyatskiye Polyany machine-building plant 'Molot'

The plant was founded in 1941, as part of the movement of defence enterprises eastwards. Its initial production lines were of pistols and between 1953–5 there was serial production of the Stechkin automatic pistol at the plant. The plant also produced Kalashnikov assault rifles, light machine guns and grenade launchers.³³² Molot continues to manufacture anti-personnel automatic grenade launchers in collaboration with the JSC Degtyaryev Plant, as well as portable Metis-2 ATGMs under contract for FSUE KBP and Kalashnikov light machine guns.³³³ However, military output is estimated at only 12 percent of the plant's total output, with the remainder accounted for by motorcycles, household appliances, industrial equipment and hunting rifles, in particular the conversion of SKS combat carbines into hunting weapons.³³⁴ The state controls the enterprise through its golden share and the shares of the Ministry of Property Relations.

³³² Taken from the website *Russian Arms* <<http://russianarms.info/rushtm/zavodi/molot/story.htm>>.

³³³ Op cit Pyadushkin, Haug and Matveeva (2003), p 14.

³³⁴ Ibid p 13.

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