The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

The Great Glonass Game

By Peter Rutland

August 09, 2010



Over the past 10 years, Prime Minister Vladimir Putin has been one of the biggest cheerleaders of Glonass — a Brezhnev-era satellite navigation system that is intended to be an alternative to the U.S.-based GPS system, which has been operating since 1995. Now, the Kremlin is pondering steps to strengthen state control over Russia's burgeoning telecom market — and to make some money from the Glonass system.

In 2009, 1.2 million phones and car-navigation devices using GPS were sold in Russia. The Russian government sees this as a threat to the country's "information security" since Washington could shut down foreign access to GPS in the event of a conflict with Moscow. The Kremlin would like to see Glonass-compatible chips installed in all Russian phones and navigation devices.

At a meeting with Putin on July 16, Sistema chairman Vladimir Yevtushenkov said non-Glonass compatible phones will be barred from Russia in the near future. Sistema owns a controlling stake in MTS, the country's leading mobile phone company. A week later, it was announced that a 25 percent tariff will be imposed on GPS-only phones.

The Glonass system was originally designed to improve the targeting of Soviet intercontinental ballistic missiles. The first satellite was launched in 1982, and 12 were in orbit by 1991. But the system requires 24 satellites for global coverage. Spending was frozen during the 1990s, and the number of satellites fell to eight by 2002. Putin made completion of the Glonass system a priority. With seven satellites launched in the past year alone, the system now has 21 deployed; this is sufficient to provide coverage in the northern hemisphere.

Other countries share this concern about dependence on the U.S. system. India is actively cooperating with Russia in developing Glonass. Both the European Union and China have started work on their own satellite navigation systems, but both systems are years away from being operational.

Russian officials claim that Glonass coverage is better than GPS in northern latitudes and can usefully complement GPS in eliminating blind spots in high-density urban areas. Free-market economists would agree that having two systems is more likely to promote competitiveness in the long run.

Russia's mobile phone industry is one of the unsung success stories since the country started its transition to a market economy after the collapse of the Soviet Union. Like other countries in the developing world, the surge in mobile phones in Russia was aided by the fact that the state-owned phone monopoly on fixed lines was inefficient and inadequate. The telecom market is also one of the few examples of Russia's successful conversion of the defense industry since the key firms were created by personnel from the military-industry complex — while foreign telecoms were kept out of the market, except as minority partners.

The market leaders are MTS with a 34 percent share, followed by VimpelCom and MegaFon with about 25 percent each. VimpelCom and MegaFon have seen fierce battles for control among competing shareholders in recent years, with foreign investors involved (Norway's Telnor and Sweden's Teliasonera respectively).

The introduction of Glonass gives the Kremlin a pretext to intervene in the lucrative telecom market. Now that the demand for mobile phones is fairly saturated, future profits will lie in the delivery of enhanced information services, such as navigation. Telecom gives different factions within the Russian elite another opportunity to promote the interests of large Kremlin-friendly corporations.

A good example is Yevroset, a mobile phone retailer, which was sold in 2008 by its former founder Yevgeny Chichvarkin under pressure from law enforcement agencies.

Just as the oil industry has seen the marginalization of foreign investors and a reassertion of state control in recent years, telecom might be the next target for the Kremlin. Given the track record of the Russian government in sectors where it has a dominant position, this can only be worrying news for the country's telecom customers.

Peter Rutland is a professor at Wesleyan University and an associate of the Davis Center for Russian and Eurasian Studies at Harvard.

The views expressed in opinion pieces do not necessarily reflect the position of The Moscow Times.

Original url: https://www.themoscowtimes.com/2010/08/09/the-great-glonass-game-a515