

More Defense Spending but Less Defense

By [Alexander Golts](#)

March 09, 2011

The  Moscow Times

In the movie “Pretty Woman,” there is a line in which a millionaire enters a clothing boutique and says, “We’re going to be spending an obscene amount of money in here.”

The Russian government has made a similar pledge regarding spending for the Defense Ministry for the next decade. Through 2020, 20 trillion rubles (\$650 billion) will be spent on re-equipping the army. That comes out to \$65 billion a year, meaning in effect that the country’s defense budget will more than double in size.

Military contractors are already lining up for their juicy piece of the pie, each outdoing the next with the size and cost of their proposed projects. First Deputy Defense Minister Vladimir Popovkin has said the ministry will be ordering 600 aircraft and 100 warships. There has even been talk of developing a new heavy liquid-fueled intercontinental missile from scratch, but even if this could be done, only Ukraine has the facilities to do it.

The Bulava missile, which to this day has trouble hitting its targets, offers a good example of how there is no link between throwing billions of rubles at a big-ticket project and the success of the project. The government is essentially proposing the creation of a dozen or so new Bulava-like projects.

What's more, as enormous increases in defense spending were announced, there have also been reports of equally enormous inefficiencies in the defense industry. Deputy Prime Minister Sergei Ivanov leveled scathing criticism at the Federal Space Agency for not fulfilling its defense contracts from last year. One week later, an even more critical news report from Defense Minister Anatoly Serdyukov to President Dmitry Medvedev appeared in the media. It said that only 30 percent of all defense contracts had been fulfilled last year.

The main problem is that the military-industrial complex no longer serves as a collection of companies working together to produce specific weapons. Instead, Soviet-style military-industrial state agencies have been created under the guise of defense contractors. The bureaucrats running those organizations have tried to gather together as many subsidiary companies as possible without any thought as to their effectiveness or ability to contribute to the manufacture of actual weapons.

The real goal was to have as many employees on the payroll as possible to avoid potential social unrest. This is why, for example, Russian Technologies chief Sergei Chemizov packed almost 500 companies into his conglomerate, even though one-fourth of them are nearly bankrupt.

There is no point in talking about effective defense contractors when an effective overall system of production has yet to be established. Since most weapons system components are manufactured at final assembly plants, a supply chain of subcontractors simply does not exist. That is why sophisticated weapons systems cannot be produced in large numbers, and why increased financing does not speed up production but only tends to inflate the final cost of each individual tank or aircraft.

If the government follows through on its promise to allocate enormous sums for modernizing the army, the money will simply disappear. Surely, Prime Minister Vladimir Putin is aware of that danger. A careful reading of the defense budget for the next three years reveals that the funds for re-equipping the army will be handed out only in 2013, one year after the presidential election.

Feeding the defense industry with pork-barrel projects may be a great way to win votes from the hundreds of thousands of employees in the sector, but it will do little to build a viable army.

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