

Medvedev Warns Defense Firms Not to Inflate Prices

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President Dmitry Medvedev said Friday that the state would spend the equivalent of \$700 billion by 2020 to modernize the military's aging arsenals, but sternly warned arms industries against jacking up prices.

Medvedev said the new plan should re-equip the armed forces, which have mostly relied on Soviet-built weapons, but some analysts say the ambitious program that envisages procurement of 600 new warplanes, 100 ships and 1,000 helicopters is unfeasible because of a steady decline of the nation's once-proud arms industry.

Medvedev, speaking at a meeting with the top military brass, harshly criticized domestic arms makers for failing to meet domestic weapons orders last year and said that the culprits will be punished.

Medvedev didn't give details, but Deputy Prime Minister Sergei Ivanov said last month that arms companies produced only five of 11 military satellites that were supposed to be delivered last year.

Medvedev added that the price for new armaments "must be transparent and comprehensible." He said some arms makers offer a low price and then swell it after winning the tender, which he called unacceptable.

"We have the money, all we need is to establish order," he said.

Military officials long have complained that the nation's arms makers are offering slightly remodeled versions of Soviet-built weapons at artificially high prices.

The military's Land Forces commander, General Alexander Postnikov, told lawmakers last week that the latest weapons fall behind their Western analogues even though they are now offered to the military at prices higher than in the West. As an example, Postnikov cited Russia's latest tank, the T-90, which he said was a restyled version of the T-72 tank dating back to the 1970s, Interfax reported.

Analysts say the nation's military industries have been badly crippled by the post-Soviet industrial meltdown, which prompted hundreds of subcontractors to stop production of weapons parts.

The nation's top weapons manufacturers were forced to launch their own production of components, limiting their efficiency. They also have continued to rely on obsolete equipment and an aging work force, which limited their ability to design new weapons

Corruption also has been named as a key factor that slows down military modernization.

"The shape of the military-industrial complex makes it unable to produce the required number of weapons," independent analyst Alexander Golts said in a commentary published by The New Times weekly.

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