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Why We Can't Fulfill Defense Plans

By Yury Solomonov

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Russia's leaders have always been rightfully concerned about the country's nuclear weapons. Yet the strategic goal to upgrade its aging nuclear arsenal has not been met.

The economic problems during the 1990s certainly didn't help. But even when the economy recovered in the 2000s, the strategic weapons program did not get the proper financing it deserved, particularly considering the fact that so much of the nuclear arsenal dates back to the 1980s.

Weapons programs have been far too limited in scope to modernize the nuclear arsenal. Each program typically lasted no more than five years before being replaced by another 10-year plan with new goals. The latest such plan was adopted in 2010 and covers the period from 2010 to 2020 — the so-called 10-20 plan. I am afraid that this plan will suffer the same fate as the previous ones.

First, as with earlier 10-year plans, this proposal promises to provide most of the earmarked sum of 20 trillion rubles ($715 billion) only during the second five years. Earlier plans failed

because inadequate funds were allocated early on to achieve the mass production required for significant progress toward weapons modernization.

Not only is the 10-20 plan identical in this respect, but it also includes the novel approach of taking loans from commercial banks to finance the program during the first five years, when the state will be short on cash.

One obvious question stands out: If the government decided to finance a portion of the weapons program using bank loans, why didn't it negotiate for the Central Bank refinancing rate instead of the higher commercial rate?

Second, the state will have to guarantee all loans channeled to those firms and allocate budgetary funds to pay the interest. This will satisfy the demands of the lending institutions and safeguard defense firms from any possible financial claims on them by banks.

The Finance Ministry prepared these rules in late 2010, and they were issued as government regulations. It would seem that everything is in place to begin. But what has happened?

Six months have passed and not a single contract has been signed with nuclear weapons contractors — the highest priority sector in this program. One of the problems is that the Defense Ministry believes it knows best how to institute the program and that Finance Minister Alexei Kudrin's regulations are unnecessary.

Meanwhile, VTB, which is participating in the program, cannot understand the reason for the inaction and is effectively saying: "We're ready to give you the money at the agreed-on terms. Why don't you start working?"

In the end, however, it is the defense contractors that will be blamed for sabotaging the program.

All of this paints a rather bleak picture. I suspect that the current program will last another four years and produce only modest results. Then it will be replaced by another weapons procurement program for the next 10-year period from 2015 to 2025, and I expect that we will see the same exact results.

Based on the poor record of fulfilling defense procurement orders in 2011, it is clear that the overall defense plan, including modernizing the strategic nuclear weapons program, will not be met.

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