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Defending the Defense Industry

By Ruslan Pukhov

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The political shoving match that Defense Minister Anatoly Serdyukov and defense contractors have been playing for the last two years erupted into a full-fledged fistfight in July.

Earlier this month, Yury Solomonov, chief strategic missile designer at the Moscow Institute of Thermal Technology, announced that the state's orders for missiles this year could not be fulfilled because no contract had been signed by mid-summer. President Dmitry Medvedev demanded that the Defense Ministry immediately resolve the situation and in particular deal with those who are sounding the panic alarms.

The military brass said it had delayed signing contracts because of unjustified, exorbitant price increases that defense industry manufacturers demanded. The defense industry responded with an initiative calling for legislation prohibiting imports of foreign weapons, which directly conflicts with efforts by Serdyukov and General Staff chief Nikolai Makarov to buy key weapons programs from the West to help modernize the army as quickly as possible. The conflict reached a climax when the government threatened to press criminal charges against the Severnaya Verf shipyard for failing to fulfill its contract to build next generation corvettes and frigates for the Navy.

Russia has no military-industrial complex per se, at least not as former U.S. President Dwight Eisenhower defined it — a war machine with a strong and efficient industrial base to maintain it. Following the Soviet collapse, Russia's military-industrial complex was shattered into many different component parts, many of which are now at loggerheads with each other and weakened by low efficiency and productivity.

The Defense Ministry plans to place 19 trillion rubles (almost $700 billion) in defense orders through 2020 to modernize weapons systems that have not been updated for 15 years. The armed forces are supposed to receive eight Borei-class submarines equipped to carry nuclear missiles, 10 divisions of Iskander missile systems, 600 new aircraft, 1,200 helicopters, 28 divisions of the latest S-400 anti-aircraft missile systems and 100 general-purpose naval vessels.

The military brass wants to be certain that taxpayers' money will not be misappropriated and that the defense plants will be able to manufacture the required equipment on schedule and fulfill meet quality standards at a reasonable price. At the same time, however, the Defense Ministry is not willing to solve the systemic problems that have crippled the defense industry resulting from a lack of investment in the industry over the past 15 years.

The way the Defense Ministry places its orders since Serdyukov became defense minister reflects Serdyukov's former profession as head of the Federal Tax Service — in particular, the ministry's obsession with minimizing the price of the weapons systems it purchases. In this pursuit, however, the ministry ignores other factors, including the need to preserve and develop the country's domestic military-industrial potential.

Another factor contributing to the recent conflict is the personnel vacuum at the Defense Ministry resulting from the appointment of former First Deputy Defense Minister Vladimir Popovkin as head of the Federal Space Agency. That caused a delay in signing defense contracts for 2011 and has made it impossible to fulfill state defense orders this year.

The problems in the defense industry are not as simple as they might initially appear. Journalists, military experts and academics are fond of picking at the deficiencies in Russia's defense industry. They assume that the industry is backward and incompetent across the board.

But there are exceptions, of course. Take, for example, Russia's huge volume of weapons exports, placing the country No. 2 in the world in terms of arms exports, according to the Stockholm International Peace Research Institute. Since 1997, Russia's so-called decrepit military-industrial complex has increased arms exports from $2 billion to $10 billion. It has re-equipped both the Chinese and Indian armed forces with new generation military hardware, produced a fifth-generation fighter jet and has strategic deterrence capabilities that are rivaled only by the United States.

This does not mean there is no basis for criticism. The complaints directed at the defense industry concern three areas: price, quality and delivery time. Yet most of those problems originate with the suppliers of parts and component systems and do not stem from the end manufacturers, most of which are innovative and possess strong production capabilities. For example, 90 percent of all the problems with the Su-27SM and Su-34 aircraft stem from failure of the onboard equipment and not from the aircraft itself. Similarly, the main reason

that production of the Yak-130 advanced jet trainer has not picked up speed is a shortage of engines, which are produced in Ukraine, as well as guidance systems.

Although combat aviation and air defense manufacturers are efficient and innovative, those producing drone and military transport aircraft have practically collapsed, forcing the top brass to consider importing comparable equipment from the West and Israel.

Now the main task is for the Defense Ministry and defense contractors to find new ways of working together. That will only be possible if the government can improve cooperation among its ministries and dramatically increase the competence of its deputy prime ministers, such as Sergei Ivanov, who are charged with improving the capabilities and efficiency of the defense industry.

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